

# EXHIBIT 1

# EXHIBIT 1

# EXHIBIT 2

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## SECURED LOAN AND SECURITY AGREEMENT

**THIS SECURED LOAN AND SECURITY AGREEMENT (“Agreement”)** is made effective as of October 1, 2016, by and between Superior Linen, LLC, a Nevada limited liability company, as debtor in possession (the “**Debtor**”), having an address at 4501 Mitchell Street, North Las Vegas, Nevada, 89081, on the one hand, and RD VII Investments, LLC, a Wisconsin limited liability company (together with its successors and assigns), having its address at 2601 Pine Tree Dr., Miami Beach, Florida 33140 (the “**Lender**”), on the other hand. Debtor and/or Lender are sometimes herein referred to individually as a “party” and collectively as the “parties.”

**WHEREAS**, Debtor and Lender are entering into a Revolving Line of Credit Secured Promissory Note (“**Note**”) contemporaneously herewith whereby Lender intends to loan certain monies to Debtor on a revolving credit basis; and

**WHEREAS**, Debtor and Lender desire to enter into this Agreement in order to provide collateral for the Note;

**WHEREAS**, pursuant to that certain Loan and Security Agreement dated as of March 7, 2012, as amended by that certain Waiver and First Amendment to Loan and Security Agreement dated November 15, 2012, as further amended by that certain Waiver and Second Amendment to Loan and Security Agreement dated as of December 23, 2013, as further amended by that certain Waiver and Third Amendment to Loan and Security Agreement dated as of September 10, 2014, and as further amended by that certain Waiver and Fourth Amendment to Loan and Security Agreement dated as of August 5, 2015, as further amended by that certain Forbearance Agreement and Fifth Amendment (the “**Forbearance Agreement**”) to Loan and Security Agreement (collectively, the “**Loan Agreement**”), Lender, in its own capacity and as successor and assignee, loaned to the Borrower the principal sum of not less than \$8,804,766, exclusive of accrued interest and other fees and charges as may be owing under the Loan Agreement prior to the execution of this Agreement;

**WHEREAS**, pursuant to and as set forth in the Loan Agreement and its related documents, Lender holds a first priority lien and security interest in all of the Debtor’s real and personal property, wherever located the (“**Collateral**”);

**WHEREAS**, Borrower is in default under the Loan Agreement, and as set forth in the Forbearance Agreement, acknowledges the priority and extent of the Lender’s rights in the Collateral, the terms and representations of which are incorporated herein;

**WHEREAS**, Lender, and Debtor have agreed that, subject to Bankruptcy Court approval, any additional amounts loaned to the Debtor under the Note shall be secured by the Collateral;

**NOW, THEREFORE**, in consideration of the mutual covenants contained in this Agreement, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

1. General Intent. The mutual intent of the parties and the purpose of this Agreement is to ensure the amounts Lender loans to the Debtor under the Note are secured by the Collateral, with regard to which Debtor possesses the right to grant a security interest hereunder to Lender.

2. Credit Extension Advances. Lender may make credit extension advances under the Note from time to time in lawful money of the United States of America upon the request of Debtor pursuant to the terms and conditions set forth in this Agreement and in the amounts and categories specifically set forth in the Note, subject to the Budget (as defined in the Note).

The foregoing advances shall be used to fund monthly operational capital requirements of Debtor, including, but not limited to, the restructuring and reorganization costs of Debtor, the payment of administrative expenses and certain other claims and expenses as specifically set forth in the Note and Budget.

3. Obligations Secured. This Agreement is intended to secure, and does hereby secure, the payment, in lawful money of the United States of America, to the Lender, of the following:

3.1. The obligations (hereinafter referred to as the “**Obligation**” or “**Secured Obligations**”) of Debtor under the Note; and

3.2. Due, prompt and full payment of all other amounts (including principal and interest, additional advances, and any and all renewals and extensions of any obligations) now or hereafter owing by Debtor to Lender, whether Debtor’s obligation to pay Lender said amounts be direct, indirect, contingent, joint, several, or otherwise secured and whether or not said sums are evidenced by a promissory note or other written instrument; and

3.3. Due, prompt and faithful performance of all of Debtor’s obligations and agreements contained in this Agreement or any other agreement to which Debtor is a party (or by which Debtor is bound) and to which Lender is a party or of which Lender is a beneficiary.

4. Definitions. The following terms shall have the following respective meanings:

“**Collateral**” has the meaning assigned to that term in the Loan Agreement.

“**Days**” shall mean calendar domestic business days and shall exclude legal federal holidays, Nevada state holidays, and weekends.

“**Debt**” shall mean all monies owing by Debtor to Lender at any time during the term of this Agreement.

“**DIP Financing Order(s)**” shall mean the order or orders of the United States Bankruptcy Court for the District of Nevada Authorizing the Debtor To Obtain Post-Petition Financing Pursuant to 11 U.S.C. §§ 105, 361, 362, and 364, entered in the Debtor’s bankruptcy proceeding.

