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the Estate of NorVergence, Inc.

UNITED STATES BANKRUPTCY COURT
DISTRICT OF NEW JERSEY

IN RE:

NORVERGENCE, INC.,

Debtor.

CHARLES M. FORMAN, CHAPTER 7
TRUSTEE OF THE ESTATE OF
NORVERGENCE, INC.,

Plaintiff,

vs.

THOMAS N. SALZANO, DATA
SOLUTIONS, LTD., PETER SALZANO
(named only for notice purposes and not for
any relief herein insofar as Peter Salzano is a
debtor in a case under Chapter 11 of the
Bankruptcy Code), ALEXANDER L.
WOLF, ROBERT FINE, ROBERT
WIZEMAN, WILLIAM JEAN CHARLES,
TERRY SKEMER, ARTHUR SCUTTARO,
ABB BUSINESS FINANCE, ALFA
FINANCIAL CORPORATION, A
DIVISION OF OFC CAPITAL A/K/A
ALFA FINANCIAL A/K/A OFC CAPITAL,
BANC LEASE ACCEPTANCE
CORPORATION A/K/A NORTH TEXAS
CREDIT CORP., BB&T LEASING
CORPORATION A/K/A BB&T LEASING,
CELTIC BANK, CIT GROUP A/K/A CIT
CAPITAL A/K/A CIT TECHNOLOGY
FINANCING SERVICES, INC. A/K/A CIT

Chapter 7

Case No. 04-32079 (RG)

Hon. Rosemary Gambardella, U.S.B.J.

Adv. Pro. No. 06--_____

FINANCIAL USA, INC. A/K/A CIT
LEASING, CITICAPITAL TECHNOLOGY
FINANCE, INC. A/K/A CITI CAPITAL
A/K/A THE CITI GROUP, COMBINED
CAPITAL A/K/A ACC LEASING, COURT
SQUARE LEASING CORPORATION,
DELAGÉ LANDEN FINANCIAL
SERVICES, INC. A/K/A DELAGÉ
LANDEN, DOLPHIN FINANCIAL
CORPORATION A/K/A DOLPHIN
CAPITAL CORPORATION A/K/A
DOLPHIN LEASING A/K/A CAPITAL
CROSSING BANK, FIRST LEASE, INC.,
GENERAL ELECTRIC CAPITAL
CORPORATION A/K/A GE CAPITAL, IFC
LEASING, INC. A/K/A IFC CREDIT
CORPORATION A/K/A INSIGHT
FINANCIAL CORP., INFORMATION
LEASING CORP. N/K/A NATIONAL
CITY COMMERCIAL CAPITAL, IRWIN
BUSINESS FINANCE A/K/A IRWIN
COMMERCIAL FINANCE CORP. A/K/A
IRWIN COMMERCIAL LEASING,
LEASING INNOVATIONS, INC.,
LIBERTY BANK LEASING A/K/A
LIBERTY BANK, LYON FINANCIAL
SERVICES, INC. D/B/A U.S. BANCORP
BUSINESS EQUIPMENT FINANCE
GROUP A/K/A US BANCORP, MADISON
CAPITAL, LLC A/K/A MADISON
CAPITAL-FUNDING A/K/A MADISON
CAPITAL EQUIPMENT LEASE, INC.,
NATIONAL PENN LEASING A/K/A
NATIONAL PENN BANK CO.,
NORTHLAND CAPITAL FINANCIAL
SERVICES A/K/A NORTHLAND
LEASING INNOVATIONS, PARTNERS
EQUITY CAPITAL COMPANY, PFG
COMMERCIAL FINANCE, POPULAR
LEASING A/K/A POPULAR LEASING
USA, INC., PREFERRED CAPITAL, INC.
A/K/A PREFERRED CAPITAL, LLC
A/K/A PREFERRED LEASING, LLC
A/K/A PREFERRED CAPITAL LEASING,
R-G CROWN BANK LEASING D/B/A
CROWN BANK LEASING F/K/A CROWN
BANK, A FEDERAL SAVINGS BANK,
STERLING NATIONAL BANK,
STUDEBAKER WORTHINGTON

LEASING GROUP, SUSQUEHANNA
PATRIOT COMMERCIAL LEASING
COMPANY, INC. A/K/A PATRIOT
LEASING COMPANY A/K/A PATRIOT
LEASING, US EXPRESS LEASING, INC.
A/K/A USXL, WELLS FARGO
FINANCIAL LEASING A/K/A WELLS
FARGO FINANCIAL, INC.

Defendants.

**COMPLAINT (i) TO AVOID AND RECOVER
FRAUDULENT TRANSFERS AND SETOFFS
PURSUANT TO 11 U.S.C. §§ 544, 548, 550, 553(b)(1)
AND N.J.S.A. 25:2 *et seq.*, AND FOR (ii) FRAUD, (iii)
BREACHES OF FIDUCIARY DUTY, (iv) AIDING
AND ABETTING A FRAUD, (v) AIDING AND
ABETTING BREACHES OF FIDUCIARY DUTY
AND (vi) DEEPENING INSOLVENCY.**

Charles M. Forman, the duly appointed and acting Chapter 7 Trustee (the "Trustee") of the bankruptcy estate of NorVergence, Inc. (the "Estate"), by and through his special litigation counsel, Porzio, Bromberg & Newman, P.C., hereby brings this Complaint against defendants, Thomas N. Salzano, Data Solutions, Ltd., Peter Salzano (named only for notice purposes and not for any relief herein insofar as Peter Salzano is a debtor in a case under Chapter 11 of the Bankruptcy Code, United States Bankruptcy Court for the District of New Jersey, Case No. 05-11415), Alexander L. Wolf, Robert Fine, Robert Wizeman, William Jean Charles a/k/a Williams Jean Charles (hereinafter, "William Jean Charles"), Terry Skemer, Arthur Scuttaro, ABB Business Finance, Alfa Financial Corporation, a division of OFC Capital a/k/a Alfa Financial a/k/a OFC Capital, Banc Lease Acceptance Corporation a/k/a North Texas Credit Corp., BB&T Leasing Corporation a/k/a BB&T Leasing, Celtic Bank, CIT Group a/k/a CIT Capital a/k/a CIT Technology Financing Services, Inc. a/k/a CIT Financial USA, Inc. a/k/a CIT Leasing, Citicapital Technology Finance, Inc. a/k/a Citi Capital a/k/a The Citi Group, Combined Capital a/k/a ACC Leasing, Court Square Leasing Corporation, DeLage Landen Financial Services, Inc. a/k/a DeLage Landen, Dolphin Financial Corporation a/k/a Dolphin Capital Corporation a/k/a

Dolphin Leasing a/k/a Capital Crossing Bank, First Lease, Inc., General Electric Capital Corporation a/k/a GE Capital, IFC Leasing, Inc. a/k/a IFC Credit Corporation a/k/a Insight Financial Corp., Information Leasing Corp. n/k/a National City Commercial Capital, Irwin Business Finance a/k/a Irwin Commercial Finance Corp. a/k/a Irwin Commercial Leasing, Leasing Innovations, Inc., Liberty Bank Leasing a/k/a Liberty Bank, Lyon Financial Services, Inc. d/b/a U.S. Bancorp Business Equipment Finance Group a/k/a US Bancorp, Madison Capital, LLC a/k/a Madison Capital-Funding a/k/a Madison Capital Equipment Lease, Inc., National Penn Leasing a/k/a National Penn Bank Co., Northland Capital Financial Services a/k/a Northland Leasing Innovations, Partners Equity Capital Company, PFG Commercial Finance, Popular Leasing a/k/a Popular Leasing USA, Inc., Preferred Capital, Inc. a/k/a Preferred Capital, LLC a/k/a Preferred Leasing, LLC a/k/a Preferred Capital Leasing, R-G Crown Bank Leasing d/b/a Crown Bank Leasing f/k/a Crown Bank, a Federal Savings Bank, Sterling National Bank, Studebaker Worthington Leasing Group, Susquehanna Patriot Commercial Leasing Company, Inc. a/k/a Patriot Leasing Company a/k/a Patriot Leasing, US Express Leasing, Inc. a/k/a USXL, Wells Fargo Financial Leasing a/k/a Wells Fargo Financial, Inc. (the defendants beginning with ABB Business Finance and ending with Wells Fargo Financial Leasing shall hereinafter be referred to as the "Leasing Companies") (a glossary of defined terms is attached as **Exhibit "A"** and is incorporated herein by reference), and states:

INTRODUCTION

1. When a "business" is designed, not to earn a profit, but simply to generate cash through the addition of larger and larger numbers of new customers, the "business" will constitute a Ponzi scheme¹.

¹ Charles Ponzi established The Security Exchange Company in Boston on December 26, 1919, promising investors 50% interest in 45 days. His alleged business was international postage stamps, which would be converted into U.S. dollars at great profit. Investors lined up and Ponzi made good on his promise, paying 50% interest to investors in 45 days until his house of cards collapsed in August of 1920. It seems that there was no underlying business and that Ponzi was simply paying interest to old investors with new investors' money. As long as the "business" grew exponentially, it worked. But without a constant supply of new customers, it failed. All told, 40,000 people

2. When a "business" is designed to sell goods or services to customers at a loss (because there is no ultimate intention of paying the vendors) the "business" will constitute a "Bust-Out".²

3. NorVergence, Inc. ("NorVergence" or "Debtor") was a complex and ingenious combination of a Ponzi and a "Bust-Out": it generated cash (not profit) through the exponential expansion of its customer base. But it accomplished that exponential growth by selling its product, telecommunications and internet services, to customers at a great loss. The Insiders, defined below, and particularly Thomas N. Salzano, lived lavishly off the cash flow, until the source of new customers dried up. This scheme shall hereinafter be referred to as the "Salzano Scheme."

SUMMARY

4. NorVergence was incorporated in September, 2001, by Peter Salzano ("Peter"), as CEO and major shareholder. The actual mastermind and principal behind NorVergence from the start was Thomas N. Salzano ("Salzano"), Peter's brother. Salzano was never directly employed by NorVergence as anything other than a consultant, although he managed and controlled all of NorVergence's affairs from the start.

5. Salzano had a history of running telecommunication companies with large call center operations into bankruptcy³, as well as a record of regulatory problems with the Federal Communications Commission ("FCC") and various state agencies.

6. As a result, Salzano chose to keep his name out of the public eye in connection with NorVergence's start up, and chose his brother, Peter to serve as NorVergence's front man.

entrusted an estimated fifteen million dollars with Ponzi. He and his staff lived lavishly. In truth, there was no business, no profit motive, and no profits (only cash). Ponzi went to jail for fraud.

² In a "Bust-Out," a business places large orders with vendors on credit, never intending to repay the vendors. The products are sold to customers at cheaper than wholesale (which causes the product to move very quickly). The operator then quickly shuts things down and leaves with the money, without paying the suppliers, of course. See, e.g., *United States v. Crocket*, 534 F.2d 589, 592 (5th Cir. 1972).

³ National Telecommunications, Co., Inc. and Minimum Rate Pricing filed for bankruptcy protection on February 26, 1999. On November 3, 1999, Discount Call Rating, Inc. also filed for bankruptcy protection.

7. From September, 2001, until late in 2002, Salzano carefully planned the roll out of the Salzano Scheme. NorVergence would be both the victim and the vehicle through which the Salzano Scheme was perpetrated. NorVergence began operations late in 2002. For a few short months of operations in 2002, NorVergence had gross revenues and lease sales receipts of \$19.5 million.

8. In an initial filing with Dunn & Bradstreet in 2001, before operations began, Peter had estimated revenues of \$90 million in the first year of operations. In 2003, the first full year of operations, NorVergence had gross revenues and lease sales receipts of \$142 million. In the first 6 months of 2004, prior to the June 30, 2004 involuntary petition date filing, it had lease receipts and gross revenues approaching \$150 million and anticipated annualized gross revenues and lease sales receipts of \$350 million.

9. The problem, as will be shown below, is that very few of these receipts represented true earnings, as opposed to money simply churned from the acquisition of new customers.

10. The Salzano Scheme caused hundreds of millions of dollars to be funneled into the business, only to be expended on landing new customers, and the lavish lifestyle of Salzano, all to the detriment of NorVergence and NorVergence's customers and creditors.

11. Alexander L. Wolf, Robert Fine, Robert Wizeman, William Jean Charles, Terry Skemer and Arthur Scuttaro (the "Insiders") were all officers and/or directors and/or employees with significant management responsibilities who understood all or a significant part of the Salzano Scheme and nonetheless, breached their fiduciary duties to NorVergence by actively participating in it and by permitting it to continue for almost two years, unabated.

12. In addition to their regular payroll and company credit cards, the Insiders received at least \$854,000.00 in additional payments from NorVergence.

13. The cash passing through NorVergence (there were never profits – only cash) supported Salzano's lavish lifestyle, as well as the lifestyles of the Insiders. In this Complaint the Trustee seeks to recover some \$2.7 million in known transfers made to Salzano.

14. Finally, the Leasing Companies named in this Complaint were the recipients of fraudulent conveyances and other transfers which, among other things, served to perpetuate the Salzano Scheme. Certain payments made to the Leasing Companies are avoidable as actual intent fraudulent conveyances under 11 U.S.C. § 548 as well as § 544, utilizing state law. The Leasing Companies also knew or should have known about the fraud, and as such, are also liable for aiding and abetting the fraud, aiding and abetting a breach of fiduciary duty, and for the deepening of NorVergence's insolvency. Some of the Leasing Companies may have also improved their position by way of setoff, in the 90 days prior to the bankruptcy, which amounts are recoverable under 11 U.S.C. § 553(b).

THE BANKRUPTCY PROCEEDING

1. On June 30, 2004 (the "Petition Date"), an involuntary bankruptcy petition was filed against NorVergence under Title 11, Chapter 11 of the United States Code (the "Bankruptcy Code").

2. The involuntary bankruptcy petition was filed as a Chapter 11 by defendants (i) Popular Leasing USA, Inc., (ii) OFC Capital, a Division of ALFA Financial Corporation, and (iii) Partners Equity Capital Company, LLC.

3. At a hearing held on July 14, 2004, the Debtor consented to the entry of an order for relief under Chapter 11 of the Bankruptcy Code and for the immediate conversion of the case to a Chapter 7 liquidation proceeding. On that same date, the Court entered an Order Granting (i) Entry of an Order for Relief Under Chapter 11 of the Bankruptcy Code and (ii) Converting the Case to a Chapter 7 Liquidation Proceeding Pursuant to 11 U.S.C. § 1112(b).

4. On July 14, 2004, the Office of the United States Trustee appointed Charles M. Forman to serve as the Trustee for the Debtor's Chapter 7 estate.

JURISDICTION AND VENUE

5. This Court has jurisdiction over this adversary proceeding pursuant to 28 U.S.C. §§ 1334 and 157(b) because this action is a civil proceeding arising under the Bankruptcy Code, or this action arises in or relates to the above-captioned Chapter 7 case under the Bankruptcy Code. This action is a core proceeding under 28 U.S.C. §§ 157(b)(2)(A), (F), and (O). Venue is proper in this core proceeding pursuant to 28 U.S.C. § 1409.

PARTIES

6. The Trustee is the duly appointed, qualified and acting trustee in the above-captioned case under Bankruptcy Code § 702. The Trustee is prosecuting this action on behalf of the Estate.

7. Upon information and belief, Defendant, Thomas N. Salzano is a person who formerly resided at 138 Timberhill Drive, East Hanover, NJ 07936-3336. His present address is unknown.

8. Data Solutions, Ltd. is a consulting company owned and operated by Thomas N. Salzano formerly located at 299-301 Vermont Ave., Irvington, NJ 07111. Its current address is unknown.

9. Peter Salzano was the President and Chief Executive Officer of the Debtor and is an individual residing at 1 Old Lane Extension, Towaco, NJ 07082. He is currently a Chapter 11 Debtor before the United States Bankruptcy Court for the District of New Jersey, Case No. 05-11415. Therefore, no relief is sought in this action against Peter Salzano and he is named here for notice purposes only.

10. Alex Wolf was the Debtor's Chief Operating Officer and is an individual with a mailing address of PO Box 2369C, Kingston, NY 12402.

11. Robert Fine was the Debtor's Vice President and is an individual residing at 481 Beech Street, Apt. J-11, Haworth, NJ 07641.

12. Robert Wizeman was the Debtor's Vice President and is an individual residing at 667 Maple Avenue, Teaneck, NJ 07666.

13. William Jean Charles was the Debtor's Director/Vice President and is an individual residing at 45 Snyder Road, Fords, NJ 08863.

14. Terry Skemer was the Debtor's Vice President and is an individual residing at 10406 SE 19th Street, Bellevue, WA 98004.

15. Arthur Scuttaro was Debtor's Senior Vice President of Application Screening and is an individual residing at 51 Coeyman Avenue, Nutley, NJ 07110.

16. ABB Business Finance ("ABB Business") is a corporation which purchased Equipment Rental Agreements for telecommunications related equipment (hereinafter referred to as "Leases") from NorVergence, with a place of business at 210 Haddon Avenue, Collingswood, NJ 08108-1124.

17. Alfa Financial Corporation, a division of OFC Capital a/k/a Alfa Financial a/k/a OFC Capital ("Alfa/OFC") is a corporation which purchased Leases from NorVergence with a place of business at 576 Colonial Park Drive, Suite 200, Roswell, GA 30075.

18. Banc Lease Acceptance Corporation a/k/a North Texas Credit Corp. ("Banc Lease") is a corporation which purchased Leases from NorVergence, with a place of business at 100 Decker Court, Suite 225, Irving, TX 75062.

19. BB&T Leasing Corporation a/k/a BB&T Leasing ("BB&T") is a corporation which purchased Leases from NorVergence with a place of business at 5130 Parkway Plaza Boulevard, Charlotte, NC 28217-1964.

20. Celtic Bank ("Celtic") is a corporation which purchased Leases from NorVergence with a place of business at 340 East 400 South, Salt Lake City, UT 84111.

21. CIT Group a/k/a CIT Capital a/k/a CIT Technology Financing Services, Inc. a/k/a CIT Financial USA, Inc. a/k/a CIT Leasing ("CIT") is a corporation which purchased Leases from NorVergence with a place of business at 505 5th Avenue, New York, NY 10017.

22. Citicapital Technology Finance, Inc. a/k/a Citi Capital a/k/a The Citi Group ("Citi") is a corporation which purchased Leases from NorVergence with a place of business at 1255 Wrights Lane, Westchester, PA 19380.

23. Combined Capital a/k/a ACC Leasing ("Combined Capital") is a corporation which purchased Leases from NorVergence with a place of business at 954 W. Washington Boulevard, 7th Floor, Suite 7, Chicago, IL 60607.

24. Court Square Leasing Corporation ("Court Square") is a corporation which purchased Leases from NorVergence with a place of business at 14 Great Valley Parkway, Suite 100, Malvern, PA 19355.

25. De Lage Landen Financial Services, Inc. a/k/a De Lage Landen ("DeLage") is a corporation which purchased Leases from NorVergence with a place of business at 1111 Old Eagle School Road, Wayne, PA 19807.

26. Dolphin Financial Corporation a/k/a Dolphin Capital Corporation a/k/a Dolphin Leasing a/k/a Capital Crossing Bank ("Dolphin") is a corporation which purchased Leases from NorVergence with a place of business at 1720A Crete Street, PO Box 56, Moberly, MO 65270.

27. First Lease, Inc. ("First Lease") is a corporation which purchased Leases from NorVergence with a place of business at 185 Commerce Drive, Suite 102, Fort Washington, PA 19034.

28. General Electric Capital Corporation a/k/a GE Capital ("GE Capital") is a corporation which purchased Leases from NorVergence with a place of business at 260 Long Ridge Road, Stamford, C 06927-1600.

29. IFC Leasing, Inc. a/k/a IFC Credit Corporation a/k/a Insight Financial Corp. ("IFC") is a corporation which purchased Leases from NorVergence with a place of business at 2121 Pennsylvania Avenue NW, Washington, DC 20433.

30. Information Leasing Corp. n/k/a National City Commercial Capital ("ILC") is a corporation which purchased Leases from NorVergence with a place of business at 99S Dalton Avenue, Cincinnati, OH 45203.

31. Irwin Business Finance a/k/a Irwin Commercial Finance Corp. a/k/a Irwin Commercial Leasing ("Irwin") is a corporation which purchased Leases from NorVergence with a place of business at 330 120th Avenue, NE, Suite 110, Bellevue, WA 98005.

32. Leasing Innovations, Inc. ("Leasing Innovations") is a corporation which purchased Leases from NorVergence with a place of business at 437 S. Highway 101, Suite 104, Solara Beach, CA 92075.

33. Liberty Bank Leasing a/k/a Liberty Bank ("Liberty") is a corporation which purchased Leases from NorVergence with a place of business at 6139 Ashworth Road, West Des Moines, IA 50266-5715.

34. Lyon Financial Services, Inc. d/b/a U.S. Bancorp Business Equipment Finance Group a/k/a US Bancorp ("U.S. Bancorp") is a corporation which purchased Leases from NorVergence with a place of business at 800 Nicollet Mall, Suite 1500, Minneapolis, MN 55402-7014.

35. Madison Capital, LLC a/k/a Madison Capital-Funding a/k/a Madison Capital Equipment Lease, Inc. ("Madison") is a corporation which purchased Leases from NorVergence with a place of business at 90 Gwynns Mill Court, Owings Mills, MD 21117-3532.

36. National Penn Leasing a/k/a National Penn Bank Co. ("National Penn") is a corporation which purchased Leases from NorVergence with a place of business at 24 N. Reading Avenue, PO Box 367, Boyertown, PA 19512-1010.

37. Northland Capital Financial Services a/k/a Northland Leasing Innovations ("Northland") is a corporation which purchased Leases from NorVergence with a place of business at 3339 St. Germain Sreet, Suite 201, St. Cloud, MN 56301.

38. Partners Equity Capital Company ("Partners Equity") is a corporation which purchased Leases from NorVergence with a place of business at 655 Business Center Drive, Horsham, PA 19044.

39. PFG Commercial Finance ("PFG") is a corporation which purchased Leases from NorVergence with a place of business at 3418 Blue Cypress Drive, Spring, TX 77388-5807.

40. Popular Leasing a/k/a Popular Leasing USA, Inc. ("Popular Leasing") is a corporation which purchased Leases from NorVergence with a place of business at 15933 Clayton Road, Suite 200, Ballwin, MO 63011.

41. Preferred Capital, Inc. a/k/a Preferred Capital, LLC a/k/a Preferred Leasing, LLC a/k/a Preferred Capital Leasing ("Preferred Capital") is a corporation which purchased Leases from NorVergence with a place of business at 1 Plaza Drive #3, Pendleton, NJ 46064-8823.

42. R-G Crown Bank Leasing d/b/a Crown Bank Leasing f/k/a Crown Bank, a Federal Savings Bank ("R-G Crown") is a corporation which purchased Leases from NorVergence with a place of business at 105 Live Oaks Gardens, Casselberry, FL 32707-3222.

43. Sterling National Bank ("Sterling") is a corporation which purchased Leases from NorVergence with a place of business at 650 5th Avenue, New York, NY 10019-6108.

