

SECURITIES AND EXCHANGE COMMISSION

FORM 10-K

Annual report pursuant to section 13 and 15(d)

Filing Date: **1996-08-26** | Period of Report: **1996-05-31**
SEC Accession No. [0000914317-96-000303](#)

([HTML Version](#) on [secdatabase.com](#))

FILER

CONTINENTAL INFORMATION SYSTEMS CORP

CIK: **24071** | IRS No.: **160956508** | State of Incorporation: **NY** | Fiscal Year End: **0531**
Type: **10-K** | Act: **34** | File No.: **000-25104** | Film No.: **96620553**
SIC: **5045** Computers & peripheral equipment & software

Mailing Address

*ONE NORTHERN
CONCOURSE
P O BOX 4785
SYRACUSE NY 13221-4785*

Business Address

*ONE NORTHERN
CONCOURSE
P O BOX 4785
SYRACUSE NY 13221-4785
3154551900*

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-K
ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For the Fiscal Year May 31, 1996 Commission File Number 0-25104

CONTINENTAL INFORMATION SYSTEMS
CORPORATION
(Exact name of registrant)

New York 16-0956508
(State of incorporation) (I.R.S. Employer Identification Number)

One Northern Concourse, P.O. Box 4785, Syracuse, New York 13221-4785
(Address of principal executive offices and zip code)

(315) 455-1900
(Registrant's telephone number)

Securities registered pursuant to Section 12(b) of the Act: NONE

Securities registered pursuant to Section 12(g) of the Act:

Common Stock, par value \$.01 per share

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

The number of the registrant's shares of Common Stock outstanding on July 31, 1996 was 6,999,040.

As of July 31, 1996, the aggregate market value of the shares of Common Stock held by non-affiliates of the registrant was approximately \$10,939,421.*

* Excludes 1,164,682 shares deemed to be held by officers and directors, and shareholders whose ownership exceeds ten percent of the shares outstanding at July 31, 1996. Exclusion of shares held by any person should not be construed to indicate that such person possesses the power, direct or indirect, to direct or cause the direction of the management or policies of the registrant, or that such person is controlled by or under common control with the registrant.

PART I

ITEM 1. BUSINESS

General

The Company is engaged in the business of buying and selling telecommunications equipment, high speed production laser printing systems, and commercial aircraft, and provides leasing services in connection with the sale of such equipment. From its founding in 1968, the Company had been primarily engaged in the sale and marketing of International Business Machines Corporation ("IBM") mainframe and peripheral computer equipment. However, in more recent years, the computer industry has undergone a fundamental transformation highlighted by technological advances, increased competition, increased demand for open and interoperable computing systems, and a shift in market demand toward distributed computing and client/server technology and away from mainframe computing. The result has been an erosion of margins and a growing focus by customers on information processing solutions rather than on hardware. As a result, the Company has departed the computer market and has expanded into other more attractive capital equipment markets including commercial aircraft, telecommunications, and laser printing systems.

For the twelve months ending May 31, 1996, approximately 62% of the Company's revenues from continuing operations were derived from its buying and selling

("buy/sell") activities, approximately 29% from its leasing activities and approximately 9% from interest, fees and other income.

More recently, the Company has adjusted its strategic direction to focus its efforts on the buying and selling of capital equipment in existing and new markets. This decision follows an evaluation of the capital intensive nature of the leasing business, the opportunity for utilization of existing tax loss carryforwards, and the need to reduce the Company's operating cost structure and increase operating profitability. Accordingly, the Company has decided to pursue expansion of the equipment sales business and curtail its leasing operations. As a result, management intends to sell substantially all of its lease portfolio and utilize the proceeds to support its expansion of the equipment sales business. Such expansion is expected to occur through the growth of existing business lines as well as through external means by acquisition of businesses engaged in the distribution of new and refurbished capital equipment. The Company intends to identify acquisition candidates that can complement and broaden the Company's existing product lines and equipment sales activity, and expand the Company's marketing capabilities. The Company will continue to offer a leasing alternative to its customers, when and as needed, as a means of sales support.

The Company currently conducts its operations through four principal operating subsidiaries: CIS Corporation ("CIS"), a New York corporation, CMI Corporation ("CMI"), a Michigan corporation, GMCCCS Corp. ("LaserAccess"), a California corporation and CIS Air Corporation ("CIS Air"), a Delaware corporation. Both CIS and CMI conduct some of their operations through subsidiaries including, in the case of CIS, LaserAccess and CIS Air. Although CIS and CMI have not been merged, their operations have been integrated with the Company's principal executive offices located at One Northern Concourse, Syracuse, New York 13221-4785. The Company's subsidiaries have offices throughout the United States.

On November 29, 1994 (the "Confirmation Date"), the United States Bankruptcy Court for the Southern District of New York (the "Bankruptcy Court") modified and confirmed the Company's Joint Plan of Reorganization (the "Plan of Reorganization"). The Company emerged from bankruptcy when the Plan of Reorganization became effective and the transactions contemplated thereby were consummated on December 21, 1994 (the "Effective Date").

Acquisition Strategy

The Company's acquisition strategy is to acquire profitable equipment refurbishment and distribution businesses with strong management and well developed market positions and customer franchises. Acquisitions will generally be defined as either a filler or new market acquisition. Filler acquisitions generally represent new sales territories within existing product groups which are easily combined with current operations. New market acquisitions represent the addition of new product groups or the entry into new geographic markets, or both. The recent acquisition of GMCCCS Corp. (doing business as LaserAccess) is an example of a new market acquisition that provides the Company's initial entry into the refurbishment and distribution of high speed production laser printing systems.

The Company has retained the services of an outside financial advisory firm to assist in the identification of acquisition candidates.

Laser Printing Systems Equipment

On March 8, 1996, the Company, through its CIS subsidiary, completed the acquisition of 100% of the outstanding shares of LaserAccess. LaserAccess is a San Diego, California based buy/sell technical sales and marketing business specializing in marketing previously-owned Xerox High Speed Laser Printing Systems. The Company had been a marketing partner of LaserAccess since 1991. The consideration consists of a combination of cash and notes approximating \$4.6 million, and the terms of the agreement provide for future incentive payments, assuming LaserAccess achieves certain earnings levels. LaserAccess had revenue of \$5.4 million for the year ended December 31, 1995, and pretax income for the year then ended of \$1.2 million. (See Note 2 to the Company's Financial Statements.) LaserAccess had not been subject to Federal and State income taxes since it was a Subchapter S Corporation prior to the acquisition by the Company.

The Company believes that this transaction is representative of the new business strategy it has adopted. LaserAccess operates in a focused market and has established a presence in a relatively short period of time. The addition of LaserAccess also complements the Company's existing product lines and further broadens the Company's equipment sales activity.

The Company will continue to buy and sell high and low end, new and used, laser printing systems. Through its LaserAccess technical and engineering facility, the Company now has the added capability to completely refurbish and maintain an inventory of Xerox High Speed Laser Printing Systems. LaserAccess provides customer assurance and guarantees each system to be eligible for either a Xerox or third party maintenance contract. These capabilities give the Company an

advantage over many of its competitors.

Telecommunications Equipment

The Company's efforts in the telecommunications/telephony market will continue to be focused on providing both new and used AT&T, Rolm and Northern Telecom equipment to a nationwide customer base of users with mid-size or larger phone systems. By specializing in equipment manufactured by these vendors, the Company is positioned to sell to approximately 60% of the PBX and key systems users throughout the US. In addition, the Company's concentration of its efforts

within these product lines allows it to provide high levels of marketing and technical support not available from all of the Company's competitors.

The Company actively seeks opportunities to purchase telecommunications equipment from dealers, telephone companies, leasing companies and end users. By actively soliciting used equipment, the Company is often able to obtain equipment at below market prices giving it the potential to increase sales revenues as a result.

CIS Air Corporation

Through its wholly-owned subsidiary CIS Air, the Company participates in the worldwide market for the acquisition, sale and leasing of used, primarily narrow-bodied, aircraft subject to short-term operating leases. CIS Air's participation in this market is largely conducted through its acquisition of whole aircraft and/or aircraft engines that are then sold, leased or dismantled and sold as replacement parts. The Company believes that it can compete successfully in this market since larger companies are generally not active in this end of the market, the Company has a stronger financial position than some of its competitors, and the Company is able to enter into short term leases and rentals of aircraft and engines.

In addition, a subsidiary of CIS Air manages a portfolio of aircraft on behalf of the JetStream L.P. and JetStream II L.P. limited partnerships that were formed in 1987, the units of which are publicly held. The subsidiary, CIS Aircraft Partners, Inc., serves as the managing general partner of the limited partnerships while Jet Aircraft Leasing, Inc. (a Lehman Brothers, Inc. affiliate) acts as the administrative general partner. The limited partnerships are engaged in the business of managing a portfolio of used commercial aircraft subject to triple net operating leases with commercial air carriers.

Although the recent improvement in the airline industry has contributed to a modest improvement in the demand for certain types of aircraft, overall conditions in the aircraft industry remain competitive. Additionally, future sales and leasing opportunities for the types of aircraft the Company deals in may be limited as a result of the implementation of noise compliance regulations which take full effect in the year 2000. Also, recent airline industry accidents may prompt regulatory actions by the Federal Aviation Administration or other governmental bodies that may affect this market.

Equipment Leasing

As noted previously, the Company has decided to pursue expansion of the equipment sales business and curtail its leasing operations. The Company will continue to offer a leasing alternative to its customers as a means of sales support, however the origination of leases will not be a primary objective.

The Company has conducted its leasing business in a manner designed to conserve working capital and minimize credit exposure. The Company generally enters into lease transactions with creditworthy companies whose leases can be readily discounted, on a non-recourse basis, with banks or finance companies. The Company's credit standards reflect the then current and anticipated market for transactions of the type originated by the Company. The creditworthiness of an individual customer is evaluated through a review of the customer's public debt rating and/or an analysis of the customer's financial statements and credit references. After the debt is repaid over the term of the initial lease, the subsequent re-lease or remarketing of the equipment generates additional cash flow for the Company. During Fiscal 1996, the Company entered into a vendor leasing arrangement with C-Cam International, Inc., a manufacturer of intermodal

tank containers designed for transport on a variety of platforms throughout the world. To date, no equipment financings have occurred in connection with this arrangement.

Financing

In July 1996, CIS Air and LaserAccess completed a \$7 million secured revolving working capital facility with a unit of Norwest Bank, N.A. Advances under the Norwest agreement are collateralized by inventory and receivables of CIS Air and LaserAccess. In connection with its existing leasing operations, the Company finalized a \$5 million secured revolving multifacility loan agreement with the Vendor Finance Division of Heller Financial, Inc. in April 1996. The Company also completed, in July 1996, a \$5 million secured revolving credit facility with CoreStates Bank, N.A. Advances under the Heller and CoreStates agreements

are secured by equipment leases.

Discontinued and Sold Businesses

The Company had conducted a portion of its business through its Aviron Computer Technologies, Inc. ("Aviron") and TLP Leasing Programs, Inc. ("TLP") subsidiaries for all or part of the Company's fiscal year ended May 31, 1996 ("Fiscal 1996"). As described below, the Company sold its TLP group of companies to a group led by former TLP managers in January 1996, and announced the discontinuation of operations of a business which included Aviron in April 1996.

Aviron Computer Technologies, Inc.- On April 3, 1996, the Company announced its decision to discontinue an operation, including Aviron, that purchased and sold used computer equipment and provided related technical services. After that date, the Company attempted to locate a buyer for the operation. On June 5, 1996, the Company announced it had abandoned its efforts to sell the operations and had decided instead to liquidate the assets which consisted principally of used computer equipment inventories and fixed assets. The Company reported a loss of \$1,177,000 (net of \$698,000 deferred tax benefit) for Fiscal 1996 from the discontinuance of these operations. (See Note 3 to the Company's Financial Statements.)

TLP Leasing Programs, Inc.- The TLP operations were sold on January 9, 1996 to a group led by members of TLP's former management. The Company concluded that (i) the Company would no longer be engaging in the types of business which TLP could support by creating new income funds as a financing source for the Company and (ii) the market was not favorable for TLP to profitably acquire transactions on its own from third party originators for placement in new income funds or similar investment structures. The TLP businesses were sold for \$2,208,000 cash at closing plus a 90 day note for \$300,000. The 90 day note was paid in full on April 1, 1996. The sale price of the TLP companies approximated their book value and, therefore, did not significantly affect the results of operations of the Company for Fiscal 1996. (See Note 4 to the Company's Financial Statements.)

NC3, Inc.- NC3, also known as the National Commodity Clearance Center, began operating in October, 1993. NC3's operations were commenced to take advantage of the "aftermarket" in used, new returned and new excess inventory of high quality brand-name computer equipment and other electronic office products consisting mainly of personal computers, printers, terminals and photocopiers. In May 1995, the Board decided to discontinue all NC3 operations effective immediately. As a result of the Board's action, the remaining NC3 inventory was sold through a formal bid process, and, except for the resolution of its office lease (see ITEM 2. "PROPERTIES"), NC3's operations were entirely discontinued in Fiscal 1996. The Company took a \$1,137,000 charge (net of \$763,000 deferred tax benefit) for the disposal of NC3's assets for the six months ended May 31, 1995. (See Note 3 to the Company's Financial Statements.)

Customers and Marketing

A majority of the Company's sales are with repeat customers under normal commercial terms. The Company's management believes that its business is not dependent on any single customer or any single source for the equipment marketed by the Company.

Competition

The Company competes with other companies in each aspect of its business. These firms include other equipment dealers, brokers, leasing companies and financing institutions, including commercial banks and investment banking firms.

With respect to other capital equipment such as aircraft, the Company competes with aircraft manufacturers, distributors, airlines and other operators, equipment managers, leasing companies, financial institutions and other parties engaged in leasing, managing, marketing or remarketing aircraft.

The Company's continued ability to compete effectively is also materially affected by its ability to attract and retain well-qualified personnel and by the availability of financing at competitive interest rates. Many of the Company's competitors have greater financial resources, economies of scale and lower capital costs than the Company and, as a result, no assurance can be given that the Company will be successful in operating profitably or in obtaining access to competitive capital sources.

Employees

As of August 1, 1996, the Company had approximately 74 full-time employees, including 25 in administration and 49 in sales and sales support. Of the employees engaged in sales and sales support, 25 are marketing representatives who are compensated substantially on a commission basis.

Seasonality and Backlogs

Revenues have historically shown a seasonal fluctuation, based largely on the staggered fiscal years of its customer base as many lease and purchase decisions are made on the basis of customer budget constraints, but the Company's business

is not seasonal in nature. The Company does not have a significant amount of backlog orders as a result of its operations.

ITEM 2. PROPERTIES

The Company is leasing its corporate headquarters facility for a period of three years (commencing August 1, 1994) with options to: (i) renew for 1, 2, 3 or 4 years at the end of the lease term, and; (ii) reduce the amount of occupied space on the effective date of such renewal. The facility is located in North Syracuse, New York, and has approximately 27,000 square feet of usable floor space, all of which was being utilized by the Company at the end of Fiscal 1996, at a cost of \$25,575 per month.

Aviron's lease of approximately 14,700 square feet of space at its Mine Hill, New Jersey location and its lease of approximately 43,000 square feet of space at its Westmont, Illinois facility were terminated effective June 30, 1996. The New Jersey lease was for Aviron's headquarters and warehouse space. The headquarters comprised approximately 14,700 square feet of office, equipment refurbishing and warehouse space and was rented for \$9,000 per month on a month to month basis at the end of Fiscal 1996. The Westmont, Illinois lease comprised approximately 43,000 square feet of warehouse, office and refurbishment areas

and was rented for \$16,000 per month on a month to month basis at the end of Fiscal 1996. A payment of \$32,000 was required to terminate this lease.

LaserAccess leases approximately 7,900 square feet of warehouse space in La Jolla, California. This space houses LaserAccess's printer refurbishing and technical operations. The monthly rent for the warehouse facility is \$4,787 and the lease expires on January 31, 1998. In addition, LaserAccess leases approximately 700 square feet of office space at its headquarters in San Diego, California. The headquarters location is leased on a month to month basis at a total monthly rental of \$1,645. Finally, LaserAccess maintains one additional sales office in Minneapolis, Minnesota which is rented for a non-material rental amount. Likewise, the square footage of this office is not significant.

The Company's telecommunications group operates out of leased space formerly occupied by NC3 which consists of approximately 63,000 square feet of combined warehouse and office space in Syracuse, New York at a rate of \$10,500 per month. The Company's telecommunications operations account for approximately 14,000 square feet of office, technical and warehouse space. The remainder of the facility is fully subleased to three separate sub-tenants for a total monthly rental income to the Company of \$6,700. One sublease, however, is scheduled to expire on November 5, 1996, so that the ongoing rental received by the Company for its sublease of the excess space is anticipated to be \$6,100 from November 6, 1996 through the anticipated expiration date of its lease. The lease for this facility is scheduled to expire on May 31, 1997.

The Company maintains one additional sales office in Stamford, Connecticut and a second sales office in Los Angeles, California, both of which are rented for non-material rental amounts. Likewise, the square footage of these offices is not significant.

ITEM 3. LEGAL PROCEEDINGS

The Company is not party to any material legal proceedings.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

No matters were submitted to a vote of the Company's shareholders during the fourth quarter of its fiscal year.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

After emerging from reorganization, the Company's Common Stock began trading on the NASDAQ SmallCap Market under the symbol CISC on May 16, 1995. The Company's Common Stock was traded on a limited basis on the over-the-counter market between March 29 and May 15, 1995. Bid information was obtained from NASDAQ and the National Quotation Bureau, Inc. The high and low bid information for the period March 29, 1995 through May 31, 1996 is as follows:

<TABLE>

<CAPTION>

	First Quarter		Second Quarter		Third Quarter		Fourth Quarter	
	Low	High	Low	High	Low	High	Low	High
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Fiscal Year ended May 31, 1996	\$ 2.13	\$ 3.50	\$ 1.75	\$ 2.63	\$ 1.88	\$ 2.38	\$ 1.50	\$ 2.44

Fiscal Year ended May 31, 1995 N/A N/A N/A N/A N/A N/A \$ 2.00 \$ 4.00
 </TABLE>

As of July 31, 1996, there were 1,558 record holders of the Company's Common Stock. No cash dividends have been paid on the Common Stock to date.

