

**\$2,000,000**

**DEBTOR-IN-POSSESSION CREDIT AGREEMENT**

**between**

**THE WOODCREST CLUB, INC.**

**a Debtor and Debtor-in-Possession under Chapter 11 of the Bankruptcy Code**

**as Borrower**

**and**

**JB HOLDINGS, INC.**

**as Lender**

**Dated as of December \_\_, 2009**

**DEBTOR-IN-POSSESSION CREDIT AGREEMENT**

DEBTOR-IN-POSSESSION CREDIT AGREEMENT, dated as of December \_\_, 2009 (this "Agreement"), between THE WOODCREST CLUB, INC., a New York not for profit corporation and a debtor and debtor-in-possession in a case pending under Chapter 11 of the Bankruptcy Code (the "Borrower") and JB HOLDINGS, INC. as the Lender (the "Lender"). Unless otherwise defined herein or the context clearly requires otherwise, capitalized terms used in this Agreement shall have the meanings given such terms in Article I.

**PRELIMINARY STATEMENTS**

The Borrower has filed a voluntary petition with the Bankruptcy Court commencing a case under Chapter 11 of the Bankruptcy Code and the Borrower has continued in the possession of its assets and in the management of its business pursuant to Section 1107 and 1108 of the Bankruptcy Code.

Subject to the provisions of the Bankruptcy Code and the terms of this Agreement, the Borrower has applied to the Lender for a term loan in the principal amount not to exceed \$2,000,000 to fund the Debtor's working capital and exit financing requirements.

To assure repayment of the Obligations, the Borrower shall provide to the Lender, pursuant to this Agreement and the Orders, the following (each as more fully described in this Agreement):

(i) an allowed administrative expense claim in the case pursuant to Section 364(c)(1) of the Bankruptcy Code having priority over any and all administrative expenses of the kind specified in Section 503(b) or 507(b) of the Bankruptcy Code; and

(ii) a perfected Lien on the Collateral as provided, and with the priorities set forth in section 364 of the Bankruptcy Code and in Section 2.12;

All of the claims and the Liens granted to the Lender pursuant to the Loan Documents and the Orders shall be subject to the Carve-Out to the extent provided in Section 2.12 and the Orders.

## **AGREEMENT**

NOW, THEREFORE, in consideration of the premises and of the mutual covenants and agreements contained in this Agreement, the Borrower and the Lender hereby agree as follows:

### ARTICLE I DEFINITIONS AND ACCOUNTING TERMS

SECTION 1.01 Certain Defined Terms. As used in this Agreement, the following terms shall have the following meanings (such meanings to be equally applicable to both the singular and plural forms of the terms defined):

“Affiliate” means, as to any Person, any other Person that, directly or indirectly, through one or more intermediaries controls, is controlled by, or is under common control with such Person or is a director or officer of such Person. The Lender, by virtue of its affiliation with the Management Company, will not be deemed to be an Affiliate. For purposes of this definition, the term “control” (including the terms “controlling”, “controlled by” and “under common control with”) of a Person means the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of such Person, whether through the ownership of voting securities, by contract or otherwise.

“Agreement” has the meaning specified in the preamble hereto.

“Approved Budget” means, at any time, the most recent Budget that has been submitted to, and approved by, the Lender in accordance with Section 5.01(h). Until a proposed new Budget is approved by the Lender, the Approved Budget shall remain in effect only for the period covered by such Approved Budget. At no time shall a Budget be deemed to be an Approved Budget beyond the period of time covered by such Budget

“Asset Purchase Agreement” means depending on the context, an Asset Purchase Agreement by and between the Borrower and a Stalking Horse bidder or the successful bidder at the auction sale of the Debtor’s assets, as such agreement may be amended from time to time.

“Asset Purchase Consummation Date” means the date of the closing of the transactions contemplated by an Asset Purchase Agreement.

“Bankruptcy” means the Borrower seeking an order for relief under chapter 11 of the Bankruptcy Code on the Petition Date.

“Bankruptcy Causes of Action” shall mean actions for preferences, fraudulent conveyances and other avoidance power claims and any recoveries under sections 506(c), 542, 544, 545, 547, 548, 549, 550, 552(b) and 553 of the Bankruptcy Code.

“Bankruptcy Code” means the Bankruptcy Reform Act of 1978, as heretofore and hereafter amended, and codified as 11 U.S.C. Section 101 et seq.

“Bankruptcy Court” means the United States Bankruptcy Court for the Eastern District of New York or any other court having jurisdiction over the Case from time to time.

“Borrower” has the meaning specified in the preamble hereto.

“Borrowing Date” means any Business Day specified in a Notice of Borrowing as a date on which the Borrower requests the Lender to make Loans to the Borrower pursuant to this Agreement.

“Budget” means a four (4) Calendar Week reporting cycle forecast for the Borrower for the four (4) Calendar Week period following the date of delivery of such Budget, with the delivery of the first proposed Budget to be three (3) business days prior to the approval of this Agreement by the Bankruptcy Court and effective as of the first Calendar Week of such initial Budget. Each Budget shall show current assets and liabilities (including without limitation cash balance, accounts receivable and current liabilities) as of the end of each Budget period, and revenues, expenses, and cash flow for each Budget period.

“Business Day” means a day of the year on which banks are not required or authorized by law to close in New York City.

“Calendar Week” means a seven (7) day period that begins on Monday and ends on the next Sunday.

“Carve-Out” means the Carve-Out as defined in the Order.

“Case” means the Chapter 11 case of the Borrower pending in the Bankruptcy Court.

“Cash Report” means, with respect to any Calendar Week, a report that (a) sets forth the actual cash receipts, cash disbursements and ending cash balance for such Calendar Week, and (b) explains the variances, if any, between the actual financial results of such Calendar Week and the financial results forecast for such Calendar Week in the Approved Budget.

“Collateral” means all of the assets and other property that is or is intended to be subject to any Lien in favor of the Lender pursuant to Section 2.13 hereof and the Final Order and the Interim Order.

“Commitment” means with respect to the Lender at any time, the Lender’s Interim Loan Commitment and Final Loan Commitment.

“Commitment Amount” means \$2,000,000.

“Confidential Information” means information that the Borrower furnishes to the Lender on a confidential basis, but does not include any information that (a) is or becomes generally available to the public other than as a result of a breach by the Lender of its obligations under this Agreement, or (b) is or becomes available to the Lender from a source other than the Borrower that is not, to the actual knowledge of the Lender, acting in violation of a confidential agreement with the Borrower.

“Confirmation Order” means an order of the Bankruptcy Court confirming a Plan of Reorganization.

“Consummation Date” means the date of the substantial consummation of a Plan of Reorganization (as defined in Section 1101(2) of the Bankruptcy Code) and which for purposes of this Agreement shall be no later than the date that all of the conditions precedent to the effectiveness of such Plan of Reorganization have been satisfied or waived.

“Contract” means (a) any agreement (whether bilateral or unilateral or executing or non-executing and whether a Person entitled to rights thereunder is so entitled directly or as a third-party beneficiary), including any indenture, lease or license, and (b) any deed or other instrument of conveyance.

“Default” means any Event of Default or any event that would constitute an Event of Default but for the giving of notice or elapse of time or both.

“Events of Default” has the meaning specified in Section 6.01.

“Existing Liabilities” means all of the Liabilities of the Borrower at the time the Borrower filed for bankruptcy, as set forth on Schedule 5.02(b)(i)(z).

“Final Loan Availability Period” means the period beginning with the date on which the Final Order is entered by the Bankruptcy Court and ending on the Termination Date.

“Final Loan Commitment” means, with respect to the Lender, at any time after the Final Order has been entered by the Bankruptcy Court, an amount equal to \$2,000,000 inclusive of amounts made available under any Interim Orders.

“Final Period Loan” has the meaning specified in Section 2.01(b).

“Final Management Agreement” means that certain agreement by and between the Borrower and the Management Company, intended to supersede and replace the Interim Management Agreement, concerning the day-to-day operation of the Borrower on a final basis and approved by the Bankruptcy Court.

“Final Order” means an order of the Bankruptcy Court entered in the Case after a final hearing under Bankruptcy Rule 4001(c)(2), in form and substance reasonably satisfactory to the Lender, granting final approval of the Loan Documents and the Transactions.

“First Budget” has the meaning specified in the definition of Budget.

“Governmental Authority” means any federal, state, municipal or other governmental department, commission, board, bureau, agency or instrumentality or any court, in each case whether in the United States or a foreign jurisdiction.

“Interest Payment Date” means the date when the Debtor shall have sufficient excess cash flow to make an interest payment.

“Interest Period” means the period beginning on and including: (a) the first day of each month (for Loans made prior to the commencement of the then current month), or (b) the date the Loan is made, and ending on and including the last day of each month. The first Interest Period shall commence as of the initial date of funding an advance against this loan.

“Interest Rate” means 10% per annum.

“Interim Period Loan” has the meaning specified in Section 2.01(a).

“Interim Loan Availability Period” means the period beginning with the date on which the first Interim Order is entered by the Bankruptcy Court, and ending on the earlier of (a) the date on which the Final Order is entered by the Bankruptcy Court, or (b) the Termination Date.

“Interim Loan Commitment” means, with respect to the Lender, at any time prior to the Final Order having been entered by the Bankruptcy Court, an amount equal to no more than \$400,000, unless otherwise agreed to by the Lender.

“Interim Management Agreement” means that certain agreement by and between the Borrower and John Bennardo, dated November 10, 2009, concerning the day-to-day operation of the Borrower, as such agreement remains subject to entry into the Final Management Agreement, a copy of which is annexed hereto as **Exhibit C**.

“Interim Order” means one or more orders of the Bankruptcy Case entered in the Case after an emergency and/or interim hearing under Bankruptcy Rule 4001(c)(2), in form and substance reasonably satisfactory to the Lender, granting interim approval of the Loan Documents and the Transactions.

“Internal Revenue Code” means the Internal Revenue Code of 1986, as amended from time to time, and the regulations promulgated and rulings issued thereunder.

“Law” means (a) all common laws and principles of equity, and (b) all provisions of all (i) constitutions, statutes, rules, regulations and orders of Governmental Authorities, (ii) approvals, consents and authorizations from Governmental Authorities, and (iii) orders, decisions, judgments and decrees of all Governmental Authorities (whether at law or in equity or admiralty) and arbitrators.