44. Studebaker Worthington Leasing Group ("Studebaker") is a corporation which purchased Leases from NorVergence with a place of business at 100 Jericho Quadrangle #235, Jericho, NY 11753-2708.

45. Susquehanna Patriot Commercial Leasing Company, Inc. a/k/a Patriot Leasing Company a/k/a Patriot Leasing ("Patriot") is a corporation which purchased Leases from

NorVergence with a place of business at 1566 Medical Drive, Suite 201, Pottstown, PA 19464-0274.

46. US Express Leasing, Inc. a/k/a USXL ("USXL") is a corporation which purchased Leases from NorVergence with a place of business at 300 Lanidex Plaza, Parsippany, NJ 07054.

47. Wells Fargo Financial Leasing a/k/a Wells Fargo Financial, Inc. ("Wells Fargo") is a corporation which purchased Leases from NorVergence with a place of business at 420 Montgomery Street, San Francisco, CA 94104.

FACTUAL BACKGROUND
FOR SALZANO SCHEME

48. Prior to the Petition Date, NorVergence was engaged in the business of offering for sale and reselling telecommunications services and certain telecommunications equipment to small businesses, church organizations and not-for-profits, typically with a small number of employees. NorVergence's target customer was an unsophisticated small business that had no telecommunications or Information Technology ("IT") staff and no in-house attorney.

A. The Scripts

49. NorVergence's sales materials, training materials and letterhead all began with its prominently displayed motto: "NorVergence: Drastically Reducing Technology Costs." (Emphasis added).

50. The NorVergence Salespeople, known as Inside Sales Representatives ("ISR") and Outside Screening Managers ("OSM") were trained to use a formulaic sales Script ("Script"), verbatim, to land their customers, on penalty of fine or termination. Indeed, during a two-week initial training session for all new employees, there were memorization tests where the sales script had to be repeated, line for line. A mistake typically meant termination of the new employee.

51. Once trained, an ISR in the call center would connect with a potential customer, and through the use of the formulaic Script, obtain an appointment for one of the OSMs to make a visit. NorVergence employed, at its peak, immediately before closing, approximately 1,000 call center ISRs, and about 400 OSMs.

52. The formulaic Scripts which were used to solicit new customers included hypothetical customer questions and answers. The Scripts provided, in pertinent part, as follows:

If considered for the solution, your company receives high speed Internet access and your total charges are certified in writing⁴ to be 30-60% less than you're currently spending. Because the solution eliminates per minute charges and cuts local line charges without switching carriers, there are no out of pocket expenses.

* * *

Customer: How is this possible?

The Nortel engineered Matrix Box [emphasis added] makes unlimited calling possible. When voice is turned into data, all costs per minute are eliminated.

Customer: How does NorVergence make money?

NorVergence is paid for screening qualified applicants for the zero cents per minute calling system.

* * *

Customer: I am not interested.

Sir/Ma'am, I think there's a misunderstanding. Do you think I'm calling to sell you something or switch your service? No. I'm calling to set up an appointment with you. NorVergence is interviewing companies...to utilize their zero cents per minute calling system without switching carriers. The system drastically cuts local and long distance bills because it eliminates per minute charges on all your outbound calls.

* * *

Customer: What happens if NorVergence goes out of business?

Nothing. NorVergence's role is limited to screening and processing qualified applicants.

53. Many of the statements contained in the above Script were obviously false, were known to be false by Salzano and the Insiders, and were intended to defraud the customer into buying the NorVergence package, primarily the "Matrix Box."

⁴ Another version of the script said "Fortune 100" certified.

54. NorVergence's core "product" was the "Matrix Box" mentioned in the Script above, which was represented by its salespeople to be a "high tech" device that would eliminate per minute charges on calls. Customers were also told that the Matrix Box was proprietary to either Nortel, Inc. ("Nortel") or NorVergence.

55. Contrary to the sales Script, the Matrix Box, or T-850 and similar products as it was known by its manufacturer, AdTran, Inc. ("AdTran") were designed solely by AdTran and contained only AdTran technology and intellectual property. They were sold by AdTran to NorVergence at a price of approximately \$1,278.00 per Matrix Box.

56. The only item of intellectual property associated with the box that did not belong to AdTran was the name of the box, "Matrix Gateway," or "Matrix CCS," a combined box and telephone system. These names were supplied by NorVergence.

57. Contrary to the sales Script, the Matrix Box did not eliminate per minute call charges. Rather, the Matrix Box was simply an AdTran router and software which enabled voice and data to be transmitted together over one line. That line still required an ultimate wholesale carrier or carriers, and NorVergence was still required to reimburse that carrier for per minute charges.

58. Contrary to what the ISRs and OSMs told the prospective customers, if NorVergence went out of business or stopped reimbursing its carriers for per minute charges, all customer service would cease.

59. NorVergence had no long term agreements with carriers to support a 5-year commitment, yet locked each customer into a 60 month lease for the Matrix Box.

B. The NorVergence "Solution"

60. Once a prospective appointment was made by an ISR, the OSM would meet in person with the proposed customer and obtain as much information as possible about the customer's current fee structure for its internet and voice usage including copies of bills. The

sales person would then return to headquarters where, allegedly, the customer data was put through a Webulator in the "engineering department" and a customer "Solution" would be "engineered" (the "Solution").

61. In truth, NorVergence had no engineering department.

62. In truth, the NorVergence Solution had nothing to do with the Matrix Box or other innovative technology touted by NorVergence. Rather, NorVergence constructed its cost savings proposals simply by applying a discount of 20-30% to the potential customer's current cost for telecommunications services. NorVergence chose this discounted price without regard to what it would actually cost to provide the services, or the Matrix Box, which was given away by other carriers for free.

63. The promised savings were set forth in the form of a "Cost Savings Proposal," and were represented as a fixed monthly cost for an integrated service package, which would include the cost of telecommunications services and the rental fee of the Matrix Box.

64. The Solution would split the customer's invoices into two separate bills: one, a bill for service and telecommunications charges that would be paid to NorVergence ("NorVergence Service Contract" or "Service Contract"), and the second, a bill for the customer's rental of the Matrix Box. The second of these commitments required the execution of a Lease which the customers were never told would be immediately assigned to a Leasing Company. A 60-month commitment was required.⁵

65. The Solution offered a fixed price which was "guaranteed" for five years irrespective of any growth in the customer's phone and internet usage. Indeed, such growth was encouraged by NorVergence, with words to the effect that "Your business and telecommunications usage may double in the years to come but you'll still be paying the same

⁵ The 60 month requirement motivated NorVergence to make the false statement in its script that "nothing" would happen if NorVergence went out of business, See pg. 13 at para. 53, supra.

fixed price phone and internet bill - - at 20% to 30% less than what you're paying for the service you are using today."

66. Through its deceptive and high pressure sale tactics and outright trickery, NorVergence salespeople signed customers up, putting the bulk (i.e., at least 80%) of the service agreement into the Lease for the Matrix Box. The remaining 20% of the cost of the NorVergence Solution was allocated to the service agreement with NorVergence.

C. A Single Customer Contract

67. An example of a typical transaction with a customer, Investment Management Associates, an affiliate of Darakjian Jewelers, Inc., ("Darakjian") is illustrated through a partial set of documents attached as **Exhibit "B"** to this Complaint. Prior to meeting with a NorVergence OSM, the prospective customer Darakjian had been paying \$1,789.14 per month for his internet and telephone service. After hearing the pitch, and meeting the OSM, Darakjian allowed the OSM to have NorVergence's "engineering department" compile a Solution. In truth, the OSM "engineered" the Solution by simply multiplying the \$1,789.14 current monthly charge by 79.72%. (The OSMs were trained to use decimals in order to arrive at numbers that were not well rounded, and so, used: 79.72% instead of 80%.) Hence: \$1,789.14 monthly (old bills) x 79.72% = \$1,426.30 monthly – the NorVergence Solution.

68. The OSM next needed to divide this \$1,426.30 Solution into two monthly payments: one that would be made for the Lease of the Matrix Box and the other for NorVergence service. Typically, at least 80% of the total would go to the Matrix Box Lease. In this case, 86.2% was allocated to the Matrix Box Lease. Thus,

$$86.2\% \times \$1,426.30 = \$1,229.35 \text{ per month for the Matrix Box Lease}$$

$$13.8\% \times \$1,426.30 = \$196.95 \text{ per month for NorVergence Service Contract.}$$

69. As evidenced by **Exhibit "B,"** Darakjian then signed a 5 year NorVergence Service Contract for unlimited voice and internet for \$196.95 per month and a 5 year Matrix Box Lease at \$1229.35 per month.

70. Following such an order, the Matrix Box would be ordered and drop-shipped by AdTran directly to the customer. Once a delivery and acceptance certificate was received (regardless whether or not the Matrix Box was actually hooked up and operational), NorVergence would immediately transfer the Lease portion of the customer arrangement to a Leasing Company.

71. The Leasing Companies supplied a "Lease Rate" to determine how much to pay to NorVergence for the Leases. Using a common lease rate of .02187, the above example would have resulted in \$46,213.00 in cash, which was immediately paid to NorVergence by the Leasing Company as consideration for signing up Darakjian.

72. This arrangement left just \$196.95 per month, fixed, to be paid under the NorVergence Service Contract to NorVergence to cover actual telephone and internet service. NorVergence would be buying these services from Qwest, T-Mobile and Sprint, not on a fixed price basis, but on a per minute basis. But NorVergence would be receiving \$196.95 per month to service a customer who had been paying its prior carriers \$1,789.14 per month for the same services. (See **Exhibit "B"**).

73. NorVergence did not tell its customers that the Lease provided that customers would actually be obligated to make the Lease payments whether or not NorVergence went out of business, or telephone and internet services were terminated. Contrary to the sales script and the statements made to the customers, the Leasing Companies sought to characterize the Leases in the fine print as finance leases under Article 2A of the Uniform Commercial Code ("UCC"). (See **Exhibit "B"**). As such, the Leasing Companies sought the standing of bona fide

purchasers and the customers would allegedly be unable to raise defenses that their telephone or internet services were gone.

74. NorVergence did not tell its customers that it was retaining only \$196.95 per month, fixed, to try to pay for the escalating cost of providing service to that customer.

75. The \$46,213.00 received from the Leasing Company on account of Darakjian was recognized by NorVergence (improperly) as immediate revenue and consumed in operations. Those operations were geared, almost entirely, towards obtaining new customers.

76. Under this model, NorVergence's Insiders could never have intended for the company to make money. Rather, they intended for it to generate cash, by selling their services at a loss, but immediately monetizing the Leases and churning the flow of new customers.

77. As such, the Salzano Scheme had elements of both a Ponzi and a Bust-Out.

78. Under the circumstances, the Leases, agreed to by the Leasing Companies, were unconscionable in that they contained terms that were unreasonably and unfairly harsh and one-sided in favor of NorVergence and the Leasing Companies. In fact, included in the fine print of the Leases (see **Exhibit "B"**) are provisions that purported to:

- (a) remove any obligations of the Leasing Companies to the customers;
- (b) in many cases require that all legal actions relating to the agreement be brought in a forum distant from the customer's place of business, and in other cases, in a forum where the Leasing Company that would take an assignment was located, which was unknown at the time the customer signed the contract (the latter being known as "floating jurisdiction clauses");
- (c) characterize the vast majority of the total fees agreed to by the customer as payments for the Matrix Box which grossly exceeded its actual price and value;
- (d) characterize the Equipment Rental Agreement as a finance lease under UCC Article 2A in an unconscionable attempt to gain the protection of equipment

finance leases. In fact, NorVergence's agreements with its customers (the "Agreements") were for an integrated telecommunications service offering, although the service component was not documented whatsoever in the Agreements;

- (e) make the obligation to pay rent unconditional; and
- (f) waive all the customer's defenses to demands for payment, even if the promised services were not provided ("hell or high water clauses").

D. Macro View

79. Just as the NorVergence "business model" didn't work from the view of a single customer transaction, it also failed at the macro level.

80. The Debtor's total revenue, at its peak, on NorVergence's Service Contracts with 11,000 customers, was approximately \$2.5 million per month or \$225.00 per customer. However, without even considering payroll, the provider bills necessary to deliver those services were approximately \$4.4 million per month from Qwest and \$2 million per month from Sprint, plus additional charges from other carriers. Again, the overwhelming majority of the Debtor's revenue was not obtained from NorVergence Service Contracts entered into with customers, but from funds obtained from new customer Leases immediately sold to the Leasing Companies. (See **Exhibit "B"**).

81. On the expense side, the Debtor's massive call center and OSM work force (some 1,600 employees), resulted in a payroll of approximately \$10 million per month. Total monthly costs of the "business" were \$18 to \$19 million per month, as follows:

- Payroll - \$10 million
- AdTran - \$800,000.00 (manufactured the Matrix Box)
- ESI - \$1 million (supplied PBX equipment/CCS system)
- Qwest - \$4.4 million (service provider)

- Sprint - \$2 million (cell phone service provider)
- MCI - \$178,000.00
- T-Mobile - \$80,000.00
- Rent - \$200,000.00

Total \$18,600,000.00.

82. So how did NorVergence run a business with \$2.5 million per month of NorVergence Service Contract revenues but \$18,600,000 per month in expenses? Answer: By collecting \$3 to \$4 million per week in Salzano Scheme revenues from defrauded new customers.

83. The NorVergence business model left no money for tomorrow. All of the customer revenue that should have been spent over a 60 month period preserving and servicing the customers was monetized in the sale of the Leases, spent immediately on more call center payroll to acquire new customers, and spent on perks for Salzano and the Insiders.

84. NorVergence's business plan was doomed to fail before NorVergence could fulfill the five year terms it promised to provide its customers because: (a) NorVergence was selling unlimited local, long distance, high speed Internet and wireless services for a fixed monthly price, while it was actually liable to Qwest, T-Mobile, and other carriers on a per minute toll basis that greatly exceeded the fixed amount received from the Leases; (b) the cost of providing the unlimited service NorVergence was selling, together with the funds that were pulled out of NorVergence by Salzano and the Insiders, far exceeded the small payments that customers were required to make directly to NorVergence for their telecommunications service; and (c) NorVergence had promised its customers long-term (i.e., five year) service, but had no long-term contracts or the financial wherewithal in place to provide the promised service.

85. Less than two years after NorVergence put its scheme into effect, new customers were not added quickly enough to maintain the Salzano Scheme and NorVergence thereafter

failed to pay its obligations to its carriers and suppliers, triggering the filing of an involuntary Chapter 11 bankruptcy proceeding against it. Service to the customers was turned off on or about July 15, 2004.

THE INSOLVENCY DEEPENS

86. As of June 30, 2002, shortly after NorVergence commenced operations, it had total assets of \$3,226,085.00 and total liabilities of \$6,270,216.00. Thus, it was insolvent, on a balance sheet basis – at the outset -- by \$3,044,131.00.

87. One year later, on June 30, 2003, the insolvency had deepened considerably. Now, total assets were \$10,585,285.00, but liabilities were \$44,938,501.00 for a total balance sheet insolvency of \$34,353,215.00.

88. On March 31, 2004, the insolvency was four times what it had been on June 30, 2003. As of March 31, 2004, the amount by which liabilities exceeded assets now stood at \$138,201,421.00, an increase of 400% from where it had stood just nine months before.

89. The continued operation of the Salzano Scheme caused a continued "increase" in its insolvency, unabated, from the moment NorVergence began until the June 30, 2004 Petition Date.

KNOWLEDGE/PARTICIPATION OF THE LEASING COMPANIES

90. Typically a Leasing Company would enter into a Master Program Agreement or similar agreement (collectively, an "MPA") with NorVergence governing the terms pursuant to which it would purchase or accept assignments of leases from NorVergence and pay NorVergence cash consideration in return for such assignments. A copy of a sample MPA is annexed hereto as **Exhibit "C."**

91. First, the "credit procedures" section of most MPAs provided that:

"NorVergence acknowledges that [Leasing Company] shall not conduct a customer interview during the credit approval process, which is contrary to [Leasing Company's] standard credit policy."

103. Second, many of the MPAs described how the Lease assignment price would be fixed, as follows:

"The assignment price for each assigned rental agreement shall be the sales price of the Equipment established individually and evidenced by NorVergence's invoice to [Lease Company] ("Assignment Price").

- OR -

"The assignment price for each Assigned Rental Agreement shall be the present value of the assigned rental stream utilizing a buy rate established by [Leasing Company], which shall be individually evidenced by NorVergence's invoice to [Leasing Company] ("Assignment Price")."

92. As described above, that pricing had absolutely nothing to do with the value of the Matrix Box purchased from AdTran, which was \$1,278.00, but rather was calculated based on what the customer had been paying previously for telephone and internet service.

93. Third, although the Lease assignments were generally "non-recourse," each of the MPAs contained a "first rental default" provision, and in some instances "first, second or third" rental default provision. Pursuant to these provisions, if a customer defaulted in the payment of its first rental payment, or in some cases, its second or third rental payment, then NorVergence was required to "buy back" the Lease from the Leasing Company for the dollar amount originally advanced by the Leasing Company, plus an administrative fee.

94. As described above, however, the Lease equipment was primarily the Matrix Box. Despite the fact that the Matrix Box was a decidedly a low-tech "cheap" item of telecommunications equipment, NorVergence leased it to its customers for prices ranging from \$10,000.00 up to \$160,000.00 in some instances, for the same \$1,278.00 item of equipment.

95. AdTran has stated that none of its other customers for the Matrix Box T-850 family of products, such as Incumbent and Competitive Local Exchange Carriers ("ILECs" and "CLECs"), ever sold or leased such products to their end users. Rather, they are generally included as a "free" item with the service agreement entered into with the customers of the respective ILECs and CLECs.

96. With respect to the Matrix Box, customer Darakjian, who had been paying approximately \$1,789.14 monthly for service, prior to signing up with NorVergence, would be renting a Matrix Box for \$1,229.35 fixed, per month, for 60 months, or \$73,761.00 in total. However, the exact same NorVergence Solution, used to sign up a customer previously paying \$5,000.00 per month for service would result in a fixed monthly Matrix Box Lease payment of \$3,208.00, or \$192,480.00 over the term of the Lease for the exact same Matrix Box.

97. This routinely happened on the same day with the same Leasing Company, i.e., the Leasing Companies routinely purchased Leases of the identical Matrix Box for grossly different prices.

98. When two leases for identical pieces of equipment – the Matrix Box – were sold to the same Leasing Company for grossly different prices, the Leasing Companies knew or should have known that NorVergence was engaged in fraudulent activity.

99. When a piece of equipment that was purchased for \$1,278.00 (and that other carriers give away for free) is leased to a customer for more than \$100,000.00, the Leasing Companies knew or should have known that NorVergence was engaged in fraudulent activity.

100. The Attorneys General of the District of Columbia and the States of Arizona, California, Colorado, Connecticut, Delaware, Florida, Georgia, Illinois, Kansas, Louisiana, Maryland, Massachusetts, Michigan, Missouri, New Hampshire, New Jersey, New York, North Carolina, Ohio, Pennsylvania, Rhode Island, South Carolina, South Dakota, Texas, Washington, West Virginia, all brought actions and/or conducted administrative investigations and or proceedings challenging the conduct of the Leasing Companies in their dealings with NorVergence. Most of the Leasing Companies entered into settlement agreements with the Attorneys General under which they waived all or a major portion of their claims under the Leases.

101. The Leasing Companies who were subject to such proceedings and/or investigations, or who entered into such settlements with the Attorneys General include BB&T, CIT, Court Square, DeLage, Dolphin, GE Capital, IFC, ILC, Interchange Capital Company LLC, Irwin, Liberty, Madison, National Penn, Northland, Popular Leasing, Preferred Capital, R-G Crown, Sterling, TCF Leasing, Inc. d/b/a TCF Express Leasing, U.S. Bancorp, USXL, Wells Fargo.

102. Some of the Leasing Companies had MPAs which prohibited them from speaking to the customers at all. Instead, they were required to accept the delivery and acceptance certificate from NorVergence, confirming that the equipment had arrived. Funding to NorVergence would be made upon receipt of the delivery and acceptance certificate, whether or not the equipment was actually installed and working, and without independent verification.

104. Other Leasing Companies were permitted under their agreements with NorVergence to confirm the customer's receipt of the Matrix Box; but in these cases, the Leasing Companies were typically required to utilize NorVergence's delivery and acceptance script which, among other things, assured a customer that he or she would shortly be receiving their services and would have their T-1 line hooked up.

THE IFC PROCEEDINGS

105. At least one court has already found, in Findings of Fact and Conclusions of Law dated June 5, 2006, that in part because of its use of NorVergence's delivery and acceptance script, one of the Leasing Companies was an actual participant in NorVergence's fraud. See Findings and Fact and Conclusions of Law in *Specialty Optical d/b/a SOS v. IFC Credit Corp.*, Case No. 04-04187-C, County Court at Law, Dallas County, Texas ("SS v. IFC"). A copy of the Court's Findings of Fact and Conclusions of Law are annexed hereto as **Exhibit "C."** The court found:

(5) The Master Agreement between NorVergence and IFC set forth the terms under which IFC would purchase the leases from NorVergence.

IFC approved all of the NorVergence lease forms, including the SOS form IFC also worked in conjunction with NorVergence to prepare the confirmation script that was eventually read by an IFC employee to SOS confirming that SOS would receive the NorVergence telephone service savings that NorVergence had promised.

* * *

(7) IFC read the confirmation script to SOS prior to the expiration of the 60-day period and reaffirmed that SOS would receive the telephone service savings originally promised by NorVergence to SOS. At the time IFC read the script promising these savings, it knew that NorVergence customers were not receiving service and therefore were not receiving the promised savings.

* * *

(12) In the April and May of 2004 timeframe, IFC had knowledge of the fact that NorVergence was making promises of savings with no intention of delivering such savings. IFC had knowledge of this fraud. NorVergence had promised savings to customers without any intention of providing such savings. IFC participated in deceiving customers through its confirmation script.

* * *

(23) The entire Lease from the delivery and acceptance certificate are unconscionable due to the circumstances under which they were entered, the manner in which the terms of the Lease and delivery and acceptance were reached, and the unfairness of the Lease and delivery and acceptance. IFC grossly over-charged for the Matrix Box.

* * *

(32) As of the time that SOS signed the lease, IFC had received telephone calls and letters for several months regarding lack of service. There were defaults on many leases due to this lack of service. This had become so severe, that IFC decided to stopped doing business with NorVergence, but continued only because NorVergence provided it with additional collateral and agreed to allow IFC to have increased holdbacks.

* * *

(33) The lease acquisition from NorVergence was not an isolated occurrence. IFC acquired between 700 and 800 leases from NorVergence. It is currently in litigation on more than 500 of those leases.

* * *

(34) IFC did not act in good faith in connection with the Lease. IFC ratified the conduct of NorVergence.

ALL LEASING COMPANIES ARE LIABLE

106. In a memo from Robert Fine of NorVergence to Bob Hunter of Citi, penned at the time that Citi's MPA was being negotiated, he wrote:

"Prior to funding, we do not allow any of our sources to contact the customer directly for information to conduct an interview." "After funding [Leasing Company] may contact the customer as often as necessary."

107. The record reveals that Citi agreed that it would not communicate with customers. Citi, like IFC, instead "approved" NorVergence's delivery and acceptance script which would confirm delivery and acceptance of the Matrix Box. Other Leasing Companies followed suit.