Continental Information Systems Corporation and its Subsidiaries

ITEM 6. SELECTED FINANCIAL DATA:

The following table sets forth a summary of selected financial data for Continental Information Systems Corporation and its Subsidiaries (the "Company") as of the dates and for each of the periods stated. To distinguish between the operations of the Company after reorganization (sometimes referred to as the "Reorganized Company") and operations prior to reorganization, the term "Predecessor Company" will be used when reference is made to the pre-reorganization periods. Due to the application of "Fresh Start" accounting as of November 30, 1994 (the "Fresh Start Date"), the financial data as of and for the fiscal year ended May 31, 1995 is presented in two parts: the six month period commencing after the fresh start date and ending May 31, 1995 and the six months period ending on the fresh start date, which was the end of the Predecessor Company's second fiscal quarter.

This information should be read in conjunction with the Company's historical financial statements, the related notes, and the other information contained herein, including the information set forth in "ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS." The financial data for the Reorganized Company is generally not comparable to the financial data for the Predecessor Company due to the application of "fresh start" accounting upon emergence from Chapter 11 pursuant to the Plan of Reorganization.

<TABLE>
 <CAPTION>

	(Dollars in thousands except per share amounts)					
	Reorganized Company		Predecessor Company			
Period Data:	Fiscal Year ended May 31, 1996	For the six months ended May 31, 1995	For the six months ended November 30, 1994	1994	Fiscal Year Ended May 31, 1993	1992
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Total Revenues	\$ 26,822	\$ 11,762	\$ 25,707	\$ 54,193	\$ 94,624	\$ 132,001
Costs and expenses	25,211	9,529	17,501	54,941	108,371	182,035
Income (loss) from continuing operations before reorganization items, income taxes, fresh start adjustments and extraordinary item	1,611	2,233	8,206	(748)	(13,747)	(50,034)
Reorganization items	--	--	8,945	134,224	31,715	47,463
Income (loss) from continuing operations before income taxes, fresh start adjustments and extraordinary item	1,611	2,233	17,151	133,476	17,968	(2,571)
Income taxes	611	849	45	100	100	150
Income (loss) from continuing operations before fresh start adjustments and extraordinary item	1,000	1,384	17,106	133,376	17,868	(2,721)
Loss from discontinued operations, net of tax..	(934)	(2,997)	(4,882)	(575)	(1,138)	(1,799)
Income (loss) before fresh start adjustments and extraordinary item	66	(1,613)	12,224	132,801	16,730	(4,520)
Fresh start adjustments	--	--	(3,264)	--	--	--
Income (loss) before extraordinary item	66	(1,613)	8,960	132,801	16,730	(4,520)
Extraordinary item-Forgiveness of debt	--	--	96,317	--	--	--
Net income (loss)	\$ 66	\$ (1,613)	\$ 105,277	\$ 132,801	\$ 16,730	\$ (4,520)
Net Income (Loss) Per Common Share:						
Income from continuing operations	\$.14	\$.20				
Loss from discontinued operations	(.13)	(.43)				
Net income (loss)	\$.01	\$ (.23)				

Note: Net income (loss) per share data are not presented for Predecessor Company due to the general lack of comparability as a result of the revised capital structure of the Reorganized Company.

</TABLE>

<TABLE>
<CAPTION>

Balance Sheet Data (at period end):	Reorganized Company				Predecessor Company	
	(Dollars in thousands)					
	Fiscal Year ended May 31, 1996	For the six months ended May 31, 1995	For the six months ended November 30, 1994		1994	Fiscal Year Ended May 31, 1993
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Total assets	\$53,550	\$41,130	\$47,323	\$ 231,173	\$ 244,151	\$ 289,298
Liabilities not subject to compromise	20,097	7,743	12,323	72,142	73,969	130,243
Liabilities subject to compromise	--	--	--	268,258	412,210	417,815
Shareholders' equity (deficit)	33,453	33,387	35,000	(109,227)	(242,028)	(258,760)

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION
AND RESULTS OF OPERATIONS

INTRODUCTION

The following discussion and analysis of the financial condition and results of operations of the Company should be read in conjunction with the consolidated financial statements and the notes thereto which appear elsewhere in this Form 10-K.

All statements contained herein that are not historical facts, including but not limited to, statements regarding anticipated future capital requirements, the Company's future development and acquisition plans, the Company's ability to obtain additional debt, equity or other financing, and the Company's ability to generate cash from operations and further savings from existing operations, are based on current expectations. These statements are forward looking in nature and involve a number of risks and uncertainties. Actual results may differ materially. Among the factors that could cause actual results to differ materially are the following: the availability of sufficient capital to finance the Company's business plan on terms satisfactory to the Company; competitive factors, such as the introduction of new technologies and competitors into the telecommunications equipment, laser printing systems, and commercial aircraft industries; pricing pressures which could affect demand for the Company's service; change in labor, equipment and capital costs; future acquisitions; general business, economic and regulatory conditions; and the other risk factors described from time to time in the Company's reports filed with the SEC. The Company wishes to caution readers not to place undue reliance on any such forward looking statements, which statements are made pursuant to the Private Securities Litigation Reform Act of 1995 and, as such, speak only as of the date made.

The Company emerged from Chapter 11 pursuant to a Plan of Reorganization which was confirmed by the Bankruptcy Court on November 29, 1994. For financial reporting purposes, the emergence from bankruptcy protection was recorded as of November 30, 1994. The Plan of Reorganization provided for the distribution of all of the Company's assets, except for specifically identified assets and liabilities having a net fair tangible value of \$30 million, and the Company's newly-issued common stock, to a Liquidating Estate for distribution to the

creditors. In addition, all liabilities subject to compromise and certain postpetition liabilities were assumed by the Liquidating Estate. The Plan of Reorganization provided that no further recourse to the Company or any of its subsidiaries may be had by any person with respect to any prepetition claims or postpetition liabilities assumed by the Liquidating Estate. As a result of the reorganization and application of "fresh start" accounting, financial information before and after November 30, 1994 are not comparable. To distinguish between the operations of the Company prior to reorganization and operations after reorganization, the term "Predecessor Company" will be used for the pre-reorganization periods. The following discussion should be read in conjunction with the historical financial statements of the Company.

The Reorganized Company applied the "fresh start" provisions of AICPA Statement of Position No. 90-7 ("SOP 90-7") as of November 30, 1994 and, accordingly, the assets retained by the Reorganized Company were adjusted as of that date to reflect their fair value. The reorganization value of \$35 million approximated the fair value of the Reorganized Company's net assets, including net deferred tax assets of \$5 million, and accordingly, no excess reorganization value over amount allocable to identifiable assets has been recognized.

On May 25, 1995, the Company announced its decision to discontinue NC3, Inc., the Company's excess inventory business unit located in Syracuse, New York. Additionally, on April 3, 1996, the Company announced its decision to discontinue an operation, including its wholly-owned subsidiary, Aviron, that purchased and sold used computer equipment and provided related technical services. These discontinued operations will be reviewed separately from continuing operations in the following discussion.

Due to the application of "fresh start" accounting as of November 30, 1994 (the "Fresh Start Date"), the results of operations for the twelve months ended May 31, 1995 are presented in the accompanying Consolidated Statements of Operations and Accumulated Deficit in two parts: the six month period commencing after the Fresh Start Date and ending May 31, 1995 and the six month period ending on the Fresh Start Date, which is the end of the Predecessor Company's second fiscal quarter. Since this presentation increases the difficulty in making meaningful year to year comparisons, the following unaudited pro forma Consolidated Statements of Continuing Operations for Fiscal 1995 and 1994, as compared to historical Fiscal 1996, are provided for management discussion purposes. The pro forma statements are based on historical data adjusted as follows: (i) interest expense on discounted leases for the Predecessor Company has been adjusted to eliminate interest on debt obligations of the Liquidating Estate and, (ii) interest expense has been increased to reflect the interest cost on the estimated average principal balance outstanding on the note payable to the Liquidating Estate. Reorganization items and loss from discontinued operations have been excluded from the data presented to more closely represent normal operations.

<TABLE>
<CAPTION>

Consolidated Statements of Continuing Operations
(Unaudited)

(Dollars in thousands)	Historical ----- Fiscal Year Ended May 31, 1996 ----- <C>	Pro Forma ----- Fiscal Year Ended May 31, 1995 ----- <C>	Fiscal year Ended May 31, 1994 ----- <C>
<S>			
Revenues:			
Equipment rentals	\$ 6,540	\$14,226	\$25,280
Income from direct financing leases	1,347	1,326	1,122
Equipment sales	16,657	15,342	22,806
Interest, fees and other income	2,278	6,575	4,985
	----- 26,822	----- 37,469	----- 54,193
Costs and Expenses:			
Depreciation of rental equipment	3,445	4,330	11,947
Cost of sales	11,899	9,058	14,922
Interest on secured liabilities	551	471	302
Investor share, sublease and other operating expenses	1,411	4,500	10,215
Selling, general and administrative expense	7,905	8,728	16,260
	----- 25,211	----- 27,087	----- 53,646
Income from continuing operations before income taxes	\$ 1,611 =====	\$10,382 =====	\$ 547 =====

</TABLE>

RESULTS OF OPERATIONS

Continuing Operations

Recently, the Company has adjusted its strategic direction to focus its efforts on the buying and selling of capital equipment in existing and new markets. This decision follows an evaluation of the capital intensive nature of the leasing business, the opportunity for utilization of existing tax loss carryforwards, and the need to reduce the Company's operating cost structure and increase operating profitability. Accordingly, the Company has decided to pursue expansion of the equipment sales business and curtail its leasing operations. As a result, management intends to sell substantially all of its lease portfolio and utilize the proceeds to support its expansion of the equipment sales business. Such expansion is expected to occur through the growth of existing business lines as well as through external means by acquisition of businesses engaged in the distribution of new and refurbished capital equipment. The Company intends to identify acquisition candidates that can complement and broaden the Company's existing product lines and equipment sales activity, and expand the Company's marketing capabilities.

Total revenues decreased to \$26.8 million in Fiscal 1996 from \$37.5 million in Fiscal 1995 and \$54.2 million in Fiscal 1994. Equipment rentals and income from

direct financing leases decreased to \$7.9 million in Fiscal 1996 from \$15.6 million in Fiscal 1995 and \$26.4 million in Fiscal 1994. These decreases

primarily reflect a "running out" of the old lease portfolio, developed prior to and during the bankruptcy proceeding. Equipment sales increased by \$1.4 million in Fiscal 1996 to \$16.7 million, from \$15.3 million in Fiscal 1995. This increase is principally attributable to higher sales in the aircraft business unit and additional sales contributed by LaserAccess, since its acquisition on March 8, 1996. Equipment sales decreased by \$7.5 million in Fiscal 1995 to \$15.3 million, from \$22.8 million in Fiscal 1994. This decline was chiefly due to a reduced volume of available equipment previously on lease to customers. Interest, fees and other income decreased by \$4.3 million in Fiscal 1996 to \$2.3 million, from \$6.6 million in Fiscal 1995. This decrease reflects a decline in management fees received from income funds and a decrease in fees generated by brokered transactions. Effective as of December 31, 1995, the Company sold TLP Leasing Programs, a group of wholly-owned subsidiaries, to the current management of TLP. These subsidiaries previously managed various income funds and partnerships. Interest, fees and other income increased by \$1.6 million in Fiscal 1995 to \$6.6 million, from \$5.0 million in Fiscal 1994, due primarily to an increase in management fees received from income funds and an increase in fees generated by brokered transactions.

Costs and expenses decreased to \$25.2 million in Fiscal 1996 from \$27.1 million in Fiscal 1995 and \$53.6 million in Fiscal 1994. Within this category, depreciation decreased to \$3.4 million in Fiscal 1996 from \$4.3 million in Fiscal 1995 and \$11.9 million in 1994. Additionally, investor share, sublease and other operating expenses decreased to \$1.4 million in Fiscal 1996, from \$4.5 million in Fiscal 1995 and \$10.2 million in Fiscal 1994. Depreciation, investor share, and other operating expenses are associated with the portfolio of rental equipment and the decrease in these items is directly related to the diminishing portfolio of this equipment, as noted above. Cost of sales increased by \$2.8 million in Fiscal 1996 to \$11.9 million from \$9.1 million in Fiscal 1995. This increase is directly related to the increased sales in the aircraft business unit and additional sales contributed by LaserAccess, since its acquisition. Cost of sales decreased by \$5.9 million in Fiscal 1995 to \$9.1 million from \$14.9 million in Fiscal 1994. This decline is directly attributable to a decrease in sales of equipment previously on lease to customers. Cost of sales as a percentage of sales for the fiscal years ended May 31, 1996, 1995 and 1994, was 71.4%, 59.0% and 65.4%, respectively. These yearly variances are primarily the result of product mix, with the aircraft business unit generating significant margins on a relatively few large transactions and the telecommunications and printing business units generating comparably lesser margins on a greater number of transactions. Interest on secured liabilities was \$.6 million for Fiscal 1996, \$.5 million for Fiscal 1995 and \$.3 million for Fiscal 1994. These yearly increases are the result of increased yearly average debt outstanding. Selling, general and administrative expenses decreased to \$7.9 million in Fiscal 1996 from \$8.7 million in Fiscal 1995 and \$16.3 million in Fiscal 1994. These yearly decreases are principally due to staff reductions between the periods.

For the following discussion of reorganization items, discontinued operations and income taxes, please refer to the table contained in "ITEM 6. SELECTED FINANCIAL DATA" on page 8.

Reorganization Items

Reorganization items represented income and expenses incurred by the Predecessor Company resulting from bankruptcy and specific to the reorganization process. These amounts are presented separately because of their non-operating nature.

Discontinued Operations

On April 3, 1996, the Company announced its decision to discontinue an operation, including its wholly-owned subsidiary, Aviron, that purchased and sold used computer equipment and provided related technical services. After that date, the Company attempted to locate a buyer for the operation. On June 5, 1996, the Company announced it had abandoned its efforts to sell the operations and would instead liquidate the assets which consisted principally of used computer equipment inventories and fixed assets. The net loss from discontinued operations for the year ended May 31, 1996, was \$1,177,000 (net of \$698,000 deferred tax benefit). In May 1995, the Company had attempted to change the products and marketing strategies of Aviron to make it more competitive in the current market. These actions resulted in a restructuring charge to operations of \$800,000 in the quarter ended May 31, 1995, for employee severance programs affecting 13 employees, lease termination costs for excess facilities, and the write-off of certain deferred costs relating to non-compete and consulting arrangements having a book value of approximately \$218,000. The restructuring reserve has been completely utilized as of May 31, 1996, as a result of cash payments for severance and excess facilities costs.

A summary of the results of operations of the discontinued buy/sell operation follows (in thousands):

<TABLE>

<CAPTION>

Reorganized Company

|

Predecessor Company

	For the year ended May 31, 1996	For the six months ended May 31, 1995	For the six months ended November 30, 1994	For the year ended May 31, 1994
<S>	<C>	<C>	<C>	<C>
Revenues	\$ 5,491	\$ 5,352	\$ 10,580	\$ 26,308
Costs and expenses	6,661	7,890	12,110	26,824
Loss from discontinued operations	(1,170)	(2,538)	(1,530)	(516)
Loss on disposal of discontinued operations	(705)	--	--	--
Loss before income tax benefit	(1,875)	(2,538)	(1,530)	(516)
Income tax benefit	(698)	(971)	--	--
Net loss from discontinued operations	\$ (1,177)	\$ (1,567)	\$ (1,530)	\$ (516)

</TABLE>

Additionally, on May 25, 1995, the Board of Directors approved the discontinuance of NC3, Inc., the Company's excess inventory business unit located in Syracuse, New York. The Company recorded a provision of \$1,137,000 (net of \$763,000 deferred tax benefit) in the quarter ended May 31, 1995, relative to the disposal of NC3 assets and other charges related to the discontinuance of the business unit. As of May 31, 1996, the Company had exited the business and liquidated substantially all of the assets. A total of 14 employees were terminated in connection with the closing of this business. Liabilities of the discontinued operation decreased from \$744,000 at May 31, 1995 to \$175,000 as of May 31, 1996, due to cash payments principally for severance and facilities costs totaling approximately \$239,000 and a net reduction of \$330,000 to adjust the amounts estimated for the loss on the inventories, receivables, fixed assets and leased facility obligations. The remaining liability of \$175,000 as of May 31, 1996 is expected to be liquidated by cash payments extending through approximately May 31, 1997. The adjustment of the liability in the amount of \$230,000 was recorded as a gain from discontinued operations, net of deferred tax expenses of \$87,000 in the quarter ended August 31, 1995. An additional adjustment of the liability in the amount of \$100,000 was recorded as an offset to the loss on disposal of discontinued operations in the quarter ended May 31, 1996.

A summary of the results of operations of the discontinued NC3 business unit follows (in thousands):

<TABLE>

<CAPTION>

	Reorganized Company		Predecessor Company	
	For the year ended May 31, 1996	For the six months ended May 31, 1995	For the six months ended November 30, 1994	For the year ended May 31, 1994
<S>	<C>	<C>	<C>	<C>
Revenues	\$--	\$ 1,285	\$ 4,019	\$ 1,742
Costs and expenses	--	1,773	7,371	1,801
Loss from discontinued operations	--	(488)	(3,352)	(59)
Income (loss) on disposal of discontinued operations	330	(1,900)	--	--
Income (loss) before income tax (benefit)	330	(2,388)	(3,352)	(59)
Income tax (benefit)	87	(958)	--	--
Net income (loss) from discontinued operations	\$243	\$ (1,430)	\$ (3,352)	\$ (59)

</TABLE>

Income Taxes

For the year ended May 31, 1996 and for the six months ended May 31, 1995, a provision for deferred income tax expense on income from continuing operations was recorded in the amounts of \$611,000 and \$849,000, respectively. Additionally, for the year ended May 31, 1996 and for the six months ended May 31, 1995, a deferred income tax benefit on loss from discontinued operations was recognized in the amounts of \$611,000 and \$1,929,000, respectively. For the six months ended November 30, 1994 and for the year ended May 31, 1994, a provision for state income tax on income from continuing operations was recorded in the amounts of \$45,000 and \$100,000, respectively. No provision for federal income tax was required in these periods due to the effects of the Predecessor

Company's net operating loss ("NOL") carryforwards. In connection with applying "fresh start" accounting as of November 30, 1994, the Reorganized Company recognized deferred tax assets of approximately \$5 million, net of a valuation allowance of approximately \$7 million, relating principally to NOL carryforwards. Net deferred tax assets increased to \$6,080,000 as of May 31, 1995 due to the Reorganized Company's operating losses during the six months then ended. The pre-reorganization Federal NOL carryforwards giving rise to deferred tax assets expire during the years 2004 to 2010. Utilization of the Company's pre-reorganization Federal NOL carryforwards is limited to approximately \$2 million per year. Management will periodically evaluate the realizability of the deferred tax assets based principally on actual and expected operating results. In the event that an adjustment is required to reduce the reorganized deferred tax asset in the future, such adjustment will be charged to operations. Any future recognition of the tax benefits from the Company's pre-reorganization net operating loss carryforwards in excess of the net \$5 million initially recorded will be recognized as a direct credit to shareholders' equity as required under SOP 90-7.