“Liabilities” means debts, liabilities, obligations and duties of every kind, whether absolute or contingent, monetary or non-monetary, direct or indirect, known or unknown, or matured or unmatured (including, without limitation, guaranties of third parties’ debts or obligations).

“Lien” means any lien, security interest or other charge or encumbrance of any kind, or any other type of preferential arrangement, including the lien or retained security title of a conditional vendor and any easement, right of way or other encumbrance on title to real property.

“Loan” means any loan made under the Loan Documents, whether an Interim Period Loan or a Final Period Loan.

“Loan Documents” means (a) this Agreement, (b) the Note, (c) any other agreement, document or instrument executed and delivered by the Borrower or entered in connection with any of the foregoing agreements or documents or the Transactions (d) any and all Interim Orders, and (e) the Final Order.

“Management Agreement” means the Interim Management Agreement or the Final Management Agreement, as the case may be.

“Management Company” means Legacy Capital Management, Inc.

“Material Adverse Change” means any material adverse change in the business, financial condition, operations, prospects, performance or properties of the Borrower, taken as a whole after giving effect to the condition of the Borrower as of the date hereof.

“Material Adverse Effect” means a material adverse effect on the ability of the Borrower to perform its obligations under the Loan Documents.

“Maturity Date” means the earlier of (a) November 10, 2014, (b) the occurrence of an Event of Default, (c) failure of the Bankruptcy Court to enter an order approving the Final Management Agreement prior to January 31, 2010, or (d) an Asset Purchase Consummation Date.

“Note” means a promissory note of the Borrower payable to the order of the Lender, substantially in the form of Exhibit B, as amended.

“Notice of Borrowing” has the meaning specified in Section 2.02(a).

“Obligations” means all amounts payable to the Lender pursuant to the Loan Documents (including, without limitation, the outstanding principal amount of the Loans, all interest payable on the Loans and all fees, expenses (including but not limited to reasonable attorneys’ fees and expenses), premiums, penalties, fees, indemnifications, advances, liabilities, obligations, debts, contract causes of action, costs and other amounts payable to the Lender pursuant to the Loan Documents, whether direct or indirect, absolute or contingent, including any extensions, modifications, substitutions, amendments and renewals thereof).

“Order” means the Interim Order or Final Order, as the case may be.

“Permit” has the meaning specified in Section 4.01(h).

“Permitted Liens” means (a) the first secured liens of Time Insurance Company, the Debtor’s Mortgagor; (b) the Liens securing the Obligations; (c) with respect to any equipment purchased or leased by the Borrower prior to the Petition Date, any Lien on such equipment that secures the purchase or lease obligations of the Borrower regarding such equipment and that was, as of the Petition Date, a valid and perfected Lien; and (d) with respect to any equipment purchased or leased by the Borrower after the Petition Date, any lien on such equipment that secured the purchase or lease obligations of the Borrower.

“Person” means an individual, partnership, corporation (including a business trust), limited liability company, joint stock company, trust, unincorporated association, joint venture or other entity, or a government or any political subdivision or agency thereof.

“Petition Date” means December 10, 2009.

“Security Agreement” means this Agreement and those provisions of the Interim Order(s) and the Final Order concerning the granting of, validity, priority, and extent of any and all Liens granted under this Agreement by the Borrower to the Lender, as and when such orders are issued and entered by the Bankruptcy Court approving this Agreement, as the same may be amended or modified from time to time.

“Subordinated Debt” means indebtedness of Borrower that is subordinated to the Obligations and the Carve-Out and is permitted to be incurred by the Bankruptcy Court.

“Super-Priority Claim” means a claim that is an administrative expense claim having priority over any and all administrative expenses of the kind specified in Section 503(b) or 507(b) of the Bankruptcy Code.

“Termination Date” means the earliest to occur of (a) the Maturity Date, (b) an Event of Default under any Loan Document, including, but not limited to, those Events of Default under Section 6.01 of this Agreement; (c) the prepayment of all of the Obligations, or (d) the date the Bankruptcy Court enters an order (i) converting the Case to Chapter 7 of the Bankruptcy Code, (ii) dismissing the Case, or (iii) appointing a Chapter 11 trustee.

“Transactions” means the Interim Period Loans, the Final Period Loans, the granting of Liens on the Collateral to the Lender to secure the Obligations, and all of the other transactions contemplated by the Loan Documents.

SECTION 1.02 Computation of Time Periods; Other Definitional Provisions. In this Agreement and the other Loan Documents in the computation of periods of time from a specified date to a later specified date, the word “from” means “from and including” and the words “to” and “until” each mean “to but excluding.” References in the Loan Documents to any agreement or contract “as amended” shall mean and be a reference to such agreement or contract as amended, supplemented or otherwise modified from time to time.

SECTION 1.03 Rules of Construction. Unless the context otherwise requires:

- (i) a term has the meaning assigned to it;
- (ii) “or” is not exclusive;
- (iii) words in the singular include the plural, and in the plural include the singular;
- (iv) provisions apply to successive events and transactions;
- (v) the word “including” means including without limitation and the terms “include” or “includes” shall have correlative meanings;
- (vi) “\$” means U.S. dollars; and
- (vii) unless otherwise provided, references to Sections, Exhibits and Schedules refer to sections, exhibits and schedules to this Agreement.

ARTICLE II  
AMOUNTS AND TERMS OF THE LOANS

SECTION 2.01 Commitments. Subject to the terms and conditions of this Agreement and relying upon the representations and warranties set forth in this Agreement, the Lender agrees to make term loans to the Borrower:

(a) during the Interim Loan Availability Period in an aggregate principal amount not to exceed the Interim Loan Commitment (each such term loan, an "Interim Period Loan"), provided that all such Loans shall be made subject to and in full compliance with the terms of this Agreement only, with (i) the sum of \$100,000 being made available immediately upon entry of the first Interim Order by the Bankruptcy Court or the consent of the Lender; (ii) the sum of \$150,000 being made available no later than December 31, 2009; and (iii) the sum of \$150,000 being made available on January 31, 2010; and

(a) during the Final Loan Availability Period in an aggregate principal amount not to exceed the Final Loan Commitment, (each such term loan, a "Final Period Loan"), less any Interim Period Loans made under subsection (a) of this Section,

provided that all such Loans shall be made subject to and in full compliance with the terms of this Agreement only.

SECTION 2.02 (a) Unless otherwise agreed by the Lender, (i) each Loan shall be made on notice, given not later than 11:00 A.M. (New York City time) on the third Business Day prior to the Borrowing Date, by the Borrower to the Lender, and (ii) notice of a Loan (a "Notice of Borrowing") may only be given on the first or second day of each Calendar Week. Each Notice of Borrowing shall be by telephone, confirmed immediately in writing, or telecopier, substantially in the form of Exhibit A, specifying therein the requested (i) Borrowing Date and (ii) aggregate amount of such Loan. Each Notice of Borrowing shall be accompanied by a Cash Report for the Calendar Week immediately preceding such Notice of Borrowing and all such other reports and information required for making such Loan pursuant to this Agreement. Upon fulfillment of the conditions to such Loan set forth in this Agreement, the Lender will disburse or make such funds available to the Borrower.

(b) Each Notice of Borrowing shall be irrevocable and binding on the Borrower. The proposed Loan requested in each Notice of Borrowing shall be in an increment of \$10,000 and shall not be less than \$50,000 in the aggregate (or such lesser increment or amount as is agreed to by the Lender). A Notice of Borrowing shall not be honored if and to the extent that such Notice of Borrowing seeks a Loan in an amount that would cause the aggregate outstanding principal amount of the Loans to exceed any of the maximum Commitment, or the Final Loan Commitment. In addition, unless otherwise agreed by the Lender, a Notice of Borrowing may not be honored (i) if and to the extent that such Notice of Borrowing seeks a Loan in an amount that exceeds the amount of cash required by the Borrower through the date that is four weeks after the proposed Borrowing Date as reflected in the Approved Budget after taking all available cash of the Borrower into consideration as reflected in the Cash Report for the immediately preceding Cash Report, or (ii) if a Default or an Event of Default has occurred and is continuing; or (iii) the Termination Date shall have occurred. Unless otherwise agreed by the Lender, the Lender shall not be required to extend Loans to the Borrower more frequently than twice per month.



SECTION 2.03 Note; Prepayments. (a) The Loans made by the Lender to the Borrower shall be evidenced by a Note, duly executed on behalf of the Borrower, dated as of the date of this Agreement, in the form of Exhibit B, delivered and payable to the Lender. The outstanding balance of each Loan shall mature and be due and payable on the Termination Date. The Note shall bear interest on the outstanding principal balance thereof as provided in Section 2.04.

SECTION 2.04 Interest. Each Loan shall bear and accrue interest at a rate per annum equal to the Interest Rate. Interest shall be paid in arrears on the unpaid principal amount of each Loan on each Interest Payment Date, on the Termination Date and after the Termination Date, if interest remains unpaid, on demand.

SECTION 2.05 [Intentionally Omitted]

SECTION 2.06 [Intentionally Omitted]

SECTION 2.07 Payments and Computations. (a) All payments required to be made by the Borrower pursuant to the Loan Documents shall be paid in full, irrespective of any right of counterclaim or set-off, on the day when due not later than 11:00 A.M. (New York time) in U.S. dollars to the Lender in same day funds, with payments being received by the Lender after such time being deemed to have been received on the next succeeding Business Day.

(b) All computations of interest shall be made by the Lender on the basis of a year of 360 days, in each case for the actual number of days (including the first day but excluding the last day) occurring in the period for which such interest, fees or commissions are payable. Each determination by the Lender of an interest rate, fee or commission hereunder shall be conclusive and binding on the Borrower for all purposes, absent manifest error.

(c) Whenever any payment under the Loan Documents shall be stated to be due on a day other than a Business Day, such payment shall be made on the next succeeding Business Day, and such extension of time shall in such case be included in the computation of payment of interest.

(d) If the Lender receives funds for application to the payment of any Obligations under circumstances in which the Loan Documents do not specify the Obligations to which, or the manner in which, such funds should be applied, the Lender shall apply such funds in such order, manner and priority as determined in its sole and absolute discretion.