108. A customer's failure to make its initial Lease payment within 60 days of delivery and acceptance of a Matrix Box (a "First Payment Default"). Beginning in October of 2003 continuing through early 2004, the number of First Payment Defaults continued to increase dramatically. NorVergence was unable to install the boxes quickly enough, or get the customer's T-1 lines activated in time to avoid First Payment Defaults. Although a few Leasing Companies refused to fund NorVergence any further, other simply negotiated protections wherein they would, for example, (a) permit NorVergence more time to make the first, second and third payments for the customers, or (b) fund thirty-six (36) months of the lease rather than sixty (60) months, or (c) keep a holdback of as much as 25% to 50% of the amount that was otherwise due to NorVergence on each lease as a hedge against future First Payment Defaults.

109. As described by the Court in the *SOS vs. IFC* case, the Leasing Companies began to receive numerous calls from dissatisfied customers, and began receiving an increase in the number of leases that were required to be purchased back by NorVergence.

110. During this period of time, and due to the large number of First Payment Defaults, the Leasing Companies could have, pursuant to their contracts, refused to fund future leases.

111. Instead, the Leasing Companies lowered their requirements, making it easier for NorVergence to continue conducting business, even as hundreds and hundreds of customers were defaulting, customers were complaining, and the Leasing Company approved Scripts were confirming for customers that they were about to enjoy the savings from the NorVergence Solution.

112. With respect to the Lease Repurchase Obligations, the Leasing Companies received at least \$6,600,000.00 in actual payments from NorVergence, by way of payment for its repurchase of defaulted Leases. It is unknown how much the Leasing Companies were paid in addition, on account of Lease Repurchase Obligations under the MPAs, by way of set-off, since NorVergence's record keeping does not appear to have captured such set-offs. However, with respect to actual known payments, a number of the Leasing Companies received the following respective amounts:

Company	Lease Repurchase Payments
ABB Business	\$2,151.59
Celtic	\$75,383.59
CIT	\$1,025,329.70
Citi	\$62,040.06
Combined Capital	\$25,016.06
Court Square	\$51,320.31
DeLage	\$899,794.44
Dolphin	\$100,521.63
First Lease	\$68,018.40
GE Capital	\$1,182,255.02
IFC	\$571,739.69
ILC	\$236,384.64
Irwin	\$247,711.07
Liberty	\$66,539.69
Alfa/OFC	\$224,696.77
Patriot	\$169,487.42
PFG	\$25,673.08
Popular Leasing	\$486,474.78
Preferred Capital	\$41,504.13
Sterling	\$136,161.35
Studebaker	\$64,997.17
U.S. Bancorp	\$761,624.49
Wells Fargo	\$98,835.52

TOTAL \$6,623,660.60

113. Despite the Leasing Companies' knowledge that NorVergence was not fulfilling its end of the bargain to customers, the Leasing Companies continued to participate in locking new customers into 60 month Lease obligations.

114. NorVergence's business plan was a Salzano Scheme that was doomed to fail before NorVergence could approach anything near a five-year term commitment to customers at fixed prices because:

- (a) NorVergence was selling unlimited local long-distance, high-speed internet and wireless services for a fixed monthly price, while it was actually liable to Qwest, T-Mobile, Sprint and other carriers on a permanent toll basis;
- (b) The cost of providing this unlimited service far exceeded the small payments that customers were required to make directly to NorVergence;
- (c) NorVergence had encouraged its customers to grow and make more phone calls, and use more band width, which under the NorVergence Solution would keep customer bills at the same price, while NorVergence's commensurate obligations to Qwest, T-Mobile, Sprint and other carriers would grow proportionately; and
- (d) NorVergence promised the customers long-term (five years) of fixed telecommunications charges, but had no long-term contracts in place with the carriers described above to provide such service.

115. The Leasing Companies, by enabling the Salzano Scheme to continue, enabled Salzano, the Insiders and key employees to take millions of dollars out of the business to support lavish lifestyles.

FIRST COUNT
(Actual Intent Fraudulent Conveyance Under 11 U.S.C. § 548
As Against Leasing Companies)

116. The Trustee repeats and re-alleges the allegations contained in all of the foregoing paragraphs as if fully set forth herein.

117. Pursuant to the MPAs with the Leasing Companies, the Debtor needed to "make good" on customer First Payment Defaults (and in some cases second and third payment defaults) by repurchasing the Leases from the Leasing Companies and/or making other accommodations such as covering customers payments when customers failed to make payments due under the Leases.

118. The funds used by the Debtor to fulfill its Repurchase Obligations to the Leasing Companies were obtained almost exclusively from new customers' execution of Leases and the sales of those Leases to Leasing Companies. Had the Debtor not fulfilled its Repurchase Obligations under the MPAs to repurchase Leases upon a First Payment Default, and/or otherwise cover the Leasing Companies' losses, the Leasing Companies would have declared defaults under the terms of the MPAs and the Lease lines would have been terminated, thereby halting the Salzano Scheme in its tracks.

119. In order to continue the fraud, NorVergence needed to keep the Lease lines open and thus needed to fulfill its Repurchase Obligations and otherwise cover the customers First Payment Defaults and similar defaults.

120. The Debtor's customers, upon the cessation of NorVergence's business and the breach of NorVergence's commitments to these customers, were left without contracted for phone and internet services, and as a result became creditors of NorVergence.

121. The Debtor made the Lease Repurchase Obligation payments and other payments to cover the Leasing Companies on the customer defaults with the actual intent to hinder, delay or defraud creditors by perpetuating the Salzano Scheme.

122. Such payments are fraudulent conveyances pursuant to 11 U.S.C. § 548(a)(1)(A).

WHEREFORE, the Trustee demands judgment against the Leasing Company

Defendants:

- a) avoiding the payments to the Leasing Companies as well as all setoffs made by the Leasing Companies pursuant to 11 U.S.C. § 548(a)(1)(A) including but not limited to the following known payments made to the following Leasing Companies:

Company	Lease Repurchase Payments
ABB Business	\$2,151.59
Celtic	\$75,383.59
CIT	\$1,025,329.70
Citi	\$62,040.06
Combined Capital	\$25,016.06
Court Square	\$51,320.31
DeLage	\$899,794.44
Dolphin	\$100,521.63
First Lease	\$68,018.40
GE Capital	\$1,182,255.02
IFC	\$571,739.69
ILC	\$236,384.64
Irwin	\$247,711.07
Liberty	\$66,539.69
Alfa/OFC	\$224,696.77
Patriot	\$169,487.42
PFG	\$25,673.08
Popular Leasing	\$486,474.78
Preferred Capital	\$41,504.13
Sterling	\$136,161.35
Studebaker	\$64,997.17
U.S. Bancorp	\$761,624.49
Wells Fargo	\$98,835.52
TOTAL	\$6,623,660.60

- b) Awarding the Trustee judgment equal to the amount of these payments and directing the defendants to immediately pay the Trustee the appropriate amount due and owing pursuant to 11 U.S.C. § 550(a) together with interest thereon;

- c) Awarding the Trustee attorney's fees, costs and other expenses incurred in this action; and
- d) Granting the Trustee such other and further relief as the Court deems appropriate.

SECOND COUNT

**(Actual Intent Fraudulent Conveyance Under 11 U.S.C. § 544
and N.J.S.A. 25:2-25 As Against Leasing Companies)**

123. The Trustee repeats and re-alleges the allegations contained in all of the foregoing paragraphs as if fully set forth herein.

124. In order to continue to keep the Lease lines open under the MPAs and similar arrangements, the Debtor needed to "make good" on customer First Payment Defaults (and in some cases second and third payment defaults) by repurchasing the Leases from the Leasing Companies and/or making other accommodations such as covering the customer payments.

125. The funds used by the Debtor to fulfill its Repurchase Obligations to the Leasing Companies were obtained almost exclusively from new customers' execution of Leases and the sales of those Leases to Leasing Companies. Had the Debtor not fulfilled its Repurchase Obligations under the MPAs to repurchase Leases upon a First Payment Default, and/or otherwise cover the Leasing Companies' losses, the Leasing Companies would have declared defaults under the terms of the MPAs and the Lease lines would have been terminated, thereby halting the Salzano Scheme in its tracks.

126. In order to continue the fraud, NorVergence needed to keep the Lease lines open and thus needed to fulfill the Repurchase Obligations and otherwise cover the customers First Payment Defaults and similar defaults.

127. The Debtor's customers, upon the cessation of NorVergence's business and the breach of NorVergence's commitments to these customers, were left without contracted for phone and internet services, and as a result became creditors of NorVergence.

128. The Debtor made the Lease Repurchase Obligation payments and other payments to cover the Leasing Companies on the customer defaults with actual intent to hinder, delay or defraud creditors by perpetuating the Salzano Scheme.

129. Such payments are fraudulent transfers pursuant to 11 U.S.C. § 544 and N.J.S.A. 25:2-25.

WHEREFORE, the Trustee demands judgment against the Leasing Companies:

- a) avoiding the payments to the Leasing Companies as well as all setoffs made by the Leasing Companies pursuant to 11 U.S.C. § 544 including but not limited to the following known payments made to the following Leasing Companies:

Company	Lease Repurchase Payments
ABB Business	\$2,151.59
Celtic	\$75,383.59
CIT	\$1,025,329.70
Citi	\$62,040.06
Combined Capital	\$25,016.06
Court Square	\$51,320.31
DeLage	\$899,794.44
Dolphin	\$100,521.63
First Lease	\$68,018.40
GE Capital	\$1,182,255.02
IFC	\$571,739.69
ILC	\$236,384.64
Irwin	\$247,711.07
Liberty	\$66,539.69
Alfa/OFC	\$224,696.77
Patriot	\$169,487.42
PFG	\$25,673.08
Popular Leasing	\$486,474.78
Preferred Capital	\$41,504.13
Sterling	\$136,161.35
Studebaker	\$64,997.17
U.S. Bancorp	\$761,624.49
Wells Fargo	\$98,835.52
TOTAL	\$6,623,660.60

- b) Awarding the Trustee judgment equal to the amount of these payments and directing the defendants to immediately pay the Trustee the appropriate amount due and owing pursuant to 11 U.S.C. § 550(a) together with interest thereon;
- c) Awarding the Trustee attorney's fees, costs and other expenses incurred in this action; and
- d) Granting the Trustee such other and further relief as the Court deems appropriate.

THIRD COUNT

**(Recovery Pursuant to 11 U.S.C. § 553(b) of Certain Amounts
Setoff by Leasing Companies Within the 90 Days Before the
Petition Date)**

130. The Trustee repeats and re-alleges all of the allegations contained in all of the foregoing paragraphs as if set forth fully herein.

131. Upon information and belief, some of the Leasing Companies, during the 90 days prior to the Petition Date, adjusted their debt obligations to the Debtor by setting off amounts that they owed to the Debtor against amounts that the Debtor owed to such Leasing Companies.

132. Upon information and belief, the balance remaining due by the Debtor as of the Petition Date (the "insufficiency" as defined under 11 U.S.C. § 553(b)(2)) was less than the insufficiency of the Debtor that existed on the later of ninety (90) days before the Petition Date and the first date during the 90 days immediately preceding the Petition Date on which there was an insufficiency.

133. To the extent that the insufficiency on the Petition Date was less than the insufficiency that existed on the later of ninety (90) days before the Petition Date and the first date during the 90 days immediately preceding the Petition Date on which there was an insufficiency, such amounts are recoverable pursuant to 11 U.S.C. § 553(b).

WHEREFORE, the Trustee demands judgment against the Leasing Companies:

- a) avoiding the Leasing Companies' setoffs to the extent of any improvement in the insufficiency pursuant to 11 U.S.C. § 553(b)(1);
- b) awarding the Trustee judgment equal to the amount of such improvement in insufficiency and directing the respective defendants to immediately pay the Trustee the appropriate amount due and owing pursuant to 11 U.S.C. § 550(a) together with interest thereon;
- c) awarding the Trustee attorney's fees, costs and other expenses incurred in this action; and
- d) granting the Trustee such other and further relief as the Court deems appropriate.

ADDITIONAL FACTS PERTINENT TO COUNTS FOUR THROUGH EIGHT, AGAINST SALZANO AND WILLIAM JEAN CHARLES AND TO COUNTS NINE THROUGH ELEVEN AGAINST ALL OF THE DEFENDANTS.

134. Based upon a review of the Debtor's books and records and upon information and belief, Salzano unlawfully diverted, converted and misappropriated Debtor's funds for his own personal benefit, and to the detriment of the Debtor, while Debtor was insolvent, by:

- a) charging personal expenses in his own name and, perhaps, in his son's name (Thomas John Salzano)⁶, including but not limited to hotel rooms, airfare, restaurant bills, outings to gentlemen's clubs, clothing, jewelry, vacations, groceries, drug store purchases, car washes and virtually every other personal expense imaginable, to the Debtor's American Express

⁶ The sole information and belief for this allegation is statements made by his son's counsel.

Business Gold/Platinum account (the "AMEX Account"), as well as utilizing other corporate credit cards maintained by NorVergence;

- b) requiring that NorVergence pay all of his other personal living expenses, including rent for several apartment units he was maintaining for himself and/or his companions, as well as car and insurance payments;
- c) funneling Debtor's money to himself through an affiliated company, Data Solutions, Ltd.;
- d) funneling Debtor's money to himself by paying salary, as well as automobile, travel and other expenses, to defendant, William Jean Charles, who would cash Debtor's checks and maintain some of the payment for his personal benefit, as well as remit some of the payment to Salzano; and
- e) paying for a limousine service to ferry his girlfriend to and from college classes.

A. Payment of Salzano's AMEX Charges

135. Based on Debtor's books and records and upon information and belief, between November 25, 2002 and March 24, 2004, Salzano made charges to Debtor's AMEX Account, in his own name, totaling \$811,911.34 (the "TNS AMEX Charges"). Salzano incurred the TNS AMEX Charges on account of expenditures that were entirely unrelated to the Debtor's business.

136. Debtor transferred \$811,911.34 to the AMEX Account between January 13, 2003 and April 20, 2004 (the "TNS AMEX Payments") in order to pay for the TNS AMEX Charges, as detailed in **Exhibit "E,"** attached hereto.

137. In addition, upon information and belief, between November 25, 2002 and March 24, 2004, Salzano made charges to Debtor's AMEX Account in his son's name, Thomas John Salzano, totaling \$268,795.84 (the "TJS AMEX Charges"), by forging Thomas John Salzano's

name on the charge slips⁷. Salzano incurred the TJS AMEX Charges on account of expenditures that were entirely unrelated to the Debtor's business.

138. Debtor transferred \$268,795.84 to the AMEX Account between January 13, 2003 and April 20, 2004 (the "TJS AMEX Payments" and together with the TNS AMEX Payments, the "AMEX Payments") in order to pay for the TJS AMEX Charges made on Salzano's behalf, as detailed in **Exhibit "F,"** attached hereto.

139. Furthermore, upon information and belief, during the same timeframe, Salzano made charges in an unliquidated amount to various other credit cards, including but not limited to a Capital One Visa card, a Discover card, and a First Premier Bank MasterCard, maintained by the Debtor. These charges were on account of expenditures that were entirely unrelated to the Debtor's business (the "Other Charges").

B. Payment of Defendant, Thomas N. Salzano's Personal Living Expenses

140. Based on Debtor's books and records and upon information and belief, between July 2, 2002, and June 25, 2004, Salzano caused Debtor to make rent payments, totaling at least \$415,273.65, for several apartment units he was maintaining for himself and/or his companions (the "Apartment Charges"). The Apartment Charges were on account of expenditures that were entirely unrelated to Debtor's business.

141. Debtor transferred \$415,273.65 to the apartment landlords⁸ between July 2, 2002 and June 25, 2004 (the "Apartment Payments") in order to pay for the Apartment Charges on Salzano's behalf, as detailed in **Exhibit "G,"** attached hereto.

142. In addition, based on Debtor's books and records and upon information and belief, between April 25, 2003 and April 22, 2004, Salzano caused Debtor to make car payments, totaling at least \$20,827.76, for a BMW car he was using (the "BMW Payments"), as detailed in

⁷ See note 6 on p. 35, *supra*.

⁸ Upon information and belief, Defendant, Thomas N. Salzano rented apartments from the following landlords: Tower America Management Corp., LLC; Tower America Urban Renewal Co.; Tower East Urban Renewal Company; Tower Urban East Renewal

"**Exhibit H**," attached hereto. Upon information and belief, a portion of the BMW Payments were on account of expenditures that were entirely unrelated to Debtor's business.

143. Furthermore, based on Debtor's books and records and upon information and belief, between July 18, 2003 and March 8, 2004, Salzano caused Debtor to make car insurance payments, totaling at least \$1,577.28 (the "Car Insurance Payments"), as detailed in **Exhibit "I**," attached hereto. Upon information and belief, the Car Insurance Payments were on account of expenditures that were entirely unrelated to Debtor's business.

144. Finally, upon information and belief, during the same timeframe, Defendant, Thomas N. Salzano caused Debtor to make payments in an unliquidated amount, on behalf of various other personal living expenses incurred by the Debtor (the "Other Expenses"). These Other Expenses were entirely unrelated to the Debtor's business.

C. Payments to Defendant, Thomas N. Salzano Through Data Solutions

145. Based on Debtor's books and records and upon information and belief, between January 29, 2002 and June 30, 2004, Salzano caused Debtor to make payments totaling \$515,154.82 to his affiliated company, Data Solutions, in order to pay in part for consulting services, but also, upon information and belief, to pay for personal expenses that were entirely unrelated to Debtor's business, as detailed in **Exhibit "J**," attached hereto.

146. In addition, upon information and belief, based on assertions by counsel to Thomas John Salzano, on or about July 1, 2003, Salzano funneled \$61,200.00 of Debtor's money through Data Solutions to himself in order to "gift" the money to his son, Thomas John Salzano, for the purchase of his son's personal residence located in Glen Ridge, New Jersey. On or about July 29, 2003, Salzano, funneled an additional \$140,000.00 of Debtor's money through Data Solutions in order to "gift" the money to his son for the purchase of his son's personal residence⁹.

⁹ As to the allegations contained in this paragraph, see note 6 at p. 35, supra.

All of the above-described payments that Salzano funneled through Data Solutions for his own benefit total at least \$716,354.82 (the "Data Solutions Payments").

D. Payments to Defendant, William Jean Charles and Defendant, Thomas N. Salzano Through William Jean Charles

147. Based on Debtor's books and records and upon information and belief, between January 1, 2002 and May 24, 2004, Salzano caused Debtor to pay salary, as well as automobile, travel and other expenses, to William Jean Charles (the "Jean Charles Payments"). The Jean Charles Payments were entirely unrelated to Debtor's business.

148. In his own words, William Jean Charles, was only a "partial" employee of the Debtor who received mileage reimbursement, as well as approximately \$400 per month in compensation from the Debtor to cover his healthcare insurance and parking benefits.

149. Despite William Jean Charles' claims, however, Debtor transferred at least \$273,541.00 to him between January 1, 2002 and May 24, 2004, as detailed in **Exhibit "K"**, attached hereto.

150. Based upon information and belief, William Jean Charles would keep some of the Jean Charles Payments for his own personal benefit and remit a portion of the payments to Salzano for his own personal benefit.

E. Totals

151. The total amount of funds transferred to or for the benefit of the Salzano during the Debtor's two-year existence was \$2,508,281.69, plus other amounts not yet quantified. The total amount of funds transferred to or for the benefit of William Jean Charles during the same timeframe was \$273,541.00, plus other amounts not yet quantified.

FOURTH COUNT
(Fraudulent Transfer Under 11 U.S.C. §§ 548 and 550
As Against Salzano and William Jean Charles)

152. The Trustee repeats and re-alleges the allegations contained in all of the foregoing paragraphs as if fully set forth herein.

153. By way of the AMEX Payments, the Apartment Payments, the BMW Payments, the Car Insurance Payments, the Data Solutions Payments and the Jean Charles Payments, NorVergence made payments to or for the benefit of Salzano in the amount of at least \$2,390,978.69 during the two years preceding the Petition Date (the "TNS Two-Year Fraudulent Transfers"), as more fully described above.

154. By way of the William Jean Charles Payments, NorVergence made payments to or for the benefit of William Jean Charles in the amount of at least \$203,558.00 during the two years preceding the Petition Date (together with the TNS Two-Year Fraudulent Transfers, the "Two-Year Fraudulent Transfers"), as more fully described above.

155. The Debtor made the Two-Year Fraudulent Transfers with the actual intent to hinder, delay or defraud creditors of the Debtor.

156. The Debtor received less than reasonably equivalent value for the Two-Year Fraudulent Transfers.

157. At the time when the Two-Year Fraudulent Transfers were made, the Debtor:

- a) was insolvent;
- b) became insolvent;
- c) was engaged in a business or a transaction for which any property remaining with the Debtor constituted an unreasonably small capital; or
- d) intended to incur, or believed that the Debtor would incur, debts that would be beyond the Debtor's ability to pay as such debts matured on the date of the Two-Year Fraudulent Transfers or as a result of the Two-Year Fraudulent Transfers.

158. The Trustee on behalf of the estate and general unsecured creditors is entitled to avoid the Two-Year Fraudulent Transfers pursuant to 11 U.S.C. § 548.

159. In accordance with the provisions of 11 U.S.C. § 550(a), the Trustee is entitled to recover from the Salzano and William Jean Charles an amount equal to the Two-Year Fraudulent Transfers.

WHEREFORE, the Trustee demands judgment against Salzano and William Jean Charles:

- a) avoiding the Two-Year Fraudulent Transfers pursuant to Bankruptcy Code Section 548;
- b) awarding the Trustee judgment in an amount equal to the Two-Year Fraudulent Transfers and directing Salzano to immediately pay the Trustee an amount equal to \$2,390,978.69 and William Jean Charles to immediately pay the Trustee an amount equal to \$203,558.00 pursuant to 11 U.S.C. § 550(a), together with interest on such amount from the date of the Two-Year Fraudulent Transfers;
- c) awarding the Trustee his attorneys' fees, costs and other expenses incurred in this action; and
- d) granting the Trustee such other and further relief as the Court deems appropriate.

FIFTH COUNT
(Fraudulent Transfer Under 11 U.S.C. §§ 544(b), 550 and
N.J.S.A. 25:2 et seq. as Against Salzano and
William Jean Charles And The Other Insiders)

160. The Trustee repeats and re-alleges the allegations contained in all of the foregoing paragraphs as if fully set forth herein.

161. By way of the AMEX Payments, the Apartment Payments, the Data Solutions Payments, the BMW Payments, the Car Insurance Payments, and the Jean Charles Payments, NorVergence made payments to or for the benefit of Defendant, Thomas N. Salzano in the

amount of at least \$2,508,281.69 (the "TNS Four-Year Fraudulent Transfers"), as more fully described above.

162. By way of the Jean Charles Payments, NorVergence made payments to or for the benefit of William Jean Charles in the amount of at least \$273,541.00 during the four years preceding the Petition Date.