“Note” means the Revolving Line of Credit Secured Promissory Note entered into contemporaneously herewith between the parties.

5. Grant of Security Interest. As collateral security for the prompt payment in full when due (whether at stated maturity, upon acceleration, on any optional or mandatory prepayment date or otherwise) and performance of the Secured Obligations, Debtor hereby pledges and grants to the Lender the following rights in the Collateral; (i) a continuing security interest in all of Debtor’s right, title and interest in the Collateral and all other assets previously secured by the Lender as of the date the Debtor commenced its Chapter 11 case, or September 30, 2016, together with all post-petition accruals thereon; and (ii) a super priority priming lien claim in the Debtor’s bankruptcy case in the amount of any outstanding principal, interest and fees in respect of the Loan having priority over all administrative expenses of the kind specified in § 105, § 326, § 328, § 330, § 331, § 503(b), § 506(c), § 507(a), § 507(b), § 546(c) and § 726 of the Bankruptcy Code, subject only to the following carve-out: all allowed unpaid fees and expenses payable under § 328, § 330 and § 331 of the Bankruptcy Code to professional persons retained pursuant to orders of the Bankruptcy Court by the Debtor in its Chapter 11 case, not to exceed ~~\$250,000~~125,000.

7. Preexisting Interests. To the extent the security interest granted herein to Lender pertains to Collateral as to which a prior security interest was granted by the Debtor, and to the extent the security interest granted herein to Lender may prejudice any such prior existing security interest or cause the breach of any prior existing security agreement or other agreement (notwithstanding the Loan Agreement), Lender shall be deemed to have a senior and priming security interest, as approved by the Bankruptcy Court, in such Collateral with respect to any such prior existing security interest.

7. Perfection. Debtor authorizes the Lender to file such financing statements and continuation statements in such offices as are or shall be necessary or as the Lender may determine to be appropriate to create, perfect and establish the priority of the liens granted by this Agreement in any and all of the Collateral, to preserve the validity, perfection or priority of the liens granted by this Agreement in any and all of the Collateral or to enable the Lender to exercise its remedies, rights, powers and privileges under this Agreement.

8. DIP Financing Order(s). This Secured Loan Agreement is authorized pursuant to and is entitled to all of the benefits of the DIP Financing Order(s), and all of its terms and conditions shall conform to the DIP Financing Order(s). This Note evidences all loans made by Lender to Debtor under the DIP Financing Order(s).

9. Rights and Obligations.

9.1. No reference in this Agreement to proceeds or to the sale or other disposition of Collateral shall authorize Debtor to sell or otherwise dispose of any Collateral. Lender shall not be required to take steps necessary to preserve any rights against prior parties to any part of the Collateral.

9.2. Debtor shall remain liable to perform its duties and obligations under the contracts and agreements included in the Collateral in accordance with their respective terms to the same extent as if this Agreement had not been executed and delivered. The exercise by the

Lender of any right, remedy, power or privilege in respect of this Agreement shall not release Debtor from any of its duties and obligations under those contracts and agreements. Lender shall have no duty, obligation or liability under those contracts and agreements or in respect to any Governmental Approval included in the Collateral by reason of this Agreement, nor shall the Lender be obligated to perform any of the duties or obligations of Debtor under any such contract or agreement or any such Governmental Approval or to take any action to collect or enforce any claim (for payment) under any such contract or agreement or Governmental Approval.

9.3. No Lien granted by this Agreement in Debtor's right, title and interest in any contract, agreement or governmental approval shall be deemed to be a consent by the Lender to any such contract, agreement or governmental approval.

10. Further Acts. During the continuance hereof, the Debtor promises and agrees to execute, and cooperate with executing or maintaining, all notices or filings required to perfect or maintain perfection of the security interest created by this Agreement.

11. Events of Default. For all purposes of this Agreement, the occurrence of any or more of the following shall constitute a "**Default**" by Debtor under this Agreement (whatever the reason for such Default and whether it may be voluntary or involuntary or be effected by operation of law pursuant to any judgment, decree or order of any court or any order, rule or regulations of any administrative or governmental body):

11.1. Debtor's breach or failure to comply with any of its obligations under the Note;

11.2. Debtor's default on the payment of any sum of money when due by Debtor, whether or not evidenced by the Note;

11.3. Debtor's failure to comply with the DIP Financing Order(s) or any final non-appealable order of the Bankruptcy Court;

11.4. Debtor's breach or failure to comply with any of its obligations under this Agreement;

11.5. The DIP Financing Order(s) or the Chapter 11 Plan, are not filed in a form reasonably agreed upon by Lender, or are disapproved, or are reasonably likely to be disapproved, by the Bankruptcy Court; or

11.6. A Chapter 11 Trustee is appointed in the Debtor's Chapter 11 case, or the Chapter 11 case is dismissed or converted to Chapter 7 of the United States Bankruptcy Code.