SECTION 2.08 [Intentionally Omitted]

SECTION 2.09 [Intentionally Omitted]

SECTION 2.10 Use of Proceeds. The proceeds of the Loans shall only be used to provide working capital for the Borrower, cover the expenses of operating the Property that are included in the Approved Budget, and for other general corporate purposes of the Borrower (including the payment of amounts payable to the Lender pursuant to this Agreement and the payment of costs and expenses of administering the Case that have been approved by the Bankruptcy Court), in all cases subject to the terms of this Agreement and the Order and in accordance with the Approved Budget, and shall not on any account be used to fund any investigation of, challenge to (except in connection with the defense against any such

investigations, challenges or defense), or litigation with respect to the amount, validity or enforceability of any Obligation hereunder, or any Lien or priority granted with respect hereto.

SECTION 2.11 No Discharge; Survival of Claims. The obligations of the Borrower under the Loan Documents shall not be discharged by the entry of a Confirmation Order (and pursuant to Section 1141(d)(4) of the Bankruptcy Code, the Borrower hereby waives any such discharge) and the entry of a Confirmation Order shall not in any manner affect the nature, priority and extent of the Super-Priority Claims granted to the Lender pursuant to the Loan Documents and/or the Order. The obligations of the Borrower under the Loan Documents shall survive the conversion of the Case to a case under Chapter 7 of the Bankruptcy Code and the dismissal of the Case, and any such conversion or dismissal of the Case shall not in any manner affect the nature, priority and extent of the Super-Priority Claims granted to the Lender pursuant to the Loan Documents and/or the Orders.

SECTION 2.12 Priority and Liens. Upon entry of the Interim Order and the Final Order, respectively, the Obligations hereunder and under the Loan Documents pursuant to Section 364(c)(1) of the Bankruptcy Code, shall at all times constitute allowed administrative expense claims in the Case having priority over all administrative expenses of the kind specified in Sections 503(b) or 507(b) of the Bankruptcy Code, subject only to the Carve-Out, provided, however, with respect to any proceeds of Bankruptcy Causes of Action, the Lender shall be authorized to receive payments therefrom on account of the Post-Petition Debt as the holder of a claim entitled to priority under section 503(b) of the Bankruptcy Code and such payments shall be *pro rata* with payments to the holders of other claims under section 503(b) of the Bankruptcy Code. All credit extensions made by the Lender to the Borrower under this Agreement, together with all interest, fees and other charges (including, without limitation, legal fees) at any time payable by the Borrower to the Lender, shall be secured by valid, binding and enforceable security interests in and liens upon all of the Borrower's property (other than Bankruptcy Causes of Action), including all tangible, intangible, real and personal property of the Borrower arising, created or acquired at any time before or after the Petition Date, including, but not limited to, all of the Debtor's accounts, inventory, equipment, general intangibles, accounts receivable, intellectual property, investment property, documents, instruments, chattel paper, escrows, deposit accounts, tort claims and books and records, and all cash and non-cash proceeds of the foregoing. The relative priority of the Lender's liens and security interests granted pursuant to Loan Documents shall be as follows: (i) subject only to the Carve-Out, pursuant to Section 364(c)(2) and (3) of the Bankruptcy Code, a perfected security interest in and lien upon all of the Collateral.

SECTION 2.13 Collateral. Capitalized terms not defined herein will have the meaning ascribed to them in the Uniform Commercial Code. As security for the full and timely payment and performance of all Obligations, Borrower hereby grants to Lender a first priority perfected security interest in all personal property of Borrower, wherever located, now owned or hereafter acquired, including without limitation the following:

All present and future Accounts, Goods, Contract Rights, Chattel Paper, Instruments and Documents and all other rights to the payment of money whether or not yet earned, for services rendered or goods sold, consigned, leased or furnished or otherwise

All present and future Inventory and all documents of title covering any of such goods or Inventory.

All present and future General Intangibles.

All present and future Equipment, all documents of title covering any of such Equipment and all manuals of operation, maintenance or repair.

All present and future rights in all proceeds of all licenses, permits, approvals, license rights, agreements and General Intangibles with respect to which there are valid and enforceable legal or contractual restrictions prohibiting the collateral assignment or granting of a security interest including to the extent applicable, (the “**Non-Assignable Contracts**”), including without limitation all proceeds from the sale, transfer or liquidation of such Non-Assignable Contracts and the value allocable to such Non-Assignable Contracts in any sale of business or assets.

All present and future general ledger sheets, files, records, customer lists, books of account, invoices, bills, certificates or documents of ownership, bills of sale, business papers, correspondence, credit files, tapes, cards, computer runs and all other data and data storage systems whether in the possession of any party to this Agreement or any service bureau.

All deposits, funds, notes, drafts, instruments (including promissory notes), documents, policies, evidences and certificates of insurance, securities, personal property leases and chattel paper and other assets, now or at any time hereafter on deposit with or in the possession or control of Lender or owing by Lender or in transit by mail or carrier to Lender or in the possession of any other person acting on Lender’s behalf, without regard to whether Lender received the same in pledge, for safekeeping, as agent for collection or otherwise, or whether Lender has conditionally released the same, and in all assets in which Lender now has or may at any time hereafter obtain a lien, mortgage, or security interest for any reason.

All deposit accounts maintained by Borrower with any depository institution.

All Investment Property.

All Financial Assets.

All products and proceeds of the foregoing.

In addition, Borrower grants Lender a lien upon all of its real property which lien will be evidenced by the Interim Order and the Final Order and, upon request by the Lender, a mortgage to be executed and delivered by Borrower to Lender in form and content suitable for recording.

### ARTICLE III CONDITIONS OF LENDING

SECTION 3.01 Conditions Precedent to Each Loan. The obligation of the Lender to make any Loan shall be subject to the satisfaction, or waiver by the Lender immediately prior to or concurrently with the making of such Loan, of the following:

(a) all of the representations and warranties in the Loan Documents being correct on and as of such date, before and after giving effect to such Loan and to the application of the proceeds therefrom, as though made on and as of such date other than any such

representations or warranties that, by their terms, refer to a specific date other than applicable Borrowing Date, in which case as of such specific date;

(b) no event has occurred and is continuing, or would result from such Loan or the application of the proceeds therefrom, that constitutes a Default or an Event of Default;

(c) since \_\_\_\_\_, 2009, there has not occurred any Material Adverse Change or any development, event or circumstances that is reasonably likely to result in a Material Adverse Change;

(d) the Lender has received (i) a Notice of Borrowing, duly executed by the Borrower that complies with Section 2.02(a) and Section 2.02(b), and (ii) a Cash Report for the preceding Calendar Week as required by Section 2.02(b);

(e) the Borrower shall have paid all attorneys' fees and expenses due and owing to the Lender under this Agreement not to exceed fifty thousand dollars, which amount can be financed as part of a Loan;

(f) the Borrower shall have delivered a Budget (which must become an Approved Budget) covering a four (4) Calendar Week reporting cycle after the Borrowing Date and (i) actual accrual revenues of the Borrower (reported in accordance with the Borrower's accounting and reporting practices consistently applied over the last two years) for the period covered by the most recently Approved Budget must be at least 85% of the amount forecast for such accrual revenues in the most recently Approved Budget, and (ii) gross disbursements in cash flow for the period covered by the most recently Approved Budget cannot exceed 110% in the aggregate of the amount forecast for such projected disbursements in the most recently Approved Budget;

(g) the Lender shall have received all of the information, reports and records regarding the Borrower that have been reasonably requested by them and all such information, reports and records shall be complete and accurate;

(h) to the knowledge of Borrower, there shall exist no action, suit, investigation, litigation or proceeding affecting the Borrower pending or threatened in writing before any Governmental Authority or arbitrator purports to affect the legality, validity or enforceability of any Loan Document, or the consummation of the Transactions;

(i) the Lender shall have received an Approved Budget for the requisite period pursuant to Section 5.01(h);

(j) The Lender shall have received the following, each in form and substance satisfactory to the Lender:

- (i) a Note payable to the order of the Borrower pursuant to Section 2.03;
- (ii) a Notice of Borrowing relating to such Loan pursuant to Section 2.02; and
- (iii) the Loan Documents duly executed by the Borrower; and

(k) The Borrower shall have provided the Lender with such documents, certificates, and instruments as reasonably requested by the Lender regarding (i) the due authorization,

execution and delivery of the Loan Documents; (ii) the satisfaction of the conditions precedent contained therein by the Borrower; (iii) the due authorization of the Loans and other Transactions; and (iv) the Collateral and the Borrower's compliance with the Loan Documents.

SECTION 3.02. Additional Conditions Precedent to Each Interim Period Loan. The obligation of the Lender to make any Interim Loan shall be subject to the satisfaction, or waiver by the Lender immediately prior to or concurrently with the making of such Loan, of the following:

- (a) Each and every condition precedent under Section 3.01 has been satisfied, or waived by the Lender, as the case may be; and
- (b) A copy of the Interim Order shall have been delivered to the Lender, and the Interim Order shall:
  - (i) have been entered by the Bankruptcy Court;
  - (ii) be in form and substance reasonably satisfactory to the Lender;
  - (iii) authorize the Interim Period Loans in the amounts and on terms and conditions satisfactory to the Lender;
  - (iv) approve the process for payment by the Borrower of all of the fees and expenses set forth in the Loan Documents;
  - (v) approve the grant of valid and perfected Liens on the Collateral in favor of the Lender, as provided in and contemplated by Section 2.12 and the Collateral Documents with the priorities set forth in Section 2.12;
  - (vi) be in full force and effect and shall not have been amended, stayed, vacated, reversed, modified or rescinded in any respect except as consented to by the Lender; and
  - (vii) approve the Interim Management Agreement on an interim basis.

SECTION 3.03. Additional Conditions Precedent to Each Final Period Loan. The obligation of the Lender to make any Final Period Loan shall be subject to the satisfaction, or waiver by the Lender immediately prior to or concurrently with the making of such Loan, of the following:

- (a) Each and every condition precedent under Section 3.01 has been satisfied, or waived by the Lender, as the case may be; and
- (b) A copy of the Final Order shall have been delivered to the Lender, and the Final Order shall
  - (i) have been entered by the Bankruptcy Court;
  - (ii) be in form and substance reasonably satisfactory to the Lender;
  - (iii) authorize the Loans in the amounts and on terms and conditions satisfactory to the Lender;

(iv) approve the process for payment by the Borrower of all of the fees and expenses set forth in the Loan Documents;

(v) approve the grant of valid and perfected Liens on the Collateral in favor of the Lender, as provided in and contemplated by Section 2.12 and the Collateral Documents with the priorities set forth in Section 2.12;

(vi) be in full force and effect and shall not have been amended, stayed, vacated, reversed, modified or rescinded in any respect except as consented to by the Lender; and

(vii) the Management Agreement must be in full force and effect.