163. As to the other Insiders, NorVergence made the following payments (collectively, the "Insider Payments") in addition to regular salary and benefits:

Company	Amount Paid
Alex Wolf	\$161,033.96
Arthur Scuttaro	\$138,899.39
Robert Fine	\$12,843.60
Robert Weisman	\$37,311.63
Terry Skemer	\$231,128.08
William Jean Charles	\$273,545.43
TOTAL	\$854,762.09

(The Insider payments together with the TNS Four-Year Fraudulent Transfers, the William Jean Charles Payments are hereinafter referred to as the "Four-Year Fraudulent Transfers").

164. NorVergence was insolvent when the Four-Year Fraudulent Transfers were made.

165. All of the Four-Year Fraudulent Transfers were made within four (4) years before the Petition Date.

166. The Debtor made the Four-Year Fraudulent Transfers with the actual intent to hinder, delay or defraud creditors of the Debtor, or, received less than reasonably equivalent value in exchange for the Four-Year Fraudulent Transfers, and:

- a) at the time that the Four-Year Fraudulent Transfers were made, the Debtor was engaged in business or a transaction, or was about to engage in business or a transaction, for which the Debtor's remaining assets were unreasonably small in relation to the business or transaction; and/or

intended to incur, or believed or reasonably should have believed that it would incur, debts that would be beyond its ability to pay as they became due; and

- b) the Debtor was insolvent or became insolvent as a result of the Four-Year Fraudulent Transfers.

167. There exists at least one actual holder of an unsecured claim against the estate that is allowable under 11 U.S.C. § 502, who would have standing to assert a claim for relief under New Jersey's Uniform Fraudulent Transfer Act.

168. The Trustee on behalf of the estate and general unsecured creditors is entitled to avoid the Four-Year Fraudulent Transfers pursuant to N.J.S.A. 25:2-25(a) and 2-25(b), pursuant to 11 U.S.C. § 544(b).

169. In accordance with the provisions of 11 U.S.C. § 550(a), the Trustee is entitled to recover from Salzano, William Jean Charles and the Insiders, an amount equal to the Four-Year Fraudulent Transfers.

WHEREFORE, the Trustee demands judgment against Salzano, William Jean Charles and the other Insiders:

- a) avoiding the Four-Year Fraudulent Transfers under N.J.S.A. 25:2 *et seq.*, and § 544 of the Bankruptcy Code;
- b) awarding the Trustee judgment in an amount equal to the Four-Year Fraudulent Transfers and directing Salzano to immediately pay the Trustee an amount equal to \$2,508,281.69 and William Jean Charles to immediately pay the Trustee an amount equal to \$273,541.00 and the other Insiders to immediately pay the Trustee: Wolf - \$161,033.96, Scuttaro - \$138,899.39, Fine - \$12,843.60, Wizeman - \$37,311.63, and Skemer - \$231,128.08, all pursuant to

11 U.S.C. § 550(a), together with interest on such amount from the date of the Four-Year Fraudulent Transfers;

- c) awarding the Trustee his attorneys' fees, costs and other expenses incurred in this action; and
- d) granting the Trustee such other and further relief as the Court deems appropriate.

SIXTH COUNT
(Fraudulent Transfer Under 11 U.S.C. §§ 544(b), 550
and N.J.S.A. 25:2-27(b) As Against Salzano and
William Jean Charles And The Other Insiders)

170. The Trustee repeats and re-alleges the allegations contained in all of the foregoing paragraphs as if fully set forth herein.

171. The Four-Year Fraudulent Transfers were made to one or more insiders:

- a) for, or on account of, an antecedent debt;
- b) when the Debtor was insolvent; and
- c) Salzano and William Jean Charles had reasonable cause to believe that the Debtor was insolvent.

172. There exists at least one actual holder of an unsecured claim against the estate that is allowable under 11 U.S.C. § 502, who would have standing to assert a claim for relief under New Jersey's Uniform Fraudulent Transfer Act.

173. The Trustee on behalf of the estate and general unsecured creditors is entitled to avoid the Four-Year Fraudulent Transfers under N.J.S.A. §§ 25:2-27(b), pursuant to 11 U.S.C. § 544(b).

174. In accordance with the provisions of 11 U.S.C. § 550(a), the Trustee is entitled to recover from Salzano, William Jean Charles and the other Insiders an amount equal to the Four-Year Fraudulent Transfers.

WHEREFORE, the Trustee demands judgment against Defendants, Thomas N.

Salzano and William Jean Charles:

- a) avoiding the Four-Year Fraudulent Transfers under N.J.S.A. 25:2-27(b), pursuant to Bankruptcy Rule 7001 and sections 323, 541 and/or 544 of the Bankruptcy Code;
- b) awarding the Trustee judgment in an amount equal to the Four-Year Fraudulent Transfers and directing Salzano to immediately pay the Trustee an amount equal to \$2,508,281.69 and William Jean Charles to immediately pay the Trustee an amount equal to \$273,541.00 and the other Insiders to immediately pay the Trustee: Wolf - \$161,033.96, Scuttaro - \$138,899.39, Fine - \$12,843.60, Wizeman - \$37,311.63, and Skemer - \$231,128.08, all pursuant to 11 U.S.C. § 550(a), together with interest on such amount from the date of the Four-Year Fraudulent Transfers;
- c) awarding the Trustee his attorneys' fees, costs and other expenses incurred in this action; and
- d) granting the Trustee such other and further relief as the Court deems appropriate.

SEVENTH COUNT
**(Conversion and Misappropriation As Against
Salzano and William Jean Charles)**

175. The Trustee repeats and re-alleges the allegations contained in all of the foregoing paragraphs as if fully set forth herein.

176. Salzano and William Jean Charles unlawfully diverted, hid, converted and misappropriated funds that rightfully belonged to the Debtor by using the Debtor's funds to pay for personal items and services, unrelated to the Debtor's business, by way of the AMEX

Payments, the Other Charges, the Apartment Payments, the BMW Payments, the Car Insurance Payments, the Other Expenses, the Data Solutions Payments and the Jean Charles Payments.

177. The Debtor and its creditors suffered and will continue to suffer damages as a result of Salzano's and William Jean Charles' conduct.

WHEREFORE, the Trustee demands judgment against Salzano and William Jean Charles:

- a) awarding the Trustee compensatory, consequential and punitive damages, plus interest;
- b) awarding the Trustee his reasonable attorney's fees and costs of suit; and
- c) granting such other relief as the Court deems just and proper.

EIGHTH COUNT
**(Unjust Enrichment As Against Salzano,
William Jean Charles and the other Insiders)**

178. The Trustee repeats and re-alleges the allegations contained in all of the foregoing paragraphs as if fully set forth herein.

179. By diverting, converting and misappropriating Debtor's funds to pay for personal items and services, by way of the AMEX Payments, the Other Charges, the Apartment Payments, the BMW Payments, the Car Insurance Payments, the Other Expenses, the Data Solutions Payments, the William Jean Charles Payments and the other Insider Payments, Defendants, Salzano, William Jean Charles and the other Insiders have been unjustly enriched and have wrongly used such misappropriated funds.

WHEREFORE, the Trustee demands judgment against Salzano, William Jean Charles and the other Insiders:

- a) awarding the Trustee compensatory, consequential and punitive damages, plus interest;
- b) awarding the Trustee his reasonable attorney's fees and costs of suit; and
- c) granting such other relief as the Court deems just and proper.

NINTH COUNT
(Accounting and Turnover Under 11 U.S.C. § 542 As
Against Salzano, William Jean Charles As Well As
The Insiders And The Leasing Companies)

180. The Trustee repeats and re-alleges the allegations contained in all of the foregoing paragraphs as if fully set forth herein.

181. Upon information and belief, during the period covering June 30, 2000 through the Petition Date, additional transactions beyond the ones described in the foregoing paragraphs (the "Additional Transactions"), may have taken place between the Debtor and Salzano, William Jean Charles, the Insiders and the Leasing Companies. These Additional Transactions include, but are not limited to, the Other Charges and the Other Expenses and setoffs by the Leasing Companies for the Debtor's Repurchase Obligations that were not properly recorded by the Debtor.

182. Upon information and belief, all or part of the funds exchanged in connection with the Additional Transactions may be recoverable by the Trustee for the benefit of the estate and the general unsecured creditors pursuant to New Jersey state law and the Bankruptcy Code.

183. Upon information and belief, Salzano, William Jean Charles, the Insiders and the Leasing Companies may be in possession, custody and/or control of property which is, upon information and belief, property of the Debtor's estate or which may otherwise be recoverable by the Trustee.

184. In accordance with § 542(a) of the Bankruptcy Code, the Trustee is entitled to an accounting for all payments or transfers made by the Debtor to Salzano, William Jean Charles, the Insiders and the Leasing Companies during the period covering June 30, 2002 through the Petition Date, as well as all post-petition payments or transfers.

WHEREFORE, the Trustee requests that judgment be entered in his favor and against Salzano, William Jean Charles, the Insiders and the Leasing Companies ordering them to account to the Trustee for all payments or transfers made by the Debtor to them during the period covering June 30, 2002 through the Petition Date, as well as all post-petition payments or transfers.

TENTH COUNT

**(Breach of Fiduciary Duty Against Salzano, Alexander Wolf,
Robert Fine, Bob Wizeman, William Jean Charles,
Terry Skemer and Arthur Scuttaro And Aiding and Abetting
a Breach of Fiduciary Duty Against Leasing Companies)**

185. The Trustee repeats and re-alleges the allegations contained in all of the foregoing paragraphs as if fully set forth herein.

186. As officers, directors, and/or employees with management responsibility at NorVergence, Salzano and the Insiders owed NorVergence fiduciary duties. These duties required Salzano and the Insiders at all times to act on behalf of NorVergence in good faith, to exercise the care that an ordinarily prudent person in a like position would exercise under similar circumstances, and to conduct themselves in a manner they reasonably believed to be in the best interest of the company.

187. As part of their fiduciary duties, Salzano and the Insiders at all times were required to be honest and candid and to make complete disclosure in their dealings with the company and its Board of Directors. Further, in their communications with investors, Salzano and the Insiders were obligated to do so honestly, candidly and completely in all material

respects. They were obligated to refrain from operating the Salzano Scheme to defraud customers and creditors alike.

188. By virtue of the acts and omissions described in this Complaint, the Insiders repeatedly violated their fiduciary duties to NorVergence. The Insiders violated their duties of good faith, due care and loyalty by causing NorVergence to further the Salzano Scheme. The Insiders violated their duties to conduct themselves honestly, candidly and with full disclosure in their dealings with NorVergence and its Board of Directors.

189. By virtue of the acts and omissions described in this Complaint, Salzano, William Jean Charles and other Insiders breached their duties of good faith, due care, and loyalty by entering into transactions with NorVergence directly and through entities in which Salzano or members of his family owned an interest, in which he or his family members derived an improper personal benefit at the expense of the company. Salzano and William Jean Charles breached their duties of good faith, due care, and loyalty by arranging for and facilitating transactions with NorVergence in which they and the other Insiders derived an improper personal benefit at the expense of the company. In each of these transactions, the Insiders and Salzano breached their fiduciary duties by failing to disclose to the company all material facts of each such transaction and/or by deliberately failing to supervise these transactions.

190. In addition to their regular payroll, company credit card use, and benefits, the Insiders received payment of at least \$854,000.00 during the continuance of the Salzano Scheme.

191. By virtue of the acts and omissions described in this Complaint, the Leasing Companies knowingly gave substantial assistance to Salzano and the Insiders to perpetuate the Salzano Scheme, by giving them the means to continue the Salzano Scheme, with actual knowledge that the transactions the Leasing Companies were benefiting from, were fraudulent.

192. As a direct and proximate result of the Leasing Companies' actions and omissions, NorVergence was injured and damaged in at least the following ways:

- (a) its debt was wrongfully expanded out of all proportion to its ability to repay and it became insolvent and thereafter deeply insolvent;
- (b) it was forced into bankruptcy and incurred and continues to incur substantial legal and administrative costs, as well as the costs of governmental investigation;
- (c) its relationships with its customers, suppliers and employees were undermined; and
- (d) its assets were dissipated.

WHEREFORE, the Trustee demands judgment against Salzano, the Insiders and the Leasing Companies:

- a) awarding the Trustee compensatory, consequential and punitive damages, plus interest;
- b) awarding the Trustee his reasonable attorney's fees and costs of suit; and
- c) granting such other relief as the Court deems just and proper.

TENTH COUNT

(Fraud Against Salzano, Alexander Wolf, Robert Fine, Robert Wizeman, William Jean Charles, Terry Skemer and Arthur Scuttaro, and Aiding and Abetting A Fraud Against Defendant Leasing Companies)

193. The Trustee repeats and re-alleges all of the allegations contained in each of the foregoing paragraphs as is set forth fully herein.

194. The actions by Salzano and the Insiders, Wolf, Fine, Wizeman, Charles, Skemer and Scuttaro, constituted a fraud against customers, creditors and investors in that the Insiders were running a Salzano Scheme for the benefit of themselves and to the detriment of creditors, investors and customers.

195. The sales scripts, quoted above, contained false statements.

196. The false statements were intended to induce customers to enter into long term, non-cancelable contracts with the Leasing Companies.

197. The customers relied on the false statements to their detriment, by entering into long term, non-cancelable Lease Agreements with the Leasing Companies.

198. The customers suffered damages as a result of the foregoing.

199. NorVergence suffered damages as a result of the foregoing.

200. By virtue of the acts and omissions described above in this Complaint, the Leasing Companies aided and abetted the Insiders' commission of the fraud.

201. Given the nature of the Salzano Scheme as a Ponzi/Bust-Out, one or more of the Leasing Companies participated in and/or had actual knowledge that the Salzano Scheme was designed to or would benefit Salzano and/or an Insider. One or more of the Leasing Companies gave substantial assistance to Salzano and the Insiders by giving them the means to continue the Salzano Scheme with actual knowledge that the transactions the Leasing Companies were benefiting from were fraudulent.

202. As a direct and proximate result of the Leasing Companies acts and omissions, NorVergence was injured and damaged in at least the following ways:

- a) its debt was wrongfully expanded out of all proportion to it's ability to repay and it became insolvent and there after deeply insolvent;
- b) it was forced into bankruptcy and incurred and continues to incur substantial legal and administrative costs as well as costs of governmental investigations;
- c) its relationships with customers, suppliers, and employees were undermined;
- d) its assets were dissipated.

WHEREFORE, the Trustee demands judgment against Salzano, the Insiders, and the Leasing Companies:

- a) awarding the Trustee compensatory, consequential and punitive damages, plus interest;
- b) awarding the Trustee his reasonable attorney's fees and costs of suit; and
- c) granting such other relief as the Court deems just and proper.

ELEVENTH COUNT
(Deepening Insolvency As Against All Defendants)

203. The Trustee repeats and re-alleges the allegations contained in all of the foregoing paragraphs as if set forth fully herein.

204. The knowledge and participation of the Leasing Companies in the Salzano Scheme as described in paragraphs 103-125 of this Complaint permitted NorVergence's insolvency to deepen, unabated from October 2003 -- when most of the Leasing Companies knew or should have known about the actual fraud -- through June 30, 2004.

205. As of June 30, 2002, NorVergence had total assets of \$3,226,085.00 and total liabilities of \$6,270,216.00. Thus, it was insolvent, on a balance sheet basis by \$3,044,131.00.

206. One year later, on June 30, 2003, the insolvency had deepened considerably. Now, total assets were \$10,585,285.00, but liabilities were \$44,938,501.00 for a total balance sheet insolvency of \$34,353,215.00.

207. On March 31, 2004, the insolvency was four times what it had been on June 30, 2003. On March 31, 2004, the amount by which liability exceeded assets stood at \$138,201,421.00, an increase of 400% from where it had stood just nine months before.

208. The continued operation of NorVergence caused a continued "increase" in its insolvency, unabated, until the June 30, 2004 Petition Date.

WHEREFORE, the Trustee demands judgment against Salzano, the Insiders and the Leasing Companies:

- a) for the amount by which the insolvency deepened during that time period,
- b) for exemplary and punitive damages for injuries caused to NorVergence by the deepening insolvency;
- c) for such other and further relief as this court deems appropriate.

PORZIO, BROMBERG & NEWMAN, P.C.

Special Litigation Counsel to Charles M. Forman,
Chapter 7 Trustee of the Estate of NorVergence,
Inc.

By: /s/ Warren J. Martin Jr.
Warren J. Martin Jr. (WM-0487)

Dated: July 14, 2006

EXHIBIT A

DEFINED TERMS

"First Payment Default:" A customer's failure to make its initial Lease payment within 60 days of delivery and acceptance of a Matrix Box.

"Insiders:" Alexander L. Wolf, Robert Fine, Robert Wizeman, William Jean Charles, Terry Skeemer, Arthur Scuttaro.

"ISR" or "Inside Sales Representative:" A highly trained NorVergence call center employee. At its peak, NorVergence had approximately 1100 ISRs.

"Lease" or "Equipment Rental Agreement," or "ERA:" A 5-year agreement obtained by NorVergence from a customer and immediately assigned to a Leasing Company for substantial cash. A copy of a Lease is included within Exhibit B.

"Lease Rate:" The rate utilized by the Leasing Companies to calculate the purchase price of the Lease. The customer's monthly payment, when divided by the Lease Rate, derives the purchase price that the Leasing Company pays NorVergence for a Lease.

"Leasing Companies:" ABB Business Finance, Alfa Financial Corporation, a division of OFC Capital a/k/a Alfa Financial a/k/a OFC Capital, Banc Lease Acceptance Corporation a/k/a North Texas Credit Corp., BB&T Leasing Corporation a/k/a BB&T Leasing, Celtic Bank, CIT Group a/k/a CIT Capital a/k/a CIT Technology Financing Services, Inc. a/k/a CIT Financial USA, Inc. a/k/a CIT Leasing, Citicapital Technology Finance, Inc. a/k/a Citi Capital a/k/a The Citi Group, Combined Capital a/k/a ACC Leasing, Court Square Leasing Corporation, DeLage Landen Financial Services, Inc. a/k/a DeLage Landen, Dolphin Financial Corporation a/k/a Dolphin Capital Corporation a/k/a Dolphin Leasing a/k/a Capital Crossing Bank, First Lease, Inc., General Electric Capital Corporation a/k/a GE Capital, IFC Leasing, Inc. a/k/a IFC Credit Corporation a/k/a Insight Financial Corp.,

Information Leasing Corp. n/k/a National City Commercial Capital, Irwin Business Finance a/k/a Irwin Commercial Finance Corp. a/k/a Irwin Commercial Leasing, Leasing Innovations, Inc., Liberty Bank Leasing a/k/a Liberty Bank, Lyon Financial Services, Inc. d/b/a U.S. Bancorp Business Equipment Finance Group a/k/a US Bancorp, Madison Capital, LLC a/k/a Madison Capital-Funding a/k/a Madison Capital Equipment Lease, Inc., National Penn Leasing a/k/a National Penn Bank Co., Northland Capital Financial Services a/k/a Northland Leasing Innovations, Partners Equity Capital Company, PFG Commercial Finance, Popular Leasing a/k/a Popular Leasing USA, Inc., Preferred Capital, Inc. a/k/a Preferred Capital, LLC a/k/a Preferred Leasing, LLC a/k/a Preferred Capital Leasing, R-G Crown Bank Leasing d/b/a Crown Bank Leasing f/k/a Crown Bank, a Federal Savings Bank, Sterling National Bank, Studebaker Worthington Leasing Group, Susquehanna Patriot Commercial Leasing Company, Inc. a/k/a Patriot Leasing Company a/k/a Patriot Leasing, US Express Leasing, Inc. a/k/a USXL, Wells Fargo Financial Leasing a/k/a Wells Fargo Financial, Inc.

"Matrix Box:" A T-850 router or similar device with certain intellectual property which was manufactured by AdTran and enabled voice and data to be transmitted together over one line. The Matrix Box did not eliminate per minute charges. AdTran sold the Matrix Box to NorVergence for \$1,278.00 per unit.

"MPA" or "Master Program Agreement:" Agreement between a Leasing Company and NorVergence which governed the terms pursuant to which the Leasing Company would purchase or accept assignments of Leases from NorVergence. A Master Program Agreement is attached as Exhibit C.

"NorVergence Service Contract" or "Service Contract:" A 5-year fixed price agreement between a customer and NorVergence for telephone and internet service, a sample of which is included within Exhibit B.

"NorVergence Solution" or "Solution:" Paying 20% to 30% less on your phone and internet charges than you were paying before you came to NorVergence. Essentially, a straight mathematical calculation engineered to put as much value as possible into the Lease.

"Peter:" Peter Salzano

"Repurchase Obligation:" The obligation of NorVergence to repurchase or buy back from a Leasing Company any Lease where a customer suffered a First Payment Default. Some Leasing Companies also required repurchase by NorVergence upon a second or third payment default.

"Salzano:" Thomas N. Salzano, NorVergence's true founder and leader, although according to NorVergence's books and records he was simply a consultant.

"Salzano Scheme:" A scheme containing elements of both a Ponzi and a Bust Out where goods and services are sold to customers at a great loss to induce new customers to sign on. The new customers generate substantial cash upfront which cash is used to obtain even more customers. It is marked by exponential growth supporting lavish lifestyles of the principals.

"OSM" or "Outside Screening Manager:" Highly trained salesman who visited customers to "screen" them for the NorVergence Solution. At its peak, NorVergence had approximately 400 OSMs.

"Webulator:" Peter Salzano's articulation of the device used to engineer the
NorVergence Solution for a customer.

EXHIBIT B



Accurate Business Assessment Form and Proposal Request

Please accept our company's request for a savings proposal. We understand that our request for and your engineering department's decision to create a savings proposal does not connote approval for service and that both parties are under no obligation. We hereby certify that the local, long distance, cellular and internet access bills attached hereto are a typical representation of our company's monthly telecommunications expense.

Additionally, it has been explained to us that we are allowed to request a proposal utilizing telecommunications bills only one time per location. So, we hereby authorize you to use the attached bills and the information provided from the Location Assessment Form as the accurate basis for calculating the actual savings we will receive if we are approved for the unlimited calling solution.

We understand that our misrepresentation of these costs is cause for denial of our application.

A handwritten signature in black ink, appearing to be "A. DeArment", written over a horizontal line.

Authorized Decision MakerA handwritten signature in black ink, appearing to be "A. DeArment", written over a horizontal line.

Print NameA handwritten signature in black ink, appearing to be "A. DeArment", written over a horizontal line.

Managing Member
TitleA large, stylized handwritten signature in black ink, written over a horizontal line.

Norvergence Screening Manager

Note: for wireless service to be incorporated in the proposal you must submit three (3) consecutive months of the most current summary pages of your cellular phone bills, for each cell number you wish to include, demonstrating established service.