12. Remedies in Event of Default. After a Default hereunder, the Lender, subject any rights and protections of the Debtor under the Bankruptcy Code, without notice or demand and at any time thereafter, may do any one or more or all of the following:

12.1. Take possession of the Collateral in any way permitted by law and protect, repair and care for the Collateral and perform any act necessary to conserve the value or income

thereof and to apply any income or other proceeds in the manner specified by law upon the disposition of the Collateral;

12.2 Exercise any other right or remedy provided by the Note; or

12.3. Exercise any other right or remedy provided by law.

13. Cure. If any Default, other than a default in payment of money under the Note, is curable and if Debtor has not been given a prior notice of a breach of the same provision of this Agreement, it may be cured (and no event of default will have occurred) if Debtor, after Lender sends written notice demanding cure of such default, (i) cures the default within fifteen (15) Days; or (ii), if the cure requires more than fifteen (15) Days, immediately initiate steps which Lender deems in Lender's sole discretion to be sufficient to cure the default and thereafter continues and completes all reasonable and necessary steps sufficient to produce compliance as soon as reasonably practical. As used herein, the word "Days" shall refer to calendar Domestic Business Days and shall exclude legal federal holidays, Nevada state holidays, and weekends.

14. Notices. All notices, requests, demands, or any other communication under this Note shall be in writing and shall be addressed to the other party at the address of such party as stated above. Notice shall be sufficiently given for all purposes as follows:

14.1. Personal delivery. When personally delivered to the recipient, notice is effective upon delivery.

14.2. First-class mail. When mailed via first class to the last address of the recipient known to the party giving notice, notice is effective three mail delivery days after deposit in a United States Postal Service office or mailbox.

14.3. Certified mail. When mailed via certified mail, return receipt requested, notice is effective upon receipt, if delivery is confirmed by a return receipt.

14.4. Overnight delivery. When delivered via overnight delivery (Federal Express - Airborne - United Parcel Service - DHL - WorldWide Express), charges prepaid or charged to the sender's account, notice is effective upon delivery, if delivery is confirmed by the delivery service.

14.5. Telex or facsimile transmission. When sent via telex or facsimile to the last telex or facsimile number of the recipient known to the party giving notice, notice is effective upon receipt, provided that (a) a duplicate copy of the notice is promptly given by first-class, certified mail, or by overnight delivery, or (b) the receiving party delivers a written confirmation of receipt. Any notice given by telex or fax shall be deemed received on the next business day if it is received after 5:00 p.m. (recipient's time) or on a non-business day.

15. Enforcement of Rights. Debtor agrees to reimburse Lender for all costs and expenses (including attorneys' fees) incurred by the Lender in protecting and enforcing this Agreement. Lender may file one or more financing statements or other evidence of its security interest, signed only by the Debtor or the Lender, or both.

16. Rights Cumulative. All rights and remedies granted Lender by (i) this Agreement, (ii) any other agreement Lender may now, or in the future, have with Debtor; or (iii) otherwise, shall be cumulative and not in the alternative.

17. No Waiver. No waiver by Lender shall be effective unless in writing signed by Lender, and it shall be effective only to the extent specifically stated in said writing. No failure to exercise, or delay in exercising, any right or remedy by Lender shall be a waiver.

18. Attorneys' Fees, etc. If Lender is required to bring any action or proceeding against any other party for any cause dependent hereon or arising hereunder or connected herewith, the Lender shall recover its attorneys' and professionals' fees and costs and expenses in connection therewith. Specifically, and without limitation, Lender shall also recover from the Debtor the attorneys' and accountants' fees and legal expenses incurred in exercising its rights following any default by Debtor.

19. Severability. Should any of the provisions of this Agreement be for any reason invalid, the invalidity thereof shall not affect any of the other provisions of this Agreement, and all invalid provisions hereof shall be disregarded to the extent of their invalidity.

20. Successors and Assigns. The provisions of this Agreement shall bind and inure to the benefit of the parties hereto and their successors and assigns.

21. Entire Agreement. This Agreement constitutes the entire agreement of the parties in relation to the subject matter hereof except as supplemented and/or complemented by a Revolving Line of Credit Secured Promissory Note between Lender and Debtor, of even date, and supersedes all prior and contemporaneous agreements, representations, and understandings of the parties. No supplement, modification, or amendment of this agreement will be binding unless executed in writing by all the parties. No waiver of any of the provisions of this agreement will constitute a waiver of any other provision, whether or not similar, nor will any waiver constitute a continuing waiver. No waiver will be binding unless executed in writing by the party making the waiver.

22. Governing Law. This Agreement will be construed and enforced in accordance with, and the rights of the parties will be governed by, the laws of the State of Nevada without regard to or application of conflict of laws principles.

23. Venue. Venue in any action arising by reason of this Agreement shall lie exclusively in Clark County, Nevada.

24. Forum Selection. Any litigation hereunder shall be brought and litigated exclusively in the state courts sitting in Las Vegas, Nevada, or in the United States District Court(s) sitting in Las Vegas, Nevada. All parties hereto consent to the personal jurisdiction of such courts and waive any defense of forum non conveniens. Each party hereby irrevocably waives, to the fullest extent permitted by law, any objection that it may now or hereafter have to the laying of the venue of any such action, suit or proceeding brought in such a court and any claim that any such action, suit or proceeding brought in such a court has been brought in an inconvenient forum.