#### ARTICLE IV REPRESENTATIONS AND WARRANTIES

SECTION 4.01 Representations and Warranties of the Borrower. The Borrower represents and warrants as of the date of this Agreement and each date on which a Loan is made to the Borrower pursuant to this Agreement as follows:

(a) Organization and Authority. The Borrower (i) is a corporation or other legal entity duly organized, validly existing and in good standing under the laws of the jurisdiction of its incorporation, (ii) is duly qualified and in good standing as a foreign corporation in each other jurisdiction in which it owns or leases property or in which the conduct of its business requires it to so qualify or be licensed, and (iii) has all requisite corporate power and authority to own or lease and operate its properties and to carry on its business as now conducted and as proposed to be conducted. Each Loan Document has been duly authorized, executed and delivered by the Borrower. Each Loan Document is the legal, valid and binding obligation of the Borrower, enforceable against the Borrower in accordance with its terms.

(b) Title to Collateral. The Borrower has good and valid title to, or, with respect to the Collateral, in each case free and clear of all Liens (other than Permitted Liens).

(c) No Conflict. The execution, delivery and performance by the Borrower of each Loan Document, and the consummation of the Transactions, are within the Borrower's corporate or other powers, have been duly authorized by all necessary corporate or other action, and do not (i) contravene the Borrower's certificate of incorporation, bylaws or other organizational documents, (ii) violate any Law, (iii) conflict with or result in the breach of, or constitute a default or require any payment to be made under, any Contract binding on or affecting the Borrower or any of their properties, or (iv) except for the Liens created pursuant to the Loan Documents, result in or require the creation or imposition of any Lien upon or with respect to any of the properties of the Borrower. The Borrower is not in violation, breach or default of any Law or Contract.

(d) Authority. The Debtor's authority to enter into this agreement is subject to the entry by the Bankruptcy Court of the Final Order on notice to counsel to the Committee, the United States Trustee, Time Insurance Company and New York State Attorney General and no further notice to or filing with, any Governmental Authority or any other third party is required for (i) the due execution, delivery, recordation, filing or performance by the Borrower of any Loan Document, or for the consummation of the Transactions, (ii) the grant by the Borrower of the Liens to the Lender pursuant to the Loan Documents, (iii) the perfection or maintenance of the

Liens created pursuant to the Loan Documents (including the first priority nature of the Liens granted as provided in Section 2.12), or (iv) the exercise by the Lender of its rights under the Loan Documents or the remedies in respect of the Collateral pursuant to the Loan Documents. All applicable waiting periods in connection with the Transactions have expired without any action having been taken by any competent authority restraining, preventing or imposing materially adverse conditions upon the Transactions or the rights of the Borrower freely to transfer or otherwise dispose of, or to create any Lien on, any properties now owned or hereafter acquired by any of them.

(e) Budgets. All of the Budgets delivered to the Lender were prepared in good faith on the basis of the assumptions stated therein, which assumptions the Borrower believes were reasonable in the light of conditions existing at the time of delivery of such Budget, and represented, at the time of delivery, the Borrower's reasonable best estimate of the Borrower's future financial performance.

(f) Compliance with Laws. The Borrower is a Debtor in a chapter 11 case pending in the Eastern District of New York and remains subject to operating its business within the requirements of the Bankruptcy Code.

(g) Information. No representation or warranty made by the Borrower in any Loan Document, nor any of the statements, documents, certificates or other written information furnished or to be furnished to the Lender by the Borrower, contains or will contain any untrue statement of a material fact, or omits or will omit to state any material fact required to make the statements contained herein or therein not misleading. There are no facts, events or circumstances, contingent or accrued, known to the Borrower that have not been disclosed to the Lender that could reasonably be expected to have or result in a Material Adverse Effect.

(h) Permits and Licenses. To the Borrower's knowledge, the Borrower owns, holds or possesses all governmental licenses and permits (each, a "Permit" and collectively, "Permits") that are required under applicable Laws to entitle it to own or lease, operate and use its assets and to carry on and conduct its business as currently conducted by it, and all such Permits are valid and in full force and effect, except for those the failure of which to be in full force and effect would not have a Material Adverse Effect.

(i) Taxes. The Borrower has filed or will cause to be filed all tax returns which are required to be filed and has paid all taxes shown to be due and payable on said returns or on any assessments made against it or any of its property and all other taxes, fees or other charges imposed on it or any of its property by any Governmental Authority (other than any the amount or validity of which are currently being contested in good faith by appropriate proceedings and with respect to which reserves in conformity with United States generally accepted accounting principles have been provided on the books of the Borrower).

(j) No Material Adverse Change. As of the date of this Agreement, there has been no change in the operations, financial condition, assets, properties, prospects or liabilities of the Borrower which has had, individually or together with all other events and circumstances, a Material Adverse Effect.

(k) Absence of Default. Other than the Bankruptcy and the reasonably foreseeable consequences thereof, the Borrower is not in default under or with respect to any of its obligations under any Contract in any respect which could reasonably be expected to have a Material Adverse Effect.

(l) Insurance. The Borrower maintains insurance with responsible and reputable insurance companies or associations in such amounts and covering such risks as is usually carried by companies engaged in similar businesses and owning similar properties in the same general areas in which the Borrower operates and any other insurance or self-insurance required by Law.

(m) Security Interest, Perfection, Etc. The Loan Documents create in favor of the Lender for the benefit of the Lender a valid and, together with such filings and other actions, perfected (as applicable in accordance with the provisions of Section 2.12 hereof) Liens in the Collateral. Subject to the payment and discharge of obligations and liens under this Agreement, the Borrower is the legal and beneficial owner of the Collateral free and clear of any Lien, except for the Liens created or permitted under the Loan Documents and those liens, to the extent they were valid and perfected as of the Petition Date.

(n) Pending Litigation or Proceedings. Except as set forth on Schedule 4.01(n), there are no judgments outstanding or actions, suits or proceedings pending or, to the best of the Borrower's knowledge, threatened against or affecting the Borrower, at law or in equity or before or by any federal, state, municipal or other governmental department, commission, board, bureau, agency or instrumentality, domestic or foreign.

(o) United States Pension and Benefit Plans. The Borrower has no pension or benefit plan under which it has any obligation to contribute any amount of money, and for which it has any obligation to pay any administration fees. The only pension or benefit plan in existence for the employees of the Borrower is funded entirely by such employees, with all administrative costs borne by that plan.

SECTION 4.02 Notices of Borrowing. The delivery of each Notice of Borrowing for any Loan shall constitute a representation and warranty of the Borrower that (i) all of the conditions to such Loan have been satisfied other than the conditions, if any, expressly identified by such Notice of Borrowing as not being satisfied, and (ii) no Default or Event of Default has occurred and is continuing except as expressly set forth in such Notice of Borrowing.

## ARTICLE V COVENANTS OF THE BORROWER

SECTION 5.01 Affirmative Covenants. So long as any Loan is outstanding or any Obligation remains unpaid or the Lender shall have any Commitment, the Borrower shall at all times:

(a) Compliance with Laws. Comply with all Laws, Permits, licenses and regulatory and other approvals and Contracts.

(b) Maintenance of Insurance. Maintain at its own expense insurance with responsible and reputable insurance companies or associations in such amounts and covering such risks as is usually carried by companies engaged in similar businesses and owning similar properties in the same general areas in which such Borrower operates and satisfactory to the Lender, and maintain any other insurance or self-insurance required by Law or required by the Lender. Each policy for liability insurance maintained by Borrower shall (i) provide for all losses to be paid on behalf of the Lender and Borrower as their interests may appear, and (ii) name the Lender as additional insured thereunder (without any representation or warranty by or obligation



upon the Lender) as its interests may appear and have such other terms and conditions as may be requested by the Lender. Each policy for casualty insurance maintained by Borrower shall (i) name the Lender as an additional loss payee, subject to the rights of any holder(s) of Permitted Liens on such insured Collateral, and (ii) name the Lender as additional insured thereunder (without any representation or warranty by or obligation upon the Lender) as its interests may appear and have such other terms and conditions as may be requested by the Lender.

(c) Preservation of Corporate Existence. Preserve and maintain its existence, legal structure, legal name, rights (charter and statutory), permits, licenses, approvals, privileges and franchises.

(d) Inspection and Information Rights. (i) Permit the Lender, and/or any of its agents, advisors or representatives, at any time to examine and make copies of and abstracts from the records and books of account of, and visit the properties of, and evaluate and monitor, Borrower and to discuss the affairs, finances and accounts of Borrower with any of its officers, directors, employees, agents, representatives and advisors. In addition, Borrower shall promptly provide the Lender, and/or any of its agents, advisors or representatives, with all information, reports, agreements and records regarding Borrower and/or the Collateral as they may reasonably request in the form and manner requested.

(ii) Promptly provide the Lender with all information, reports, agreements and records regarding Borrower and/or the Collateral as it may reasonably request, all of which shall be presented in a form and manner reasonably satisfactory to the Lender. The Lender shall be permitted to continuously remain on the premises of Borrower and/or visit such Borrower from time to time without any advance notice. The Lender shall be given reasonable access to all of the officers, directors, and senior employees of Borrower as and to the extent the Lender reasonably determines necessary or appropriate (and Borrower understands and agrees that the Lender may be monitoring, evaluating and working with its officers, employees, agents, representatives and advisors on a daily basis). Borrower shall cause all of its officers, senior employees, agents, representatives and advisors to promptly cooperate in good faith with the Lender at all times.

(e) Keeping of Books. Keep proper books of record and account, in which full and correct entries shall be made of all financial transactions and the assets and business of Borrower in accordance with generally accepted accounting principles then in effect.

(f) Maintenance of Properties. Maintain and preserve all of its properties that are used or useful in the conduct of its business in the working order and condition as of the date hereof, ordinary wear and tear excepted.

(g) Further Assurances. (i) Promptly upon request by the Lender, correct any defect or error that may be discovered in any Loan Document or in the execution, acknowledgment, filing or recordation thereof.