LIQUIDITY AND CAPITAL RESOURCES

Cash provided by operations for the year ended May 31, 1996 of \$6.8 million was composed of cash provided by continuing operations of \$7.9 million with \$1.1 million being used in discontinued operations. Cash provided by continuing operations arose primarily from net income of \$1.0 million less non-cash amortization of unearned income of \$1.3 million plus non-cash depreciation and amortization expense of \$3.9 million, in addition to collections of rentals on direct financing leases of \$4.7 million. Cash provided by proceeds from sale of equipment subject to operating leases of \$2.2 million was offset by an increase in accounts receivable and notes receivable and accrued interest and other assets. The net change in balance sheet accounts has been adjusted for the acquisition of LaserAccess and the sale of the TLP subsidiaries. New investment in rental equipment for the year ended May 31, 1996 was \$22.8 million as compared to \$2.4 million for the six months ended May 31, 1995, \$4.5 million for the six months ended November 30, 1994 and \$11.8 million for the year ended May 31, 1994. The significant increase in rental equipment in the current period resulted from the Company's acquisition of equipment subject to lease. Net cash provided by the Company's sale of its TLP subsidiaries amounted to \$.8 million. Net cash used in the acquisition of LaserAccess was \$1.9 million, in addition to the issuance of notes payable in the amount of \$2.3 million, payable in three equal annual installments, commencing March 8, 1997, with interest at the rate of 8.25% on the unpaid principal balance. During the year ended May 31, 1996, the Reorganized Company made principal payments of \$3.4 million on a note payable to the Liquidating Estate, paying the note in full in March 1996. Proceeds from lease, bank and institution financings were \$15.4 million for the year ended May 31, 1996, as compared to \$.3 million for the six months ended May 31, 1995, \$.8 million for the six months ended November 30, 1994 and none for the year ended May 31, 1994. The significant increase in the current period primarily represents discounted lease rental borrowings associated with the purchase of rental equipment subject to lease.

Reorganization related adjustments for the six months ended November 30, 1994, in the amount of \$207.8 million, represent cash flows of the Predecessor Company resulting from bankruptcy and specific to the reorganization process. During this period, a \$15.0 million payment was made to the Internal Revenue Service. The \$15.0 million balance due to the Internal Revenue Service, required under the Settlement Agreement, was assumed by the Liquidating Estate and paid in December 1994.

As noted previously, the Company has adjusted its strategic direction to focus its efforts on the buying and selling of capital equipment in existing and new markets. This decision follows an evaluation of the capital intensive nature of the leasing business, the opportunity for utilization of existing tax loss carryforwards, and the need to reduce the Company's operating cost structure, and increase operating profitability. Accordingly, the Company has decided to pursue expansion of the equipment sales business and curtail its leasing operations. As a result, management intends to sell substantially all of its lease portfolio and utilize the proceeds to support its expansion of the equipment sales business. Such expansion is expected to occur through the growth of existing business lines as well as through external means by acquisition of businesses engaged in the distribution of new and refurbished capital equipment.

The Company expects that operations will generate sufficient cash to meet its operating expenses and current obligations. The cash retained by the Company pursuant to the Plan of Reorganization has been used to provide liquidity to fund investment in new leases, inventory, and other investment opportunities. Typically, companies in the business engaged in by the Company employ leverage

to enhance their returns. In April 1996, the Company finalized a revolving loan agreement with an institution to provide interim and recourse/limited recourse lease financing in the total amount of \$5 million. At May 31, 1996, approximately \$.9 million was outstanding on the limited recourse portion of this facility. Additionally, in July 1996, the Company finalized two revolving loan agreements with institutions to provide (1) warehouse lease financing in the amount of \$5 million and (2) inventory financing for LaserAccess and CIS Air

in the amount of \$7 million. The Company believes that the Company's asset base will enable the Company to obtain sufficient capital to operate its business. Failure to obtain, or delay in obtaining, debt financing at competitive rates could affect the Company's ability to improve earnings, grow its buy/sell business and finance acquisitions.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Financial Statements:

(a) (1) Financial Statements

Reports of Independent Accountants

Consolidated Balance Sheets-May 31, 1996 and 1995

Consolidated Statements of Operations and Accumulated Deficit-Year ended May 31, 1996, six months ended May 31, 1995 and November 30, 1994 and year ended May 31, 1994

Consolidated Statements of Cash Flows-Year ended May 31, 1996, six months ended May 31, 1995 and November 30, 1994 and year ended May 31, 1994

Notes to Consolidated Financial Statements

(2) Financial Statement Schedules

Valuation and Qualifying Accounts (Schedule II)

All other schedules are omitted because they are not applicable or the required information is shown in the financial statements or notes thereto.

REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors and Stockholders of
Continental Information Systems Corporation

In our opinion, the consolidated financial statements listed in the accompanying index present fairly, in all material respects, the financial position of Continental Information Systems Corporation (the "Company") and its subsidiaries at May 31, 1996 and 1995, and the results of their operations and their cash flows for the year ended May 31, 1996 and the six months ended May 31, 1995, in conformity with generally accepted accounting principles. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit of these statements in accordance with generally accepted auditing standards which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for the opinion expressed above.

As discussed in Note 1, on November 29, 1994, the United States Bankruptcy Court for the Southern District of New York confirmed the Company's Plan of Reorganization (the "Plan"). Confirmation of the Plan resulted in distribution of all of the Company's assets in settlement of all of the Company's liabilities through a Liquidating Estate, except for specifically identified assets and liabilities having a net tangible fair value of \$30 million retained by the Company, and substantially terminates all rights and interests of equity security holders as provided for in the Plan. The Plan was confirmed on November 29, 1994 and the Company emerged from bankruptcy. In connection with its emergence from bankruptcy, the Company adopted fresh start reporting as of November 30, 1994.

PRICE WATERHOUSE LLP
July 11, 1996
Syracuse, New York

REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors and Stockholders
of Continental Information Systems Corporation

In our opinion, the consolidated financial statements listed in the accompanying index present fairly, in all material respects, the results of operations and cash flows of Continental Information Systems Corporation (the "Predecessor Company") and its subsidiaries for the six months ended November 30, 1994 and the year ended May 31, 1994, in conformity with generally accepted accounting principles. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with generally accepted auditing standards which require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion expressed above.

As discussed in Note 1, on January 13, 1989 the Predecessor Company filed a petition with the United States Bankruptcy Court for the Southern District of New York for reorganization under the provisions of Chapter 11 of the Bankruptcy Code. The Predecessor Company's Plan of Reorganization was confirmed on November 29, 1994 and the Company emerged from Bankruptcy. In connection with its emergence from bankruptcy, the Company adopted fresh start reporting.

PRICE WATERHOUSE LLP
January 20, 1995
Syracuse, New York

Continental Information Systems Corporation
and its Subsidiaries
In Thousands (Except per Share Data)

<TABLE>
<CAPTION>

CONSOLIDATED BALANCE SHEETS

	1996	May 31,	1995
	----		----
<S>	<C>		<C>
Assets:			
Cash and cash equivalents	\$ 5,382		\$ 13,015
Accounts receivable, net of allowance for doubtful accounts of \$53 and \$170	2,300		1,836
Notes receivable	2,688		767
Inventory	3,639		3,352
Net investment in direct financing leases (Note 5)	15,783		5,437
Rental equipment, net (Note 6)	11,148		8,324
Net assets of discontinued operations (Note 3)	-		351
Furniture, fixtures and equipment, net (Note 7)	625		1,059
Accrued interest and other assets	1,965		909
Goodwill, net of amortization of \$67 (Note 2)	3,940		-
Deferred tax assets (Note 12)	6,080		6,080
	-----		-----
Total assets	\$ 53,550		\$ 41,130
	=====		=====

Liabilities and Shareholders' Equity:
Liabilities:

Accounts payable and other liabilities	\$ 2,949	\$ 2,076
Net liabilities of discontinued operations (Note 3)	106	-
Discounted lease rental borrowings (Note 9)	14,738	2,126
Notes payable to former owners of acquired company (Note 2)	2,304	-
Note payable to Liquidating Estate (Note 8)	-	3,391
Income tax liability (Note 12)	-	150
	-----	-----
Total liabilities	20,097	7,743
	-----	-----
Shareholders' Equity:		
Common stock, \$.01 par value; authorized 10,000,000 shares, issued and outstanding 6,999,040 and 7,000,000, excluding 960 treasury shares in 1996 and none in 1995, respectively (Notes 10 and 11)	70	70
Additional paid-in capital	34,930	34,930
Accumulated deficit	(1,547)	(1,613)
	-----	-----
Total shareholders' equity	33,453	33,387
	-----	-----
Total liabilities and shareholders' equity	\$ 53,550	\$ 41,130
	=====	=====

The accompanying notes are an integral part of these financial statements.

</TABLE>

<TABLE>

<CAPTION>

CONSOLIDATED STATEMENTS OF OPERATIONS AND
ACCUMULATED DEFICIT

	Reorganized Company		Predecessor Company	
	For the year ended May 31, 1996	For the six months ended May 31, 1995	For the six months ended November 30, 1994	For the year ended May 31, 1994
	-----	-----	-----	-----
	<C>	<C>	<C>	<C>
<S>				
Revenues:				
Equipment rentals	\$ 6,540	\$ 4,726	\$ 9,500	\$ 25,280
Income from direct financing leases	1,347	621	705	1,122
Equipment sales	16,657	4,571	10,771	22,806
Interest, fees and other income	2,278	1,8444	4,731	4,985
	-----	-----	-----	-----
	26,822	11,762	25,707	54,193
	-----	-----	-----	-----
Costs and Expenses:				
Depreciation of rental equipment	3,445	1,465	2,865	11,947
Cost of sales	11,899	3,496	5,562	14,922
Interest on secured liabilities	551	277	137	1,597
Investor share, sublease and other operating expenses	1,411	873	3,627	10,215
Selling, general and administrative expense	7,905	3,418	5,310	16,260
	-----	-----	-----	-----
	25,211	9,529	17,501	54,941
	-----	-----	-----	-----
Income (loss) from continuing operations before reorganization items, income taxes, fresh start adjustments and extraordinary items	1,611	2,233	8,206	(748)
	-----	-----	-----	-----
Reorganization Items:				
Earnings from accumulated cash resulting from Chapter 11 proceedings	--	--	3,527	4,129
Bankruptcy related professional fees	--	--	(5,572)	(11,830)
Gain on settlement of bankruptcy issues	--	--	10,990	139,023
Other	--	--	--	2,902
	-----	-----	-----	-----
	--	--	8,945	134,224
	-----	-----	-----	-----
Income from continuing operations before income taxes, fresh start adjustments and extraordinary item	1,611	2,233	17,151	133,476
Provision for income tax	611	849	45	100
	-----	-----	-----	-----
Income before discontinued operations, fresh start adjustments and extraordinary item	1,000	1,384	17,106	133,376
	-----	-----	-----	-----

<CAPTION>

CONSOLIDATED STATEMENTS OF OPERATIONS AND
ACCUMULATED DEFICIT
(continued)

	Reorganized Company		Predecessor Company	
	For the year ended May 31, 1996	For the six months ended May 31, 1995	For the six months ended November 30, 1994	For the year ended May 31, 1994
<S>	<C>	<C>	<C>	<C>
Loss from discontinued operations, net of tax	(725)	(1,860)	(4,882)	(575)
Loss on disposal of discontinued operations, net of tax	(209)	(1,137)	--	--
Net loss from discontinued operations (Note 3)	(934)	(2,997)	(4,882)	(575)
Income (loss) before fresh start adjustments and extraordinary item	66	(1,613)	12,224	132,801
Fresh start adjustments	--	--	(3,264)	--
Income (loss) before extraordinary item	66	(1,613)	8,960	132,801
Extraordinary item-forgiveness of debt	--	--	96,317	--
Net income (loss)	66	(1,613)	105,277	132,801
Retained earnings (Accumulated deficit), beginning of period	(1,613)	--	(140,408)	(273,209)
Elimination of accumulated deficit	--	--	35,131	--
Retained earnings (Accumulated deficit), end of period	\$ (1,547)	\$ (1,613)	--	\$ (140,408)
Net income (loss) per share (Note 1):				
Income from continuing operations	\$.14	\$.20		
Loss from discontinued operations	(.13)	(.43)		
Net income (loss)	\$.01	\$ (.23)		

The accompanying notes are an integral part of these financial statements.

</TABLE>

Continental Information Systems Corporation
and its Subsidiaries

In Thousands

<TABLE>

<CAPTION>

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Reorganized Company		Predecessor Company	
	For the year ended May 31, 1996	For the six months ended May 31, 1995	For the six months ended November 30, 1994	For the year ended May 31, 1994
<S>	<C>	<C>	<C>	<C>
Cash flows from operating activities:				
Net income (loss)	\$ 66	\$ (1,613)	105,277	\$ 132,801
Less: Net loss from discontinued operations	(934)	(2,997)	(4,882)	(575)
Net income from continuing operations	1,000	1,384	110,159	133,376
Adjustments to reconcile net income to net cash provided by operating activities:				
Reorganization related adjustments-				
Gain on forgiveness of debt	--	--	(96,317)	--
Fresh start adjustments	--	--	3,043	--
Cash transferred to liquidating Estate	--	--	(106,554)	--
Gain on settlement of lease, bank and institution financing	--	--	(8,012)	(114,244)

Reorganization related adjustments	--	--	(207,840)	(114,244)
Other adjustments-				
Proceeds from sale of equipment subject to operating leases	2,155	3,066	2,449	7,262
Amortization of unearned income	(1,347)	(621)	(705)	(1,122)
Collections of rentals on direct financing loans	4,665	1,761	2,092	5,756
Depreciation and amortization expense	3,967	1,699	3,309	14,126
Effect on cash flows of changes in:				
Marketable debt securities	--	--	25,829	39,409
Accounts receivable	(317)	1,215	(2,436)	6,623
Notes receivable	(2,420)	186	(7)	(172)
Inventory	291	1,668	3,526	(1,497)
Accrued interest and other assets	(1,157)	159	911	647
Accounts payable and other liabilities	616	(773)	(1,015)	(8,709)
Income tax liability	461	1,731	(16,567)	--
Deferred tax assets	--	(1,080)	--	--
Other adjustments	6,914	9,011	17,386	62,323
Net cash provided by (used in) continuing operations	7,914	10,395	(80,295)	81,455
Net cash provided by (used in) discontinued operations.....	(1,088)	1,950	(6,001)	(3,056)
Net cash provided by (used in) operations	6,826	12,345	(86,296)	78,399

<CAPTION>

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Reorganized Company		Predecessor Company	
	For the year ended May 31, 1996	For the six months ended May 31, 1995	For the six months ended November 30, 1994	For the year ended May 31, 1994
<S>	<C>	<C>	<C>	<C>
Cash flows from investing activities:				
Purchase of rental equipment	(22,800)	(2,444)	(4,503)	(11,817)
Purchase of property and equipment	(36)	(70)	(871)	(454)
Net cash provided by the sale of TLP subsidiaries	754	--	--	--
Net cash used in the acquisition of LaserAccess subsidiary	(1,910)	--	--	--
Net cash used in investing activities	(23,992)	(2,514)	(5,374)	(12,271)
Cash flows from financing activities:				
Payments on building lease obligation	--	--	--	(900)
Payments on note payable to Liquidating Estate	(3,391)	(2,632)	--	--
Proceeds from lease, bank and institution financings	15,368	254	845	--
Payments on lease, bank and institution financings	(2,444)	2,666	(16,743)	--
Net cash provided by (used in) financing activities	9,533	(3,609)	(1,821)	(17,643)
Net increase (decrease) in cash and cash equivalents	(7,633)	6,222	(93,491)	48,485
Cash and cash equivalents at beginning of period	13,015	6,793	100,284	51,799
Cash and cash equivalents at end of period	\$ 5,382	\$ 13,015	\$ 6,793	\$ 100,284

The accompanying notes are an integral part of these financial statements.
</TABLE>

Continental Information Systems Corporation
and its Subsidiaries
Notes to the Financial Statements

1. Summary of Significant Accounting Policies

Continental Information Systems Corporation and its Subsidiaries (the "Company") are engaged in the business of buying and selling telecommunications equipment, printing systems, and commercial aircraft, and providing leasing services in connection with such equipment, and certain other industrial equipment.

To distinguish between the operations of the Company after reorganization (sometimes referred to as the "Reorganized Company") and operations prior to reorganization, the term "Predecessor Company" will be used when reference is made to the pre-reorganization periods. On January 13, 1989, the Predecessor Company and certain of its subsidiaries filed voluntary petitions for reorganization under Chapter 11 of the United States Bankruptcy Code. On November 29, 1994 (the "Confirmation Date"), the Bankruptcy Court confirmed the Company's Plan of Reorganization. The Plan of Reorganization became effective on December 21, 1994 and the Reorganized Company, and its subsidiaries which had filed petitions for relief, emerged from Chapter 11. For financial reporting purposes, the emergence from bankruptcy protection was recorded as of November 30, 1994, the end of the Predecessor Company's second fiscal quarter. As a result of the reorganization and "fresh start" reporting, the financial statements of the Predecessor Company are not comparable to the financial statements subsequent to November 30, 1994.

Consolidation

The accompanying consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. All intercompany accounts have been eliminated in consolidation.

Cash and Cash Equivalents

Cash and cash equivalents include checking and money market accounts with financial institutions having original maturities of 90 days or less.