25. Effective Date: This Agreement shall be deemed effective upon its due execution by all parties and the entry of the DIP Financing Order, and the execution of the Note, and any other documents contemplated hereby and thereby.

**IN WITNESS WHEREOF**, Debtor and Lender have hereunto made this Agreement effective as of the day and year first hereinabove written.

**Debtor:**

**SUPERIOR LINEN, LLC,**  
a Nevada limited liability company,  
as Debtor-in-Possession:

By: \_\_\_\_\_  
Robert E. Smith,  
as Designated Responsible Person

**Lender:**

**RD VII INVESTMENTS, LLC**

By: \_\_\_\_\_

# EXHIBIT 3

# EXHIBIT 3

**REVOLVING LINE OF CREDIT  
SECURED PROMISSORY NOTE**

Pursuant to Secured Loan Agreement

\$860,000.00

October 1, 2016  
Las Vegas, Nevada

FOR VALUE RECEIVED, Superior Linen, LLC, a Nevada limited liability company (the “**Borrower**” or “**Maker**”), having an address at 4501 Mitchell Street, North Las Vegas, Nevada, 89081, hereby promises to pay to the order of RD VII Investments, LLC, a Wisconsin limited liability company (together with its successors and assigns and any subsequent holders of this Revolving Line of Credit Secured Promissory Note (“**Note**”)), (the “**Lender**,” “**Holder**” or “**Payee**”), having an address at 2601 Pine Tree Dr., Miami Beach, Florida 33140, the principal sum of EIGHT HUNDRED SIXTY THOUSAND DOLLARS (\$860,000) or so much thereof as may be advanced by Lender from time to time hereunder to or for the benefit or account of Borrower, together with interest thereon at the Note Rate (as hereinafter defined), and otherwise in strict accordance with the terms and provisions hereof.

**ARTICLE I  
DEFINITIONS**

Section 1.1 DEFINITIONS. As used in this Note, the following terms shall have the following meanings:

Applicable Rate: Thirteen and Three Quarters Percent (13.75%) per annum.

Borrower: As identified in the introductory paragraph of this Note.

Business Day: A weekday, Monday through Friday, except a legal holiday or a day on which banking institutions in Las Vegas, Nevada are authorized or required by law to be closed. Unless otherwise provided, the term “days” when used herein shall mean calendar days.

Budget: The amount for and categories of expenses the Borrower is authorized to use the Lender’s funds for during the term of this Note, as approved by the Lender in its sole discretion and the United States Bankruptcy Court for the District of Nevada.

Charges: All fees, charges and/or any other things of value, if any, contracted for, charged, taken, received or reserved by Lender in connection with the transactions relating to this Note and the other Loan Documents, which are treated as interest under applicable law.

Debtor Relief Laws: Title 11 of the United States Code, as now or hereafter in effect, or any other applicable law, domestic or foreign, as now or hereafter in effect, relating to bankruptcy, insolvency, liquidation, receivership, reorganization, arrangement or composition, extension or adjustment of debts, or similar laws affecting the rights of creditors.

Default Interest Rate: A rate per annum equal to the lesser of eighteen percent (18%) or the Maximum Lawful Rate.

DIP Financing Order(s): The order of the United States Bankruptcy Court for the District of Nevada Authorizing the Debtor to Obtain Post-Petition Financing Pursuant to 11 U.S.C. §§ 105, 361, 362, and 364, entered in the Borrower's bankruptcy proceeding.

Event of Default: Any event or occurrence described under Section 3.1 hereof.

Lender: As identified in the introductory paragraph of this Note.

Loan Documents: This Note and such other agreements, documents and instruments now or hereafter governing, securing or guaranteeing any portion of the indebtedness evidenced by this Note or executed by Borrower or any guarantor or indemnitor or any other person or entity in connection with the loan evidenced by this Note or in connection with the payment of the indebtedness evidenced by this Note or the performance and discharge of the obligations related hereto or thereto, together with any and all renewals, modifications, amendments, restatements, consolidations, substitutions, replacements, extensions and supplements hereof or thereof.

Maximum Lawful Rate: The maximum lawful rate of interest which may be contracted for, charged, taken, received or reserved by Lender in accordance with the applicable laws of the State of Nevada (or applicable United States federal law to the extent that such law permits Lender to contract for, charge, take, receive or reserve a greater amount of interest than under Nevada law), taking into account all Charges made in connection with the transaction evidenced by this Note and the other Loan Documents.

Note Rate: The rate equal to the lesser of (a) the Maximum Lawful Rate or (b) the Applicable Rate.