(ii) Promptly upon request by the Lender, do, execute, acknowledge, deliver, record, re-record, file, re-file, register and re-register any and all such further acts, deeds, conveyances, pledge agreements, mortgages, deeds of trust, trust deeds, assignments, financing statements and continuations thereof, termination statements, notices of assignment, transfers, certificates, assurances and other instruments as the Lender may reasonably require from time to time in order to (w) carry out more effectively the purposes of the Loan Documents, (x) to the fullest extent permitted by applicable law, subject any of the properties, assets, rights

or interests of the Borrower to the Liens now or hereafter intended to be covered by any of the Loan Documents, (y) perfect and maintain the validity, effectiveness and priority of any of the Loan Documents and any of the Liens intended to be created by the Loan Documents, and (z) assure, convey, grant, assign, transfer, preserve, protect and confirm more effectively the rights granted or now or hereafter intended to be granted to the Lender under the Loan Documents.

(h) Budgets. Submit to the Lender Budgets in accordance with the terms of this Agreement. Upon delivery to, acceptance and approval by the Lender, such Budget shall be an Approved Budget. In the event of any material change between the periods covered by the current Approved Budget and the proposed new Budget, the Borrower shall provide a written explanation of the reasons for each such change, which explanation shall be delivered to the Lender with the proposed new Budget. Until a proposed new Budget is approved by the Lender, the current Approved Budget shall remain in effect for the period covered by such Approved Budget. If a proposed new Budget is approved by the Lender in its discretion, such Budget shall thereafter be the Approved Budget for all periods covered by such proposed Budget until the next proposed new Budget is approved by the Lender; however, the Lender shall have no obligation to approve any Budget submitted to it. The Borrower may request the Lender to approve a change to any Approved Budget at any time; however, the Lender shall be under no obligation to approve any change to any Approved Budget. Each Budget shall be presented in a form reasonably satisfactory to the Lender and each Approved Budget shall be in form and substance reasonably satisfactory to the Lender.

(i) Cash Management. Manage its cash in a manner reasonably acceptable to the Lender and, to the extent requested by the Lender, promptly change its cash management systems and procedures in a manner reasonably acceptable to the Lender.

(j) Ordinary Course of Business. Except as expressly required by this Agreement or otherwise consented to by the Lender in writing (or without prior payment of the Obligations in full), carry on its business in the ordinary course of business and, in connection therewith, use its reasonable best efforts to (i) preserve or improve its relationships with members, suppliers and others having business dealings with it, (ii) keep available the services of its significant employees in the discretion of its Management Company, and (iii) preserve or improve its present business, each in a manner consistent with past practice.

(k) Obligations and Taxes. Pay all of its material obligations arising after the Petition Date promptly and in accordance with their terms and pay and discharge all material taxes, assessments and governmental charges or levies imposed upon it or its income and profits or in respect of its property after the Petition Date, before the same be in default, as well as all material lawful claims for labor, materials and supplies or otherwise arising after the Petition Date which, if unpaid, would become a Lien or charge on any part of its assets or properties; provided, however, that the Borrower shall not be required to pay and discharge or cause to be paid and discharged any obligation, tax, assessment, charge, levy or claim so long as the validity or amount thereof is being contested in good faith by appropriate proceedings (if the Borrower has set aside on its books adequate reserves therefore, in accordance with generally accepted accounting principles, or in such amounts otherwise authorized by order of the Bankruptcy Court after notice and hearing).

(l) [Intentionally Omitted]

(m) [Intentionally Omitted]

SECTION 5.02 Negative Covenants. So long as any Loan is outstanding or any other Obligation is payable to the Lender or the Lender shall have any Commitment, the Borrower shall not at any time:

(a) Liens. Create, incur, assume or suffer to exist any Lien senior to the Lender on or with respect to any of its assets or properties of any character (including accounts) whether now owned or hereafter acquired, or sign or file or suffer to exist under the Uniform Commercial Code of any jurisdiction, a financing statement that names the Borrower as debtor, or sign or suffer to exist any security agreement authorizing any secured party thereunder to file such financing statement, or assign any accounts or other right to receive income, excluding, however, from the operation of the foregoing restrictions the following:

(i) Liens created under the Loan Documents in favor of the Lender for the benefit of the Lender; and

(ii) Permitted Liens.

(b) Liabilities. (i) Create, incur, assume or suffer to exist any Liability other than: (w) amounts payable to the Lender pursuant to the Loan Documents, (x) Liabilities incurred in the ordinary course of business that are contemplated by, and included, in the Approved Budget, (y) Liabilities permitted by Section 5.02(j), and (z) Existing Liabilities; or

(ii) Pay any Liability other than (x) amounts payable to the Lender pursuant to the Loan Documents, or (y) pursuant to the Approved Budget or (z) with the prior written consent of the Lender in its sole and absolute discretion.

(c) Mergers; Sales of Assets. Merge or consolidate with or into another Person or reorganize or restructure or use, sell, lease, transfer or otherwise dispose of any assets, or grant any option or other right to use, purchase, lease or otherwise acquire any assets, or otherwise allow any Person to acquire the Borrower (whether by stock sale, asset sale or otherwise), or file a motion or support any motion seeking Bankruptcy Court approval of any such transaction without (i) the consent of the Lender or (ii) provision for repayment of the Obligations in full.

(d) Change in Nature of Business. Make any material change in the nature or type of its business as conducted on the Petition Date except as required by the Bankruptcy Code or consented to by the Lender.

(e) Amendment of Organizational Documents. Amend its certificate of incorporation, bylaws or other organizational documents, other than in the ordinary course of business.

(f) Accounting Changes. Make or permit (i) any material change in accounting policies or reporting practices, except as recommended by its independent public accountants or required by generally accepted accounting principles, or (ii) any change in its fiscal year.

(g) Prepayments of Liabilities. Except for a prepayment of the Obligations pursuant to Section 2.03(b) or as provided in the Approved Budget prepay, redeem, purchase, defease or otherwise satisfy prior to the scheduled maturity thereof in any manner, or make any payment in violation of any subordination terms of, any debt or other Liability without the prior written consent of the Lender granted or withheld in its sole and absolute discretion.

(h) Negative Pledge. Enter into or suffer to exist any agreement or other arrangement prohibiting or conditioning the creation or assumption of any Lien upon any of its property or assets other than (i) in favor of the Lender, (ii) in favor of the Borrower pursuant to Section 5.02(j)(iii), or (iii) in connection with any Existing Liabilities if such agreement or other arrangement was entered into prior to the Petition Date and constituted a valid and perfected Lien on such date; provided that the Borrower shall be permitted to incur Subordinated Debt, subject to the prior written consent of the Lender which consent shall not be unreasonably withheld.

(i) Limits on Forming Companies; Investments. Create or invest in, or purchase or otherwise acquire any interest in, or merge, consolidate or otherwise combine with, any corporation, partnership, limited liability company, joint venture, company or other entity, without the consent of the Lender and approval of the Bankruptcy Court. In addition, the Borrower shall not, without the consent of the Lender and approval of the Bankruptcy Court, purchase, redeem, hold or acquire any equity, debt or other securities of, make or permit to exist any loans or advances to, or make or permit to exist any investment in, any other Person.

(j) Certain Actions. Knowingly or intentionally take or permit any action(s), or fail to take any action(s), if such action(s) or failure(s) would or could reasonably be expected to (i) adversely affect any of the Lender's rights in the Collateral, (ii) result in a breach of any of the representations, warranties, covenants or agreements made by the Borrower in the Loan Documents, or (iii) result in a Material Adverse Change.

(k) Chapter 11 Claims. At any time incur, create, assume, suffer to exist or permit (i) any Super-Priority Claim other than those granted to or for the benefit of the Lender, or (ii) any other claim or right to payment that is pari passu with or senior to the Obligations except as provided in Section 2.12 and the Order.

(l) Settlement of Claims. Without providing Lender with five (5) Business Days prior written notice, enter into any settlement or compromise of any litigation, claim (including a claim for insurance proceeds) or cause of action in which the Borrower initially sought or demanded, or file or support any motion seeking Bankruptcy Court approval of any such compromise or settlement. For purposes of this Section 5.02(n), any waiver or release of any litigation, claim (including a claim for insurance proceeds) or cause of action by or on behalf of the Borrower or any shall be considered a compromise or settlement.

(m) Use of Cash. Except as otherwise agreed to by the Lender, at any time use or invest cash or other funds for any purpose or in any way (including, without limitation, by making any capital expenditures) other than in accordance with the Approved Budget or to pay Liabilities in accordance with Section 5.02(b); provided, however, that subject to Section 5.01(k), the Borrower may deposit cash or funds in a demand or money market account at a financial institution that is reasonably acceptable to the Lender.

(n) Employees. Except as contemplated by, and included in, the Approved Budget or otherwise agreed to by the Lender, (i) change the compensation of any employee, (ii) enter into an employment, severance or similar agreement with any employee, or (iii) hire any employee.

(o) Sale and Leaseback Transactions. Sell or transfer to a Person any real property, whether now owned or hereafter acquired, if at the time or thereafter the Borrower shall lease as

lessee such property or any part thereof or other property which such Party intends to use for substantially the same purpose as the property sold or transferred.

**SECTION 5.03 Reporting Requirements.** So long as any Obligation shall remain unpaid, or the Lender shall have any Commitment, the Borrower shall furnish to the Lender, such information, reports and records as reasonably requested by any Lender, all of which shall be in form and substance reasonably satisfactory to the party requesting such information, reports and records. In addition, the Borrower shall furnish to the Lender the following:

(a) **Default and Prepayment Notices.** As soon as possible and in any event within one (1) Business Day after any senior officer (including, without limitation, any chief executive officer, chief financial officer, chief operating officer or senior vice-president) of the Borrower learns of the occurrence of each Default, Event of Default, or any event, development or occurrence reasonably likely to have or result in, individually or together with all other events and circumstances, a Material Adverse Effect continuing on the date of such statement, a statement of the chief financial officer or vice president responsible for financial matters of the Borrower setting forth details of such Default, Event of Default, event, development or occurrence and the action that the Borrower has taken and proposes to take with respect thereto.

(b) **Financial Information.** Within thirty (30) days after the end of each calendar month, balance sheet of the Borrower as of the end of such month and statements of income of the Borrower for such month, all of which shall be in form and substance reasonably satisfactory to the Lender.

(c) **Litigation.** Promptly after the commencement thereof, notice of all actions, suits, investigations, litigation and proceedings before any Governmental Authority, domestic or foreign, affecting the Borrower; provided, however, that unless requested by the Lender, the Borrower shall not be required to give notice of any proofs of claim filed in the Cases.