10/16/03

Investment Management
~~Darakjian Jewelers Inc~~

Current Monthly Costs		New Monthly Costs		Savings Percentage
Total Domestic Outbound Charges	186.83			
		Quantity 1 Circuit Facility*	79.00	
Existing Domestic Inbound 8XX Charges	47.98	Unlimited Domestic 8XX*	33.00	31.22 %
Conference Calling Costs	0.00	Unlimited Conference Calling Services*	0.00	
Total Cellular Costs	519.60	Unlimited Cellular Access for 5 cell phones*	84.95	83.65 %
Total Local Phone Charges	763.33			
WAN Connectivity Costs	0.00			
Integrated T1 Costs	0.00			
International Costs	0.00	Reduced International Costs *	0.00	
Internet Access	49.95			
PBX Service Cost, Moves, Changes & Software Upgrades	0.00	PBX Service, Moves, Changes & Software Upgrades*	0.00	
PBX Lease Cost*	221.45			
		Monthly MATRIX™ CCS with 17 Phone Sets Rental Payment	1,229.35	
Total Current Monthly Costs	1,789.14	New Monthly Costs	1,426.30	

Customer Monthly Savings \$ 362.84

Customer Yearly Savings \$ 4,354.08

* These items are billed Monthly by NorVergence, total monthly bill = \$196.95

NorVergence Pricing & Savings Guarantee: Subject to mutual Due Diligence & Acceptance by Engineering, the savings numbers** represented in the Proposal above are based on actual bills and represent your current telecommunications expenditures. This proposal can only be generated once and is not subject to change.

Both parties hereto agree that during month 12 of this agreement, and during every 12 month anniversary thereafter, the customer can review competitive pricing offers from other providers for identical services. If two or more written quotes are received from alternate providers for the same services that are 10% less than the above costs NorVergence will reduce the customer's monthly payout to equal the lowest confirmed quote for the balance of the term.

Applicant Initial

NorVergence Screening Manager- TERRI BOND

Signature

Date _____

** The savings illustrated above is a conservative estimate and is subject to increase due to your added call volume and industry rate hikes.

Extended Service Warranty

The MATRIX™ CCS has a standard 90 days part and labor service warranty. Initial here to have extended service warranty coverage at the cost of \$30.00 per month added to your monthly NorVergence bill. Extended warranty service includes: Monday to Friday, 8AM to 6PM , 4 hour emergency response, free next business day replacement of the parts and desktop phones (except for misuse and abuse) for five years.

Initial Here For Acceptance _____

MATRIX™ Gateway and CCS (With 800 Direct) BILL ANALYSIS WORKSHEET

Updated: 10/27/2003



Applicant Name <u>Investment Mgmt Assoc</u> Lead # <u>2278638</u>					Total Domestic Outbound Charges:	<u>186.83</u>
Screening Manager <u>Terri Bond</u>					Existing Domestic Inbound 8XX Charges:	<u>47.98</u>
LD Company: <u>Telegation + Quest</u>					Conference Calling Costs:	
Invoice Date: <u>1/9/04</u> LD Usage: <u>186.83</u>					Total Cellular Costs:	<u>519.60</u>
(Do not include international charges or dedicated inbound/Toll Free charges)					Total Local Phone Charges:	<u>763.33</u>
Toll Free Provider: <u>Telegation</u>					Integrated T1 Charges:	<u>—</u>
Invoice Date: <u>1/9/04</u> Total 8XX Chgs: <u>47.98</u>					WAN Connectivity Costs:	<u>—</u>
(Chgs=usage & Monthly Service Fee)					International Costs:	<u>—</u>
Conference Calling Provider: <u>X</u>					Internet Access:	<u>49.95</u>
Conference Calling Costs: <u>X</u>					PBX Maintenance Cost:	
Local Phone Service Provider: <u>SBC</u>					PBX Lease Cost:	<u>221.45</u>
Invoice Date: <u>1/10/04</u>					Cost for Moves, Changes & Software Upgrades:	
Total Local Phone Charges: <u>763.33</u>					Total Current Costs:	<u>1789.14</u>
(All Charges except Yellow Page Advertising and Calling Card Charges)					Circuit Facility:	<u>79.00</u>
Number of Existing Lines: <u>20</u>					Unlimited Domestic 8XX Charge:	<u>33.00</u>
Total Integrated T1 Charges					Matrix Conference Unlimited:	<u>—</u>
PBX Vendor:					Unlimited Cellular Access:	<u>84.95</u>
PBX Maintenance Cost:					Reduced International Costs:	<u>—</u>
PBX Lease Cost: <u>221.45</u>					Moves, Changes, & Software Upgrades:	<u>—</u>
Cost for Moves, Changes & Software Upgrades:					Matrix™ System Rental Payment:	<u>1229.35</u>
Internet Provider: <u>Mercury Network</u>					New Total Costs:	<u>1426.30</u>
Current Charges: <u>49.95</u>					NOTES AND CALCULATIONS:	
Cellular Provider(s): <u>Verizon + T-Mobile</u>						
Invoices Dates:						
<u>5 phones</u>						
	<u>11/2-12/03</u>	<u>12/3-1/4</u>	<u>1/4-2/04</u>			
	Month 1	Month 2	Month 3	Average		
Provider 1	<u>198.35</u>	<u>211.64</u>	<u>225.77</u>	<u>231.92</u>		
Provider 2	<u>10/20</u> <u>93.92</u>	<u>10/20-11/19</u> <u>180.24</u>	<u>11/20-12/19</u> <u>93.74</u>	<u>122.63</u>		
Provider 3	<u>11/23</u> <u>291.12</u>	<u>12/23</u> <u>101.33</u>	<u>1/23</u> <u>102.68</u>	<u>165.04</u>		
Provider 4						
TOTAL				<u>519.60</u>		

**Services Application**

THIS IS A NON-BINDING APPLICATION TO RESERVE "VOICE AS UNLIMITED DATA™", HIGH SPEED T-1 ACCESS FACILITIES AND CELLULAR HANDSETS SUBJECT TO THE TERMS BELOW, FINAL CREDIT AND ENGINEERING APPROVAL

This Services Application is non-binding until you are approved for the "Voice as Unlimited Data™" services herein and all parties agree to move forward. Access Facilities will then be connected and installation confirmed and all terms below will apply.

Site Information		
Applicant Company Name: Darakjian Jewelers Inc Investment Management	Address: 29333 Northwestern Hwy, Southfield, Michigan 48034-1025	What MATRIX™ Solution are you applying for? : <input type="checkbox"/> Gateway <input checked="" type="checkbox"/> CCS
Contact: Ara Darakjian	Phone #: 248-356-7140	What MATRIX™ Service are you applying for? <input checked="" type="checkbox"/> Fraud Protection Technology <input checked="" type="checkbox"/> 800 Direct Technology <input type="checkbox"/> Unlimited Conference calling
Floor(s)/ Closet(s) Name: Main Floor	Order Date: 02-27-2004	Screening Mgr: TERRI BOND <input checked="" type="checkbox"/> New Application <input type="checkbox"/> Upgrade Application

If approved and mutual consent is given, NorVergence will perform the following services:

- Coordinate and arrange for delivery of Carrier Neutral High Speed "Voice as Unlimited Data™" T1 Access Facilities through your Local Service Provider.
- Program and provide Cellular "Voice as Unlimited Data™" handsets (as applicable) for toll and surcharge free Cellular calling if the Cellular LOA is attached.
- Coordinate the National Conversion Assistance Program to provide for a smooth transition to new Cellular numbers or 800 Direct Technology, if applicable
- Coordinate the transfer of your Business Telephone Numbers and or Toll Free Number(s) to Unlimited Domestic Inbound Calling without per Minute Charges, if number portability form is attached (NPF).
- Connect your lines to Unlimited Outbound Domestic Toll Free Calling without per Minute Charges, Fees, or Surcharges.
- Activate Fraud Protection Technology ("FPT") on all MATRIX™ Outbound Lines and Cellular phones Removing Toll Fraud and Hacker Liability.
- Upon approval, NorVergence agrees to indemnify, save, and hold harmless "Applicant" from former carrier/provider and third party Early Termination Fees arising from all telecommunications service(s) incurred heretofore, volume commitments made, and/or signed contract(s) if any are provided by former carriers/service providers.

If approved and mutual consent is given, Applicant agrees to:

- Authorize NorVergence to submit this Application for Credit and Engineering Acceptance.
- Save and Hold NorVergence Harmless if Credit or Engineering Approval is Not Granted for the Solution.
- Purchase the access services on the terms below and allow Local Service Provider installation.
- Within 30 days of Matrix mounting, applicant will expeditiously allow the Local Service Provider and PBX Technician access to connect all facilities.

If approved and mutual consent is given, NorVergence agrees to:

- Coordinate & Enable Carrier Neutral "Voice as Unlimited Data™" with T-1, Internet Access, for \$ 79.00 /per month for 1 T1(s) for a 60 month term.
- Coordinate & Enable Unlimited Cellular Access for \$84.95 /per month on a 60 month term for 5 Cellular Handsets(if applicable)
- Coordinate & Enable Unlimited Toll Free Domestic Calling for \$33.00 /per month on a 60 month term for 2 Toll Free Numbers(if applicable)
- Coordinate & Enable Free Unlimited Domestic U.S. Calling for 20 Outbound/Inbound Toll Free 8XX lines attached to your Phone System
- Moves, Changes & Software Upgrades \$0.00 per month on a 60 month term
- Coordinate & Enable Unlimited Conference Calling for \$ N/A /per month on a 60 month term
- ☒ Carrier Neutral Unlimited Cellular Service
- ☒ 5 (Qty.) Wireless Phone sets/Phone Numbers
- ☒ 17 (Qty.) Phone sets for the Matrix™ CCS
- ☒ National Conversion Assistance Program Request Attached
- ☒ 800 Direct Technology

WARRANTY & ADDITIONAL TERMS and GUARANTEES of SERVICE: After approval, as long as Customer Applicant remains in good credit standing, this Agreement authorizes the Service Provider Carrier to guarantee pricing, service assurance and circuit continuity on all T-1s installed & Cellular phones programmed. Additionally, throughout the term, customers may request a change in Cellular Handsets, per access number, every 12 months free of charge. Cellular change requests that are within 12 months are subject to availability and any carrier equipment upgrade fee (if applicable) at the time of the request. Cellular Handsets DO NOT include direct dialed International Calling capability. In order to guarantee the customer savings outlined in your proposal, customer agrees that NorVergence may enhance or modify underlying carriers, transport facilities and handsets at any time during the term at NorVergence cost. All International outbound calls are billed separately. International inbound calling, outside of the North American Calling Plan, is not supported with 800 Direct Technology. For comprehensive Terms and Conditions included herein by reference, please visit our web site at www.NorVergence.com.

Applicant Authorization

The parties noted below, as duly authorized representatives of their respective companies, hereby approve the above services to be provided and purchased on the terms herein subject to customer written confirmation of Matrix™ Solution Mounting. This application is further conditioned upon Credit Approval, Engineering Review, and final consent of all parties to move forward prior to System Mounting.

Name (please print)	Applicant Title:	Signature	Date
ARA DARAKJIAN	MANAGING MEMBER		3/1/04

NorVergence Authorization

Name (please print)	Employee Title:	Signature	Date
Employee:			

NorVergence

Equipment Rental Agreement

Rental Number _____

Renter (Full Legal Name) NorVergence, Inc.				Renter (Full Legal Name) _____			
Address 550 Broad St 3rd Floor				Address 29333 Northwestern Hwy			
City Newark	State NJ	County Essex	Zip Code 07102	City Southfield	State Michigan	County Oakland	Zip Code 48034-1025
Telephone Number 973 - 242 -7500				Telephone Number 248-356-7140		Federal Tax ID Number 38-3452706	
				State of Organization MI			

Dear Customer: We've written this Equipment Rental Agreement (the "Rental") in simple and easy-to-read language because we want you to understand its terms. Please read this Rental carefully and feel free to ask us any questions you may have about it. We use the words **you** and **your** to mean the Renter indicated above. The **we**, **us** and **our** refer to the Renter indicated herein.

Rental Agreement: We agree to rent to you and you agree to rent from us the Equipment listed below (the "Equipment"). You promise to pay us the Rental Payments shown below according to the payment schedule below.

Quantity	Equipment Model & Description	Serial Number
1	MATRIX™	

Equipment to be new unless otherwise noted: ☒ Used ☐ Reconditioned ☐

Equipment Location (if different from Renter address above)
Address _____

City	State	County	Zip Code	Renter Contact Name	Telephone Number
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RENTAL TERM **60** Months

Transaction Terms: Rental Payment \$ 1,229.35 (plus applicable taxes) Security Deposit \$ 0

☒ If checked the first payment is due approximately 60 days after date of acceptance.

Your payments shown above may not include any applicable tax. If any taxes are due, you authorize us to pay the tax when it is due and agree to reimburse us by adding a charge to your Rental Payment. You authorize us to insert or correct missing or incorrect information on the Rental; we will send you notice of such changes. Payments will be applied first to past due balances, taxes, fees and late charges, and then to the current amount due.

You agree to all the terms and conditions shown above and the reverse side of this Rental, that those terms and conditions are a complete and exclusive statement of our agreement and that they may be modified only by written agreement between you and us. Terms or oral promises which are not contained in this written Rental may not be legally enforced. You also agree that the Equipment will not be used for personal, family or household purposes. You acknowledge receipt of a copy of this Rental. Your obligations to make all Rental Payments for the entire term are not subject to set off, with holding or deduction for any reason whatsoever.

This Rental is not binding on us until we accept it by signing below. You authorize us to record a UCC-1 financing statement or similar instrument, and appoint us as your attorney-in-fact to execute and deliver such instrument, in order to show our interest in the Equipment.

THIS RENTAL MAY NOT BE CANCELLED OR TERMINATED EARLY.

Renter: NorVergence, Inc.

By: X _____

Accepted on behalf of Renter on: _____

Renter _____

By: X _____

Name (print) Dea Drazakian

Date/Title: Managing Member

You agree that a facsimile copy of this Rental bearing signatures may be treated as an original.

Guaranty: In this guaranty, **you** means the person(s) making the guaranty, and **we**, **us** and **our** refer to the Renter indicated above. You will unconditionally, jointly and severally guarantee that the Renter will make all payments and pay all the other charges required under this Rental and under any other agreement now or hereafter entered into between the Renter and us (the "agreement(s)") when they are due and will perform all other obligations under the agreement(s) fully and promptly. You also agree that we may make other arrangements with the Renter and you will still be responsible for those payment and other obligations.

We do not have to notify you if the Renter is in default. If the Renter defaults, you will immediately pay in accordance with the default provisions of this Rental all sums due under the terms of this Rental and you will perform all other obligations of Renter under this Rental. It is not necessary for us to proceed first against the Renter before enforcing this guaranty. You will reimburse us for all the expenses we incur in enforcing and of our rights against the Renter or you, including attorney fees. THE SAME STATE LAW AS THE RENTAL WILL GOVERN THIS GUARANTY. YOU AGREE TO JURISDICTION AND VENUE AS STATED IN THE PARAGRAPH TITLED APPLICABLE LAW OF THE RENTAL.

Personal Guaranty:

By: X(sign) _____, Individually

Name (print) _____

Personal Guaranty:

By: X(sign) _____, Individually

Name (print) _____

Equipment Rental (continued)

RENT/TERM OF RENTAL: You agree to pay us the amount specified in this Rental as the Rental Payment (plus any applicable taxes) when each payment is due. Your acceptance of the Equipment will be conclusively and irrevocably established upon the receipt by us of your confirmation (verbal or written) of such acceptance. However, if you have not provided us with confirmation of acceptance or provided us with written notice of non-acceptance of the Equipment, in either case, within 10 days after delivery of the Equipment, you will be deemed to have inspected and irrevocably accepted the Equipment and to have authorized us to pay for the Equipment. The term of this Rental begins on a date designated by us after receipt of all required documentation and acceptance by us ("Commencement Date") and continues for the number of months designated as "Rental Term" on the face of this Rental. The Rental Payments are payable in advance periodically as stated in or on any schedule to this Rental. You agree to pay an interim Rental Payment in the amount of one-thirtieth (1/30th) of the Rental payment for each day from and including the Effective Date ("which shall be the date the Equipment is installed") until the day preceding the Commencement Date.

PAYMENT: You authorize us to change the Rental Payment by not more than 15% due to changes in the Equipment configuration, which may occur prior to our acceptance of this Rental. Restrictive endorsements on checks you send to us will not reduce your obligations to us. Whenever any Rental Payment or other payment is not made when due, you agree to pay us, within one month, a late charge of the greater of ten percent (10%) of the payment or \$20.00 for each delayed payment for our internal operating expenses arising as a result of each delayed payment, but only to the extent permitted by law.

LOCATION AND OWNERSHIP OF EQUIPMENT: You will keep and use the Equipment only at "the Equipment location address." You agree that the Equipment will not be removed from that address unless you get our written permission in advance to move it. You agree to pay the costs incurred by us to verify installation of the Equipment prior to commencement or during the term of the Rental. We are the owner of the Equipment and have title to the Equipment.

USE, MAINTENANCE AND INSTALLATION: You are responsible for protecting the Equipment from damage except for ordinary wear and tear and from any other kind of loss while you have the Equipment. If the Equipment is damaged or lost, you agree to continue to pay rent. You will not move the Equipment from the Equipment location without our advance written consent. You will give us reasonable access to the Equipment location so that we can check the Equipment's existence, condition and proper maintenance. You will use the Equipment in the manner for which it was intended, as required by all applicable manuals and instructions and keep it eligible for any manufacturer's certification and/or standard, full service maintenance contract. At your own cost and expense, you will keep the Equipment in good repair, condition and working order, ordinary wear and tear excepted. All replacement parts and repairs will become our property. You will not make any permanent alterations to the Equipment.

REDELIVERY OF EQUIPMENT; RENEWAL: You shall provide us with written notice, by certified mail, sent not less than 120 days nor more than 180 days prior to the expiration of the Rental Term or any renewal Rental Term of your intention either to exercise any option to purchase all but not less than all of the Equipment (if we grant you such an option) or cancel the Rental and return the Equipment to us at the end of the Rental Term. If you elect to return the Equipment to us at the expiration of the original or any renewal term of the Rental, you agree to return the Equipment in accordance with the paragraph titled Return of Equipment. If we have not received written notice from you of your intention to purchase or return the Equipment, the Rental will automatically renew for succeeding one-year periods commencing at the expiration of the original Rental Term. If this Rental is renewed, the first renewal payment will be due the first day after the original Rental Term expired. Any security deposit held by us shall continue to be held to secure your performance for the renewal period.

LOSS; DAMAGE; INSURANCE: You are responsible for and accept the risk of loss or damage to the Equipment. You agree to keep the Equipment insured against all risks of loss in an amount at least equal to the replacement cost until this Rental is paid in full and will list us as loss payee. You will also carry public liability insurance with respect to the Equipment and the use thereof and name us as additional insured. You will give us written proof of this insurance before this Rental Term begins. You agree to promptly notify us in writing of any loss or destruction or damage to the Equipment and you will, at our option, (a) repair the Equipment to good condition and working order, (b) replace the Equipment with like Equipment in good repair, condition and working order, acceptable to us and transfer clear title to such replacement Equipment to us, such Equipment shall be subject to the Rental and be deemed the Equipment, or (c) pay to us the present value of the total of all unpaid Rental Payments for the full Rental term plus the estimated Fair Market Value of the Equipment at the end of the originally scheduled Rental term, all discounted at six percent (6%) per year whereupon the Rental shall terminate. All proceeds of insurance received by us as a result of such loss or damage will be applied, where applicable, toward the replacement or repair of the Equipment or the payment of your obligations. IF YOU DO NOT GIVE US PROOF OF PHYSICAL DAMAGE INSURANCE, WE MAY (BUT WILL NOT BE OBLIGATED TO) OBTAIN OTHER PHYSICAL DAMAGE INSURANCE AND CHARGE YOU A FEE FOR IT, ON WHICH WE MAY MAKE A PROFIT, OR WE MAY CHARGE YOU A MONTHLY CREDIT RISK EQUAL TO 0.25% OF THE ORIGINAL EQUIPMENT COST DUE TO THE INCREASED CREDIT RISK TO US AS WELL AS TO COVER OUR INCREASED INTERNAL OVERHEAD COSTS OF REQUESTING PROOF OF PHYSICAL DAMAGE INSURANCE FROM YOU.

ASSIGNMENT; YOU MAY NOT SELL, PLEDGE, TRANSFER, ASSIGN OR SUBRENT THE EQUIPMENT OR THIS RENTAL. We may sell, assign or transfer all or any part of this Rental and/or the Equipment without notifying you. The new owner will have the same rights that we have, but not our obligations. You agree you will not assert against the new owner any claims, defenses or set-offs that you may have against us.

TAXES AND FEES: You agree to pay when due all sales and use taxes, personal property taxes and all other taxes and charges, license and registration fees, relating to the ownership, leasing, rental, sale, purchase, possession or use of the Equipment as part of this Rental or as billed by us. You agree to pay us any estimated taxes when we request payment. You agree that if we pay any taxes or charges on your behalf in excess of the estimated taxes previously collected, you shall reimburse us for all such payments and shall pay us a late charge (as described in the paragraph titled Payment) on such payments if applicable with the next payment. You agree to pay us a monthly fee up to one hundred and fifty thousandths of one percent (.150%) of the original Equipment cost to reimburse us for our costs of preparing, reviewing and filing any such returns. You agree, and we have the right to (i) bill monthly the estimated applicable personal property taxes together with the fees described herein and (ii) bill any remaining estimated amount due upon assessment of such taxes, without regard to any discounts we may obtain. You also agree to appoint us as your attorney-in-fact to sign your name to any document for the purpose of such filing, so long as the filing does not interfere with your right to use the Equipment. We may charge you and you shall pay to us a one time administrative fee of up to \$75.00 to reimburse us for documentation and investigation costs. You also agree to pay us for any filing and releasing fees prescribed by the Uniform Commercial Code or other law including filing or other fees incurred by us.

LIABILITY: We are not responsible for any losses or injuries caused by the installation or use of the Equipment. You agree to reimburse us for and to defend us against any claims for the losses or injuries caused by the Equipment.

DEFAULT: Each of the following is a "Default" under this Rental: (a) you fail to pay any Rental Payment or any other payment when due, (b) you fail to perform any of your other obligations under this Rental or in any other agreement with us or with any of our affiliates, and this failure continues for 10 days after we have notified you of it, (c) you become insolvent, you dissolve or are dissolved, you fail to pay your debts as they mature, you assign your assets for the benefit of your creditors, or you enter (voluntarily or involuntarily) any bankruptcy or reorganization proceeding, or (d) any guarantor of this Rental dies, does not perform its obligations under the guaranty, or becomes subject to one of the events listed above.

REMEDIES: If a Default occurs, we may do one or more of the following: (a) cancel or terminate this Rental or any or all other agreements that we have entered into with you; (b) require you to immediately pay us, as compensation for loss of our bargain and not as a penalty, a sum equal to (i) all amounts then due under this Rental plus, (ii) all unpaid Rental Payments for the remainder of the term plus our anticipated residual interest in the Equipment each discounted to present value at the rate of 6% per annum; (c) deliver the Equipment to us as set forth in the paragraph titled Return of Equipment; (d) peacefully repossess the Equipment without court order and you will not make any claims against us for damages or trespass or any other reason; and (e) exercise any other right or remedy available at law or in equity. You agree to pay all of our costs of enforcing our rights against you, including reasonable attorneys' fees and costs. If we take possession of the Equipment, we may sell or otherwise dispose of it with or without notice, at a public or private sale, and apply the net proceeds (after we have deducted all costs related to the sale or disposition of the Equipment) to the amounts that you owe us. You agree that if notice of sale is required by law to be given, 10 days notice shall constitute reasonable notice. You will remain responsible for any amounts that are due after we have applied such net proceeds. All our remedies are cumulative, are in addition to any other remedies provided for by law and may be exercised either concurrently or separately. Any failure or delay by us to exercise any right shall not operate as a waiver of any right, other or future rights or to modify the terms of this Rental.