Any capitalized term used in this Note and not otherwise defined herein shall have the meaning ascribed to each such term in the Loan Documents. All terms used herein, whether or not defined in Section 1.1 hereof, and whether used in singular or plural form, shall be deemed to refer to the object of such term whether such is singular or plural in nature, as the context may suggest or require.

## **ARTICLE II CREDIT EXTENSIONS**

Section 2.1 Holder shall make credit extension advances under this Revolving Line of Credit Secured Promissory Note from time to time in lawful money of the United States of America upon the request of Maker pursuant to the terms and conditions set forth in this Note.

The foregoing advances shall be used to fund monthly operational capital requirements of Borrower, including, but not limited to, the restructuring and reorganization costs of Borrower, the maintenance and upkeep of the Borrower's property, the payment of administrative expenses and certain other claims, as set forth in and limited to the Budget.

Section 2.2 This Note shall represent a revolving credit facility against which Maker may, subject to the terms, conditions and provisions herein set forth and set forth in that certain

Secured Loan Agreement of even date herewith by and among Maker, as Borrower, and Holder, as Lender (the “**Secured Loan Agreement**”), from time to time, make credit extension advances not to exceed the cumulative total principal sum of EIGHT HUNDRED SIXTY THOUSAND (\$860,000) in lawful money of the United States of America at any given time, to repay all or part of the same and make additional credit extension advances and draw additional credits not to exceed the face amount hereof at any given time, and thereafter repay the principal and interest outstanding hereunder upon the written demand of Holder as set forth below or upon material default by Maker hereunder, whichever shall first occur. Provided Maker is not in default in the performance of the terms of this Note or the Secured Loan Agreement, Maker may from time to time, upon at least three (3) Domestic Business Days’ (as that term is defined in the Secured Loan Agreement) prior written notice to Holder, transmitted via facsimile, make a credit extension advance draw request hereunder. In the event Holder elects to make the credit extension advance, or is otherwise obligated to make a credit extension advance hereunder, Holder shall cause a wire transfer in said amount to be initiated to the bank account or accounts designated for such purposes by Maker no later than two (2) Domestic Business Days after the date of the transmission of the request. Credit extension advance draw requests must be fully transmitted via facsimile before 5:00 P.M. Pacific Standard Time; any requests transmitted after that time on any calendar day shall be deemed to be transmitted on the following Domestic Business Day.

### **ARTICLE III PAYMENT TERMS**

Section 3.1 PAYMENT OF PRINCIPAL AND INTEREST. The outstanding principal balance of this Note and any and all accrued but unpaid interest hereon shall be due and payable in full upon the earlier of: (i) September 30, 2017; the date of termination of Lender’s obligation to make an advance resulting from an “Event of Default”; and (c) the Effective Date of a confirmed Chapter 11 plan with respect to Borrower.

This Note is authorized pursuant to and is entitled to all of the benefits of the DIP Financing Order, and all outstanding amounts evidenced by this Note shall be paid in strict accordance with the terms of this Note and the DIP Financing Order. This Note evidences all loans made by Lender to Borrower under the DIP Financing Order.

Section 3.2 APPLICATION. Except as expressly provided herein to the contrary, all payments on this Note shall be applied in the following order of priority: (i) the payment or reimbursement of any expenses, costs or obligations (other than the outstanding principal balance hereof and interest hereon), including, without limitation, any and all fees owed to Lender or Lender’s servicing agent, should one be retained, for which either Borrower shall be obligated or Lender shall be entitled pursuant to the provisions of this Note or the other Loan Documents, (ii) the payment of accrued but unpaid interest hereon, and (iii) the payment of all or any portion of the principal balance hereof then outstanding hereunder, in the direct order of maturity. If an Event of Default exists under this Note or under any of the other Loan Documents, then Lender may, at the sole option of Lender, apply any such payments, at any time and from time to time, to any of the items specified in clauses (i), (ii) or (iii) above without regard to the order of priority otherwise specified in this Section 3.2 and any application to the outstanding principal balance hereof may be made in either direct or inverse order of maturity.

Section 3.3 PAYMENTS. All payments under this Note made to Lender shall be made by wire transfer pursuant to instructions provided separately by Lender by delivery of written notice

thereof to Borrower, without offset, in lawful money of the United States of America, which shall at the time of payment be legal tender in payment of all debts and dues, public and private. Payments by check or draft shall not constitute payment in immediately available funds until the required amount is actually received by Lender in full. Payments in immediately available funds received by Lender in the place designated for payment on a Business Day prior to 12:00 noon Pacific time at said place of payment shall be credited prior to the close of business on the Business Day received, while payments received by Lender on a day other than a Business Day or after 12:00 noon Pacific time on a Business Day shall not be credited until the next succeeding Business Day. If any payment of principal or interest on this Note shall become due and payable on a day other than a Business Day, such payment shall be made on the next succeeding Business Day. Any such extension of time for payment shall be included in computing interest which has accrued and shall be payable in connection with such payment.