Concentration of Credit Risk

The Company extends credit through trade accounts receivable and leasing transactions to its customers located throughout the U.S. Direct financing and operating leases are secured by the underlying equipment. The Company generally does not require collateral for trade accounts receivable.

Inventory and Related Revenue Recognition

Inventory consists of various printing, telecommunication, and aircraft equipment purchased on a speculative basis for future sale or lease and is stated at the lower of cost or market, cost being determined on a specific identification basis. Revenues from the sale of equipment and the related cost of the equipment are reflected in earnings at the time title to the equipment passes to the customer which generally occurs upon shipment.

The Company performs ongoing analysis, at least quarterly, of the carrying value of inventories on a specific identification basis and records adjustments, as considered necessary, to reduce the carrying value of inventories to estimated market value in the period such determination is made. These adjustments are recorded as direct writedowns in the carrying value of the inventory.

Lease Accounting Policies

Statement of Financial Accounting Standards No. 13 requires that a lessor account for each lease by the direct financing method, sales-type method or operating method. Presently, the Company has only direct financing and operating leases. Net investment in direct financing leases consists of the present value of the future minimum lease payments plus the present value of the unguaranteed residual, representing the estimated fair market value at lease termination. At the end of the lease term, the recorded residual value of equipment under direct financing leases is reclassified to rental equipment and is depreciated over its estimated remaining useful life.

Lease income from direct financing leases consists of interest earned on the present value of the lease payments and residual value. Revenue is recognized over the lease term using the interest method.

Rental equipment consists of equipment under operating leases. Rental equipment is depreciated on a straight-line basis to its residual value over the estimated remaining useful life of such equipment. The original useful lives generally range from three to seven years. Operating lease revenues consist of the contractual lease payments and are recognized on a straight-line basis over the lease term. Costs associated with operating leases principally consist of depreciation of the equipment.

The Company makes adjustments to the carrying value of leased assets, if necessary, when market conditions have resulted in value that is below net book value. In accordance with "fresh start" reporting, the Company's investment in direct financing leases and rental equipment were adjusted to reflect fair value, and accumulated depreciation of rental equipment was eliminated, as of November 30, 1994.

Deferred Commissions and Initial Direct Costs

Commissions and initial direct costs related to lease transactions are capitalized as a component of the corresponding investment in direct financing leases or rental equipment and amortized over the estimated average lease term. Costs relating to investment in direct financing leases are amortized using an interest method and costs relating to rental equipment are amortized using the straight-line method.

Furniture, Fixtures and Equipment

In accordance with "fresh start" reporting, the Company's furniture, fixtures and equipment was adjusted to reflect fair value and accumulated depreciation was eliminated as of November 30, 1994. Additions after November 30, 1994 are recorded at cost. Furniture, fixtures and equipment are being depreciated using the straight-line method over the estimated useful lives of such assets which range from three to five years.

Goodwill

Goodwill is the excess of the purchase price over the net assets of GMCCCS Corp. (dba "LaserAccess") acquired March 8, 1996. Goodwill is being amortized on a straight-line basis over 10 years. Amortization charged to continuing operations in the current fiscal year amounted to \$67,000. The Company periodically reviews the value of its goodwill to determine if an impairment has occurred. The Company measures the potential impairment of recorded goodwill by the undiscounted value of expected future operating cash flows in relation to its net capital investment in the subsidiary. Based on its review, the Company does not believe that an impairment of its goodwill has occurred.

Income Taxes

The Company accounts for income taxes under the asset and liability method required by Financial Accounting Standard No. 109 (FAS 109), Accounting for Income Taxes. FAS 109 requires the recording of assets and liabilities for the future tax effects of temporary differences between the bases of all assets and liabilities for financial reporting purposes and their tax bases. When net deferred tax assets exist, FAS 109 requires the recording of a valuation allowance to reduce tax assets to the amount which is more likely than not to be realized.

Net Income (Loss) Per Share

Net income (loss) per share for the Reorganized Company for the year ended May 31, 1996 and the six months ended May 31, 1995 was computed based on the weighted average number of shares of common stock outstanding during the periods, which were 6,999,399 and 7,000,000, respectively. As of May 31, 1996, the Company had granted options to purchase 24,000 shares of common stock (see note 11). Since the exercise price of these options is in excess of the average market price of the common stock for the year ended May 31, 1996, the options are considered anti-dilutive and are not included in the computation of net income per share. Net income (loss) per share data are not presented for the Predecessor Company due to the general lack of comparability as a result of the revised capital structure of the Reorganized Company.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Reclassifications

Certain prior period balances in the financial statements have been reclassified to conform to the current period financial statement presentation.

2. Acquisition

On March 8, 1996, the Company, through its wholly-owned subsidiary, CIS Corporation, acquired 100% of the capital stock of GMCCCS Corp. (dba "LaserAccess") for a purchase price of approximately \$4,608,000, payable in cash of approximately \$2,304,000 at closing and the balance of approximately \$2,304,000 in the form of notes payable in three equal annual installments, commencing March 8, 1997, with interest at the rate of 8.25% on the unpaid principal balance. In addition to the purchase price to be paid in cash and notes, CIS Corporation is obligated to pay the sellers an annual earn out payment for each of the first four years following the March 8, 1996 sale. The earn out payment is based upon the annual pretax income of LaserAccess. LaserAccess is engaged in the sales and marketing of remanufactured Xerox High Speed Laser Printing Systems.

The acquisition has been accounted for using the purchase method of accounting. Allocations of the purchase price have been determined based upon preliminary estimates of fair market value and, therefore, are subject to change. The excess of the purchase price, over the net tangible

assets acquired, of approximately \$4.0 million, is considered goodwill and is being amortized on a straight line basis over ten years. LaserAccess'

results of operations since the date of the acquisition are included in the accompanying consolidated statements of operations of the Company.

Unaudited pro forma data giving effect to the purchase as if it had been acquired at the beginning of Fiscal 1995, with adjustments, primarily for imputed interest charges attributable to notes payable to the former owners and amortization of goodwill follows:

<TABLE>
<CAPTION>

	(In Thousands, except per share amounts)	
	For the year ended May 31, 1996	For the year ended May 31, 1995*
	-----	-----
<S>	<C>	<C>
Total Revenues	\$ 30,599 =====	\$ 40,346 =====
Income from continuing operations	\$ 1,410 =====	\$ 9,472 =====
Income per share from continuing operations	\$.20 =====	\$ 1.35 =====
Weighted average number of shares outstanding	6,999,040 =====	7,000,000 =====

</TABLE>

*The pro forma results of operations for the year ended May 31, 1995, include the results of continuing operations of the Predecessor Company for the six months ended November 30, 1994, as if the reorganization had taken place at the beginning of the year. Reorganization items and loss from discontinued operations have been excluded from the pro forma results.

3. Discontinued Operations

On April 3, 1996, the Company announced its decision to discontinue an operation, including its wholly-owned subsidiary, Aviron, that purchased and sold used computer equipment and provided related technical services. After that date, the Company had attempted to locate a buyer for the operation. On June 5, 1996, the Company announced it had abandoned its efforts to sell the operation and would instead liquidate the assets which consisted principally of used computer equipment inventories and fixed assets. The net loss from discontinued operations for the year ended May 31, 1996, was \$1,177,000 (net of \$698,000 deferred tax benefit). In May, 1995, the Company had attempted to change the products and marketing strategies of Aviron to make it more competitive in the current market. These actions resulted in a restructuring charge to operations of \$800,000 in the quarter ended May 31, 1995, for employee severance programs affecting 13 employees, lease termination costs for excess facilities, and the write-off of certain deferred costs relating to non-compete and consulting arrangements having a book value of approximately \$218,000. The restructuring reserve has been completely utilized as of May 31, 1996, as a result of cash payments for severance and excess facilities costs.

Additionally, on May 25, 1995, the Board of Directors approved the discontinuance of NC3, Inc., the Company's excess inventory business unit located in Syracuse, New York. The Company recorded a provision of \$1,137,000 (net of \$763,000 deferred tax benefit) in the quarter ended May 31, 1995, relative to the disposal of NC3 assets and other charges related to the discontinuance of the business unit. As of May 31, 1996, the Company had exited the business and liquidated substantially all of the assets. A total of 14 employees were terminated in connection with the closing of this business. Liabilities of the discontinued operation decreased from \$744,000 at May 31, 1995 to \$175,000 as of May 31, 1996, due to cash payments principally for severance and facilities costs totaling approximately \$239,000 and a net reduction of \$330,000 to adjust the amounts estimated for the loss on the inventories, receivables, fixed assets and leased facility obligations. The remaining liability of \$175,000 as of May 31, 1996 is expected to be liquidated by cash payments extending through approximately May 31, 1997. The adjustment of the liability in the amount of \$230,000 was recorded as a gain from discontinued operations, net of deferred tax expenses of \$87,000 in the quarter ended August 31, 1995. An additional adjustment of the liability in the amount of \$100,000 was recorded as an offset to the loss on disposal of discontinued operations in the quarter ended May 31, 1996.

The Consolidated Statements of Operations for all periods presented have

been reclassified to report the results of discontinued operations separately from continuing operations. A summary of the results of discontinued operations follows (in thousands):

<TABLE>
<CAPTION>

	Reorganized Company		Predecessor Company	
	For the year ended May 31, 1996	For the six months ended May 31, 1995	For the six months ended November 30, 1994	For the year ended May 31, 1994
<S>	<C>	<C>	<C>	<C>
Revenues	\$ 5,491	\$ 6,637	\$ 14,599	\$ 28,050
Costs and expenses	6,661	9,663	19,481	28,625
Loss from discontinued operations	(1,170)	(3,026)	(4,882)	(575)
Loss on disposal of discontinued operations	(375)	(1,900)	-	-
Loss before income tax benefit	(1,545)	(4,926)	(4,882)	(575)
Income tax benefit	(611)	(1,929)	-	-
Net loss from discontinued operations	\$ (934)	\$ (2,997)	\$ (4,882)	\$ (575)

</TABLE>

The Consolidated Balance Sheets as of May 31, 1996 and 1995, have been reclassified to report the net assets of discontinued operations separately from the assets and liabilities of continuing operations. A summary of the assets and liabilities of discontinued operations follows (in thousands):

	May 31,	
	1996	1995
Assets:		
Cash and cash equivalents	\$ 159	\$ 253
Accounts receivable, net	55	441
Inventory	115	744
Furniture, fixtures and equipment, net	58	397
Accrued interest and other assets	16	137
Total assets	403	1,972
Liabilities:		
Accounts payable and accruals	44	295
Other liabilities	465	744
Accrued restructuring charge, net	--	582
Total liabilities	509	1,621
Net Assets (Liabilities) of Discontinued Operations .	\$ (106)	\$ 351

4. Sale of Subsidiaries

As of December 31, 1995, the Company sold TLP Leasing Programs ("TLP"), a group of former subsidiaries located in Boston, Massachusetts, to TLP's current management. TLP manages various income funds and partnerships. The sales price approximated TLP's book value of approximately \$2,500,000 and therefore did not significantly affect the results of operations of the Company for the fiscal year ended May 31, 1996.

5. Net Investment in Direct Financing Leases

The components of the net investment in direct financing leases as of May 31 are as follows (in thousands):

	1996	1995
Minimum lease payments receivable	\$ 17,044	\$ 6,557
Initial direct costs and deferred commissions	303	144
Estimated unguaranteed residual values	2,483	191
Less: Unearned income	(4,047)	(1,455)
Net investment in direct financing leases	\$ 15,783	\$ 5,437

Future minimum lease payments to be received under direct financing leases for fiscal years ending May 31 are as follows (in thousands):

1997	\$ 5,208
1998	4,742
1999	3,369
2000	2,413
2001	1,248
Beyond 2001	64

	\$ 17,044
	=====

Approximately 63% of these future lease streams are allocable to lenders under financing agreements.

6. Rental Equipment

Rental equipment consists of the following as of May 31 (in thousands):

	1996	1995
	----	----
Computer equipment	\$ 7,565	\$ 3,754
Capital equipment	2,856	1,671
Telecommunication equipment	1,942	1,216
Aircraft equipment	3,485	2,887
Deferred commissions and initial direct costs	211	261
	-----	-----
	16,059	9,789
Less: accumulated depreciation	(4,911)	(1,465)
	-----	-----
	\$ 11,148	\$ 8,324
	=====	=====

Future minimum lease payments to be received under operating leases for the fiscal years ended May 31 are as follows (in thousands):

1997	\$ 4,171
1998	2,788
1999	1,770
2000	525
2001	202
Beyond 2001	-

	\$ 9,456
	=====

Approximately 63% of these future lease streams are allocable to lenders under financing agreements.

7. Furniture, Fixtures and Equipment

Furniture, fixtures and equipment consist of the following as of May 31 (in thousands):

	1996	1995
	----	----
Leasehold improvements	\$ 423	\$ 404
Computer equipment and software	707	688
Furniture, fixtures and office equipment	249	265
	-----	-----
	1,379	1,357
Less: accumulated depreciation	(754)	(298)
	-----	-----
	\$ 625	\$ 1,059
	=====	=====

8. Note Payable to Liquidating Estate

In connection with the Plan of Reorganization, the Company executed a note payable to the Liquidating Estate in the original amount of \$6,023,000. The note was paid in full in March 1996. The Company paid interest of \$118,000 for the fiscal year ended May 31, 1996, and \$169,000 for the six months ended May 31, 1995, relating to this note payable.

9. Discounted Lease Rental Borrowings

The Company finances certain leases by assigning the rentals to various lending institutions at fixed rates on a recourse and non-recourse basis.

Discounted lease rental borrowings represent the present value of the lease payments discounted at the rate charged by the lending institution. Discounted lease rental borrowings are reduced on a monthly basis as the corresponding lease rental stream is collected (generally by the lending institutions). Amounts due under recourse borrowings are obligations of the Company which are secured by the leased equipment and assignments of lease receivables. Amounts due under non-recourse borrowings are secured by the leased equipment and assignments of lease receivables with no recourse to the general assets of the Company.

The Company has been financing leases on a one-on-one basis with a number of institutions. However, in April 1996, the Company finalized a revolving loan agreement with an institution to provide interim and recourse/limited recourse lease financing in the total amount of \$5,000,000. At May 31, 1996, approximately \$948,000 was outstanding on the limited recourse portion of this facility. Interest rates on the facility range from prime rate plus 2% on the interim facility to 3.5% plus the weekly average matched term rate for U.S. Treasury Bills on the recourse/limited recourse facility. The institution has also agreed to provide non-recourse financing on a one-on-one basis.

Discounted Lease Rental Borrowings as of May 31 are as follows (in thousands):

	1996 ----	1995 ----
Non-recourse borrowings	\$14,488	\$2,126
Recourse borrowings	250	--
	-----	-----
	\$14,738	\$2,126
	=====	=====

The Company paid interest of \$433,000 for the fiscal year ended May 31, 1996, and \$108,000 for the six months ended May 31, 1995, relating to discounted lease borrowings.

Discounted lease rental borrowings for the fiscal years ended May 31 are payable as follows (in thousands):

1997	\$ 4,106
1998	4,077
1999	2,948
2000	2,263
2001	1,344
Beyond 2001	-

	\$ 14,738
	=====

10. Common Stock

The Company's authorized capital stock consists of 10,000,000 shares of Common Stock, \$.01 par value. To the extent required by section 1123(a)(6) of the Bankruptcy Code, the Company will not issue nonvoting equity securities. In connection with the Plan of Reorganization, 7,000,000 shares were issued to the Liquidating Estate for distribution to the creditors and former shareholders of the Predecessor Company. In October 1995, a wholly-owned subsidiary of the Company acquired 960 shares of the Company's Common Stock as a result of a partial distribution by the Liquidating Estate of the Predecessor Company. The partial distribution was in relation to a prepetition claim against the Predecessor Company by certain partnerships in which the wholly-owned subsidiary acted as general partner. The Company has classified the 960 shares as Treasury Stock in the accompanying balance sheet. Each share of Common Stock entitles the holder to one vote on all matters submitted to a vote of shareholders. The Company does not anticipate the payment of dividends on the Common Stock for the foreseeable future.

11. Stock Option Plan

On July 6, 1995, the Board of Directors adopted the Continental Information Systems Corporation 1995 Stock Compensation Plan (the "1995 Plan"). The 1995 Plan was approved by stockholders at the annual meeting held September 27, 1995, in Syracuse, New York. The 1995 Plan provides for the issuance of options covering up to 1,000,000 shares of Common Stock and stock grants of up to 500,000 shares of Common Stock to non-employee directors of the Company and, in the discretion of the Compensation Committee, employees of and independent contractors and consultants to the Company. As of May 31, 1996, nonqualified stock

options for shares of Common Stock had been granted to non-employee directors as follows:

<TABLE>
<CAPTION>

Date Granted	Number of Options	Exercise Price	Fair Market Value at Date of Grant
-----	-----	-----	-----
<S>	<C>	<C>	<C>
May 16, 1995	15,000	\$ 3.50	\$ 52,500
September 27, 1995	9,000	2.50	22,500
	-----		-----
Balance - May 31, 1996	24,000		\$ 75,000
	=====		=====

</TABLE>

As of May 31, 1996, options for 15,000 shares were exercisable.

In October 1995, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standard No. 123 (FAS 123), "Accounting for Stock-Based Compensation." This Statement defines a "fair value based method" of accounting for an employee stock option or similar equity instrument and encourages all entities to adopt that method of accounting for all their employee stock option plans. However, it also allows an entity to continue to measure compensation cost for those plans using the "intrinsic value based method" of accounting prescribed by APB Opinion No. 25, "Accounting for Stock Issued to Employees." Entities electing to remain with the accounting in Opinion 25 must make pro forma disclosures of net income and earnings per share as if the fair value based method of accounting defined in this Statement had been applied. These pro forma disclosure requirements are effective for financial statements for fiscal years beginning after December 15, 1995. Presently, the Company intends to continue to measure compensation cost for the 1995 Plan using the "intrinsic value based methods" of accounting and present the appropriate disclosures in Fiscal 1997. The differences between the methods are presently not considered material to the financial position or results of operations of the Company.