(d) **Chapter 11 Filings.** Copies of all pleadings, motions, applications, judicial information, financial information and other documents filed by or on behalf of the Borrower with the Bankruptcy Court in the Case, or distributed by or on behalf of the Borrower to any official committee appointed in the Case or to any unofficial committee.

(e) **Cash Report.** On the first or second Business Day of each Calendar Week, a Cash Report for the immediately preceding Calendar Week shall be furnished to the Lender, each of which shall be in form and substance reasonably satisfactory to the Lender.

(f) **Other Information.** Such other information, reports and records regarding the Borrower (including, without limitation, any information, reports and records with respect to the business, condition (financial or otherwise), operations, performance, properties or prospects of the Borrower) or the Collateral as the Lender may from time to time reasonably request, promptly after each request is made, all of which shall be in form and substance reasonably satisfactory to the requesting party and shall be accurate and complete in all material respects when delivered or given to the Lender and, if any such information becomes inaccurate in any material respect after being delivered to the Lender, the Borrower shall provide the Lender with updated information that is accurate in all material respects.

ARTICLE VI  
EVENTS OF DEFAULT

SECTION 6.01 Events of Default. If any of the following events (each, an "Event of Default") shall occur and be continuing:

(a) the Borrower shall fail to pay any Obligation payable to the Lender pursuant to the Loan Documents as and when such amount becomes due and payable, whether at the due date thereof or by acceleration thereof or otherwise; or

(b) any representation or warranty made (or deemed to be made by Borrower pursuant to the Loan Documents, including but not limited to Article IV hereof) by the Borrower under, pursuant to or in connection with any Loan Document, or any material statement or representation made in any report, financial statement, certificate or other document furnished by the Borrower to the Lender or the Lender under, pursuant to or in connection with the Loan Documents, shall prove to have been false or misleading in any material respect when made or delivered; or

(c) the Borrower shall fail to perform or observe any term, covenant or agreement contained in Section 2.10, Section 2.12, or Article V; or

(d) the Borrower shall fail to perform or observe any other term, covenant or agreement contained in any Loan Document or any Order that is to be performed or observed by it if such failure shall remain unremedied for more than ten (10) days; or

(e) there shall occur any Material Adverse Change that gives rise to a Material Adverse Effect; or

(f) one or more judgments as to any post-petition liability for the payment of money not covered by insurance shall be rendered against the Borrower since the Petition Date and the enforcement thereof shall not be stayed or vacated; or

(g) any non-monetary judgment or order shall be rendered against the Borrower with respect to any post-petition event that is reasonably likely to have or result in a Material Adverse Effect or cause a Material Adverse Change, and there shall be any period of ten (10) days during which a stay of enforcement of such judgment or order, by reason of a pending appeal or otherwise, shall not be in effect; or

(h) any material provision of (i) any Loan Document shall for any reason cease to be valid and binding on or enforceable against the Borrower, or the Borrower shall so state or assert, or (ii) any Loan Document shall for any reason cease to create a valid and perfected (as applicable in accordance with Section 2.12) Lien on and security interest in the Collateral; or

(i) any of the following occurs: (1) the Case shall be dismissed, or converted to a case under Chapter 7 of the Bankruptcy Code; (2) a trustee under Chapter 7 or Chapter 11 of the Bankruptcy Code, an Article 7A administrator, a responsible officer or an examiner with enlarged powers relating to the operation of the business (powers beyond those set forth in Section 1106(a)(3) and (4) of the Bankruptcy Code) under Section 1106(b) of the Bankruptcy Code shall be appointed or elected in the Case and the order appointing such trustee, administrator, responsible officer or examiner shall not be reversed or vacated within thirty (30) days after the entry thereof; or (3) an application shall be filed by the Borrower for the approval

of any Super-Priority Claim or other claim or right to payment (other than as provided in Section 2.12 and the Orders) in the Case that is pari passu with or senior to the Obligations, or there shall arise or be granted any such pari passu or senior Super-Priority Claim or other claim or right to payment; or

(j) (i) from and after the date of entry of the Final Order, the Final Order shall cease to be in full force and effect, or (ii) the Borrower shall fail to comply with the terms of the Final Order in any material respect, or (iii) the Final Order shall be amended, supplemented, stayed, reversed, vacated or modified (or the Borrower shall apply for authority to do so) without the written consent of the Lender; or

(k) the Borrower fails to pay its post-petition accounts payable in the ordinary course of business or any such payables are more than forty-five (45) days past due after industry standard (excluding accounts payable being disputed in good faith); or

(l) the Borrower shall file a motion seeking, or the Bankruptcy Court shall enter, an order approving payment of a pre-petition claim other than claims contemplated by, and included in, the Approved Budget or approved by the Lender in writing; or

(m) the Borrower fails to maintain any material Permit; or

(n) the Borrower fails to execute and deliver, and obtain the bankruptcy Court's approval of, the Final Management Agreement by January 31, 2010; or

(o) an event of default occurs under the Management Agreement in place at the time of such default, and is not cured prior to any cure period granted under such agreement, or the Management Agreement is terminated; or

(p) an event of default occurs under the Final Management Agreement, and is not cured prior to any cure period granted under such agreement, or the Final Management Agreement is terminated; or

(q) any person confirms a Plan of Reorganization the terms of which are not satisfactory to the Lender in its discretion, or which amends, modifies or terminates the financing extended under this Agreement, or is otherwise inconsistent with this Agreement and/or the Management Agreement; or

(r) the Debtor, without prior written authorization from the Lender, directly or indirectly solicits, encourages, assists, initiates discussions with, engages in negotiations with, provides any information to, or enters into or performs any confidentiality agreement, letter of intent, term sheet, or equivalent document, or other agreement or transaction with any person other than the John Bennardo, the Lender, and/or the Management Company, related to the possible acquisition of the Debtor and/or all or substantially all of the assets of the Debtor, or any other transaction involving the Debtor which is not in the ordinary course of business from the present through the earlier of (1) the date of entry of a Final Order confirming a Plan of Reorganization (which is consistent with this Agreement), or the date of an Event of Default under subparagraph 6.01(i)(1) or (i)(2) of this Section; or

(s) the Debtor's failure to deliver to Lender and the Management Company a draft Final Management Agreement consistent with the terms of the Interim Management Agreement no later than two (2) weeks after the Petition Date.

then, and in any such event and without further order of or application to the Bankruptcy Court, the Lender shall on five (5) business days written notice to the Borrower (with a copy to (i) counsel for each statutory committee appointed in the Case, (ii) the United States Trustee for the Eastern District of New York, and (iii) counsel to the Borrower and New York Attorney General's Office at the addresses set forth in Schedule 8.02 collectively the "Notice Parties" may take one or more of the following actions at any time or from time to time, at the same or different times: (a) declare the Commitment of the Lender and the obligation of the Lender to make Loans to be terminated, whereupon all of the Commitments shall immediately terminate, (b) shall, by notice to the Borrower, declare the Loans, all interest thereon and all other Obligations payable under the Loan Documents to be immediately due and payable, whereupon the Loans, all such interest and all such Obligations shall become and be immediately due and payable, without presentment, demand, protest or further notice of any kind, all of which are hereby expressly waived by the Borrower; and (c) exercise any and all remedies under the Loan Documents and under applicable law available to the Lender; (x) the Commitments of the Lender and the obligation of the Lender to make Loans shall automatically be terminated, and (y) the Loans, all such interest and all such Obligations shall automatically and immediately become and be due and payable, without presentment, demand, protest or any notice of any kind, all of which are hereby expressly waived by the Borrower.

ARTICLE VII  
[INTENTIONALLY OMITTED]

ARTICLE VIII  
MISCELLANEOUS

SECTION 8.01 Amendments. (a) No amendment or waiver of any provision of any Loan Document, nor consent to any departure by the Borrower therefrom, shall in any event be effective unless the same shall be in writing and signed (or, in the case of the Collateral Documents, consented to) by the Lender, and then such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given; provided, however, that except as otherwise provided or permitted in Sections 2.04(c) and 8.01(b), no such amendment, waiver or consent shall, unless in writing and signed by the Borrower affected thereby, (w) increase the Commitment of the Lender, (x) reduce the principal amount of, or the rate of interest payable on, any Loan payable to the Lender, (y) extend any date for payment, or reduce the amount, of any interest, fees or expenses payable to the Lender under the Loan Documents, or (z) extend the final maturity of the Loans. In addition, no such amendment, waiver or consent regarding the Loan Documents shall affect any of the rights of the Lender under the Loan Documents without the prior written consent of the Lender.

SECTION 8.02 Notices. All notices and other communications provided for under this Agreement shall be in writing (including telegraphic or telecopy communication) and mailed, telegraphed, telecopied or delivered, if to the Borrower, at the Borrower's address at 225 Muttontown Eastwoods Road, Syosset, NY 11791, Attention: \_\_\_\_\_, with a copy to SilvermanAcampora LLP, 100 Jericho Quadrangle, Suite 300, Jericho, New York 11753, Attention: Gerard R. Luckman, Esq.; if to the Lender and Notice to Parties to the specified addresses in Schedule 8.02, or, as to the Borrower, at such other address as shall be designated by such party in a written notice to the other parties and, as to each other party, at such other address as shall be designated by such party in a written notice to the Borrower. All such notices and other communications shall, when mailed, telegraphed or telecopied, be effective when deposited in the mails, delivered to the telegraph company or transmitted by telecopier, respectively, except that notices and communications to the Lender regarding a



change in address or pursuant to Article II shall not be effective until received by the Lender. Delivery by telecopier of an executed counterpart of any amendment or waiver of any provision of this Agreement or any Loan Document or of any other agreement, document or instrument delivered pursuant to, or in connection with, any Loan Document shall be effective as delivery of an original executed counterpart thereof.

SECTION 8.03 No Waiver; Remedies. No failure on the part of the Lender to exercise, and no delay in exercising, any right under the Loan Documents shall operate as a waiver thereof; nor shall any single or partial exercise of any such right preclude any other or further exercise thereof or the exercise of any other right. The remedies provided in the Loan Documents are cumulative and not exclusive of any remedies provided by law or in equity.