Section 3.4 COMPUTATION PERIOD. Interest on the indebtedness evidenced by this Note shall be computed on the basis of a three hundred sixty-five (365) day year and shall accrue on the actual number of days elapsed for any whole or partial month in which interest is being calculated. In computing the number of days during which interest accrues, the day on which funds are initially advanced shall be included regardless of the time of day such advance is made, and the day on which funds are repaid shall be included.

Section 3.5 PREPAYMENT. Borrower shall have the right to prepay, at any time and from time to time upon delivery to Lender of a prepayment notice two (2) days prior to the date of prepayment, without fee, premium or penalty (except as noted below), all or any portion of the outstanding principal balance hereof, provided, however, that such prepayment shall also include any and all accrued but unpaid interest on the amount of principal being so prepaid through and including the date of prepayment, plus any other sums which have become due to Lender under the Note or any other Loan Documents on or before the date of prepayment, but which have not been fully paid. Prepayments of principal will be applied in inverse order of maturity. If this Note is prepaid in full, any commitment of Lender to make further advances shall automatically terminate and shall be of no further force or effect. Any such prepayment shall not result in a re-amortization, deferral, postponement, suspension, or waiver of any and all installment payments due under this Note.

Section 3.6 PARTIAL OR INCOMPLETE PAYMENTS. Remittances in payment of any part of this Note other than in the required amount in immediately available funds at the place where this Note is payable shall not, regardless of any receipt or credit issued therefore, constitute payment until the required amount is actually received by Lender in full in accordance herewith and shall be made and accepted subject to the condition that any check or draft may be handled for collection in accordance with the practice of the collecting bank or banks. Acceptance by Lender of any payment in an amount less than the full amount then due shall be deemed an acceptance on account only, and the failure to pay the entire amount then due shall be and continue to be an Event of Default in the payment of this Note.

Section 3.7 INTEREST ON UNPAID INTEREST, LATE PAYMENT CHARGES; DEFAULT INTEREST RATE, ETC. In the event any payment of interest is not paid on the date when due, interest shall accrue thereon as set forth herein on a compounded basis until paid in full. Further, in the event any payment of interest is not paid within five (5) days of the date when due, Borrower shall pay a late payment charge in an amount equal to five percent (5%) of the late payment in order to offset Lender's increased administrative costs resulting from such late payment. For so long as

any Event of Default exists under this Note or under any of the other Loan Documents, and in addition to all other rights and remedies of Lender hereunder, interest shall accrue on the outstanding principal balance hereof at the Default Interest Rate, and such accrued interest shall be immediately due and payable. Borrower acknowledges that it would be extremely difficult or impracticable to determine Lender's actual damages resulting from any late payment or Event of Default, and such late charges and accrued interest are reasonable estimates of those damages and do not constitute a penalty. Borrower shall also pay an additional \$35.00 fee for any check which is not honored.

#### **ARTICLE IV SECURITY PROVISIONS**

Section 4.1 Related Agreement. This Note is secured by, and subject to, the terms of the Secured Loan Agreement of even date. To the extent any of the provisions of this Note may conflict with those of the Secured Loan Agreement, this Note shall control.

Section 4.2 Collateral. This Note is issued by Maker under the terms and provisions of the Secured Loan Agreement and is secured by, among other things, the Collateral described therein and this Note (the "**Collateral**") and the holder hereof is entitled to all of the benefits and security provided for thereby or referred to therein, to which reference is hereby made for a statement thereof.

#### **ARTICLE V EVENT OF DEFAULT AND REMEDIES**

SECTION 5.1 EVENT OF DEFAULT. The occurrence or happening, at any time and from time to time, of any one or more of the following shall immediately constitute an "**Event of Default**" under this Note:

- (a) Prior to the Maturity Date, by acceleration or otherwise, Borrower shall fail, refuse or neglect to pay and satisfy, in full and in the applicable method and manner required, any required payment of principal or interest or any other portion of the indebtedness evidenced by this Note as and when the same shall become due and payable, whether at the stipulated due date thereof, at a date fixed for payment, or immediately on the Maturity Date, by acceleration or otherwise Borrower shall fail, refuse or neglect to pay and satisfy in full and in the applicable method and manner required, the indebtedness evidenced by this Note;
- (b) The occurrence of any other default, breach or event of default as defined in or under this Note or any other Loan Document that remains uncured under and pursuant to the provisions of this Note or any other Loan Document;
- (c) Borrower fails to comply with the DIP Financing Order(s) or any final non-appealable order of the Bankruptcy Court;
- (d) The DIP Financing Order(s) or the Chapter 11 Plan, are not filed in a form reasonably agreed upon by Lender, or are disapproved, or are reasonably likely to be disapproved, by the Bankruptcy Court; or

(e) A Chapter 11 Trustee is appointed in the Borrower's Chapter 11 case, or the Chapter 11 case is dismissed or converted to Chapter 7 of the United States Bankruptcy Code.