12. Income Taxes

The Company and its domestic subsidiaries file a consolidated federal income tax return. In April 1994, the Predecessor Company reached a settlement with the Internal Revenue Service relating to taxes for fiscal years through May 1992. The liability associated with this settlement as well as the liability for claims against the Predecessor Company for state income taxes, have been assumed by the Liquidating Estate in connection with the Plan of Reorganization. As part of the aforementioned settlement, the Company is entitled to exclude approximately \$141 million of otherwise taxable income from gross income for the years 1990 through 2005 ("safe harbor income"). However, if the terms of the agreements governing the safe harbor income are substantially modified or if certain other changes take place, the IRS is entitled to seek to include the safe harbor income in the Company's taxable income after Fiscal 1993. Management considers the prospects for such changes and resultant actions to be remote and accordingly has not provided an income tax liability for such income.

As of November 30, 1994, \$5 million in net deferred tax assets were recorded under "fresh start" accounting (net of a valuation allowance of \$7 million) to reflect the amount of deferred tax assets which Management

believed more likely than not to be realized. The Company's total gross deferred tax assets as of the Effective Date were approximately \$12 million. The deferred tax assets relate principally to the net operating loss carryforwards available to offset future taxable income of the Reorganized Company, subject to an annual limitation of approximately \$2 million (limited in the aggregate to approximately \$35 million). These carryforwards expire during the years 2004 to 2010. As of May 31, 1995, deferred tax assets increased to \$6,080,000 as a result of temporary differences arising in the six months ended May 31, 1995.

In determining the amount of deferred tax benefits which are more likely than not to be realized, the Company has projected that a minimum of approximately \$6 million of tax benefits will be generated by post-reorganization operations during the fiscal periods ended through May 31, 2001. In order to realize this level of tax benefit, cumulative pretax income for the periods through 2001 will have to be at least approximately \$15 million, which the Company believes to be achievable. While the Company believes that it will have a long operating life and continue to generate profits from operations beyond that period, Management believes, in the context of the "more likely than not" criteria of FAS 109, that the recognition of benefits in excess of \$6 million would be inappropriate in the circumstances. Any future realization of tax benefits relating to pre-reorganization net operating loss carryforwards in excess of the net \$5 million initially recorded will be recognized as a direct credit to stockholders' equity as required under SOP 90-7.

The components of the provision for income taxes for both continuing and

discontinued operations are as follows (in thousands):

	Reorganized Company		Predecessor Company		
	For the year ended May 31, 1996	For the six months ended May 31, 1995	For the six months ended November 30, 1994	For the year ended May 31, 1994	For the year ended May 31, 1993
Current					
Federal	\$ --	\$ --	\$--	\$--	\$--
State	--	--	45	100	100
Deferred	--	(1,080)	45	100	100
	\$ --	\$(1,080)	\$ 45	\$100	\$100

A reconciliation of income tax expense (benefit) at the statutory rate to reported income tax expense (benefit) for continuing operations follows (in thousands):

	Reorganized Company		Predecessor Company		
	For the year ended May 31, 1996	For the six months ended May 31, 1995	For the six months ended November 30, 1994	For the year ended May 31, 1994	For the year ended May 31, 1993
U.S. Federal statutory rate applied to pretax income (loss) from continuing operations	\$548	\$759	\$ 5,311	\$ 46,515	\$ 5,806
State income taxes, net of federal benefit	63	90	45	100	100
Effect of permanent differences and changes in the valuation allowance	--	--	(5,311)	(46,515)	(5,806)
	\$611	\$849	\$ 45	\$ 100	\$ 100

The income tax effect of the significant temporary differences and carryforwards which give rise to deferred tax assets and liabilities are as follows as of May 31 (in thousands)

	1996	1995
Assets		
Net operating losses	\$ 16,422	\$ 12,000
Other	1,014	1,441
Valuation allowance	(10,125)	(7,361)
Liabilities		
Leased assets	(1,231)	--
	\$ 6,080	\$ 6,080

13. Employee Benefit Plans

The Company maintains a defined contribution 401(k) plan covering substantially all of its employees under which it is obligated to make matching contributions at the rate of 50% of the first 2% of participant earnings contributed to the plan and which provides for an annual discretionary contribution based on participants' eligible compensation. Matching and discretionary contributions made by the Company vest over a five-year period. Company contributions to the plan for the fiscal year ended May 31, 1996, and the six months ended May 31, 1995, were \$76,000 and \$26,000, respectively.

On January 4, 1995, the Company's Board of Directors authorized the Company to enter into "change of control" agreement with six key management employees. If there is a "change of control", as defined in the agreements, and a reduction in duties, title or compensation of the executives, and if the executive leaves (except with cause or due to death or disability) within the 12 months after such change of control, these agreements provide for a payment of 18 months base salary to the executives.

14. Management and Services Agreement

In connection with the Plan of Reorganization, the Company entered into a Management and Services Agreement pursuant to which the Company will provide certain administrative services to the Liquidating Estate. In exchange for such services, the Company will be paid a fee comprised of the allocable share of the Company's direct costs required to perform the agreed upon services plus a 10% markup and reasonable out-of-pocket expenses. The Trustee of the Liquidating Estate can, at his sole discretion, terminate the agreement at any time. Management expects the agreement will be in place through the closing of the Chapter 11 case in approximately two years. The Company received approximately \$537,000 and \$412,000, pursuant to this agreement, in the fiscal year ended May 31, 1996, and the six months ended May 31, 1995, respectively.

15. Commitments and Contingencies

Rental Commitments

The Company has various operating lease agreements for offices and office equipment. These leases generally have provisions for renewal at varying terms. The Company recorded rental expense of \$717,000 for the year ended May 31, 1996, \$597,000 for the six months ended May 31, 1995, \$663,000 for the six months ended November 30, 1994 and \$1,362,000 for the year ended May 31, 1994.

The future minimum lease payments required under operating leases for the fiscal years ended May 31 are as follows (in thousands):

1997	\$	536
1998		97

Contingencies

The Company is a defendant in certain legal actions arising in the normal course of business. Management believes that the outcome of these actions will have no material effect on the Company's financial position or results of operations.

16. Fair Value of Financial Instruments

The following methods and assumptions were used to estimate the fair value of each class of financial instruments:

Cash and cash equivalents and notes receivable - The carrying value approximates fair value because of the short maturity of those instruments.

Discounted lease rental borrowings and notes payable to former owners of acquired company - Fair value of discounted lease rental borrowings and notes payable to former owners of acquired company are based on the borrowing rates currently available to the Company for bank loans with similar terms and average maturities. At May 31, 1996, the fair value of discounted lease rental borrowings and notes payable to former owners of acquired company approximates its carrying value.

The estimated fair values of the Company's financial instruments at May 31, 1996 are as follows:

	Carrying Value	Fair Value
	-----	-----
Assets:		
Cash and cash equivalents	\$ 5,382	\$ 5,382
Notes receivable	2,688	2,688
Liabilities:		
Discounted lease rental borrowings	14,738	14,738
Notes payable to former owners of acquired company	2,304	2,304

SCHEDULE II

<TABLE>
<CAPTION>

CONTINENTAL INFORMATION SYSTEMS CORPORATION

VALUATION AND QUALIFYING ACCOUNTS
THREE YEARS ENDED MAY 31, 1996
(Dollars in thousands)

	Beginning Balance -----	Charged to costs and expenses -----	Charged to other accounts -----	Deductions -----	Ending Balance -----
<S>	<C>	<C>	<C>	<C>	<C>
1994:					
Accounts receivable - allowance for doubtful accounts (Predecessor Company)	\$ (21,971) -----	\$ (1,778) -----	\$ -- -----	\$ 3,281 -----	\$ (20,468) -----
1995:					
Accounts receivable - allowance for doubtful accounts					
- six months ended November 30, 1994 (Predecessor Company)	(20,468) -----	(222) -----	-- -----	20,562* -----	(128) -----
- six months ended May 31, 1995 (Reorganized Company)	(128) -----	(103) -----	-- -----	61 -----	(170) -----
1996:					
Accounts receivable - allowance for doubtful accounts (Reorganized Company)	(170) -----	(34) -----	-- -----	151 -----	(53) -----

</TABLE>

*In connection with the Plan of Reorganization confirmed as of November 29, 1994, a transfer of assets to the Liquidating Estate resulted in a significant reduction in the allowance for doubtful accounts.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON
ACCOUNTING AND FINANCIAL DISCLOSURE

None

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

The Company incorporates herein by reference the information concerning directors and executive officers contained in its Notice of Annual Stockholder's Meeting and Proxy Statement to be filed within 120 days after the end of the Company's fiscal year (the "1996 Proxy Statement").

ITEM 11. EXECUTIVE COMPENSATION

The Company incorporates herein by reference the information concerning executive compensation contained in the 1996 Proxy Statement.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS
AND MANAGEMENT

The Company incorporates herein by reference the information concerning security ownership of certain beneficial owners and management contained in the 1996 Proxy Statement.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The Company incorporates herein by reference the information concerning certain relationships and related transactions contained in the 1996 Proxy Statement.

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS
ON FORM 8-K

(a) The following documents are filed as part of this Annual Report:

Financial Statements. See "ITEM 8. FINANCIAL STATEMENTS AND

Exhibit No.

2.1* Disclosure Statement with respect to Trustee's Joint Plan of Reorganization dated October 4, 1994.

2.2* November 29, 1994 Order Confirming Trustee's Joint Plan of Reorganization dated October 4, 1994.

2.3** Stock Purchase Agreement among CIS Corporation, GMCCCS Corp. (dba Laser Access), Greg M. Cody and Charles C. Sinks, dated March 8, 1996 (Filed as Exhibit 2.1 to the Company's Form 8-K filed March 21, 1996 and incorporated herein by reference).

3.1* Restated Certificate of Incorporation.

3.2** Restated Bylaws (Filed as Exhibit 3.2 to the Company's Form 10-Q for the quarter ended August 31, 1995 and incorporated herein by reference).

10.1* Security Agreement dated December 21, 1994.

10.2* Management and Services Agreement dated December 21, 1994.

10.3* Senior Secured Promissory Note dated December, 1994.

10.4** Letter Agreement Relating to Management and Services Agreement dated December 21, 1994 (Filed as Exhibit 10.4 to the Company's Form 10-Q for the quarter ended November 30, 1994 and incorporated herein by reference).

10.5* Lease dated May 5, 1994 between B.G. Sulzle, Inc. and the Trustee.

10.6* Lease dated April 1, 1993 between John Crimi and Aviron (including renewal letter).

10.7* Extension Agreement dated April 1, 1994 between John Crimi and Aviron.

10.8* Lease dated July 1, 1994 between LaSalle National Trust, N.A. and Aviron.

10.9* Employment Agreement with Richard B. Lasken.

10.10* Change in Control Agreements with Key Management Employees.

10.11** Separation Agreement and Release dated July 6, 1995 between Richard B. Lasken and the Company (Filed as Exhibit 10.12 to the Company's Form 10-K for the fiscal year ended May 31, 1995 and incorporated herein by reference).

10.12** 1995 Stock Compensation Plan (Filed as Exhibit 10.1 to the Company's Form 10-Q for the quarter ended August 31, 1995 and incorporated herein by reference).

10.13** Severance Agreement with Thomas J. Prinzing dated December 6, 1995 (Filed as Exhibit 10.1 to the Company's Form 10-Q for the quarter ended November 30, 1995 and incorporated herein by reference).

10.14** Employment Agreement between CIS Corporation and Greg M. Cody, dated March 8, 1996 (Filed as Exhibit 10.1 to the Company's Form 8-K filed March 21, 1996 and incorporated herein by reference).

10.15** Employment Agreement between CIS Corporation and Charles C. Sinks, dated March 8, 1996 (Filed as Exhibit 10.2 to the Company's Form 8-K filed March 21, 1996 and incorporated herein by reference).

10.16 Multi-facility Loan and Security Agreement between CIS Corporation and Heller Financial, Inc., dated March 27, 1996.

10.17 Loan and Security Agreement between CIS Corporation and CoreStates Bank, N.A., dated July 9, 1996.

22.1 Subsidiaries of the Company.

23.1 Consent of Independent Accountants.

27.1 Financial data schedule.

* Filed as an exhibit to the Company's amended Form 10 Registration Statement (Commission File No. 0-25104), originally filed November 10, 1994 and incorporated herein by reference.

** Incorporated by reference.

(b) Reports on Form 8-K

The Company filed the following reports on Form 8-K on the dates indicated during the last quarter of the Company's fiscal year:

Date	Description
----	-----
March 21, 1996	The Company reported it acquired, through its wholly-owned subsidiary CIS Corporation, 100% of the capital stock of GMCCCS (dba "LaserAccess"), a privately held California corporation. The capital stock was acquired from the two former owners of the business; (1) Greg M. Cody of Rancho Santa Fe, California, and (2) Charles C. Sinks of San Diego, California for a purchase price of approximately \$4,608,000. The items reported in this filing were Item 2 "Acquisition or Disposition of Assets" and Item 7 "Financial Statements and Exhibits" and the following financial statements of GMCCCS (dba "LaserAccess") were filed therewith:

FINANCIAL STATEMENTS OF BUSINESS ACQUIRED

Report of Independent Accountants.

Balance Sheets of GMCCCS Corp. (dba LaserAccess) as of December 31, 1995 and 1994.

Statements of Operations and Retained Earnings (Accumulated deficit) of GMCCCS Corp. (dba LaserAccess) for the year ended December 31, 1995, the seven months ended December 31, 1994, the year ended May 31, 1994 and the year ended May 31, 1993.

Statements of Cash Flows of GMCCCS Corp. (dba LaserAccess) for the year ended December 31, 1995, the seven months ended December 31, 1994, the year ended May 31, 1994 and the year ended May 31, 1993.

Notes to Financial Statements.

On May 7, 1996, the Company amended this Form 8-K by filing Form 8-K/A. The item reported in such amendment was Item 7 "Financial Statements and Exhibits" and the following pro forma financial information of the Company and GMCCCS (dba LaserAccess) were filed therewith:

Pro Forma Financial Information.

Unaudited Pro Forma Consolidated Balance Sheet as of February 29, 1996.

Unaudited Pro Forma Consolidated Statement of Operations for the nine months ended February 29, 1996.

Unaudited Pro Forma Consolidated Statement of Operations for the year ended May 31, 1995.

Notes to Unaudited Pro Forma Consolidated Statements.

April 26, 1996	Press Release Announcing Financial Facility and Vendor Program.
----------------	---

June 10, 1996	Press Release Announcing Fourth Quarter Charge.
---------------	---

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

CONTINENTAL INFORMATION SYSTEMS
CORPORATION

BY: /s/ THOMAS J. PRINZING

Thomas J. Prinzing
President, Chief Executive Officer and Director

BY: /s/ FRANK J. CORCORAN

Frank J. Corcoran
Senior Vice President, Chief Financial Officer,
Treasurer and Secretary

Dated: August 15, 1996

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and the dates indicated:

<TABLE>
<CAPTION>

Signature -----	Title -----	Date ----
<S> /s/ DR. LEON H. BLOOM ----- Dr. Leon H. Bloom	<C> Director	<C> August 15, 1996
/s/ ARTHUR R. BREHM ----- Arthur R. Brehm	Director	August 15, 1996
/s/ JAMES P. HASSETT ----- James P. Hassett	Director and Chairman of the Board	August 15, 1996
/s/ MICHAEL L. ROSEN ----- Michael L. Rosen	Director	August 15, 1996
/s/ PAUL M. SOLOMON ----- Paul M. Solomon	Director	August 15, 1996

</TABLE>

INDEX TO EXHIBITS

Exhibit No. -----	Description -----
10.16	Multi-facility Loan and Security Agreement between CIS Corporation and Heller Financial, Inc., dated March 27, 1996.
10.17	Loan and Security Agreement between CIS Corporation and CoreStates Bank, N.A., dated July 9, 1996.
22.1	Subsidiaries of the Company.
23.1	Consent of Independent Accountants.
27.1	Financial data schedule.

ARTICLE I

DEFINITIONS

ARTICLE II

ADVANCES AND TERMS OF PAYMENT

- 2.1 Discretionary Borrowing/Lending
- 2.2 Warehouse, Limited Recourse & Non-Recourse Facilities
 - 2.2.1 Procedure for Borrowing
 - 2.2.2 Reborrowing
- 2.3 Termination of Facility

- 2.4 Interest Rate, Computation

- 2.5 Payments

- 2.6 Prepayment

 - 2.6.1 Voluntary Prepayment

 - 2.6.2 Mandatory

 - 2.6.3 No Other Prepayments Permitted
 - 2.6.4 Involuntary Prepayment

 - 2.6.5 Release of Lender Lien(s)

- 2.7 Late Charges; Default Rate

- 2.8 Payment after Borrower Event of Default

- 2.9 Maximum Interest

- 2.10 Limited Recourse Facility Fee

- 2.11 Method of Payment; Good Funds

ARTICLE III

NOTE; SECURITY INTEREST

- 3.1 Note
- 3.2 Grant of Security Interest
- 3.3 Substitution of Contracts
- 3.4 Recourse Reserve Account

ARTICLE IV

CONDITIONS OF CLOSING; ADVANCES

- 4.1 Conditions of Closing
 - 4.1.1 Representations and Warranties

 - 4.1.2 Delivery

 - 4.1.3 Security Interests

 - 4.1.4 Opinion of Counsel

 - 4.1.5 Performance; No Default

 - 4.1.6 Approval of Loan Documents and Security Interests

 - 4.1.7 Material Adverse Change

- 4.2 Conditions of Advances

 - 4.2.1 Representations and Warranties

 - 4.2.2 Delivery of Documents

 - 4.2.3 Security Interests

 - 4.2.4 Additional Conditions

ARTICLE V

REPRESENTATIONS AND WARRANTIES

ARTICLE VI

AFFIRMATIVE COVENANTS

ARTICLE VII

NEGATIVE COVENANTS

ARTICLE VIII

BORROWER AND CONTRACT EVENTS OF DEFAULT

- 8.1 Definitions
 - 8.1.1 Borrower Events of Default -- Definition
 - 8.1.2 Contract Events of Default -- Definition
- 8.2 Remedies

 - 8.2.1 Borrower Events of Default-- Remedies

 - 8.2.2 Contract Event of Default-- Remedies

8.3	Recourse
8.3.1	Full Recourse
8.3.2	Limited Recourse
8.3.3	Non-Recourse
8.4	Reassignment of Facility Contracts
8.5	Power of Attorney
8.6	Expenses
8.7	Application of Funds

ARTICLE IX

CLOSING

ARTICLE X

MISCELLANEOUS

10.1	Rights, Remedies and Powers
10.2	Modifications, Waivers and Consents
10.3	Communications
10.4	Severability
10.5	Survival
10.6	Attorneys' Fees and Other Expenses
10.7	Indemnity
10.8	Binding Effect
10.9	Assignments; Participations
10.10	Further Assurances
10.11	GOVERNING LAW, CONSENT TO JURISDICTION AND SERVICE OF PROCESS
10.12	WAIVER OF JURY TRIAL
10.13	Possession and Use of Facility Equipment
10.14	Constructive Trust for Certain Payments
10.15	Direct Billing and Collecting Option

MULTI-FACILITY LOAN AND SECURITY AGREEMENT

This Multi-Facility Loan and Security Agreement is entered into as of March 27, 1996 between CIS Corporation ("Borrower"), a New York corporation, having its principal place of business at One Northern Concourse, Syracuse, New York 13221-4785, and Heller Financial, Inc., a Delaware corporation ("Lender").