SECURITY DEPOSIT: We will retain any required security deposit to ensure your performance of your obligations. Any security deposit is non-interest bearing. We may, but are not obligated to, apply any security deposit to cure any default by you, in which event you will promptly restore any amount so applied. If you are not in default, any security deposit will be returned to you within 90 days after the end of the original or renewal Rental Term (or as otherwise required by applicable law), or at your direction we may apply the security deposit towards your purchase of the Equipment (if we grant you a purchase option).

RETURN OF EQUIPMENT: If (a) a default occurs, or (b) you do not purchase the Equipment at the end of the Rental Term, you will immediately return the Equipment to any location(s) and aboard any carrier(s) we may designate in the continental United States. The Equipment must be properly packed for shipment in accordance with the manufacturer's recommendations or specifications, freight prepaid and insured, maintained in accordance with the paragraph titled Use Maintenance and Installation, and in "average Saleable Condition". "Average Saleable Condition" means that all of the Equipment is immediately available for use by a third party buyer, user or Renter, other than yourself, without the need for any repair or refurbishment. All Equipment must be free of markings. You will pay us for any missing or defective parts or accessories, including manuals and licenses. You will continue to pay Rental Payments until the Equipment is received and accepted by us.

ARTICLE 2A STATEMENT: YOU AGREE THAT IF ARTICLE 2A OF THE UNIFORM COMMERCIAL CODE IS DEEMED TO APPLY TO THIS RENTAL, THIS RENTAL WILL BE CONSIDERED A FINANCE LEASE THEREUNDER. YOU WAIVE YOUR RIGHTS AND REMEDIES UNDER ARTICLE 2A OF THE UCC.

APPLICABLE LAW: You understand that the Equipment may be purchased for cash or it may be rented. By signing this Rental, you acknowledge that you have chosen to rent the Equipment from us for the term of this Rental, and that you have agreed to pay the specified Rental Payment and other fees described herein. We both intend to comply with applicable laws. If it is determined that your Rental Payment results in a payment greater than would be allowed by applicable law, then any excess collected by us will be applied to any outstanding balance due and owing under this Rental. In no event will we charge or receive or will you pay any amounts in excess of that allowed by applicable law. This agreement shall be governed by, construed and enforced in accordance with the laws of the State in which Renter's principal offices are located or, if this Lease is assigned by Renter, the State in which the assignee's principal offices are located; without regard to such State's choice of law considerations and all legal actions relating to this Lease shall be venue: exclusively in a state or federal court located within that State, such court to be chosen at Renter or Renter's assignee's sole option. You hereby waive right to a trial by jury in any lawsuit in any way relating to this rental.

ADDITIONAL SERVICES: To request copies of your billing or payment history or for other information or services with respect to your Rental, please contact us. You will be charged a reasonable fee for these services.


OTHER CONDITIONS: You understand and agree that:

YOUR DUTY TO MAKE THE RENTAL PAYMENTS IS UNCONDITIONAL DESPITE EQUIPMENT FAILURE, DAMAGE, LOSS OR ANY OTHER PROBLEM. RENTER IS RENTING THE EQUIPMENT "AS IS", WITHOUT ANY WARRANTIES, EXPRESS OR IMPLIED, INCLUDING WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE IN CONNECTION WITH THIS AGREEMENT. If the Equipment does not work as represented by the manufacturer or supplier, or if the manufacturer or supplier or any other person fails to provide service or maintenance, or if the Equipment is unsatisfactory for any reason, you will make any such claim solely against the manufacturer or supplier or other person and will make no claim against us.

If any term of this Rental conflicts with any law in a state where the Rental is to be enforced, then the conflicting term shall be null and void to the extent of the conflict but this will not invalidate the rest of this Rental.

NO WARRANTIES: We are renting the Equipment to you "AS IS". WE MAKE NO WARRANTIES, EXPRESS OR IMPLIED, INCLUDING WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE IN CONNECTION WITH THIS AGREEMENT. We transfer to you for the term of this Rental all warranties, if any, made by manufacturer or supplier to us. We are not liable to you for any modifications or rescission of supplier or manufacturer warranties. You agree to continue making payments to us under this Rental regardless of any claims you may have against the supplier or manufacturer. **YOU WAIVE ANY RIGHTS WHICH WOULD ALLOW YOU TO:** (a) cancel or repudiate the Rental; (b) reject or revoke acceptance of the Equipment; (c) grant a security interest in the Equipment; (d) accept partial delivery of the Equipment; (e) "cover" by making any purchase or Rental of substitute Equipment; and (f) seek specific performance against us.

YOU UNDERSTAND THAT ANY ASSIGNEE IS A SEPARATE AND INDEPENDENT COMPANY FROM RENTOR/MANUFACTURER AND THAT NEITHER WE NOR ANY OTHER PERSON IS THE ASSIGNEE'S AGENT. YOU AGREE THAT NO REPRESENTATION, GUARANTEE OR WARRANTY BY THE RENTOR OR ANY OTHER PERSON IS BINDING ON ANY ASSIGNEE, AND NO BREACH BY RENTOR OR ANY OTHER PERSON WILL EXCUSE YOUR OBLIGATIONS TO ANY ASSIGNEE.


Renter: Please initial if submitting via facsimile.

NorVergence™

Drastically Reducing Telecommunications Costs

Corporate Headquarters:

NorVergence Inc.
550 Broad Street
3rd Floor
Newark, NJ 07102

Voice 1-866-848-6678
Fax 1-866-742-6678

www.NorVergence.com

Equipment Release and Address Verification

Dear Customer:

This letter serves as confirmation that your account is prepared to receive
Unlimited Calling Service. Equipment for Unlimited usage has been
approved.

Please sign this confirmation to authorize the release of your equipment
and shipment to the above address.

☒ Free nationwide calling for 5 Cellular phone number(s).
Model #(s) 1-Nokia 3595 2-Samsung E-660 1-Motorola V-300
1-Sony Ericsson P-900
☒ CCS Desk Top Phones approved 17.

Company Name: Darakjian Jewelers, Inc

Customer Signature: X 

Print Customer Name: Aris Darakjian

Date: 3/31/04

Customer Equipment Confirmation

Field Offices:

Philadelphia

New York

Chicago

Washington D.C.

Baltimore

Atlanta

Boston

Albany

Pittsburgh

Miami

Columbus

Raleigh

Hartford

EXHIBIT C

MASTER PROGRAM AGREEMENT

This Agreement made this 11th day MARCH, 2003, by and between NorVergence, Inc. a New Jersey corporation having its principal place of business at 550 Broad Street, Newark, New Jersey 07102 ("you" or "NorVergence") and **POPULAR LEASING U.S.A., INC.** a Delaware corporation, having its principal place of business at 16280 Westwood Business Park Drive, Ellisville, Missouri 63021 ("us" or "Popular").

WHEREAS, NorVergence, in the ordinary course of its business, has entered into or may hereafter enter into certain rentals of personal property ("Rental Agreements") providing for the payment of money to NorVergence, arising out of NorVergence's rental of equipment described in such Rental Agreements ("Equipment") to users thereof ("Customer" or "Customers") and may desire, from time to time, to assign to Popular its right, title, and interest in and to such Rental Agreements and Equipment; and,

WHEREAS, Popular may, at its sole discretion, accept the assignment of such Rental Agreements as are acceptable to it, and, if so accepted, shall pay NorVergence therefor.

NOW THEREFORE, in consideration of the covenants, undertakings, warranties, representations, and agreements hereinafter set forth and for other good and valuable consideration, upon Popular's approval of any Rental Agreement and receipt from NorVergence of all necessary documents, the terms and conditions of this Master Program Agreement ("Agreement") shall govern and apply to all such assignments and Popular hereby accepts assignment of such Rental Agreements.

1. CREDIT PROCEDURES. From time to time during the term of this Agreement, NorVergence may submit to Popular applications for leasing from Customers, together with such financial and other pertinent credit information ("Information") as is available and reasonably requested by Popular. Popular may accept or reject a proposed Customer or Rental Agreement in its sole discretion. Popular shall use its best efforts to accept or reject each such application, and notify NorVergence of its determination, within one business day after receipt by Popular of all Information reasonably requested by Popular. NorVergence acknowledges that Popular intends to rely on any Information supplied by NorVergence to Popular to determine whether, within Popular's sole discretion, Popular will accept assignment of said Rental Agreement. NorVergence acknowledges that Popular shall not conduct a Customer interview during the credit approval process, which is contrary to Popular's standard credit policy. NorVergence warrants and represents to Popular that the Information provided to Popular shall be the same information as provided to NorVergence from the source providing the Information, the Information shall be true and factual, and that NorVergence has fully disclosed all Information to Popular. In the event of a violation of this representation and warranty, NorVergence shall be required to repurchase the Rental Agreement in accordance with Paragraph 5 herein.

2. ASSIGNMENT OF RENTAL AGREEMENTS. Upon Popular's approval of a Rental Agreement, NorVergence hereby assigns to Popular all its rights, title and interest in and to the Rental Agreement and Equipment including all monies due and to become due under the Rental Agreement, but none of its obligations under the Rental Agreement ("Assigned Rental Agreement"). The assignment price for each Assigned Rental Agreement shall be sales price of the Equipment established individually and evidenced by NorVergence's invoice to Popular ("Assignment Price") plus a commission to NorVergence of one and one-half percent (1-1/2%) of NorVergence invoice amount.

Popular's rate to NorVergence, shall include applicable personal property tax for each Customer. Popular is responsible for making appropriate declarations to the taxing jurisdiction and shall pay the tax to said jurisdiction. Popular shall not invoice any Customer for any additional personal property tax.

Assigned Rental Agreements may be written to include 60 days with no payments by the Customer. NorVergence does not require any advance rental payments to secure the Rental Agreement. Popular shall not obtain any confirmation of delivery other than the signed Delivery & Acceptance notice provided by NorVergence. The Assignment Price for each Assigned Rental Agreement shall be paid to NorVergence by Popular within 24 hours after Popular's receipt of a properly executed original Rental Agreement Assignment (Exhibit A) together with the original Rental Agreement documentation as set forth in Exhibit A ("Closing"). In the event any Customer defaults in the payment of the first rental where an actual payment of money is due, and such default is not cured within 30 days, then NorVergence shall repurchase said defaulted Assigned Rental Agreement from Popular for the dollar amount originally advanced by Popular plus interest on the funds advanced at a rate equal to the then current Prime Rate (as published in the Federal Reserve internet website) plus 200 Basis Points.

Any and all Assigned Rental Agreements executed by NorVergence shall be expressly subject to and in accordance with the terms and conditions of this Agreement. All of the terms and conditions of this Agreement are hereby incorporated into each Rental Agreement Assignment executed by NorVergence as if the terms and conditions were expressly set forth in the Rental Agreement Assignment.

3. END OF TERM RESIDUAL PURCHASE.

At the end of the original term of any Assigned Rental Agreement which we enter into pursuant to this Agreement, if the Customer is not in default and has otherwise performed all of its obligations under the terms of the Rental Agreement, Popular shall grant to NorVergence the exclusive right to repurchase from Popular the Equipment covered by the Assigned Rental Agreement, as well as any rights to rental payments for any renewal term after the termination of the original Assigned Rental Agreement term, for the sum of One Dollar (\$1.00), plus any applicable taxes or, and any accrued late charges (the "Residual Purchase Price"). Popular shall invoice NorVergence for the Residual Purchase Price then shall debit NorVergence's bank account 15 days after our invoice to you.

Upon your repurchase of the Equipment, Popular shall forward to NorVergence a Bill of Sale for the Equipment and shall WITHOUT RECOURSE OR WARRANTY, assign, set over and transfer to NorVergence all of Popular's right, title, and interest in and to the Equipment. NorVergence understands and agrees that any end of rental residual purchase shall be on an AS-IS and WHERE-IS basis, that it will be solely responsible for determining the location and condition of the Equipment, and that Popular makes NO WARRANTIES as to the Equipment, including NO WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE.

If NorVergence does not repurchase the Equipment at the end of the original Assigned Rental Agreement term, Popular will have the right (but not the obligation) (i) to offer to sell the Equipment to the Customer for any price which we deem appropriate, in our sole discretion; or (ii) to renew the Assigned Rental Agreement term for an additional period according to the terms of the Assigned Rental Agreement; or (iii) to require the Customer to return the Equipment to Popular. If NorVergence does not repurchase the Equipment, NorVergence shall have no rights or interest in the Equipment or in any of the proceeds of any sale or other disposal of the Equipment or of any renewal of the Rental Agreement term.

4. REPRESENTATIONS AND WARRANTIES.

NorVergence hereby represents and warrants with respect to each Assigned Rental Agreement that:

- (a) it is valid, binding, and enforceable in accordance with its terms and represents a non-cancelable obligation of a bona fide Customer having legal capacity to contract;
- (b) the form, terms, and execution thereof are in compliance with all applicable State and Federal laws and regulations affecting the same;
- (c) Customer's signature and guarantor(s) signature, if applicable, are genuine in all respects;

- (d) the amount(s) stated as due in the Assigned Rental Agreement are due and payable at the time(s) provided therein;
- (e) that the Assigned Rental Agreement is, at the time of the transfer to Popular, and will remain, free and clear of all defenses, set-offs, counterclaims, liens, and encumbrances of every kind and nature against NorVergence;
- (f) the description of the Equipment in the Assigned Rental Agreement is accurate and unless otherwise specified at the time of credit submission, the Equipment is new and unused;
- (g) no part of any down payment has been advanced directly to Customer by NorVergence;
- (h) at the time any Assigned Rental Agreement was assigned to Popular, title in and to the Equipment was vested in NorVergence free and clear of all liens, claims, and encumbrances;
- (i) each and every item of Equipment listed on any Rental Agreement had been delivered to and unconditionally accepted by Customer. Popular shall not be obligated to make any independent confirmation of such delivery and NorVergence shall be solely responsible for its representation that the Equipment has been accepted by Customer.
- (j) no dispute or claim by Customer of which NorVergence has been notified was pending at the time of assignment;
- (k) no agreement or instrument other than the Assigned Rental Agreement has been entered into with Customer which would change the terms and conditions of the Assigned Rental Agreement or impair Popular's rights to collect the proceeds of the Assigned Rental Agreement;
- (l) all Equipment will be used solely for business or commercial purposes, and will not be used for personal, family, or household purposes;

Except for the aforesaid, NorVergence agrees that it is still required to comply with and is bound by all representations and warranties herein.

5. ADDITIONAL REPRESENTATION AND WARRANTIES OF NORVERGENCE.

NorVergence further represents and warrants that:

- (a) it is validly organized, existing and in good standing in its State of Incorporation and is duly qualified to do business in each State in which, because of the nature of its business or the Rental Agreement it owns, qualification is required;
- (b) it has the power and authority to enter into and perform this Agreement;
- (c) it will not grant a security interest in any Assigned Rental Agreement or any Equipment thereunder; it will promptly fulfill all obligations on its part to be fulfilled and performed in accordance with any agreement with Customer with respect to the Equipment;
- (d) NorVergence will indemnify and hold Popular harmless from and against any demand, claim, action, cost, loss, liability, damage, or expense of any kind, including attorney's fees and costs, arising from or in connection with the breach of any warranty or representation contained in this Agreement and arising from or in connection with any breach by NorVergence of any provision of any Rental Agreement assigned to Popular.

6. REPURCHASE OBLIGATIONS. NorVergence hereby agrees to repurchase from Popular within ten (10) days after Popular's demand any Assigned Rental Agreement with respect to which any representation or warranty of NorVergence contained in this Agreement or the Rental Agreement Assignment is untrue, incorrect, or is breached by NorVergence. The Repurchase Price shall be the amount equal to the remaining balance due (calculated on the basis of the Rule of 78s) under the Rental Agreement plus all out-of-pocket expenses incurred by Popular in connection with collection or attempted collection of such Rental Agreement, including but not limited to attorney's fees and costs as a consequence of litigation whether by or against Popular, and, if applicable, the expenses of retaking, storing, and disposing of the Equipment. If the Repurchase Price is not paid within ten (10) days of demand, in addition to the Repurchase Price, NorVergence shall also be liable for and pay to Popular all expenses incurred by Popular in connection with collection, or attempted collection of the Repurchase Price (including attorney's fees, litigation expenses, and, if applicable, expenses related to the repossession and sale of the equipment), plus interest on the Repurchase Price at a rate of 1-1/2 percent per month until paid but not in excess of the maximum amount permitted by law.

7. **UNIFORM COMMERCIAL CODE FILING.** NorVergence hereby authorizes Popular to file and record appropriate Uniform Commercial Code Financing Statements ("UCC") naming each Customer as Debtor and Popular as secured party. In the event NorVergence files a UCC against a Customer, NorVergence hereby grants to Popular the right, in the name of NorVergence, to amend such UCC to evidence the assignment to Popular.

8. **COLLECTIONS.** Popular shall bill the Customers for payments to be made under the Rental Agreement, including any applicable sales, personal property or use tax, and have the sole right to make collections on any Assigned Rental Agreement and to exercise any and all rights, powers, and remedies thereunder. Popular's failure to attempt to collect or to take any action regarding a delinquent Assigned Rental Agreement shall not relieve NorVergence of any obligation it may have for breach of representation or warranty or breach of any Rental Agreements. NorVergence hereby appoints Popular and each of its officers as NorVergence's limited attorney-in-fact, without any right of revocation and full power of substitution to endorse, without recourse, NorVergence's name upon any and all notes, checks, drafts, or other instruments for the payment of money received by Popular which are payable to NorVergence with respect to an Assigned Rental Agreement, which payments are owed to Popular by a Customer. Both Popular and NorVergence agree to deliver any sums received by either of them to the party entitled to such sums.

9. **INDEPENDENT CONTRACTORS.** NorVergence and Popular hereby acknowledge that they are separate entities, each of which has entered into this Agreement for independent business reasons and that none has acted, acts, or shall be deemed to have acted or acts, as an agent for the other except as expressly provided for in this Agreement. NorVergence shall have no right or authority to, and will not attempt to, accept collections, repossess or consent to return of the Equipment or modify the terms of any Assigned Contract unless agreed to by Popular

10. **TERMINATION.** This Agreement may be terminated by either party at any time upon thirty (30) days prior written notice to the other. Termination shall not affect the rights of the parties with respect to any transaction entered into before termination and Popular shall retain all rights under any such assigned Rental Agreement.

11. **GENERAL PROVISIONS.**

a) Notices. All notices, demands, consents, approvals and similar communications shall be in writing and delivered in person, by telecopy, by overnight courier or by prepaid certified mail, addressed to the party for which it is intended as follows:

If to Popular:
Popular Leasing U.S.A., Inc.
16280 Westwood Business Park Drive
Ellisville, Missouri 63021
Attn: Phyllis Hardcastle
Telecopy No. (636) 391-0535

If to NorVergence:
NorVergence, Inc.
550 Broad Street
Newark, New Jersey 07102
Attn: Edward Lucas
Telecopy No. (973) 242-7414

Notices shall be deemed delivered on the day of actual receipt. Any party may change its address for the receipt of notices by written instrument duly given to the other party.

b) Additional Documents And Mutual Cooperation. The parties agree to cooperate from time to time for purposes of:

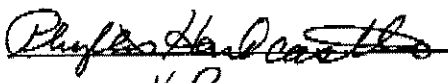
(i) Preparation of forms, including notices to Customers,

- (ii) In the execution of such other documents as may be necessary or proper to fulfill the intent or effectuate the purposes of this Agreement or any Assignment, and
 - (iii) In the furnishing, subject to each party's then current internal procedures, of records and supporting material relating to this Agreement, Payments, Equipment and Purchased Contracts as may be reasonably requested or needed by any party for internal or tax audits or otherwise.
- c) Successors And Assigns. This Agreement shall inure to the benefit of and be binding upon NorVergence and Popular and their respective successors and permitted assigns. Any party may assign the benefits inuring to it under this Agreement but may not assign any duty, obligation or undertaking without the prior written consent of the other, which may be given or withheld at the sole discretion of such party.
- d) Waiver. No delay or omissions on the part of any party in exercising any right, remedy, option, or notice of default, except as any pertinent statute of limitations which may apply, on any one occasion, shall be construed as a bar or waiver of any other default, right, remedy, or option, or the same default, right, remedy, or option on any future occasion.
- e) Survival. The respective indemnities, representations, warranties and agreements of NorVergence contained in this Agreement or any Assignment or made by or on behalf of NorVergence pursuant to this Agreement or any Assignment shall remain in full force and effect, regardless of any termination or cancellation of this Agreement.
- f) Entire Agreement. This Agreement, including any exhibits, schedules and attachments hereto and delivered in connection herewith, constitutes the entire agreement among the parties concerning the subject matter hereof and incorporates all representations made and recourse undertaken in connection with negotiation of the same. The express terms hereof may not be terminated, amended or modified orally, but only by an instrument duly authorized by the parties hereto.
- g) Headings; Unenforceability. Headings appearing in this Agreement are for convenience of reference and reading only and shall not be construed to modify, expand or limit the express terms of any provision hereof. The parties to this Agreement agree that each has significant bargaining capacity with respect to the terms hereof and that none of the parties shall be deemed the drafter for purposes of provisions being construed strictly against such party. If any provision of this Agreement shall be deemed to be unenforceable, such provision shall have no effect upon and shall not impair the enforceability of any other provision of this Agreement.

12. **Governing Law.** The parties agree that this Agreement shall be deemed to be fully executed and performed in the State of Missouri and shall be governed by, construed and enforced in accordance with the laws of the State of Missouri. The parties agree that this Agreement shall be treated at though executed and performed in St. Louis County, Missouri, and any legal actions relating to this Agreement must be instituted in the courts of St. Louis County, Missouri or the United States District Court for the Eastern District of Missouri, which shall have exclusive jurisdiction. The parties hereby waive right to a trial by jury in any lawsuit in any way relating to this Agreement. The prevailing party shall be awarded its reasonable attorney's fees and costs in any litigation to enforce this Agreement.

POPULAR LEASING U.S.A., INC.

NORVERGENCE, INC.

By: 
Title: V.P.

By: 
Title: CEO/Pres

EXHIBIT A
CONTRACT DOCUMENTATION

1. The original of each of the following documents in accordance with NorVergence's representations and warranties set out in the Master Program Agreement:
 - a) Rental Agreement, in form and substance satisfactory to Popular as and when so delivered; and
 - b) all documentation related to such Rental Agreement including, but not limited to, amendments, supplements, exhibits, letters, schedules thereto including schedules referred to in any Rental Agreement as constituting a separate rental transaction; and
 - c) Customer acceptances; and
 - d) guarantees, additional collateral agreements, or supplier warranty agreements; and
 - e) any recourse or Equipment buyback arrangements; and
 - f) Proof of insurance in force by Customer covering liability for injury to the person or property of third parties naming NorVergence as additional insured in amounts and having deductibles which are normal and customary for this type of Equipment and casualty loss to the Equipment for all risks for the greater of the original or replacement cost of the Equipment having a deductible which is normal and customary for this type of equipment naming NorVergence as loss payee as its interests may appear.
 - g) NorVergence's invoice.
2. Any additional documents as may have been entered into in connection with any Purchased Contract or as may be provided for in any Commitment Letter pertaining to one or more Purchased Contracts.