SECTION 5.2 REMEDIES. Upon the occurrence of an Event of Default, Lender shall have the immediate right, subject to the DIP Financing Order, at the sole discretion of Lender and without notice, demand, presentment, notice of nonpayment or nonperformance, protest, notice of protest, notice of intent to accelerate, notice of acceleration, or any other notice or any other action (i) to declare the entire unpaid balance of the indebtedness evidenced by this Note (including, without limitation, the outstanding principal balance hereof, including all sums advanced or accrued hereunder or under any other Loan Documents, and all accrued but unpaid interest thereon) at once immediately due and payable (and upon such declaration, the same shall be at once immediately due and payable) and may be collected forthwith, whether or not there has been a prior demand for payment and regardless of the stipulated date of maturity, (ii) to accept all of the Collateral in full satisfaction of all obligations due under this Note and under the Secured Loan Agreement, (iii) to foreclose any liens and security interests securing payment hereof or thereof (including, without limitation, any liens and security interests covering any portion of the Borrower's assets), and (iv) to exercise any of Lender's other rights, powers, recourses and remedies under this Note, or at law or in equity, and the same (w) shall be cumulative and concurrent, (x) may be pursued separately, singly, successively or concurrently against Borrower or others obligated for the repayment of this Note or any part hereof, or against any one or more of them, or against the Borrower's assets, at the sole discretion of Lender, (y) may be exercised as often as occasion therefor shall arise, it being agreed by Borrower that the exercise, discontinuance of the exercise of or failure to exercise any of the same shall in no event be construed as a waiver or release thereof or of any other right, remedy, or recourse and (z) are intended to be, and shall be, nonexclusive. All rights and remedies of Lender hereunder and under the other Loan Documents shall extend to any period after the initiation of foreclosure proceedings, judicial or otherwise, with respect to the Borrower's assets or any portion thereof.

## **ARTICLE VI GENERAL PROVISIONS**

SECTION 6.1 NO WAIVER; AMENDMENT. No failure to accelerate the indebtedness evidenced by this Note by reason of an Event of Default hereunder, acceptance of a partial or past due payment, or indulgences granted from time to time shall be construed (i) as a novation of this Note or as a reinstatement of the indebtedness evidenced by this Note or as a waiver of such right of acceleration or of the right of Lender thereafter to insist upon strict compliance with the terms of this Note or (ii) to prevent the exercise of such right of acceleration or any other right granted under this Note, under any of the other Loan Documents or by any applicable laws. Borrower hereby expressly waives and relinquishes the benefit of any statute or rule of law or equity now provided, or which may hereafter be provided, which would produce a result contrary to or in conflict with the foregoing. The failure to exercise any remedy available to Lender shall not be deemed to be a waiver of any rights or remedies of Lender under this Note or under any of the other Loan Documents, or at law or in equity. No extension of the time for the payment of this Note or any installment due hereunder, made by agreement with any person now or hereafter liable for the payment of this Note, shall operate to release, discharge, modify, change or affect the original liability of Borrower under this Note, either in whole or in part, unless Lender specifically, unequivocally and expressly agrees otherwise in writing. No single or partial exercise of any



power hereunder shall preclude any other or further exercise thereof or the exercise of any other power. The release of any party liable under this Note shall not operate to release any other party liable hereon. Time is of the essence of this Note. This Note may not be changed orally, but only by an agreement in writing signed by the party against whom enforcement of any waiver, change or modification is sought.

SECTION 6.2 USE OF FUNDS. Borrower hereby warrants, represents and covenants that (i) the loan evidenced by this Note is made to Borrower solely for the purpose of commercial purposes or carrying on a business or commercial enterprise, as approved by the Bankruptcy Court and in accordance with the Budget, (ii) all proceeds of this Note shall be used only for business and commercial purposes, as approved by the Bankruptcy Court, and (iii) no funds disbursed hereunder shall be used for personal, family, or household purposes.

SECTION 6.3 FURTHER ASSURANCES AND CORRECTIONS. From time to time, at the request of Lender, Borrower will (i) promptly correct any defect, error or omission which may be discovered in the contents of this Note or in any other loan document executed by and between Borrower and Lender (collectively, the “**Loan Documents**”), or in the execution or acknowledgment thereof; (ii) execute, acknowledge, deliver, record and/or file (or cause to be executed, acknowledged, delivered, recorded and/or filed) such further documents and instruments (including, without limitation, further deeds of trust, security agreements, financing statements, continuation statements and assignments of rents) and perform such further acts and provide such further assurances as may be necessary, desirable or proper, in Lender’s opinion, (A) to carry out more effectively the purposes of this Note and the other Loan Documents and the transactions contemplated hereunder and thereunder, (B) to confirm the rights created under this Note and the other Loan Documents, (C) to protect and further the validity, priority and enforceability of this Note and the other Loan Documents and the liens and security interests created thereby, and (D) subject to the Loan documents, any property of Borrower intended by the terms of any one or more of the Loan Documents to be encumbered by the Loan Documents; and (iii) pay all costs in connection with any of the foregoing.