PRELIMINARY STATEMENT:

Borrower desires to borrow certain sums from Lender to be used to finance Borrower's leasing and/or lending activities with respect to certain Eligible Equipment (this and all other capitalized terms are defined in Section 1.1 below) under an interim credit facility ("Warehouse Facility") and two ongoing term loan facilities, one on a limited recourse basis ("Limited Recourse Facility"), and the other on a non-recourse basis ("Non-Recourse Facility"). Lender is willing to provide such funds, subject to the terms and conditions set forth below.

ARTICLE I

DEFINITIONS

1.1 Definitions. As used in this Agreement and in the other Loan Documents, unless otherwise expressly indicated herein or therein, the following terms shall have the following meanings (such definitions to be applicable both to the singular and plural terms defined):

Acquisition Cost: all costs and expenses incurred by an End-User (in the case of installment/conditional sales contracts) or by Borrower (in the case of any Leases with Borrower as lessor) in connection with the acquisition of any Eligible Equipment, including, without limitation, sales or use taxes, freight or installation costs, and license fees, but excluding any deposits (including security deposits) or down payments made by End-User.

Advance: a Limited Recourse Facility Advance, a Non-Recourse Facility Advance, or a Warehouse Facility Advance.

Affiliate: any Person that directly or indirectly, through one or more intermediaries, controls or is controlled by or is under common control with another Person. The term "control" means possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a Person, whether through the ownership of voting securities, by contract or otherwise. For the purposes hereof, any Person which owns or controls, directly or indirectly, 51% or more of the securities of another Person shall be deemed to "control" such Person.

Agreement or Loan and Security Agreement: this Multi-Facility Loan and Security Agreement, as amended or supplemented at any time.

Amortization Schedule: a schedule approved by Lender for the repayment of each Limited Recourse and/or Non-Recourse Facility Advance.

Approved Contract Term: without the prior written approval of Lender, a period of time not less than 24 months and not more than 60 months.

Assignment: the assignment of Contracts, and any Lien applicable thereto in the form of Exhibit A executed by Borrower in favor of Lender.

Bank: Chase Manhattan Bank.

Borrower Event of Default: any of the Events of Default described in Section 8.1.1.

Borrower Lien: a Lien on Collateral granted by an End-User to Borrower, which Lien has been assigned by Borrower to Lender pursuant to an Assignment.

Borrower's Obligations: (i) all liabilities, obligations and covenants imposed upon Borrower pursuant to the terms of the Loan Documents, and (ii) all costs of litigation, collection, reasonable attorneys' fees and other costs expended or incurred in connection with the enforcement of Lender's rights hereunder and with respect to the Contracts and the Facility Equipment.

Business Day: any day other than (i) a Saturday, (ii) Sunday or (iii) other day on which The First National Bank of Chicago, Chicago, Illinois is closed.

Casualty: an event in which any item of Facility Equipment or any portion thereof is lost, damaged (and such damage cannot reasonably be repaired by Borrower or an End-User of such Facility Equipment within 90 days), destroyed, stolen, confiscated, requisitioned or condemned regardless of cause.

Casualty Payments: all proceeds of the Collateral which arise out of any Casualty, including, without limitation, insurance claims, tort claims, or reimbursement payments with respect to claims for indemnity.

Certificate of Acceptance: a certificate of delivery and acceptance executed by an End-User pursuant to a Contract with respect to Facility Equipment, substantially in the form included in Group Exhibit C.

Closing: the execution by Borrower and Lender of the Loan Documents.

Closing Certificate: a certificate in the form of Exhibit D executed by a Responsible Officer on behalf of Borrower.

Closing Date: the date upon or as of which the Closing occurs.

Collateral: the Property described in Section 3.2.

Contract: (i) a lease of Eligible Equipment by and between Borrower, as lessor, and an End-User, as lessee, or (ii) a note and security agreement/conditional sale contract by and between Borrower, as secured party, and an End-User, as debtor.

Contract Event of Default: the Event of Default described in Section 8.1.2.

Contract Funding Request: a request for an Advance in the form of Exhibit H delivered by Borrower to Lender, with all attachments as specified therein.

Contract Payment Letter: a letter in the form of Exhibit I.

Contract Proceeds: funds received by Borrower with respect to any Facility Contract or any Facility Equipment which is the subject of a Facility Contract.

Default Rate: an annual rate equal to 2% plus the Non-Recourse Facility Rate, the Limited Recourse Facility Rate, or the Warehouse Facility Rate, as applicable.

Default Rate Period: a period of time commencing on the date that Lender declares in writing to Borrower that a Borrower Event of Default has occurred and that the Default Rate is applicable and ending on the date that such Borrower Event of Default is cured or waived.

Disbursement Date: any date on or after the Closing Date upon which the proceeds of any Advance are disbursed.

Eligible Contract: a Contract (i) as to which the applicable Facility Funding Amount will not exceed the sum of \$1,500,000.00 nor be less than \$100,000.00 without the prior written approval of Lender, (ii) which conforms to the Underwriting Guidelines, (iii) meets all of the requirements set forth in Section 5.9 and all subsections thereunder, and (iv) which is in all other respects acceptable to Lender.

Eligible End-User: an End-User (i) which is not in bankruptcy or receivership or subject to a reorganization proceeding of any kind or insolvent, (ii) which is not in default or breach under any of the terms of the applicable Contract, and (iii) which, pursuant to the Underwriting Guidelines, is a financially responsible and creditworthy commercial or institutional entity (other than a Governmental Body).

Eligible Equipment: Equipment (i) which is new or refurbished, (ii) which is in good condition, repair and working order, (iii) which is insured in the manner provided in the applicable Contract, (iv) (A) which is owned by Borrower free and clear of all Liens except a Lender Lien, or (B) in which the End-User thereof has granted Borrower a security interest free and clear of all Liens except Permitted Liens, (v) which is located within the United States, (vi) which is subject to an Eligible Contract, and (vii) which is otherwise approved by Lender.

End-User: the end-user under a Contract.

Equipment: equipment which has been approved by Lender, free and clear of all liens and encumbrances, together with all substitutions and replacements for such equipment, and all accessories, attachments, parts,

upgrades, features and peripheral equipment now or hereafter attached to or used in connection therewith.

Event of Default: any Borrower Event of Default or Contract Event of Default.

Evidence of Insurance: either (i) an original certificate of insurance, (ii) documentation sufficient to establish coverage under a previously approved policy of Borrower, or (iii) if approved in writing by Lender, evidence of self-insurance by an End-User under a Facility Contract.

Facility: the Advances to be made by Lender to Borrower under the Limited Recourse Facility, the Non-Recourse Facility and/or the Warehouse Facility.

Facility Contract: an Eligible Contract which is subject to an Advance, along with all applicable related documentation. For the purposes of this Agreement, all references to a schedule under a Facility Contract shall be deemed to incorporate the terms and conditions of the related master Lease.

Facility Equipment: any Equipment which is the subject of a Facility Contract.

Facility Funding Amount: Warehouse Facility Funding Amount, Limited Recourse Facility Funding Amount, and/or the Non-Recourse Facility Funding Amount, as applicable.

Facility Funding Rate: the Limited Recourse Facility Rate, the Non-Recourse Facility Rate, and/or the Warehouse Facility Rate, as applicable.

Federal Release: Federal Reserve Statistical Release No. H.15(519) under the caption "U.S. Government Securities/Treasury Constant Maturities" or any successor publication providing information as to the yields of Treasury Notes.

GAAP: generally accepted accounting principles as in effect from time to time, which shall include the official interpretations thereof by the Financial Accounting Standards Board, consistently applied.

Good Funds: United States dollars available to Lender in Federal funds at or before 2:00 p.m. Chicago time on a Business Day.

Governmental Body: any foreign, federal, state, municipal or other government, or any department, commission, board, bureau, agency, public authority or instrumentality thereof or any court or arbitrator.

Incipient Default: any event or condition which, with the giving of notice or the lapse of time, or both, would become an Event of Default.

Intangible Collateral: as defined in Section 3.2(b).

Lease: any lease agreement or master lease agreement pertaining to Equipment between Borrower, as lessor and another Person, as lessee.

Lender Lien: the Lien on the Collateral granted by Borrower to Lender pursuant to Article III of this Agreement.

Lien: any mortgage, deed of trust, hypothecation, pledge, security interest, encumbrance, lien or charge of any kind (including any agreement to give any of the foregoing), any conditional sale or other title retention agreement or any lease in the nature of any of the foregoing.

Limited Recourse Facility: the Advances to be made by Lender to Borrower pursuant to subsection 2.2.1.

Limited Recourse Facility Funding Amount: with respect to each Facility Contract which is proposed to be made the subject of a Limited Recourse Facility Advance, the lesser of (i) the present value of all payments due thereunder (with the exception of any residuals, purchase options or security deposits) for the Approved Contract Term of each such Facility Contract, using a discount rate to determine such present value equal to the Limited Recourse Facility Rate, or (ii) 100% of the Acquisition Cost for each item of Facility Equipment, provided, however, that ten percent (10%) of the Limited Recourse Facility Funding Amount shall be placed into the Recourse Reserve Account and be subject to the related provisions hereof.

Limited Recourse Facility Note: a promissory note in the form of Exhibit G2 executed by Borrower in favor of Lender.

Limited Recourse Facility Rate: a fixed per annum interest rate equal to the sum of (i) 3.50%; and (ii) the weekly average U.S. Treasury Constant Maturities for a Treasury Note having approximately an equal term as the weighted average term of the Contracts subject to the Advance, as reported by the Federal Reserve for the calendar week immediately preceding funding of a Limited Recourse Facility Advance.

Limited Recourse Facility Contract: a Contract subject to an Advance under the Limited Recourse Facility.

Loan Documents: this Agreement, the Notes, the Assignments, the Contract Funding Requests, the Closing Certificate, UCC financing statements, and all other documents, instruments, and certificates executed by Borrower pursuant to this Agreement.

Loan Repayment Amount: with respect to an Advance at any time, the aggregate unpaid principal of, and accrued interest (including any interest accrued at the Default Rate) computed in accordance with the simple interest method, on such Advance. For purposes of this Agreement the simple interest method shall mean a constant interest charge based upon a declining principal balance.

Lockbox: the arrangement with the Bank, which shall be a financial institution acceptable to Lender in its sole discretion, who will act as the agent for collection of all remittances and proceeds due to Borrower from End-Users subject to Facility Contracts, and which shall be identified as follows:

Lockbox Agreement: the agreement among Borrower, Lender and Bank, substantially in the form attached hereto as Exhibit F, which shall set forth the terms, conditions and provisions of the Lockbox.

Net Loss:

(a) the amount of the Loan Repayment Amount for a given Facility Contract, plus any and all costs of repossession, retaking, storing, repairing, and refurbishing the Equipment, including reasonable attorneys' fees and expenses);

less

(b) those amounts recovered, if any, by Borrower, whether from End-User, a guarantor, the resale or re-lease of the Equipment, or otherwise, providing that all resale terms are subject to Lender's prior approval, which shall not be unreasonably withheld.

Non-Recourse Facility: the Advances to be made by Lender to Borrower pursuant to subsection 2.2.1.

Non-Recourse Facility Funding Amount: with respect to each Facility Contract which is proposed to be made the subject of a Non-Recourse Facility Advance, the lesser of (i) the present value of all payments due thereunder (with the exception of any residuals, purchase options or security deposits) for the Approved Contract Term of each such Facility Contract, using a discount rate to determine such present value equal to the Non-Recourse Facility Rate, or (ii) 100% of the Acquisition Cost for each item of Facility Equipment.

Non-Recourse Facility Note: a promissory note in the form of

Exhibit G3 executed by Borrower in favor of Lender in conjunction with each Non-Recourse Facility Advance.

Non-Recourse Facility Rate: a fixed per annum interest rate equal to the sum of (i) a premium ranging from 2.00% to 3.50% as announced by Lender five (5) days prior to funding of the related Advance; and (ii) the weekly average U.S. Treasury Constant Maturities for a Treasury Note having approximately an equal term as the weighted average term of the Contracts subject to the Advance, as reported by the Federal Reserve for the calendar week immediately preceding funding of a Non-Recourse Facility Advance.

Non-Recourse Facility Contract: a Contract subject to an Advance under the Non-Recourse Facility.

Note(s): the Warehouse Facility Note, the Limited Recourse Facility Note and the Non-Recourse Facility Note(s).

Ordinary Prepayment Premium: (i) Three Percent (3%) of the amount prepaid if prepaid prior to the first anniversary of the related Disbursement Date, (ii) Two Percent (2%) of the amount prepaid if prepaid after the first anniversary to the second anniversary of the related Disbursement Date, (iii) One Percent (1%) of the amount prepaid if prepaid after the second anniversary of the related Disbursement Date.

Permitted Liens: any of the following Liens: (i) the Lender Lien; (ii) the Contracts; (iii) any Borrower Lien; (iv) any Liens expressly subordinate to (i), (ii) and/or (iii) above; and (v) Liens for taxes or assessments and similar charges, which either are (A) not delinquent or (B) being contested diligently and in good faith by appropriate proceedings, and as to which Borrower has set aside adequate reserves on its books.

Permitted Substitution: the substitution by Borrower of an Eligible Contract for a Facility Contract, in accordance with the provisions of Section 3.3.

Person: any individual, sole proprietorship, partnership, joint venture, trust, unincorporated organization, association, corporation, institution, entity, party or Governmental Body.

Prime: the "corporate base rate" of interest publicly announced from time to time by The First National Bank of Chicago.

Property: all types of real, personal or mixed property and all types of tangible or intangible property.

Recourse Reserve Account: the reserve account described in Section 3.4.

Remarketing Period: a 120 day period commencing from the date

Borrower is required to prepay the unpaid portion of a Limited Recourse Facility Advance or Warehouse Facility Advance, or undertake a Permitted Substitution hereunder with respect to a Contract Event of Default.

Responsible Officer: any of the Chairman, President, Treasurer, Secretary or Vice President of Borrower.

Sale Proceeds: the gross proceeds received by Borrower with respect to any sale of Facility Equipment, less any reasonable remarketing fees paid or costs incurred (including internal commissions) by Borrower with respect to any such sale; provided, however, that such fees and costs shall not exceed five percent (5%) of the Loan Repayment Amount of the related Facility Contract without Lender's prior written consent.

Treasury Notes shall mean unsecured promissory notes issued, from time to time, as an obligation of the United States Government by the Secretary of the Treasury in various denominations and with stated maturity dates from the date of issue.

UCC: the Uniform Commercial Code.

Underwriting Guidelines: the recourse and non-recourse credit/underwriting guidelines for discussion purposes only, set forth in Exhibit D hereof.

U.S. Treasuries Constant Maturities: as defined in the Federal Release.

Warehouse Facility shall mean the warehouse facility made available from Lender to Borrower pursuant to subsection 2.2.1.

Warehouse Facility Funding Amount: shall mean with respect to each Facility Contract which is proposed to be made the subject of a Warehouse Facility Advance, the lesser of (i) the present value of all payments due thereunder (with the exception of any residuals, purchase options or security deposits) for the Approved Contract Term of each such Facility Contract, using a discount rate to determine such present value equal to the Warehouse Facility Rate in effect five (5) Business Days prior to the related Advance, or (ii) 100% of the Acquisition Cost for each item of Facility Equipment.

Warehouse Facility Note: a full recourse promissory note in the form of Exhibit G1 executed by Borrower in favor of Lender.

Warehouse Facility Rate: with respect to each Warehouse Facility Advance, a floating per annum rate equal to Prime plus 2.00%.

1.2 Time Periods. In this Agreement and the other Loan Documents, in the computation of periods of time from a specified date to a later specified date (i) the word "from" means "from and including," (ii) the words "to" and "until" each mean "to, but excluding" and (iii) the words "through," "end of" and

"expiration" each mean "through and including." All references in this Agreement and the other Loan Documents to "month," "quarter" or "year" shall be deemed to refer to a calendar month, quarter or year.

1.3 Accounting Terms. Unless otherwise specified in this Agreement, all accounting terms used herein shall be construed, all accounting determinations hereunder shall be made, and all financial statements required to be delivered pursuant hereto shall be prepared in accordance with GAAP.

1.4 References. All references in this Agreement to an "Article," "Section," "subsection," "subparagraph," "clause" or "Exhibit," unless otherwise indicated, shall be deemed to refer to an Article, Section, subsection, subparagraph, clause or Exhibit, as applicable, of or to this Agreement.

1.5 Lender's Discretion. Whenever the terms "satisfactory to," "determined by," "acceptable to," "shall elect," "shall request," or similar terms are used in this Agreement or any of the other Loan Documents to apply to Lender, except as otherwise specifically provided herein or therein, such terms shall mean satisfactory to, at the election of, determined by, acceptable to, or requested by, Lender, in its sole, but reasonable, discretion.

1.6 Statements as to Knowledge. Any statements, representations or warranties which are based upon the best knowledge of Borrower shall be deemed to have been made after due inquiry with respect to the matter in question.

ARTICLE II

ADVANCES AND TERMS OF PAYMENT

2.1 Discretionary Borrowing/Lending. Notwithstanding the other provisions of this Agreement, Advances hereunder shall be made only when both (i) Borrower, in its sole discretion, desires to borrow money from Lender, and (ii) Lender, in its sole discretion, desires to loan money to Borrower; it being agreed that this Agreement shall not be construed as imposing any duty on Borrower to borrow from Lender, nor any duty on Lender to loan to Borrower.