SECTION 8.04 Costs and Expenses. (a) Whether or not the Transactions are consummated, the Borrower agrees to pay on demand (i) all reasonable fees, costs and expenses incurred by or on behalf of the Lender in connection with the preparation, execution, delivery, administration, modification and amendment of the Loan Documents (including (x) all due diligence, collateral review, syndication, transportation, computer, duplication, appraisal, audit, insurance, consultant, search, filing and recording fees and expenses, (y) the fees and expenses of counsel for the Lender with respect to the Loan Documents not to exceed fifty thousand dollars which payment shall remain subject to the prior written approval of the Borrower and the Committee such approval to not be withheld unreasonably, with respect to advising the Lender as to their rights and responsibilities, or the perfection, protection or preservation of rights or interests, under the Loan Documents, with respect to negotiations with the Borrower or with other creditors of the Borrower arising out of any Default, Event of Default or any events or circumstances that may give rise to a Default or Event of Default and with respect to presenting claims in or otherwise participating in or monitoring any bankruptcy, insolvency or other similar proceeding involving creditors' rights generally and any proceeding ancillary thereto, (ii) all reasonable out-of-pocket costs and expenses of the Lender in connection with the enforcement of the Loan Documents, whether in any action, suit or litigation, any bankruptcy, insolvency or other similar proceeding affecting creditors' rights generally (including the reasonable fees and expenses of counsel for the Borrower with respect thereto) and (iii) all transfer, stamp, documentary or similar taxes, assessments or charges levied by any Governmental Authority in respect of this Agreement or any of the other Loan Documents or any other document referred to herein or therein and all costs, expenses, taxes, assessments and other charges incurred in connection with any filing, registration, recording or perfection of any security interest contemplated by any of the Loan Documents or any other document referred to herein or therein.

(b) If the Borrower fails to pay when due any costs, expenses or other amounts payable by it pursuant to any Loan Document, including fees and expenses of counsel and indemnities, such amount may be paid on behalf of the Borrower by the Lender, in its sole discretion, in which case such amount shall be payable on demand by the Borrower to the Lender, as the case may be, and such amount shall accrue interest at the Interest Rate set forth in Section 2.04.

(c) Without prejudice to the survival of any other agreement of the Borrower under any Loan Document, the agreements and obligations of the Borrower contained in Section 2.08 and this Section 8.04 shall survive the payment in full of principal, interest and all other Obligations payable under the Loan Documents.

SECTION 8.05 [Intentionally Omitted]

SECTION 8.06 [Intentionally Omitted]

SECTION 8.07 Binding Effect. This Agreement shall be binding upon and inure to the benefit of the Borrower, the Lender and its respective successors and assigns. The Borrower may not assign or transfer (whether consensually, non-consensually, by operation of Law or otherwise) any of its rights or obligations under the Loan Documents without the consent of the Lender.

SECTION 8.08 [Intentionally Omitted]

SECTION 8.09 Execution in Counterparts. This Agreement may be executed in any number of counterparts and by different parties to this Agreement in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute one and the same agreement. Delivery of an executed counterpart of a signature page to this Agreement by facsimile shall be effective as delivery of an original executed counterpart of this Agreement.

SECTION 8.10 Confidentiality. Lender shall not disclose any Confidential Information to any Person without the consent of the Borrower, other than (a) the Lender's Affiliates and to its and their officers, directors, employees, agents and advisors, and then only on a confidential basis to the extent necessary for the Lender to perform its duties in connection with the Loans or in connection with an actual or prospective assignment for participation in the Loans, (b) as required by any law, rule or regulation or judicial process, (c) as requested or required by any state, federal or foreign authority or examiner regulating the Lender, and (d) to any rating agency when required by it; provided that, prior to any such disclosure, such rating agency shall undertake to preserve the confidentiality of any Confidential Information relating to the Borrower received by it from the Lender substantially in accordance with this Section 8.10.

SECTION 8.11 Governing Law. This Agreement and the other Loan Documents shall be governed by, and construed in accordance with, the laws of the State of New York and, to the extent applicable, the Bankruptcy Code.

SECTION 8.12 WAIVER OF JURY TRIAL. THE BORROWER AND THE LENDER IRREVOCABLY WAIVES ALL RIGHT TO TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM (WHETHER BASED ON CONTRACT, TORT OR OTHERWISE) ARISING OUT OF OR RELATING TO ANY OF THE LOAN DOCUMENTS, THE LOANS, THE TRANSACTIONS OR THE ACTIONS OF THE LENDER IN THE NEGOTIATION, ADMINISTRATION, PERFORMANCE OR ENFORCEMENT THEREOF.

SECTION 8.13 Set-Off. Without limiting the rights of Lender under applicable law, the Borrower grants to Lender and agrees that Lender may, unless prohibited by applicable law, without notice to the Borrower (such notice being expressly waived), and without constituting a retention of any Collateral in satisfaction of any Obligations exercise a right of set-off, a lien against and a security interest in all property of the Borrower now or at any time in Lender's possession in any capacity whatsoever.

SECTION 8.14 Time is of the Essence. Time is of the essence in the Borrower's and the Lender's performance of their respective obligations under the Loan Documents.

SECTION 8.15 Indemnity. Borrower agrees to indemnify Lender against any loss or expense which Lender sustains or incurs as a consequence of any Event of Default, including,

without limitation, any failure of Borrower to pay when due (at maturity, by acceleration or otherwise) any principal, interest, fee or any other amount due under this Agreement or the other Loan Documents. If Lender sustains or incurs such loss or expense, it will notify Borrower in writing of the amount determined in good faith by Lender to be necessary to indemnify it for the loss or expense. Such amount will be due and payable by Borrower to Lender within ten (10) days after presentation by Lender of a statement setting forth a brief explanation of and its calculation of such amount, which statement shall be conclusively deemed correct absent manifest error. Any amount payable by Borrower under this Section will bear interest at the Interest Rate from the due date until paid, both before and after judgment.

SECTION 8.16 Indemnification. The Borrower agrees to indemnify and hold harmless, Lender, its parents and Affiliates and their officers, directors, shareholders, employees and agents (collectively, the "Indemnified Parties"), from and against any and all claims, liabilities, losses, damages, costs and expenses (whether or not such Indemnified Party is a party to any litigation), including without limitation attorney's fees and costs and costs of investigation, document production, attendance at depositions or other discovery, incurred by any Indemnified Party with respect to, arising out of or as a consequence of (a) this Agreement or any of the other Loan Documents, including without limitation, any failure of the Borrower to pay when due (at maturity, by acceleration or otherwise) any principal, interest, fee or any other amount due under this Agreement or the other Loan Documents, or any other Event of Default; (b) the use by the Borrower of any proceeds advanced hereunder; (c) the transactions contemplated hereunder; or (d) any claim, demand, action or cause of action being asserted against any Indemnified Party by any other person in connection with the transactions contemplated hereunder. Notwithstanding anything herein or elsewhere to the contrary, the Borrower shall not be obligated to indemnify or hold harmless any Indemnified Party from any liability, loss or damage resulting from the gross negligence, willful misconduct or unlawful actions of such Indemnified Party or any violations by such Indemnified Party. Any amount payable to Lender under this Section will bear interest at the Interest Rate from the due date until paid.

The Borrower's obligations under this Section shall survive termination of this Agreement and repayment of the Obligations.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their respective officers thereunto duly authorized, as of the date first above written.

**BORROWER:**

**THE WOODCREST CLUB, INC.,** As Borrower

By:  
Name:  
Title:

**LENDER:**

**JB HOLDINGS, INC.,** as Lender

By:  
Name:  
Title:

**SCHEDULE 4.01(n)**

**PENDING LITIGATION OR PROCEEDINGS**

**SCHEDULE 5.02(B)(I)(Z)**

**EXISTING LIABILITIES**

**SCHEDULE 8.02**

**NOTICES**

**Exhibit A**

**Form of Notice of Borrowing**

\_\_\_\_\_, 200\_

**By Facsimile**

Ladies and Gentlemen:

Reference is hereby made to the Debtor-in-Possession Credit Agreement, dated as of December \_\_\_, 2009 (the "Credit Agreement"), by and among, The Woodcrest Club, Inc. (the "Borrower") and the Lender. Unless otherwise defined herein or the context clearly requires otherwise, capitalized terms shall have the meanings given to them in the Credit Agreement.

The Borrower hereby gives you an irrevocable, binding notice (this "Notice") pursuant to Section 2.02(a) of the Credit Agreement that the Borrower hereby requests a Loan in the aggregate amount of \$\_\_\_\_\_ to be made to the Borrower on \_\_\_\_\_, 2009 (the "Borrowing Date").

The requested Loan is to be sent to:

[Name of Bank]  
[City of Bank]  
Beneficiary:  
Account No.: [number]  
ABA No.: [number]  
Attn: [name]

The Borrower hereby certifies that (i) except as set forth on Annex I to this Notice, all of the applicable conditions under Article III of the Credit Agreement to the obligations of the Lender to make the Loan requested by this Notice have been satisfied as of the date of this Notice, (ii) a Cash Report for the Calendar Week ending \_\_\_, 2009, is attached hereto as Annex II, which report is true and correct in all material respects as of the date of this Notice, and (iii) no Default or Event of Default has occurred and is continuing on the date hereof or will be in existence on the Borrowing Date (before or after giving effect to the proposed Loans), and (iv) this Notice does not seek a Loan in an amount that exceeds the amount of cash required by the Borrower through the date that is two weeks after the proposed Borrowing Date as reflected in the Approved Budget after taking all available cash of the Borrower into consideration as reflected in the attached Cash Report for the immediately preceding Cash Report.

THE WOODCREST CLUB, INC.

By:  
Name:  
Title:

**Annex I**

**Unsatisfied Conditions**

**(Attached hereto)**



**Annex II**

**Cash Report**

**(Attached hereto)**

**Exhibit B**

**Form of Note**

Muttontown, New York

\$2,000,000

\_\_\_\_\_, 2009

FOR VALUE RECEIVED, the undersigned, THE WOODCREST CLUB, INC., a New York not for profit corporation ("Borrower"), HEREBY PROMISES TO PAY to the order of JB HOLDINGS, INC. ("Lender") at the offices of Lender at \_\_\_\_\_, or at such other place as Lender may designate from time to time in writing, in lawful money of the United States of America and in immediately available funds, the amount of Two Million Dollars (\$2,000,000), or such lesser amount as shall equal the aggregate outstanding principal balance of all Loans made by Lender to Borrower pursuant to that certain Debtor-in-Possession Credit Agreement, dated as of December \_\_, 2009, by and among Borrower and JH Holdings, Inc., as Lender, (including all annexes, exhibits and schedules thereto and as from time to time amended, modified, or supplemented, the "Credit Agreement"). Unless otherwise defined herein or the context clearly requires otherwise, capitalized terms used herein shall have the meanings given to them in the Credit Agreement.