SECTION 6.4 GOVERNING LAW; SUBMISSION TO JURISDICTION. This Note is executed and delivered as an incident to a lending transaction negotiated and consummated in Las Vegas, Nevada, and shall be governed by and construed in accordance with the laws of the State of Nevada.

SECTION 6.5 COUNTING OF DAYS. If any time period referenced hereunder ends on a day other than a Business Day, such time period shall be deemed to end on the next succeeding Business Day.

SECTION 6.6 RELATIONSHIP OF THE PARTIES. Notwithstanding any prior business or personal relationship between Borrower and Lender, or any officer, director or employee of Lender, that may exist or have existed, the relationship between Borrower and Lender under this Note is solely that of debtor and creditor.

SECTION 6.7 SUCCESSORS AND ASSIGNS. The terms and provisions hereof shall be binding upon and inure to the benefit of Borrower and Lender and their respective heirs, executors, legal representatives, successors, successors-in-title and assigns, whether by voluntary action of the parties, by operation of law or otherwise, and all other persons claiming by, through or under them. The terms “**Borrower**” and “**Lender**” as used hereunder shall be deemed to include their

respective heirs, executors, legal representatives, successors, successors-in-title and assigns, whether by voluntary action of the parties, by operation of law or otherwise, and all other persons claiming by, through or under them.

SECTION 6.8 HEADINGS. The Article, Section, and Subsection entitlements hereof are inserted for convenience of reference only and shall in no way alter, modify, define, limit, amplify or be used in construing the text, scope or intent of such Articles, Sections, or Subsections or any provisions hereof.

SECTION 6.9 NOTICES. All notices or other communications required or permitted to be given pursuant to this Note shall be in writing and shall be considered as properly given if (i) mailed by first class United States mail, postage prepaid, registered or certified with return receipt requested, (ii) by delivering same in person to the intended addressee, (iii) by delivery to a reputable independent third party commercial delivery service for same day or next day delivery and providing for evidence of receipt at the office of the intended addressee or (iv) by prepaid telegram, telex, telecopier or telefacsimile transmission to the addressee. Notice so mailed shall be effective upon its deposit with the United States Postal Service or any successor thereto; notice sent by such a commercial delivery service shall be effective upon delivery to such commercial delivery service; notice given by personal delivery shall be effective only if and when received by the addressee; and notice given by other means shall be effective only if and when received at the office or designated place or machine of the intended addressee. For purposes of notice, the address for both Borrower and Lender is the address provided for each on the first page of this Note; provided, however, that either party shall have the right to change its address for notice hereunder to any other location within the continental United States by the giving of ten (10) days' prior notice to the other party in the manner set forth herein.

SECTION 6.10 SEVERABILITY. If any provision of this Note or the application thereof to any person or circumstance shall, for any reason and to any extent, be invalid or unenforceable, then neither the remainder of this Note nor the application of such provision to other persons or circumstances nor the other instruments referred to herein shall be affected thereby, but rather shall be enforced to the greatest extent permitted by applicable law.

SECTION 6.11 COSTS OF COLLECTION. If any holder of this Note retains an attorney-at-law in connection with any Event of Default or at maturity or to collect, enforce, or defend this Note or any part hereof, or any other Loan Document, in any lawsuit or in any probate, reorganization, bankruptcy or other proceeding, or if Borrower sues any holder in connection with this Note or any other Loan Document and does not prevail, then Borrower agrees to pay to each such holder, in addition to the principal balance hereof and all interest hereon, all costs and expenses of collection or incurred by such holder or in any such suit or proceeding, including, but not limited to, reasonable attorneys' fees.

SECTION 6.12 ENTIRE AGREEMENT. THIS NOTE AND THE OTHER LOAN DOCUMENTS CONTAIN THE FINAL, ENTIRE AGREEMENT BETWEEN THE PARTIES HERETO RELATING TO THE SUBJECT MATTER HEREOF AND THEREOF AND ALL PRIOR AGREEMENTS, WHETHER WRITTEN OR ORAL, RELATIVE HERETO AND THERETO WHICH ARE NOT CONTAINED HEREIN OR THEREIN ARE SUPERSEDED AND TERMINATED HEREBY, AND THIS NOTE AND THE OTHER LOAN DOCUMENTS MAY NOT BE CONTRADICTED OR VARIED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS OR SUBSEQUENT ORAL AGREEMENTS OR DISCUSSIONS OF

THE PARTIES HERETO. THERE ARE NO UNWRITTEN ORAL AGREEMENTS AMONG THE PARTIES HERETO.

Section 6.13 EFFECTIVE DATE: This Agreement shall be deemed effective upon its due execution by all parties of this Note, the Note and the other Loan Documents, and upon entry of the DIP Financing Order.

IN WITNESS WHEREOF, Borrower, intending to be legally bound hereby, has duly executed this Note as of the day and year first written above.

**BORROWER:**

SUPERIOR LINEN, LLC  
a Nevada limited liability company,  
as Debtor in Possession:

By: \_\_\_\_\_  
Robert E. Smith,  
as Designated Responsible Person