2.2 Warehouse, Limited Recourse & Non-Recourse Facilities. The Warehouse Facility is a full recourse warehouse line of credit in the maximum amount outstanding at any one time of up to One Million Dollars (\$1,000,000.00), which, subject to the provisions of subsection 2.2 shall be made available to Borrower by Lender. At such times as the total amount outstanding under the Warehouse Facility reaches One Million Dollars (\$1,000,000), and provided (i) that no Borrower Event of Default is then existing, (ii) no Contract Event of Default is then existing with respect to the Contracts subject to the related Warehouse Facility Advance, and (iii) all required documentation reasonably satisfactory to Lender shall have been received, Lender shall have the right to pay down the Warehouse Facility through the delivery of proceeds of a Limited Recourse Facility Advance or Non-Recourse Facility Advance, and thereupon all affected Warehouse Facility Contracts will be subject to the terms of the Limited Recourse Facility Advance or Non-Recourse Facility Advance, as applicable. With respect to such Facility Contract(s) which are to be converted from the

Warehouse Facility ("Converted Contracts"), upon such conversion, Borrower shall pay to Lender the difference, if any, between (i) the balance in the Warehouse Facility with respect to such Converted Contracts, and (ii) the Limited Recourse Facility Funding Amount or Non-Recourse Facility Funding Amount, as applicable, with respect to such Converted Contracts.

The Limited Recourse Facility is a term loan to fund Limited Recourse Facility Contracts, in the maximum amount outstanding at any one time of up to Five Million Dollars (\$5,000,000.00) less any amounts outstanding under the Warehouse Facility, which, subject to the provisions of subsection 2.2.2 shall be made available to Borrower by Lender.

The Non-Recourse Facility is a series of term loans to fund Non-Recourse Facility Contracts which, subject to the provisions of subsection 2.2.2 shall be made available to Borrower by Lender.

2.2.1 Procedure for Borrowing. Subject to the satisfaction of the terms and conditions set forth in Sections 2.1, 2.2, 4.1 (Closing) and 4.2 (Advances), on or after the Closing Date Lender shall disburse the proceeds of any Advance as Borrower may request in the related Contract Funding Request. The Contract Funding Request shall specify: (A) under which Facility the requested Advance is to be made, (B) if the requested Advance is for the Warehouse Facility, whether the Limited Recourse Facility or the Non-Recourse Facility will be used to pay down the subject Warehouse Advance, (C) the date such Advance is to be made, which shall be a Business Day not less than 5 Business Days after the delivery to Lender of such Contract Funding Request, and (D) the amount of Advance, which shall not exceed the applicable Facility Funding Amount, and without the written consent of Lender, be not less than Seven Hundred Fifty Thousand Dollars (\$750,000.00) under the Limited Recourse Facility; One Hundred Fifty Thousand Dollars (\$150,000.00) under the Non-Recourse Facility, not less than Five Hundred Thousand Dollars (\$500,000.00) under the Warehouse Facility for Facility Contracts to be ultimately financed under the Limited Recourse Facility, and One Hundred Fifty Thousand Dollars (\$150,000.00) under the Warehouse Facility for Facility Contracts to be ultimately financed under the Non-Recourse Facility. Lender shall not be obligated to make any Advance (i) if an Incipient Default or Event of Default exists if the requested Advance is made, (ii) any more frequently than four times each month under the Warehouse Facility and four times each month under the Limited Recourse Facility or Non-Recourse Facility, or (iii) with respect to any Contract which Lender determines is not an Eligible Contract or for an End-User which Lender determines is not an Eligible End-User.

2.2.2 Reborrowing. Borrower shall be entitled to reborrow any portion of the Advance which is repaid or prepaid.

2.3 Termination of Facility. After March 27, 1997, upon not less than sixty (60) days' prior notice, either party may notify the other of its intention not to seek/provide any further financing hereunder; provided, however, that notwithstanding the foregoing, all of Borrower's Obligations shall

survive any expiration or termination of this Agreement and/or the termination of any Facility Contract.

2.4 Interest Rate, Computation. Each Advance shall bear interest at the respective Limited Recourse Facility Rate, Non-Recourse Facility Rate or Warehouse Facility Rate, as applicable, which Rates shall be computed on the basis of a year consisting of 360 days and charged for the actual number of days during the period for which interest is being charged. Except as may be set forth elsewhere herein, accrued and unpaid interest on each Warehouse Facility Advance shall be due and payable monthly in arrears on the first Business Day of each month commencing with the first month immediately following the month in which such Advance is made. The principal balance of each Warehouse Facility Advance shall be payable on the earlier to occur of (i) one hundred twenty (120) days after the related Disbursement Date, or (ii) the delivery of proceeds of a Limited Recourse Facility Advance or a Non-Recourse Facility Advance which are applied to the related Warehouse Facility Advance for the same Facility Contract(s), to the extent the principal balance of such Warehouse Facility Advance is not paid in full as a result thereof.

2.5 Payments. Provided the Borrower is not in default, Borrower, at its sole cost and expense, shall be responsible for the billing and collecting of the payments due under any Contract(s). All billing with respect to Facility Contracts shall be accomplished by separate invoices (i.e., not included in invoices to the same End-User for rentals or other payments due under any other agreement between Borrower and End-User), and shall direct the End-Users to forward all Facility Contract remittances (for so long as such remittances pertain to a Facility Contract) to the Lockbox, which shall be subject to the Lockbox Agreement, and at the Bank. The fees and expenses of such Lockbox shall be payable by Borrower. With respect to Warehouse Facility Advances and Limited Recourse Facility Advances, Lender and Borrower shall agree on a monthly due date by which Borrower shall pay to Lender the amounts due under the related Facility Contracts, whether or not such amounts have been remitted by such End-Users. With respect to Non-Recourse Facility Contracts, on or before the due date set forth in each Facility Contract, or the next occurring Business Day, commencing with the first month following the Advance with respect thereto, Borrower shall pay the amounts due under such Facility Contracts to Lender, if such amounts have been received by Borrower, either directly or via the Lockbox. All payments made pursuant to this subsection 2.5 shall be applied first, to any accrued and unpaid fees and expenses then owed by Borrower to Lender; second, to accrued and unpaid interest then due Lender calculated at the Limited Recourse, Non-Recourse or Warehouse Facility Rate, as applicable, through the last date of such immediately preceding month, and third, to principal due Lender on the Advance with respect to which the payment has been made until paid in full.

2.6 Prepayment.

2.6.1 Voluntary Prepayment. Borrower may prepay one or more Advances under the Warehouse Facility in accordance with the terms of the next two sentences of this subsection, except that such prepayment shall be without premium or penalty, and that Borrower shall provide at least five (5) Business Days' prior notice received by Lender. Borrower may

prepay one or more Advances under the Limited Recourse Facility and/or Non-Recourse Facility upon at least thirty (30) Business Days' prior notice received by Lender, by paying to Lender the amount of such prepayment, plus all accrued and unpaid interest (at the applicable Facility Funding Rate(s) or Default Rate) calculated in accordance with the simple interest method, plus the amount of the Ordinary Prepayment Premium applicable thereto. For purposes of this Agreement the simple interest method shall mean a constant interest charge based upon a declining principal balance. Upon request by Borrower, Lender shall, as soon as practicable, provide to Borrower the amount of Borrower's Obligations which must be repaid to Borrower to satisfy the requirements of this paragraph.

2.6.2 Mandatory.

(a) Termination of Contract due to End-User Buyout. If an End-User voluntarily terminates a Facility Contract before its scheduled expiration by exercising an option to purchase the Facility Equipment, Borrower shall prepay the associated Advance within ten (10) Business Days of such termination by paying to Lender (i) the Loan Repayment Amount with respect to such Advance, along with (ii) the applicable Ordinary Prepayment Premium. Notwithstanding the foregoing, if Borrower elects to exercise its right of Permitted Substitution with respect to such terminated Facility Contract, no Ordinary Prepayment Premium shall be payable with respect thereto.

(b) Casualty. If (i) any Equipment subject to a Warehouse or Limited Recourse Advance is lost or damaged, (ii) the manufacturer of the Equipment determines that such Equipment cannot be repaired, and (iii) the End-User elects not to replace the Equipment and instead to pay a stipulated loss value or casualty value (as such is defined in the applicable Facility Contract) for such Equipment, then, within ten (10) Business Days following a period of ninety (90) days after the determination is made by the Equipment manufacturer that the Equipment cannot be repaired, Borrower shall prepay the associated Warehouse or Limited Recourse Advance by paying to Lender the Loan Repayment Amount with respect to such Warehouse or Limited Recourse Advance, and, to the extent Borrower is able to collect sufficient proceeds from the insurance carrier and/or the End-User, an amount to additionally reimburse Lender for costs incident to breaking its corresponding debt, which shall not exceed three percent (3%) of the principal amount prepaid, and which shall be evidenced by a certificate prepared by Lender showing, in reasonable detail, the calculation of such costs. No Ordinary Prepayment Premium shall be payable in respect to a mandatory prepayment made pursuant to this subsection.

(c) Contract Event of Default. If Borrower prepays an Advance pursuant to Section 8.2.2 hereof with respect to a Contract Event of Default, no Ordinary Prepayment Premium shall be payable

by Borrower to Lender in connection with any such prepayment.

(d) Early Termination without End-User Buyout. If a Facility Contract is voluntarily terminated by a End-User prior to the scheduled expiration, without the exercise of a purchase option, Borrower shall prepay the associated Advance within thirty (30) days of such event by paying to Lender the (i) Loan Repayment Amount and the (ii) Ordinary Prepayment Premium with respect to such Advance. Notwithstanding the foregoing, if Borrower elects to exercise its right of Permitted Substitution with respect to such terminated Facility Contract, no Ordinary Prepayment Premium shall be payable with respect thereto.

2.6.3 No Other Prepayments Permitted. No Advance may be prepaid except as otherwise expressly provided in this Agreement unless Borrower pays the Ordinary Prepayment Premium together with the Loan Repayment Amount for such Advance.

2.6.4 Involuntary Prepayment. Any prepayment of the Advances received by Lender resulting from the exercise by Lender of any remedy available to Lender subsequent to the occurrence of a Borrower Event of Default and the acceleration of Borrower's Obligations shall be deemed to be a mandatory prepayment, and the applicable Ordinary Prepayment Premium shall be payable with respect thereto.

2.6.5 Release of Lender Lien(s). Upon payment in full of the Loan Repayment Amount and the Ordinary Prepayment Premium, if any, due under Section 2.6.2(a) or 2.6.2(d) hereof, Lender shall release the applicable Lender Lien(s) in the related Collateral.

2.7 Late Charges; Default Rate. If any payment of principal or interest to be made by Borrower to Lender under the Facility becomes past due for a period of 10 days, Borrower shall pay to Lender on demand a late charge of five percent (5%) of the amount of such overdue payment, provided, however, that such late charges shall only apply to Non-Recourse Facility Contracts if Contract Proceeds have been received by Borrower, either directly or via the Lockbox, and not remitted to Lender on a timely basis. In addition, during a Default Rate Period, Borrower's Obligations pertaining to the Facility shall bear interest at the Default Rate.

2.8 Payment after Borrower Event of Default. Upon the occurrence and during the continuation of a Borrower Event of Default, all Contract Proceeds pertaining to Facility Contracts and/or Facility Equipment shall be applied by Lender in such manner as Lender shall determine.

2.9 Maximum Interest. Notwithstanding any provision to the contrary herein contained, Lender shall not collect a rate of interest on any obligation or liability due and owing by Borrower to Lender in excess of the maximum contract rate of interest permitted by applicable law. Lender and Borrower have agreed that the interest laws of the State of Illinois shall govern the

relationship between them, but in the event of a final adjudication to the contrary, nunc pro tunc, Borrower shall be obligated to pay to Lender only such interest as then shall be permitted by the applicable laws of the State found to govern the contract relationship between Lender and Borrower. All interest found in excess of that rate of interest allowed and collected by Lender shall be applied to the Advances in such manner as to prevent the payment and collection of interest in excess of the rate permitted by applicable law.

2.10 Limited Recourse Facility Fee. Commencing with the first day of the month immediately following 120 days from the date of this Agreement until the date upon which the outstanding principal balance of the Limited Recourse Facility reaches \$1,500,000, Borrower shall pay to Lender a fee at a per annum rate of two percent (2.0%) of the result of (i) \$5,000,000, minus (ii) the daily average principal balance of the Limited Recourse Facility which is outstanding during the quarter immediately preceding the quarter in which such payment is made. Thereafter, the Limited Recourse Facility Fee shall be a per annum rate of one and one-half percent (1.5%) of the result of (i) \$5,000,000 minus (ii) the daily average principal balance of the Limited Recourse Facility which is outstanding during the quarter immediately preceding the quarter in which such payment is made. Such Facility Fee shall be payable quarterly in arrears on the first Business Day of the month. The amount of each such fee shall be computed on the basis of a year consisting of 360 days and charged for the actual number of days during the period for which such fee is being charged. Notwithstanding the above, no Limited Recourse Facility Fee shall be due and payable during any period in which the Limited Recourse Facility is unavailable to Borrower.

2.11 Method of Payment; Good Funds. All payments which are to be made by Borrower to Lender pursuant to the Loan Documents shall be made by wire transfer to Bank of America, 231 South LaSalle Street, Chicago, Illinois 60697; ABA #071000039, Heller Financial, Inc., Acct. #74-21753, Phone Advice to Product Credit Manager--LPG and to Product Business Manager--LPG: 708-916-1116.

Payment shall not be deemed to be received until Lender is in receipt of Good Funds.

ARTICLE III

NOTE; SECURITY INTEREST

3.1 Note. Borrower's Obligations described in clause (i) of the definition of such term shall be evidenced by the ---- Notes.

3.2 Grant of Security Interest. As security for the payment and performance of Borrower's Obligations, Borrower hereby grants to Lender a Lien in the following described collateral (the "Collateral"), such Lien to be superior and prior to all other Liens other than Permitted Liens:

(a) Facility Equipment. All of Borrower's right, title and interest in and to the Facility Equipment.

(b) The Contracts. All chattel paper and Contracts pertaining to any Facility Equipment, including, without limitation, all of Borrower's right, title and interest in, to and under each Facility Contract relating to each item of Facility Equipment and the right to receive all payments thereunder (collectively, the "Intangible Collateral").

(c) Lockbox and Lockbox Agreement. The Lockbox and Lockbox Agreement.

(d) Recourse Reserve Account. The Recourse Reserve Account.

(e) Books and Records. All of the books and records of Borrower pertaining to the Property described in subparagraphs (a) - (d) above.

(f) Proceeds. All attachments, additions, accessions, upgrades and accessories that are part of the related Facility Equipment; all repairs, substitutions and replacements pertaining to the items described in subparagraphs (a) through (e) above, as applicable, including all cash and non-cash proceeds (including Casualty Payments and other insurance proceeds) pertaining thereto.

All of the Collateral assigned to Lender hereunder shall secure the payment and performance of all of Borrower's Obligations, and whether now existing or in the future; provided, however, that upon the payment and performance in full of all of Borrower's Obligations with respect to a Facility Contract (or the exercise of a Permitted Substitution with respect thereto), the Loan Documents applicable to such Facility Contract and such Facility Equipment shall automatically terminate and Lender shall execute and deliver to Borrower such UCC termination statements and other instruments as may be necessary to release the applicable Lender Lien(s) in the related Collateral.

3.3 Substitution of Contracts. Within Ninety (90) days after a Contract Event of Default occurs on a Limited Recourse Facility Contract, or in the event of a prepayment by an End-User with respect to a Facility Contract, or with the prior, written agreement of Lender, in addition to any other remedy available hereunder to Borrower with respect thereto, Borrower may substitute another Eligible Contract for an existing Facility Contract ("Existing Facility Contract"), provided (i) that the present value (determined using a discount rate which is equal to the Facility Rate which is applicable to the Existing Facility Contract) of the payments remaining under such Substitute Contract, is equal to or greater than the present value (calculated as described above) of the remaining payments of such Existing Facility Contract, including any payments which are past due under such Existing Facility Contract; and (ii) that the number of payments remaining under such Substitute Contract equals or exceeds the number of payments remaining under the Existing Facility Contract. Such substitution shall be deemed to cure such Contract Event of Default.

3.4 Recourse Reserve Account. In conjunction with each Limited Recourse Facility Advance, Borrower agrees to additionally collateralize its Net Loss Pool (as defined in Section 8.3.2 hereof) obligations under this Agreement with

a reserve account ("Recourse Reserve Account") equal to ten percent (10%) of the aggregate Loan Repayment Amounts for such Limited Recourse Facility. Borrower further agrees that the Recourse Reserve Account shall be funded on an ongoing basis by Lender withholding ten percent (10%) from the calculation of the related Limited Recourse Facility Funding Amount and from payment of the related Advance. Such Recourse Reserve Account shall be under the control of Lender, and shall earn interest for the benefit of Borrower at the then prevailing rate for similar accounts, less any monthly service fees imposed by the financial institution at which such Recourse Reserve Account is maintained. Lender and Borrower agree to adjust the balance of the Recourse Reserve Account on a calendar quarterly basis, commencing September 30, 1996 so that the quotient of the Recourse Reserve Account balance divided by the aggregate Loan Repayment Amount is equal to 0.1.

Should Borrower fail to pay any cure/recourse/prepayment obligation under the Limited Recourse and/or Warehouse Facility when due, Lender shall have the right to use the Recourse Reserve Account to the extent necessary to satisfy such obligation of Borrower. Such right shall be in addition to, and not in lieu of, any other remedies Lender may have under this Agreement or under applicable law.

Should any of the Borrower Events of Default set forth in Section 8.1.1(d) hereof occur, then the entire Recourse Reserve Account shall be paid to Lender for potential Net Losses incurred by Lender due to End-Users' defaults. Upon final liquidation and/or pay off of the entire Borrower portfolio of Facility Contracts, any remaining balance in the Recourse Reserve Account shall be returned to Borrower or to Borrower's successor in interest.

ARTICLE IV

CONDITIONS OF CLOSING; ADVANCES

4.1 Conditions of Closing. The Closing shall not take place unless all of the conditions set forth in this Section 4.1 have been satisfied in a manner, form and substance satisfactory to Lender:

4.1.1 Representations and Warranties. On the Closing Date, the representations and warranties of Borrower set forth in the Loan Documents shall be true and correct in all material respects.