EXHIBIT B
NOTICE OF ASSIGNMENT

[Customer Name]
[Customer Address]

Re: Agreement No. _____, dated _____.

We appreciate serving you as a valued NorVergence customer and would like to advise you that the above referenced agreement has been transferred to Popular Leasing U.S.A., Inc. All terms and conditions remain unchanged with the exception that beginning with your first rental payment due you are to make your contract payments to Popular Leasing as follows:

Popular Leasing USA Inc.
P O Box 4240
Carol Stream, IL 60197-4240

This letter confirms that the agreement commenced on _____ and is for a term of _____ months. There are _____ monthly payments remaining each in the amount of \$ _____, plus applicable taxes.

In addition please update your insurance to reflect Popular Leasing USA Inc. as loss payee and additional insured and forward a certificate of insurance to:

Popular Leasing U.S.A., Inc.
16280 Westwood Business Park Drive
Ellisville, MO 63021
ATTN: Insurance Dept.

If you have any questions, please do not hesitate to call.

Sincerely,

NorVergence, Inc.

(Name)
(Title)

AMENDMENT TO MASTER AGREEMENT

This Agreement will amend the Master Agreement dated March 11, 2003 entered into by and between NorVergence, Inc., ("you" or "NorVergence") and POPULAR LEASING U.S.A., INC. a ("us" or "Popular").

WHEREAS, NorVergence and Popular have entered into a Master Agreement calling for, among other things, Popular to purchase certain rental agreements from NorVergence, and

WHEREAS, the parties wish to amend that Master Usage Agreement with respect to all rental agreements purchased by Popular from NorVergence.

NOW THEREFORE for the mutual covenants, warranties, representations and agreements hereinafter set forth and for other good and valuable consideration, it is agreed:

1. NorVergence hereby grants to Popular the right to countersign Rental Contracts on behalf of NorVergence evidencing its acceptance of said Rental Contract.
2. NorVergence grants to Popular the right to receive, endorse and cash checks from customers whose rental contracts have been assigned to Popular. Said checks shall be applied by Popular to the account of the Customer for which it was intended.
3. Popular agrees to fund NorVergence's invoices upon receipt of faxed documents. NorVergence agrees to promptly deliver to Popular the original of such contracts after receipt of such payment.
4. Popular's normal procedure is to require serial numbers on all invoices. In order to expedite processing of NorVergence's invoices, Popular agrees to fund invoices without serial numbers, however NorVergence will provide serial numbers to Popular at any time upon Popular's specific request.

NorVergence, Inc.

By: *[Signature]*

Title: CEO

Dated: 04/02/03

Popular Leasing U.S.A., Inc.

By: *[Signature]*

Title: V. P.

Dated: 4/11/03

PARTIAL TERM LEASE AMENDMENT TO Master Program Agreement

This Partial Term Lease Amendment To Master Program Agreement is made this 7th day of July, 2003 by and between Popular Leasing U.S.A., Inc. ("Popular") and NorVergence, Inc. ("NorVergence").

Popular and NorVergence are parties to that certain Master Program Agreement signed by NorVergence on November March 11, 2003 ("Agreement"). All capitalized terms used but not defined herein shall have the meaning given them in the Agreement. Notwithstanding the terms of the Agreement, NorVergence desires to sell to Popular from time to time, on a case-by-case basis, a Lease, and the Equipment covered thereby, for a shorter term ("Partial Term") than the actual Lease term specified in the Lease ("Partial Term Lease"). For example, for a Lease with a stated 60 month term, NorVergence may desire to sell Popular the Lease for only the first 36 months of the stated 60 month term. Popular is willing to purchase such partial Lease terms under the Agreement on the terms and conditions set forth below.

NOW THEREFORE, NorVergence and Popular hereby agree that the Agreement is amended as follows:

1. Provided Popular approves the purchase of a Partial Term Lease, NorVergence shall attach a Partial Term Lease Specification in the form attached hereto as Exhibit C ("Specification") to each Lease submitted to Popular for purchase as a Partial Term Lease hereunder.
2. Popular and NorVergence agree that the terms and conditions of the Agreement will apply to each Partial Term Lease and the Equipment purchased by Popular hereunder.
3. Upon Popular's receipt, as and when due, of all Lease payments scheduled to be paid during the Partial Term specified in the Specification ("Partial Term Payments"), the Partial Term Lease and Equipment shall be deemed to be automatically re-sold, re-assigned, and re-transferred by Popular back to NorVergence on an "AS-IS, WHERE-IS" basis without any representations or warranties of any kind, express or implied.
4. The Partial Term Lease and Equipment will be sold to Popular by NorVergence under the Agreement in the same manner and with all of the rights associated with the sale of a Lease and accompanying Equipment to Popular under the Agreement.
5. Popular will be entitled to all of the rights and remedies under the Agreement, under the Partial Term Lease, and in the Equipment as if the Partial Term Lease was a regular, full Lease purchased under the Agreement including but not limited to, rights and remedies for a default by the Lessee under the Partial Term Lease. In the event of a default under the Partial Term Lease, Popular shall be entitled to all proceeds of any enforcement of such rights and remedies up to an amount equal to the sum of (a) the Partial Term Payments, plus (b) Popular's residual value in the Equipment, plus (c) Popular's reasonable costs and expenses of such enforcement, including but not limited to, reasonable attorney fees and costs. Any proceeds in excess of the sum of (a), (b) and (c) received by Popular after such enforcement shall be promptly sent to NorVergence for NorVergence's account.
6. In the event a Partial Term Lease has reached the expiration of its Partial Term and Popular has not received all Partial Term Payments scheduled during such Partial Term, NorVergence shall upon Popular's written request therefore, pay Popular an amount equal to the Partial Term Payments not received by Popular and the Partial Term Lease and Equipment shall be re-conveyed to NorVergence as provided in section 3. above.

Except as expressly amended herein, the Agreement remains unchanged and in full force and effect.

NorVergence, Inc.

By: [Signature]

Title: CEO

Popular Leasing U.S.A., Inc.

By: [Signature]

Title: Vice Pres

JUL 21 2003

AMENDMENT TO MASTER AGREEMENT

This Amendment to Master Program Agreement between the parties dated March 11, 2003 ("Master Program Agreement"), is entered into this 8 th day of August, 2003, by and between NorVergence, Inc. ("NorVergence"), having a place of business at 550 Broad Street, Newark, New Jersey 07102 and Popular Leasing USA, Inc. ("Popular"), having its principal place of business at 16280 Westwood Business Park Drive, Ellisville, Missouri 63021.

WHEREAS, NorVergence and Popular have entered into a Master Program Agreement calling for, among other things, assignment of leases to Popular which were generated by NorVergence; and

WHEREAS, Popular has determined, that from time to time, certain of the NorVergence customers have not maintained a "Good Standing" status with the appropriate Secretaries of State.

NOW THEREFORE for the mutual covenants, warranties, representations and agreements hereinafter set forth and for other good and valuable consideration, it is agreed:

1. The Master Program Agreement is amended so that NorVergence guarantees payments and all obligations due Popular under any Lease assigned to Popular by and between NorVergence and any Customer (as defined in the Master Program Agreement) in the event: a) the Customer has failed to maintain its "Good Standing" status with all appropriate Secretaries of State and; b) said Customer defaults under any Assigned Rental Agreement (as defined in the Master Program Agreement) based upon said Customer's claim that it is not, or was not, a corporate entity authorized to execute the Assigned Rental Agreement. Upon such default, NorVergence agrees to immediately pay the Repurchase price, as defined in the Master Program Agreement, due Popular under such Assigned Rental Agreement.

2. Popular shall provide NorVergence written notice (by e-mail or otherwise) of such default by Customer.

NorVergence shall also pay Popular for any and all expenses Popular may incur: a) in connection with enforcement of any Assigned Rental Agreement where Customer raises its lack of good standing as a defense and; b) Popular's enforcement of this Amendment. Such expenses shall include reasonable attorney's fees, litigation expenses and court costs. NorVergence shall also pay interest at the rate of 1% per month from the date of notice of such Default by Customer until paid in full.

3. All other provisions of said Master Program Agreement with respect to Customer not specifically amended herein shall remain in affect. Such Master Program Agreement with respect to any other entity other than Customer shall not be affected or altered by this amendment.

A FACSIMILE OF THIS DOCUMENT SHALL BE DEEMED AN ORIGINAL

NorVergence, Inc.

By: 

Title: VP Credit

Popular Leasing U.S.A., Inc.

By: 

Title: Vice Pres

AUG 12 2003

AMENDMENT TO MASTER PROGRAM AGREEMENT

This Amendment to Master Program Agreement ("Amendment") is entered into this _____ day of _____, 2003 by and between NorVergence, Inc. ("NorVergence") and Popular Leasing USA, Inc. ("Popular").

WHEREAS, NorVergence and Popular entered into a Master Program Agreement dated March 11, 2003, pursuant to which NorVergence assigned certain Rental Agreements to Popular under the terms and conditions outlined in the Master Program Agreement; and,

WHEREAS, the Parties desire to amend said Master Program Agreement to allow under certain circumstances NorVergence to make a payment under an Assigned Rental Agreement on behalf of a Customer,

NOW THEREFORE, for the mutual covenants and agreements as hereinafter set forth, the Parties agree as follows:

1. Section 2 of the Master Program Agreement is deleted in its entirety and the following new Section 2 is inserted in lieu thereof:

Upon Popular's approval of a Rental Agreement, NorVergence hereby assigns to Popular all its rights, title and interest in and to the Rental Agreement and Equipment including all monies due and to become due under the Rental Agreement, but none of its obligations under the Rental Agreement ("Assigned Rental Agreement"). The assignment price for each Assigned Rental Agreement shall be sales price of the Equipment established individually and evidenced by NorVergence's invoice to Popular ("Assignment Price") plus a commission to NorVergence of one and one-half percent (1-1/2%) of NorVergence invoice amount.

Popular's rate to NorVergence shall include applicable personal property tax for each Customer. Popular is responsible for making appropriate declarations to the taxing jurisdiction and shall pay the tax to said jurisdiction. Popular shall not invoice any Customer for any additional personal property tax.

Assigned Rental Agreements may be written to include 60 days with no payments by the Customer. NorVergence does not require any advance rental payments to secure the Rental Agreement. Popular shall not obtain any confirmation of delivery other than the signed Delivery & Acceptance notice provided by NorVergence. The Assignment Price for each Assigned Rental Agreement shall be paid to NorVergence by Popular within 24 hours after Popular's receipt of a properly executed original Rental Agreement Assignment (Exhibit A) together with the original Rental Agreement documentation as set forth in Exhibit A ("Closing"). In the event any Customer defaults in the first rental when an actual payment of money is due, Popular shall notify NorVergence by electronic mail of such default and further demand that NorVergence repurchase said defaulted Assigned Rental Agreement from Popular for the dollar amount originally advanced by Popular plus interest on the funds advanced at a rate equal to the then current prime rate (as published in the Federal Reserve internet website) plus two hundred Basis Points. In

response to such electronic notice, NorVergence may request, in writing from Popular, that NorVergence make such initial Customer payment to Popular and upon Popular's written acceptance of such request, NorVergence shall make such payment which shall be deducted from the next equipment funding payment to be made by Popular to NorVergence. In the event there are no subsequent purchases by Popular from NorVergence for equipment, such payment by NorVergence of the aforementioned amount to Popular must be made within ten (10) days of the electronic notice. NorVergence's right to make the Customer's payment herein shall only apply to the first rental payment due under any Assigned Rental Agreement and if NorVergence, at any time, makes any other payment to or in behalf of the Customer, on behalf or under an Assigned Rental Agreement, such payment shall constitute a default under said Assigned Rental Agreement and NorVergence shall repurchase such Assigned Rental Agreement from Popular in the amount outlined herein. In addition, if the customer fails to make the payment due after NorVergence makes the initial payment as outlined herein, such non-payment shall constitute a default under said Assigned Rental Agreement and NorVergence shall repurchase such Assigned Rental Agreement from Popular in the amount outlined herein.

Any and all Assigned Rental Agreements executed by NorVergence shall be expressly subject to and in accordance with the terms and conditions of this Amendment. All of the terms and conditions of this Amendment are hereby incorporated into each Rental Agreement Assignment executed by NorVergence as if the terms and conditions were expressly set forth in the Rental Agreement Assignment.

2. All other provisions of the Master Program Agreement dated March 11, 2003 by and between NorVergence and Popular not expressly amend herein shall remain in effect.

POPULAR LEASING U.S.A., INC.

NORVERGENCE, INC.

BY: _____

BY: 

TITLE: _____

TITLE: 

EXHIBIT D

CAUSE NO. 04-04187-C

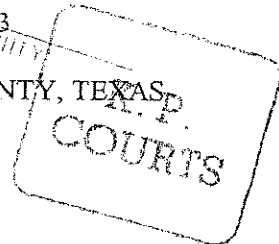
P
SPECIALTY OPTICAL d/b/a SOS

VS.

IFC CREDIT CORP.

§
§
§
§
§

FILED
CYNTHIA FIGUEROA CALHOUN
COUNTY CLERK
2006 JUN -5 PM 2:02
IN THE COUNTY COURT
OF DALLAS COUNTY, TEXAS
AT LAW NO. 3
BY [Signature]
DALLAS COUNTY, TEXAS



FINDINGS OF FACT AND CONCLUSIONS OF LAW

TO THE HONORABLE JUDGE OF SAID COURT:

The Court, having been requested to prepare findings of fact and conclusions of law, finds the following:

1. IFC Credit Corporation ("IFC") entered into a Master Program Agreement ("Master Agreement") with NorVergence, Inc. ("NorVergence") on or about October 10, 2003. NorVergence was engaged in the business of selling telecommunications services and promising discounts to small businesses.
2. As part of the arrangement that NorVergence reached with its small business customers, it supplied a piece of equipment called a Matrix box ("Box" or "Matrix Box") that was to be connected to a telephone or T-1 service line to provide discounted telecommunications services. NorVergence combined the charges for service and the use of the Box in the form of an Equipment Rental Agreement. It was not possible for NorVergence customers to obtain the promised discounted telecommunications cost savings without the telephone or T-1 service.
3. Specialty Optical ("SOS") was induced into the Lease with NorVergence (the "Lease") by, among other things, the promise of telephone service savings. SOS was not interested in leasing the Box alone, but wanted the savings on telephone service. Without the service, the Box served no function.

4. It was NorVergence's practice to sell the leases (such as the SOS Lease) to equipment leasing companies, such as IFC, with which it had extensive relationships.

5. The Master Agreement between NorVergence and IFC set forth the terms under which IFC would purchase the leases from NorVergence. IFC approved all of the NorVergence lease forms, including the SOS form. IFC also worked in conjunction with NorVergence to prepare the confirmation script that was eventually read by an IFC employee to SOS confirming that SOS would receive the NorVergence telephone service savings that NorVergence had promised.

6. On June 30, 2004, NorVergence was forced into an involuntary bankruptcy. This ended the IFC/NorVergence relationship. By the end of their relationship, IFC had purchased between 700 and 800 leases from NorVergence. IFC, through its "hold-backs" and modifications, created a lending relationship between itself and NorVergence. This existed prior to the execution of the SOS Lease. IFC was inextricably intertwined with NorVergence, had a close connection to NorVergence and had a substantial voice in its dealings with NorVergence. IFC worked in conjunction with NorVergence.

7. IFC read the confirmation script to SOS prior to the expiration of the 60-day period, and reaffirmed that SOS would receive the telephone service savings originally promised by NorVergence to SOS. At the time IFC read the script promising these savings, it knew that NorVergence customers were not receiving service and therefore were not receiving the promised savings.

8. About the same time that the first lessees IFC was to start receiving payments from the first group of leases sold to it by NorVergence, instead of payments, IFC started receiving telephone calls and letters from customers complaining that they were not getting service, and thus not receiving the promised savings, from NorVergence, but yet were receiving bills from IFC. IFC was aware that

NorVergence was not providing the service and savings that both IFC and NorVergence had promised to its customers, including SOS.

9. IFC also knew that the Box would not have any value to SOS without the promised service, a telephone line or T-1 line that was to be provided by NorVergence. Nonetheless, IFC reassured SOS that it would receive "NorVergence savings."

10. Under the initial Master Agreement, IFC did not have any protection in the event NorVergence filed for bankruptcy. Additionally, the Master Agreement provided for full payment for the leases that IFC purchased from NorVergence. In March of 2004, after receiving months of telephone calls and letters from customers complaining that they had not received the service and savings promised by IFC and NorVergence, the companies agreed to an amendment to the Master Agreement on March 16, 2004 ("First Amendment"). The First Amendment provided IFC with greater financial protections than the original Master Agreement. It added provisions dealing with the potential insolvency of NorVergence and also added provisions designed to protect IFC financially. This was added because customers were not paying the lease payments because they were not getting the promised service or savings, and IFC knew the Box that was the subject of the leases was totally useless without this service. Thus, when customers refused to pay because they were not receiving the promised savings, IFC's losses were reduced as a result of this amendment.

11. By late April or early May, IFC had decided to provide notice that it would stop funding new leases due to the high rate of customer defaults, as well as the steady stream of complaints by customers to IFC. IFC had become very concerned about the situation regarding the lack of promised service and savings and did not want to have any more exposure for potential losses. However, it eventually decided to continue doing business with NorVergence after it further modified its arrangement with NorVergence to give IFC even greater financial protection in the event

customers defaulted due to lack of service or savings. On or about May of 2004, IFC entered into a second amendment ("Second Amendment") to the Master Agreement, where it increased its holdback by 25 percent, providing itself even greater financial protection. The Second Amendment "holdback" allowed IFC to acquire the leases at steep discounts and excused IFC from funding the balance of the purchase price unless NorVergence started to provide an acceptable level of service that would allow customers to receive the promised savings. Eventually, IFC and NorVergence agreed to two 25 percent holdbacks along with the initial holdback from the First Amendment.

12. In the April and May of 2004 timeframe, IFC had knowledge of the fact that NorVergence was making promises of savings with no intention of delivering such savings. IFC had knowledge of this fraud. NorVergence had promised savings to customers without any intention of providing such savings. IFC participated in deceiving customers through its confirmation script. IFC participated in this fraud by calling customers to reassure them that they would receive service and by continuing to purchase the leases even after it learned that the service and savings were not provided. At the time of the SOS Lease, IFC was aware of this fraud and was obtaining benefits by its discounted lease acquisition costs.

13. On or about May 18, 2004, the final signature was provided on the equipment rental agreement for the SOS Lease (the "Lease"). Also on May 18, 2004, IFC promised SOS that it would receive the savings on its telephone service as promised by NorVergence. At this point in time, IFC had knowledge of the fact that customers were not receiving service and were complaining about the fact that service was not being provided, and IFC had knowledge of the fraud regarding the lack of service or savings.

14. Shortly before NorVergence representatives visited the office of SOS, SOS had signed a two-year agreement for telephone service with a company called Logix. This agreement obligated

SOS to a two-year term for telephone service starting April 5, 2004. NorVergence promised SOS that if it signed the NorVergence agreement, the NorVergence agreement would not be signed or finalized by NorVergence and would not be enforced unless the Logix contract was terminated. SOS was told to fill out paperwork and NorVergence would take care of the Logix agreement. The primary purpose of the arrangement with NorVergence was to purchase lower-cost telephone service and not the Box. SOS had no intention or need to have two telecommunication contracts in force with different providers.

15. On or about May 12, 2004, the Box was delivered to SOS. SOS was not able to inspect the Box for functionality because the service connection necessary for that inspection was not provided. It was only able to determine if there was any physical damage to the exterior of the Box. SOS signed a delivery and acceptance certificate. At the time it signed this certificate, it had not had a reasonable opportunity to inspect the equipment

16. After the Box was delivered, IFC contacted SOS and informed it that it was working in conjunction with NorVergence and reassured SOS that it would receive savings on its telephone service.

17. After SOS was not able to receive service, and not able to inspect the Box for functionality, it sent notice to NorVergence that, if it did not receive service, the Lease would be cancelled. Thereafter, SOS returned the Box in good condition to IFC. There was no evidence that IFC utilized the Box to mitigate its damages either through sale or rent.

18. At the time the Lease was signed, IFC was aware, or reasonably should have been aware, of the fact that NorVergence was engaging in fraud with the lessees and was in poor financial condition and was either unable or not planning to provide the promised service. IFC participated in

the fraud and ratified the conduct of NorVergence. SOS never received service through NorVergence or through IFC. IFC did not act in good faith with regarding to SOS.

19. Due to the fact that service was not provided, SOS did not have a reasonable opportunity to inspect the Box prior to signing the delivery and acceptance form. As a result, there was no acceptance of the equipment under the Uniform Commercial Code. SOS timely rejected the Lease and the Box. The Box was a non-conforming good in that it failed to provide the savings promised and did not function as promised. SOS properly cancelled the Lease.

20. NorVergence and SOS agreed to an oral modification prior to any conduct that could be considered acceptance by making the effectiveness of the agreement subject to cancellation of the Logix agreement. The Logix agreement was never cancelled.

21. The Lease is not a finance lease. The original lessor was NorVergence, which selected the equipment. The purpose of the Lease was not to finance the acquisition of the Box but to obtain telephone service savings.

22. IFC does not qualify as a holder in due course. It was aware of NorVergence' fraud at the time it purchased the Lease. In addition, it participated in its own fraud on SOS in connection with the Lease. IFC was also aware that the Lease was invalid for a failure of consideration at the time of the assignment.

23. The entire Lease and the delivery and acceptance certificate are unconscionable due to the circumstances under which they were entered, the manner in which the terms of the Lease and delivery and acceptance were reached, and the unfairness of the Lease and delivery and acceptance. IFC grossly over-charged for the Box.

24. SOS effectively rejected the Lease. Even if its conduct could be considered acceptance, it properly revoked and timely revoked the acceptance. Its revocation, to the extent

applicable, was proper under TEX. BUS. & COM. CODE § 2A.517. SOS is entitled to cancellation of the Lease under section 2A.508.

25. The Lease fails for a lack of consideration. IFC failed to mitigate its damages.

26. IFC ratified and participated in the fraud of NorVergence. IFC had knowledge of the fraudulent conduct of NorVergence at the time SOS signed the Lease. IFC continued to attempt to enforce the Lease despite its knowledge of the fraudulent scheme. SOS was induced to enter the Lease by the fraud of NorVergence. SOS was induced to enter the Lease by the fraud of IFC. The Lease is vitiated by the fraud of IFC and NorVergence.

27. Under Texas choice of law rules, the floating choice of law clause contained in the Lease is unenforceable, and Texas law governs this transaction. The Lease does not bear a reasonable relationship to the State of Illinois. The State of Texas has a more significant relationship to the transaction and has a materially greater interest in the application of its laws to the transaction. The Lease was solicited and signed in Texas, the Box was delivered to SOS in Texas and was intended to be used in Texas. NorVergence was a New Jersey company with no ties to Illinois. Prior to signing the Lease, SOS did not know that NorVergence would assign the Lease to an Illinois company. All acts regarding the execution of the NorVergence agreement took place in the State of Texas. There was no connection between this transaction and the State of Illinois with regard to the transaction.