This Note is issued to Lender pursuant to the Credit Agreement and Lender is entitled to the benefit and security of the Credit Agreement, the Security Agreement and all of the other Loan Documents referred to in the Credit Agreement. Reference is hereby made to the Credit Agreement for a statement of all of the terms and conditions under which the Loan evidenced hereby are made and are to be repaid. The aggregate outstanding principal balance of the Loan, the rates of interest applicable thereto and the date and amount of each payment made on account of the principal thereof, shall be recorded by the Lender on its books; provided that the failure of Lender to make any such recordation shall not affect the obligations of Borrower to make a payment when due of any amount owing under the Credit Agreement or this Note.

The principal amount of the indebtedness evidenced by this Note shall be payable in the amounts and on the dates specified in the Credit Agreement. Interest thereon shall be paid until such principal amount is paid in full at such interest rates and at such times, and pursuant to such calculations, as are specified in the Credit Agreement. The terms of the Credit Agreement are hereby incorporated in this Note by reference.

If any payment on this Note becomes due and payable on a day other than a Business Day, the payment thereof shall be extended to the next succeeding Business Day and, with respect to payments of principal, interest thereon shall be payable at the then applicable rate during such extension.

Upon and after the occurrence and during the continuance of any Event of Default, this Note may, as provided in the Credit Agreement, and without presentment, demand, protest, notice of intent to accelerate, notice of acceleration or other legal requirement of any kind (all of which are hereby expressly waived by Borrower), be declared, and immediately shall become, due and payable.

Time is of the essence of this Note.

Except as provided in the Credit Agreement, this Note may not be assigned by Lender to any Person.

THIS NOTE SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK APPLICABLE TO CONTRACTS MADE AND TO BE PERFORMED ENTIRELY IN SUCH STATE.

Borrower:

THE WOODCREST CLUB, INC.

By:

Name:

Title:

**Exhibit C**

**Interim Management Letter, dated November 10, 2009**

John Bennardo  
501 7<sup>th</sup> Avenue  
Suite 402  
New York, New York 10018

November 10, 2009

The Woodcrest Club Inc.  
225 East Woods Road/Muttontown Road  
Muttontown, New York 11791

Re: Agreement to Provide Debtor in Possession  
Financing and For An Interim Management Agreement

Gentlemen:

This letter of intent (the "Letter") is to set forth the proposed terms pursuant to which an entity owned and controlled by me (hereinafter "NEWCO") shall provide you with debtor in possession financing and a second company owned and controlled by me ("MANAGECO") shall be the "Club Manager" of your Club (the "Proposed Transaction").

1. Debtor in Possession Financing – NEWCO will provide the Club with a loan ("Loan") of up to \$2,000,000.00 upon either: (i) written consent of your senior secured lender to such financing obtained no later than midnight on November 11, 2009 or as otherwise extended by the parties ("Lender Consent") or (ii) issuance of suitable interim order ("Interim Order") of the United States Bankruptcy Court for the Eastern District of New York in Central Islip ("Bankruptcy Court") approving this Letter (either event an "Approval") and preparation and execution of such other documentation as required for such purpose. One Hundred Thousand (\$100,000) Dollars will be made available immediately upon Approval of the Interim Order or the Lender Consent, One Hundred and Fifty Thousand (\$150,000) dollars will be made available no later than 12/31/2009 and One Hundred and Fifty Thousand (\$150,000) dollars will be made available upon January 31, 2010. The balance of the Loan will be made available upon either issuance of a final order of the Bankruptcy Court approving the Loan (the "Final Order") or the Lender Consent, and the final fully executed Management Agreement (as hereinafter defined) and as requested by MANAGECO and/or the Board of Governors of the Club (the "Board") subject to the approval of NEWCO in its sole discretion. The Loan shall be evidenced by the Club's non-negotiable promissory note ("Note") which will contain standard provisions for the protection of the lender. The Note will provide for interest of ten (10%) percent per annum, which will accrue until payment of the principal balance. The Note will have a term of five years but shall become immediately due and payable upon, among other conditions, the termination of the Management Agreement or the sale by the Club of the Club or of all or substantially all of the Club's assets. The Note will be secured by a security interest in all Club assets, including, without limitation, both personal and real property. The Loan shall be



subordinate to the indebtedness of the Club's senior secured lender but senior to all other indebtedness of the Club.

2. Interim Management – MANAGECO shall commence managing the Club as the Club Manager upon issuance of the Interim Order of the Bankruptcy Court or, if the bankruptcy is not filed, upon Lender Consent (the "Interim Management Period"). Once that happens, our attorneys and the Club's attorneys will work in good faith to prepare a formal management agreement containing, among other things, the terms of this Letter ("Management Agreement") for presentation to the membership at a duly called and noticed meeting for approval. Pursuant to the exercise of its fiduciary duties, the Board shall inform the Club membership that the Board has determined that the Proposed Transaction is in the best interests of the Club and that the Board recommends that the membership vote in favor of the Management Agreement and the Proposed Transaction. It is anticipated that this meeting will be held on or about November 30, 2009. As Interim Club Manager MANAGECO will be fully responsible for the operation and management of all aspects of the Club. MANAGECO's responsibility as interim manager during the Interim Management Period shall terminate upon the earliest of the date: (a) the members decline to approve the Management Agreement; (b) the Bankruptcy Court declines to approve the Management Agreement; (c) or the Management Agreement is entered into. If the Management Agreement is approved it shall provide that it is effective as of the first date that MANAGECO assumed management responsibility. If the Management Agreement is rejected for any reason, MANAGECO shall be reimbursed for the following: (a) all of its due diligence expenses through the date of rejection including legal, accounting and other professional fees in the amount of Fifty Thousand (\$50,000) Dollars; (b) documented payment of Club expenses; and (c) a pro rata management fee based upon an annual fee of \$250,000. If required by law, John Bennardo will resign his equity membership in the Club unless any conflict can be resolved by bylaw amendment or otherwise by law.

3. Management Agreement – The Management Agreement will have an initial term of Five (5) years and will provide for three (3) options to renew by the Club Manager, each for a five (5) year term. The Club Manager will be paid an annual management fee of \$250,000.00 payable in equal monthly installments. The Management Agreement will require the Club Manager to run and operate the Club as a Golf Club in a style and quality and with amenities and performance levels equal to or better than the members of the Woodcrest Club have historically enjoyed. To the extent that the gross revenues of the Club exceed the Club's gross expenses, the excess monies will be paid and applied in the following manner: to the repayment of the principal and interest on the Note (or interest only if there are not sufficient funds to cover the principal payment) until the Note has been paid in full; then to the purchase of capital assets or payment for capital improvements determined to be necessary by MANAGECO in the reasonable exercise of its discretion; with any balance being allocated as follows – one half to the Club Manager as a bonus and the other half to be retained by the Club as a reserve. During the 2010 and 2011 golf seasons, membership dues for the full golf equity and introductory members of the Club will be fixed at no greater than \$12,500.00 and \$14,000.00 respectively. Club Manager will be free to set the annual dues and a budget for the solicitation for all new members and for all other fees, expenses, and charges imposed by the Club in connection with its operations. Club Manager shall consult with the Board on these matters. During the duration of the Management Agreement, to the extent that the gross revenues received by the Club are



insufficient to cover the Club's gross expenses, the shortfall up to Two Hundred and Fifty Thousand (\$250,000) Dollars per year would be loaned to the Club by NEWCO and the amount would be added to the outstanding balance of the Note; there would be no capital call or assessment on equity members of the Club without the approval of the members. The Management Agreement would not be assignable or transferrable except to another entity controlled by John Bennardo. Neither the Club nor all or substantially all of its assets shall be sold without the prior written consent of MANAGECO, except upon proper termination of the Management Agreement and after MANAGECO has been provided a thirty (30) day right of first refusal to match any bona fide written offer to purchase all or substantially all of the assets of the Club.

4. Approvals - It is contemplated that the Board of Governors of the Club will inform the Club members of the execution of this Letter of Intent no later than 4 days after the date hereof and will provide all of the members with a copy of it. Further, it is the intent of the parties that the Club will either obtain Lender Consent or file a proceeding in the Bankruptcy Court seeking approval of this Letter of Intent within 5 days of the date hereof or such other date as agreed to by the parties in a signed writing.

5. Insurance - As soon as practical after execution hereof, the Club shall take all steps required to add MANAGECO and NEWCO as additional named insureds on all insurance policies the Club has on the date of execution hereof.

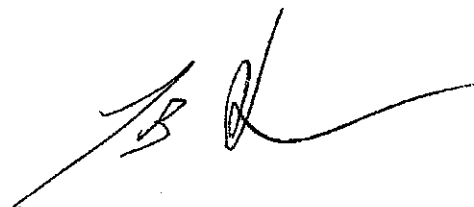
6. Binding - Once executed, this letter constitutes a binding commitment on the part of the signatories hereto. A binding Management Agreement between us shall not exist until such time as there has been a vote of the members of the Club approving same in a duly-called meeting, and a Management Agreement document has been executed and has been approved by the Bankruptcy Court.

We acknowledge and agree that either of us shall have the right to terminate negotiations of the Management Agreement for any reason or no reason and neither of us owes the other any duty to execute a Management Agreement.

7. Standstill - Simultaneously herewith, we have executed a "Standstill Agreement" in which we have requested and you have agreed to cease and desist all further negotiations with any other parties until the earliest of (i) Bankruptcy Court rejection of the interim management agreement, (ii) Bankruptcy Court rejection of the Management Agreement, (iii) rejection of the Management Agreement by the membership, and (iv) January 31, 2010.

8. Law/Jurisdiction and Venue - The terms and conditions of this letter shall be construed and enforced in according to the laws of the State of New York. In the event of any litigation between us concerning this letter or relationship, such litigation shall only be brought in the courts of the State of New York located in Nassau County or the Bankruptcy Court. Both of us consent to the exclusive jurisdiction of such courts and the laying venue in such courts.

9. Board Approval - By executing this letter, you acknowledge that you have received the approval of a majority of the Board of the Club.


A handwritten signature in black ink, appearing to be 'B D', is written over the bottom right portion of the page.

If the foregoing correctly conforms to your understanding of our agreement, kindly manifest your assent by signing below.

Very truly yours,

  
John Bennardo

Accepted and Agreed:

  
The Woodcrest Club, Inc.  
By: Richard Halpern, President