28. The choice of law provision contained in the Lease was not conspicuously set forth. Therefore, it does not comply with the TEX. BUS. & COM. CODE § 35.53(b). The Lease is a contract that is for less than \$50,000.00.

29. IFC has failed to take the necessary procedural steps to request the application of the laws of a different state. It has failed to file any preliminary motion to ask the Court to apply the laws of the State of Illinois.

30. SOS signed the delivery and acceptance certificate before it had any opportunity to inspect the working order of the Box. This is because service was not provided and the Box was not functional in the absence of T-1 service or telephone service. As a result, SOS never had the opportunity to inspect the Box to determine if the Box worked as represented.

31. Based upon the assurances of IFC of promised savings on service, and the fact that under the Lease, service would not be provided for at least 60 days, IFC participated in the fraud upon SOS. The lessor defaulted and the default substantially impaired the value of the Box. The Box was not in conformity with representations. That non-conformity was not discovered prior to any purported acceptance and any purported acceptance was induced by the lessor's assurances, or by the difficulty of discovery before acceptance to the extent that any acceptance occurred.

32. As of the time that SOS signed the Lease, IFC had received telephone calls and letters for several months regarding lack of service. There were defaults on many leases due to this lack of service. This had become so severe, that IFC decided to stop doing business with NorVergence, but continued only because NorVergence provided it with additional collateral and agreed to allow IFC to have increased holdbacks.

33. The Lease acquisition from NorVergence was not an isolated occurrence. IFC acquired between 700 and 800 leases from NorVergence. It is currently in litigation on more than 500 of those leases.

34. IFC did not act in good faith in connection with the Lease. IFC ratified the conduct of NorVergence.

35. IFC's decision to progressively increase its protections against defaults and obtain additional collateral, as well as its knowledge of the fact that service was not being provided by NorVergence, and that NorVergence customers did not receive the savings that both IFC and NorVergence promised, leads to the inevitable conclusion that IFC had knowledge of the underlying fraud. IFC's testimony to the contrary is not credible. This additional protection was only needed because customers refused to pay their rental payments because the promised savings and service had not been provided. Additionally, IFC purchased the Lease for \$11,743.67, which is a dramatic reduction in the purchase price and further signifies that it had knowledge of the declining state of NorVergence, that there were numerous lessee defaults due to lack of service, and the fact that NorVergence was not providing the necessary service. At the time IFC purchased the Lease, it had knowledge of SOS's defenses of failure of consideration and fraud.

36. The attorneys' fees awarded in the judgment were stipulated to by the parties and have been awarded in accordance with the parties' stipulation and pursuant to TEX. CIV. PRAC. & REM. CODE § 37.009. The court approves of the parties' stipulation and finds that the fees awards are equitable and just. The Court finds costs should be taxed against IFC. Based on the parties' pleadings, both parties have agreed that fees may be awarded under TEX. CIV. PRAC. & REM. CODE § 37.009.

37. The acceleration provision in the Lease is not enforceable because it is an unenforceable penalty. The Lease permitted acceleration for any breach regardless of how small or insignificant that breach was. As a result, the acceleration provision is unenforceable and IFC failed to present any evidence of damages.

38. SOS did not breach the Lease because the Lease was properly canceled, the Box was timely and properly rejected, and the Lease was induced by fraud or fails for want of consideration.

39. IFC cannot enforce any waiver of defense provision in the Lease because it does not meet the requirements of a holder in due course. IFC also cannot enforce the waiver of defense provision because the Lease was induced by fraud and because the Lease was unconscionable. IFC also cannot enforce the waiver of defense provision because the Lease is not a finance lease.

SIGNED this 5 day of June, 2006.


JUDGE PRESIDING

EXHIBIT E

Thomas N. Salzano AMEX #3732-739838-52049

<u>Transfer Date</u>		<u>Amount</u>
01/13/2003	\$	102,125.77
02/11/2003		50,874.11
03/07/2003		101,288.20
04/11/2003		45,033.16
05/12/2003		64,935.52
06/11/2003		110,082.77
07/15/2003		43,062.38
08/13/2003		35,883.57
09/18/2003		44,714.43
10/21/2003		29,481.73
11/18/2003		19,451.49
12/11/2003		34,156.66
01/12/2004		27,031.62
02/02/2004		47,782.03
03/19/2004		23,933.16
04/20/2004		32,074.74
		<u>Total</u>
	\$	811,911.34

EXHIBIT F

Thomas J. Salzano AMEX #3732-739838-53013

<u>Transfer Date</u>		<u>Amount</u>
01/13/2003	\$	15,464.54
02/11/2003		5,500.72
03/07/2003		13,304.48
04/11/2003		75,881.19
05/12/2003		19,660.45
06/11/2003		16,965.57
07/15/2003		5,408.84
08/13/2003		9,622.17
09/18/2003		3,785.68
10/21/2003		25,295.46
11/18/2003		5,805.02
12/11/2003		18,529.04
01/12/2004		15,417.05
02/02/2004		27,683.64
03/19/2004		7,310.79
04/20/2004		3,161.20
		<u>Total</u>
	\$	268,795.84

EXHIBIT G

Date	Check #	Amount
01/01/2002	907	\$1,566.65
01/04/2002	914	\$2,399.00
01/07/2002	1002	\$2,406.00
02/04/2002	1153	\$2,392.00
02/04/2002	1154	\$1,580.00
03/06/2002	1383	\$2,180.00
03/06/2002	1384	\$2,399.00
05/15/2002	2051	\$4,798.00
05/15/2002	2052	\$3,760.00
06/10/2002	2411	\$1,989.00
06/10/2002	2412	\$2,508.00
07/02/2002	2730	\$1,880.00
07/02/2002	2731	\$2,399.00
07/25/2002	3006	\$2,800.00
07/30/2002	3072	\$1,950.00
08/09/2002	3455	\$2,399.00
08/09/2002	3456	\$1,880.00
08/16/2002	3524	\$2,040.00
08/19/2002	3526	\$2,100.00
08/26/2002	3612	\$2,040.00
08/26/2002	3614	\$2,075.00
09/15/2002	6116964	\$4,279.00
09/20/2002	3237	\$2,800.00
09/20/2002	3239	\$1,950.00
09/20/2002	3235	\$1,880.00
09/20/2002	3236	\$2,399.00
10/15/2002	6100329	Voided
10/23/2002	6100493	\$10,930.00
10/23/2002	6100494	\$4,279.00
11/14/2002	6100791	\$13,005.00
11/14/2002	6100792	\$4,279.00
12/16/2002	6101355	\$10,930.00
12/16/2002	6101354	\$4,279.00
01/20/2003	6102220	\$4,150.00
01/20/2003	6102221	\$10,930.00
01/20/2003	6102222	\$4,279.00
02/25/2003	6103397	\$13,005.00
02/25/2003	6103399	\$4,279.00
03/13/2003	6104237	\$13,005.00
03/13/2003	6104236	\$4,279.00
04/18/2003	6106343	\$13,055.00
04/18/2003	6106344	\$4,279.00
05/16/2003	6108194	\$13,005.00
05/16/2003	6108195	\$4,279.00
06/13/2003	61109965	\$13,005.00
06/13/2003	6109966	\$4,279.00
07/11/2003	6112126	\$13,005.00
07/11/2003	6112127	\$4,279.00

Date	Check #	Amount
08/08/2003	6114291	\$13,005.00
08/08/2003	6114292	\$4,279.00
09/15/2003	6116963	\$13,005.00
10/17/2003	6120141	\$13,005.00
10/17/2003	6120142	\$2,399.00
10/20/2003	6120211	\$1,880.00
11/14/2003	6123025	\$13,005.00
11/14/2003	6123026	\$2,399.00
12/12/2003	6126174	\$13,005.00
12/12/2003	6126175	\$4,279.00
12/18/2003	6126868	\$1,880.00
01/13/2004	6129389	\$13,005.00
01/13/2004	6129390	\$4,279.00
02/20/2004	6135106	\$13,005.00
02/20/2004	6135107	\$4,279.00
03/19/2004	6138623	\$2,040.00
03/19/2004	6138624	\$2,075.00
03/19/2004	6138625	\$2,800.00
03/19/2004	6138626	\$1,950.00
03/19/2004	6138627	\$2,040.00
03/19/2004	6138628	\$2,100.00
03/19/2004	6138629	\$1,880.00
03/19/2004	6138630	\$2,399.00
05/14/2004	6146533	\$2,040.00
05/14/2004	6146534	\$2,074.00
05/14/2004	6146536	\$2,800.00
05/14/2004	6146547	\$1,950.00
05/14/2004	6146549	\$2,040.00
05/14/2004	6146554	\$2,100.00
05/14/2004	6146556	\$1,880.00
05/14/2004	6146557	\$2,399.00
05/14/2004	6146559	\$1,950.00
05/14/2004	6146561	\$2,070.00
05/18/2004	6147290	\$2,040.00
05/18/2004	6147291	\$2,075.00
05/18/2004	6147293	\$2,800.00
05/18/2004	6147295	\$1,950.00
05/18/2004	6147296	\$2,040.00
05/18/2004	6147298	\$2,100.00
05/18/2004	6147325	\$1,880.00
05/18/2004	6147327	\$2,399.00
06/25/2004	6154233	\$2,399.00
06/25/2004	6154234	\$1,880.00
06/25/2004	6154235	\$1,950.00
06/25/2004	6154236	\$2,800.00
		\$415,273.65

EXHIBIT H

Date	Check #	Amount
04/25/2003	6106878	\$1,024.89
05/23/2003	6108643	\$1,024.89
06/27/2003	6110935	\$1,024.89
07/14/2003	6112171	\$6,393.50
07/24/2003	6113108	\$1,024.89
08/22/2003	6115590	\$1,024.89
09/24/2003	6117943	\$1,024.89
10/24/2003	6120599	\$1,024.89
12/02/2003	6124876	\$1,024.89
12/23/2003	6127306	\$1,024.89
01/27/2004	6131819	\$1,024.89
02/24/2004	6135562	\$1,024.89
03/09/2004	6137616	\$1,023.75
03/25/2004	6139920	\$1,111.83
04/22/2004	6143312	\$1,024.89
TOTAL		\$20,827.76

EXHIBIT I

Date	Check #	Amount
07/18/2003	6112762	\$123.66
07/29/2003	6113417	\$985.00
11/19/2003	6123623	\$0.00
12/04/2003	6125172	\$24.44
01/29/2004	6131970	\$222.09
03/08/2004	6137359	\$222.09
TOTAL		\$1,577.28

EXHIBIT J

Date	Check #	Amount
01/29/2002	1088	\$3,653.85
02/01/2002	1113	\$3,653.85
03/01/2002	1296	\$3,653.85
03/15/2002	1468	\$3,653.85
03/29/2002	1572	\$3,653.85
04/12/2002	1704	\$3,653.85
04/25/2002	1869	\$3,653.85
05/10/2002	1996	\$3,653.85
05/24/2002	2185	\$3,653.85
06/07/2002	2346	\$3,653.85
06/21/2002	2517	\$3,653.85
07/05/2002	2857	\$0.00
07/18/2002	2959	\$3,653.85
08/02/2002	3428	\$3,653.85
08/15/2002	3498	\$3,653.85
08/22/2002	3598	\$3,653.85
08/30/2002	3667	\$3,653.85
09/12/2002	3184	\$3,653.85
09/26/2002	6100140	\$3,653.85
10/03/2002	6100186	\$3,653.85
10/10/2002	6100277	\$3,653.85
10/24/2002	6100502	\$3,653.85
11/05/2002	6100650	\$3,653.85
11/07/2002	6100672	\$3,653.85
11/21/2002	6100917	\$3,653.85
11/21/2002	6100918	\$3,653.85
12/05/2002	6101185	\$3,653.85
12/20/2002	6101481	\$3,653.85
01/02/2003	6101740	\$3,477.30
01/02/2003	6101741	\$3,653.85
01/16/2003	6102075	\$3,653.85
01/16/2003	6102076	\$3,065.30
01/28/2003	6102436	\$33,653.84
01/30/2003	6102466	\$3,653.85
01/30/2003	6102469	\$2,980.30
01/30/2003	6102470	\$0.00
02/13/2003	6103069	\$3,653.85
02/13/2003	6103072	\$3,319.80
02/27/2003	6103495	\$3,653.85
02/27/2003	6103498	\$0.00
02/28/2003	6103639	\$3,319.80
03/03/2003	6103686	\$18,000.00
03/13/2003	6104225	\$3,653.85
03/13/2003	6104228	\$3,696.05
03/27/2003	6105231	\$3,653.85
03/27/2003	6105234	\$3,790.55
04/10/2003	6105909	\$3,653.85
04/10/2003	6105912	\$3,636.90

Date	Check #	Amount
04/24/2003	6106736	\$3,653.85
04/24/2003	6106739	\$3,277.80
05/08/2003	6107589	\$3,653.85
05/08/2003	6107592	\$3,570.70
05/22/2003	6108487	\$3,653.85
05/22/2003	6108490	\$3,608.97
06/05/2003	6109397	\$3,653.85
06/05/2003	6109401	\$3,615.49
06/19/2003	6110332	\$3,653.85
06/19/2003	6110335	\$3,606.02
07/02/2003	6111292	\$3,803.00
07/02/2003	6111295	\$3,654.00
07/17/2003	6112525	\$3,654.00
07/17/2003	6112530	\$3,681.00
07/30/2003	6113498	\$3,654.00
07/01/3003	6113501	\$3,621.00
08/15/2003	6114774	\$3,654.00
08/15/2003	6114776	\$1,577.00
08/18/2003	6114866	\$2,280.00
08/28/2003	6115890	\$3,654.00
08/28/2003	6115893	\$3,782.00
09/11/2003	6116705	\$3,654.00
09/11/2003	6116708	\$3,755.00
09/25/2003	6118015	\$4,045.00
09/25/2003	6118016	\$3,654.00
10/09/2003	6119324	\$3,654.00
10/09/2003	6119327	\$4,331.00
10/23/2003	6120553	\$3,654.00
10/23/2003	6120556	\$4,153.00
11/06/2003	6122085	\$3,654.00
11/06/2003	6122088	\$4,257.00
11/20/2003	6123794	\$3,654.00
11/20/2003	6123796	\$4,601.00
12/04/2003	6125138	\$3,654.00
12/04/2003	6125140	\$4,527.00
12/18/2003	6126744	\$4,080.00
12/18/2003	6126745	\$3,654.00
12/30/2003	6127634	\$4,212.00
12/30/2003	6127636	\$3,654.00
01/05/2004	6128235	\$12,000.00
01/15/2004	6129546	\$3,654.00
01/15/2004	6129547	\$4,034.00
01/29/2004	6131949	\$3,398.00
01/29/2004	6131950	\$3,654.00
02/02/2004	6132245	\$279.00
02/12/2004	6133888	\$3,654.00
02/26/2004	6136021	\$3,654.00
03/11/2004	6137927	\$3,654.00
03/25/2004	6139817	\$3,654.00

Date	Check #	Amount
04/08/2004	6141675	\$3,654.00
04/01/1904	6142987	\$18,000.00
04/22/2004	6143374	\$3,654.00
05/06/2004	6145597	\$3,654.00
05/20/2004	6147725	\$3,654.00
06/03/2004	6153099	\$3,654.00
06/04/2004	6153121	\$3,654.00
06/14/2004	6153844	\$18,000.00
06/18/2004	6154151	\$3,654.00
06/25/2004	Wire	\$7,308.00
06/29/2004	Wire	\$36,000.00
06/30/2004	Wire	\$18,000.00
		\$515,154.82

EXHIBIT K

Date	Check #	Amount
2002		
01/01/2002	995	\$1,538.00
01/04/2002	87	\$1,538.00
01/18/2002	1033	\$1,538.00
01/22/2002	1073	\$700.00
02/01/2002	1143	\$1,967.00
02/01/2002	1094	\$1,538.00
02/01/2002	1144	\$331.00
02/15/2002	1185	\$1,538.00
02/15/2002	1240	\$500.00
02/21/2002	1258	\$1,000.00
02/27/2002	1274	\$1,109.00
02/27/2002	1275	\$1,000.00
03/01/2002	1277	\$1,538.00
03/01/2002	1363	\$482.00
03/01/2002	1370	\$341.00
03/01/2002	1369	\$331.00
03/07/2002	1397	\$2,563.00
03/11/2002	1421	\$3,000.00
03/15/2002	1446	\$1,538.00
03/15/2002	1494	\$742.00
03/01/2002	1594	\$1,538.00
03/29/2002	1606	\$492.00
03/29/2002	1625	\$203.00
04/01/2002	1627	\$1,500.00
04/12/2002	1726	\$1,538.00
04/12/2002	1740	\$488.00
04/25/2002	1893	\$1,385.00
04/25/2002	1900	\$1,000.00
04/30/2002	1921	\$1,000.00
05/10/2002	2022	\$1,538.00
05/17/2002	2073	\$500.00
05/24/2002	2215	\$1,538.00
04/24/2002	2230	\$500.00
05/27/2002	2239	\$1,500.00
06/03/2002	2269	\$1,500.00
06/07/2002	2379	\$1,538.00
06/07/2002	2406	\$500.00
06/21/2002	2512	\$1,318.00
06/21/2002	2590	\$725.00
06/26/2002	2645	\$2,000.00
06/26/2002	2646	\$2,000.00
07/05/2002	2850	\$1,318.00
07/05/2002	2903	\$723.00
07/13/2002	2934	\$2,000.00
07/19/2002	2968	\$2,000.00
07/19/2002	16	\$1,260.00
07/19/2002	17	\$497.00

07/25/2002	3004	\$2,000.00
07/30/2002	3087	\$2,000.00
08/02/2002	10145	\$2,078.00
08/02/2002	10075	\$1,252.00
08/05/2002	3437	\$2,000.00
08/09/2002	3452	\$2,000.00
08/14/2002	3479	\$2,000.00
08/16/2002	10252	\$1,731.00
08/16/2002	10251	\$1,252.00
08/19/2002	3530	\$1,000.00
08/22/2002	3599	\$1,200.00
08/27/2002	3621	\$1,200.00
08/28/2002	3633	\$1,850.00
08/30/2002	10430	\$1,252.00
08/30/2002	10431	\$1,051.00
09/12/2002	3191	\$2,500.00
09/13/2002	105921	\$1,252.00
09/13/2002	10593	\$783.00
09/18/2002	6100024	\$1,000.00
09/23/2002	6100058	\$2,000.00
09/27/2002	10838	\$2,055.00
09/27/2002	10837	\$1,252.00
09/27/2002	6100154	\$1,200.00
10/01/2002	3245	\$2,500.00
10/03/2002	6100185	\$1,000.00
10/11/2002	11067	\$1,575.00
10/11/2002	11066	\$1,252.00
10/11/2002	6100292	\$1,200.00
10/17/2002	6100374	\$1,200.00
10/25/2002	11336	\$1,514.00
10/25/2002	11335	\$1,252.00
11/06/2002	6100661	\$1,886.00
11/06/2002	6100662	\$1,818.00
11/14/2002	6100797	\$1,839.00
11/21/2002	6100922	\$1,873.00
12/03/2002	6101158	\$1,859.00
12/17/2002	6101425	\$1,820.00
12/23/2002	6101573	\$1,855.00
12/30/2002	6101698	\$1,834.00
		\$119,116.00

Date	Check #	Amount
2003		
01/06/2003	6101811	\$1,831.00
01/13/2003	6101989	\$1,815.00
01/21/2003	6102247	\$1,823.00
01/27/2003	6102410	\$1,833.00
02/04/2003	6102677	\$1,822.00
02/10/2003	6102884	\$1,835.00
02/11/2003	6102919	\$2,173.00
02/18/2003	6103127	\$1,829.00
02/20/2003	6103170	\$1,545.00
02/24/2003	6103297	\$1,887.00
03/03/2003	6103687	\$1,866.00
03/11/2003	6104047	\$1,850.00
03/18/2003	6104429	\$1,856.00
03/24/2003	6105074	\$1,850.00
03/31/2003	6105437	\$2,057.00
03/31/2003	6105438	\$1,690.00
04/07/2003	6105787	\$2,030.00
04/14/2003	6106127	\$1,895.00
04/21/2003	6106474	\$1,561.00
04/25/2003	6106892	\$1,966.00
04/28/2003	6106894	\$1,874.00
05/01/2003	6107110	\$1,150.00
05/05/2003	6107275	\$1,836.00
05/12/2003	6107774	\$1,733.00
05/19/2003	6108239	\$1,701.00
05/21/2003	6108420	\$3,180.00
05/27/2003	6108754	\$1,728.00
06/02/2003	6109123	\$1,831.00
06/09/2003	6109661	\$2,268.00
06/10/2003	6109750	\$1,733.00
06/12/2003	6109917	\$1,870.00
06/16/2003	6110141	\$2,279.00
06/23/2003	6110561	\$2,041.00
06/30/2003	6111077	\$1,539.00
07/07/2003	6111442	\$1,582.00
07/14/2003	6112207	\$1,431.00
07/21/2003	6112878	\$1,944.00
07/28/2003	6113352	\$1,523.00
08/04/2003	6113855	\$2,084.00
08/11/2003	6114353	\$2,182.00
08/15/2003	602147	\$220.00
08/19/2003	6115048	\$1,820.00
09/03/2003	6116154	\$1,755.00
09/08/2003	6116431	\$1,658.00
09/15/2003	6116948	\$1,679.00
09/22/2003	6117444	\$1,863.00
09/29/2003	6118292	\$1,755.00

10/06/2003	6118911	\$2,036.00
10/14/2003	6119815	\$1,890.00
10/20/2003	6120188	\$2,225.00
10/27/2003	6120897	\$2,101.00
11/03/2003	6121625	\$1,836.00
11/10/2003	6122338	\$1,814.00
11/17/2003	6123388	\$1,723.00
11/24/2003	6124086	\$1,334.00
12/02/2003	6124682	\$1,895.00
12/08/2003	6125628	\$2,349.00
12/15/2003	6126440	\$2,489.00
12/19/2003	606499	\$3,228.00
12/22/2003	6127115	\$1,274.00
12/29/2003	6127559	\$1,798.00
		\$113,265.00

Date	Check #	Amount
2004		
01/05/2004	6128279	\$2,511.00
01/12/2004	6129072	\$2,981.00
01/21/2004	6129822	\$2,711.00
01/26/2004	6131377	\$2,630.00
02/02/2004	6132270	\$2,722.00
02/10/2004	6133462	\$2,722.00
02/17/2004	6134371	\$2,198.00
02/23/2004	6135258	\$2,257.00
03/01/2004	6136391	\$2,084.00
03/08/2004	6137448	\$1,879.00
03/15/2004	6138252	\$1,739.00
03/22/2004	6139221	\$2,257.00
04/01/2004	6140532	\$1,933.00
04/05/2004	6141209	\$1,831.00
04/12/2004	6142253	\$1,728.00
04/19/2004	6142994	\$2,063.00
04/26/2004	6143804	\$1,728.00
05/03/2004	6144669	\$1,836.00
05/24/2004	6150214	\$1,350.00
		\$41,160.00