4.1.2 Delivery. The following shall have been delivered to Lender, each duly authorized and executed:

(a) the Agreement, with all Exhibits; the Warehouse Facility Note, the Limited Recourse Facility Note and the Closing Certificate;

(b) a certificate of the Secretary or an Assistant Secretary of Borrower in the form of Exhibit J, with all attachments noted therein;

(c) a certified copy of the forms of Contract used by Borrower, to be attached to the Agreement as Group Exhibit C;

(d) the Lockbox Agreement; and

(e) such additional instruments, documents, certificates, consents, financing statements, waivers and opinions as Lender reasonably may request, including, but not limited to, a Trust Agreement substantially in the form of Exhibit O hereto, in the event that Borrower will be retaining possession of any original master leases comprising Facility Contracts.

4.1.3 Security Interests. All UCC financing statements, including UCC-1(s) naming Borrower as debtor and Lender as secured party to be filed where applicable, substantially in the form attached hereto as Exhibit B, shall have been filed and confirmation thereof received by Lender.

4.1.4 Opinion of Counsel. Lender shall have received from Borrower's in-house counsel, an opinion dated the Closing Date, addressed to Lender in the form of Exhibit K.

4.1.5 Performance; No Default. Borrower shall have performed and complied with all agreements and conditions contained in the Loan Documents to be performed by or complied with prior to or at the Closing Date.

4.1.6 Approval of Loan Documents and Security Interests. The approval and/or consent shall have been obtained from all Governmental Bodies and all other Persons whose approval or consent is necessary or required to enable Borrower to (i) enter into and perform its obligations under the Loan Documents, (ii) grant to Lender the Lender Lien and (iii) consummate the Advances.

4.1.7 Material Adverse Change. Since the issuance of Borrower's most recent fiscal year-end financial statements, no event shall have occurred which has a material adverse effect on (i) the financial condition, Property, business, operations, ownership, structure, prospects or profits of Borrower, (ii) the ability of Borrower to perform its obligations under the Loan Documents, or (iii) the Collateral.

4.1.8 Resolution of Borrower's Collection Procedures. Lender must be satisfied, in its sole but reasonable discretion, with Borrower's collection procedures and the implementation of such procedures.

4.1.9 Fees. Lender shall have received from Borrower in Good Funds the sum of \$3,000.00 as an out-of-pocket fee to cover Lender's Closing costs and expenses.

4.2 Conditions of Advances. The obligation of Lender to disburse any Advances on or after the Closing Date shall be subject to the satisfaction of all of the conditions set forth in this Section 4.2 in a manner, form and substance satisfactory to Lender:

4.2.1 Representations and Warranties. On the date of such Advance, the representations and warranties of Borrower set forth in the Loan Documents shall be true and correct in all material respects.

4.2.2 Delivery of Documents. In addition to the documents previously delivered to Lender pursuant to Section 4.1.2, the following shall have been delivered to Lender, each duly authorized and executed:

(a) the Contract Funding Requests for the Advances to be made, with all attachments noted therein; along with Good Funds in the amount of \$100.00 per Eligible Contract requested to be placed in the Warehouse Facility, as and for a transaction fee;

(b) such additional instruments, documents, certificates, consents, financing statements, waivers and opinions as Lender reasonably may request.

For the purposes of Section 4.2.2(a) each funded schedule under a master lease shall constitute a separate Eligible Contract.

4.2.3 Security Interests. The following UCC financing statements:

(a) in the case of Facility Contracts under which Borrower is deemed by Lender to be the owner of the Equipment, UCC-1(s) naming Borrower as debtor, and Lender as secured party, to be filed where the Equipment is located and at Borrower's principal place of business,

(b) UCC-1(s) naming End-User as debtor or lessee, and Borrower as secured party or lessor, to be filed in the state(s) where the Equipment is located,

(c) UCC-3(s), as required, naming Lender as assignee to be filed in the jurisdiction(s) where the UCC-1(s) referred to in 4.2.3(b) above are filed, and

(d) all other filings and actions requested by Lender and reasonably required to perfect and maintain the Lender Lien as a valid and perfected Lien in the Collateral, shall have been filed and confirmation thereof received by Lender.

4.2.4 Additional Conditions. Borrower shall have re-satisfied the conditions set forth in Sections 4.1.5 (Performance; No Default), 4.1.6 (Approval of Loan Documents and Security Interests), and 4.1.7 (Material Adverse Change) hereof with respect to the requested Advance(s).

ARTICLE V

REPRESENTATIONS AND WARRANTIES

Borrower hereby represents and warrants to Lender as follows:

5.1 Organization, Power, Authority, etc. Borrower (i) is duly organized, validly existing and in good standing under the laws of the State of New York, (ii) is qualified to do business in every jurisdiction in which the character of the Property owned or leased by it or the business conducted by it makes such qualification necessary and the failure to so qualify would permanently preclude Borrower from enforcing its rights with respect to any Facility Contract or Facility Equipment or would expose Borrower to any material loss or liability, (iii) has the power and authority to carry on its business, (iv) has the power and authority to execute and perform this Agreement and the other Loan Documents, and (v) has duly authorized the execution, delivery and performance of this Agreement and the other Loan Documents.

5.2 Validity, etc., of Loan Documents. This Agreement and the other Loan Documents constitute the legal, valid and binding obligations of Borrower and are enforceable against Borrower in accordance with their respective terms, except as such enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting the enforcement of creditors' rights generally and by equitable principles (whether or not any action to enforce such document is brought at law or in equity). The execution, delivery and performance of the Loan Documents by Borrower (i) has not violated

and will not violate any provision of law, any order of any Governmental Body, or the Certificate of Incorporation or Bylaws of Borrower, or any indenture, agreement or other instrument to which Borrower is a party, (ii) is not in conflict with, will not result in a breach of or, with the giving of notice, or the passage of time, or both, will not constitute a default under any such indenture, agreement or other instrument, and (iii) will not result in the creation or imposition of any Lien of any nature whatsoever upon any of the Property of Borrower, except for Permitted Liens.

5.3 Other Agreements. Borrower is not a party to any agreement or instrument materially adversely affecting its present or proposed business, properties, or assets, and Borrower is not in default in the performance, observance or fulfillment of any material obligation, covenant or condition set forth in any agreement or instrument to which it is a party, which default would have a material adverse effect on the ability of Borrower to consummate any of the transactions contemplated by the Loan Documents or to perform any of its obligations under any of the Loan Documents.

5.4 Principal Place of Business. The principal place of business of Borrower and its chief executive office are at One Northern Concourse, P.O. Box 4785, Syracuse, New York 13221-4785. Borrower has not done business under any name other than CIS Corporation.

5.5 Priority. The Lender Lien is subject to no prior Liens other than

Permitted Liens, and all Borrower Liens have been or will be assigned to Lender pursuant to an Assignment.

5.6 Financial Statements. Borrower has delivered to Lender the financial statements described on Exhibit L. Such financial statements present fairly the financial condition and results of operations of Borrower as of the dates and for the periods indicated therein. All of the foregoing financial statements, except as otherwise indicated therein, have been prepared in accordance with GAAP.

5.7 Litigation. Except as set forth in Exhibit M, there are no actions, suits, arbitrations, proceedings or claims (whether or not purportedly on behalf of Borrower) pending or to the best knowledge of Borrower, threatened, against Borrower or maintained by Borrower, at law or in equity or before any Governmental Body which, if adversely determined, would have a material adverse effect on the ability of Borrower to consummate any of the transactions contemplated by the Loan Documents or perform any of its obligations under any of the Loan Documents.

5.8 Necessary Property. Borrower has all necessary rights in its Property (including all patents or trademarks) which are necessary to conduct the business of Borrower as now conducted.

5.9 Validity and Enforceability of Contracts. At the time a Contract is assigned to Lender (and thereupon becomes a Facility Contract) and, unless expressly limited to that point in time, at all future times with respect to each of the Facility Contracts, all rights assigned as part of the Facility Contracts, including without limitation all Facility Equipment covered thereby:

(i) Any modifications of a Contract from the form approved by Lender, as attached to this Agreement as Group Exhibit C, are identified in the Contract by amendment or conspicuous markings, letterings or title heading (e.g. "Additional Provisions), and the existence of such modifications are noted by Borrower in the related Contract Funding Request; all Contracts have been originated by Borrower as either lessor

or secured party; all Contracts arise from a bona fide non-cancellable contract for Eligible Equipment with an Eligible End-User for an Approved Contract Term; and all Equipment described in the Contracts is in all respects in accord with the requirements of the Contracts and has been delivered to and unqualifiedly accepted by the End-User thereunder; unless specifically agreed to by Lender in writing, none of the Equipment, after delivery and acceptance by the End-User, is a fixture under the applicable laws of any state where such Equipment is or may be located nor is located outside the United States;

(ii) All Contracts and related Equipment comply with all applicable laws and regulations, including, without limitation, interest/usury, truth-in-lending and disclosure laws; all Contracts are genuine, valid, binding and enforceable in accordance with their terms, accurately describe the related Equipment and the Payments due under the Contracts;

all Contracts, the related Equipment and all proceeds thereof are not subject to any lien, claim or security interest except the interest of the End-User, which shall be assigned to Lender contemporaneously herewith, and Permitted Liens; and all Contracts, and related rights, agreements, documents and instruments are assignable to Lender without notice to or consent of any person, including without limitation, any End-User or any Governmental Body or agency and no such assignment will delegate, create or impose any duty, obligation or liability on Lender except that so long as no Contract Event of Default has occurred, Lender shall not take any action or exercise any right that would disturb any End-User's full and quiet enjoyment of all of such End-User's rights under that Facility Contract;

(iii) At the time of Borrower's assignment of the Contracts, Borrower has (A) good title to all of the Contracts, including the right to receive the payments due thereunder, (B) either good title to or a first, prior and perfected lien in all related Equipment; (B) all legal power, right and authority to sell the Contracts and grant the security interest described herein to Lender; (C) not sold, transferred, encumbered, assigned or pledged any part of the Contracts or related Equipment to any other Person; and (D) paid in full all vendors of the Equipment subject to the Contracts;

(iv) All counterparts of all Contracts have been clearly marked to indicate that only one thereof is the "Original" and assignable, and such counterpart shall be the counterpart delivered to Lender at the time of Borrower's assignment of the Contract;

(v) Except for any master leases, which are to be held in trust by Borrower pursuant to the Trust Agreement, Borrower has provided Lender with an original of all material agreements entered into in connection with the Contracts, and the Equipment related to such Contracts; the Contract constitutes the entire agreement and there are no oral representations, warranties or agreements related thereto; the Contracts employ substantially standard pricing and documentation (including, without limitation, provisions concerning payment terms, assignment, maintenance, termination, renewal, insurance and stipulated loss provisions) which have been approved by Lender; the Contracts contain no purchase option to the End-User which has not been disclosed in writing to Lender;

(vi) The End-User in each Contract has represented to Borrower in the Contract (i) that the execution, delivery and performance of the Contract was duly authorized, and that upon execution thereof by each party thereto, the Contract will be in full force and effect and constitute a valid legal and binding obligation of End-User and enforceable against End-User in accordance with its terms; (ii) that no consent or approval of, giving of notice to, registration with, or taking of any other action in respect of, any state, federal or other government authority or agency is required with respect to the execution, delivery

and performance by the End-User of the Contract or, if any such approval, notice, registration or action is required, it has been obtained; and (iii) that the entering into and performance of the Contract e will not violate any judgment, order, law or regulation applicable to End-User or any provision of End-User's Articles of Incorporation or By-Laws or result in any breach of, or constitute a default under, or result in the creation of any lien, charge, security interest or other encumbrance upon any assets of End-User or upon the Equipment pursuant to any instrument to which End-User is a party or by which it or its property may be bound;

(vii) None of the following existed at the time of Borrower's assignment to Lender of the Contracts: (i) any payment owing with respect to any Contract is past due more than ten (10) days, (ii) to Borrower's knowledge, after due inquiry having been made, any End-User is otherwise in default under a Contract, or (iii) any End-User has canceled or terminated or given notice of or, to Borrower's knowledge, after due inquiry having been made, attempted to cancel or terminate any Contract;

(viii) Borrower has not been made aware, nor has knowledge, of any setoffs, abatements, recoupments, claims, counterclaims or defenses on the part of any End-User under the Contracts to any claims against or obligations of any End-User thereunder, nor do the Contracts by their terms give rise to any such right of setoff, abatement, recoupment, claims, counterclaims or defenses against Borrower or assignee of Borrower;

(ix) Borrower has not done anything that might impair the value of the Contracts or any Equipment covered by the Contracts;

(x) All sales, gross receipts, property or other taxes, assessments, fines, fees and other liabilities relating to the Contracts, the related Equipment, or the proceeds thereof have been paid when due and all filings in respect of any such taxes, assessments, fines, fees and other liabilities have been timely made;

(xi) Borrower is not in default which has continued beyond any applicable grace periods or cure rights of any of its obligations under the Contracts, including without limitation, any obligation to repair, maintain or replace any Equipment or to provide service as provided in the Contracts;

(xii) Borrower will not agree to any alterations, modifications, changes or amendments after Borrower's assignment without Lender's prior written consent;

(xiii) At the time of Borrower's assignment of the Contracts, no amounts have been prepaid on the Contracts except advance payments which are required by the express written terms of the Contracts;

(xiv) Borrower has not withheld any information or material facts in connection with any Contracts or Equipment which would make any

information furnished to Lender misleading and Borrower has no knowledge of any Contract Event of Default or of any fact which may impair the validity, value or enforceability of any Contract or Equipment;

(xv) Borrower has no reason to believe that any credit information provided to Lender by Borrower with respect to any End-User is false in all material respects;

(xvi) All Facility Equipment is covered by comprehensive physical damage insurance for the full insurable value thereof, unless otherwise mutually agreed to by Borrower and Lender, and, if applicable, general public liability coverage. Lender has been named as a "Loss Payee" and, if applicable, as an "Additional Insured". Said insurance is in full force and effect, and has not lapsed or been cancelled by the End-User or the respective insurers; all Facility Equipment covered by a Warehouse or Limited Recourse Contract is in good condition and repair;

(xvii) The Contract by its terms may not be canceled or terminated or attempted to be canceled or terminated prior to the full term indicated for such Contract, and Borrower shall not waive or alter such terms;

(xviii) Borrower has not breached any representation, warranty or guarantee under the Contract or any agreement, document or instrument related thereto;

(xix) Upon recording financing statements as outlined in Section 4.2.3 with respect to the Contracts and the related Equipment, and Lender's possession of the original chattel paper with respect thereto, Lender's security interest therein shall be perfected and shall have priority over all other liens, claims, rights of other persons and security interests with respect thereto; and

(xx) Borrower has not filed any UCC-1 or other document in the public records against any End-User or End-User Guarantor concerning any proposed Facility Contract or Equipment except those which have been disclosed and either assigned or subordinated to Lender's interest in the Facility Contracts and the related Equipment and Proceeds, and there are no other UCC-1's or other public record filings concerning any part of any Facility Contracts or Equipment whether executed by or in favor of Borrower.

ARTICLE VI

AFFIRMATIVE COVENANTS

Borrower covenants and agrees with Lender as follows:

6.1 Payment of Borrower's Obligations. Borrower shall pay and perform all of Borrower's Obligations as and when the same become due, payable and/or performable, as applicable.

6.2 Preservation of Existence. Borrower shall maintain its existence and rights in full force and effect to the extent necessary to perform its obligations under the Loan Documents.

6.3 Legal Requirements. Borrower (i) promptly and faithfully shall comply with, conform to and obey all applicable present and future laws, ordinances, rules, regulations and other requirements that could materially adversely affect the conduct of its operations, and (ii) shall use or use reasonable efforts to cause the portion of the Collateral consisting of Warehouse or Limited Recourse Facility Equipment to be used in a manner and for the use contemplated by the manufacturer thereof, and in material compliance with all laws, rules and regulations of every Governmental Body having jurisdiction over such Warehouse or Limited Recourse Facility Equipment.

6.4 Financial Statements and Other Reports. Borrower shall maintain full and complete books of account and other records reflecting the results of Borrower's operations, all in accordance with GAAP, and shall furnish or cause to be furnished to Lender within:

(i) 125 days after the end of each year, (A) the audited financial statements for such year for Borrower certified (without qualification as to the opinion or scope of examination) by a firm of independent certified public accountants selected by Borrower and satisfactory to Lender; and (B) a true and correct copy of Borrower's Form 10K filed with the Securities and Exchange Commission;

(ii) 60 days after the end of each year, computer diskettes/tapes containing all backup data regarding Borrower's portfolio, in format set forth in Exhibit P hereof;

(iii) 60 days after the end of each quarter, (I) quarterly financial statements of Borrower, (II) a true and correct copy of the Lockbox statements for the preceding quarter, (III) the completed Lockbox Compliance Certificate for the preceding quarter, in the form attached hereto as Exhibit N, and (IV) a true and correct copy of Borrower's Form 10Q filed with the Securities and Exchange Commission;

(iv) 25 days after the end of each month: reports setting forth (I) any change in the identity or location of all Facility Equipment, with respect to which Borrower has received notice; (II) leasing, remarketing activities and insurance settlements with respect to Facility Contracts under which a Contract Event of Default has occurred; (III) a delinquency report with respect to Facility Contracts in the form attached as Exhibit Q; (IV) amounts received and receivable due under each Facility Contract, including the amounts overdue and the period for which such amounts are overdue, and (V) computer diskettes/tapes containing all backup data regarding Facility Contracts and Facility Equipment, in format set forth in Exhibit P hereof; and

(v) 10 days after receipt thereof by Borrower, copies of all End-User financial statements required to be delivered to Borrower pursuant to the applicable Contract.

All of the items described in clauses (ii, (iii) and (iv) of this Section 6.4 shall be certified by a Responsible Officer of Borrower.

6.5 Removal of Facility Equipment. Promptly after a Responsible Officer learns that any Facility Equipment has been moved by a End-User from one location to another, Borrower will inform Lender or will cause such End-User to inform Lender of such move and will execute such additional financing statements as Lender reasonably may request.

6.6 Damage to Equipment. Promptly after a Responsible Officer learns that any Facility Equipment is damaged, and if such Facility Equipment can be repaired in accordance with the terms of the applicable Facility Contract so as to restore the same to good and working order, Borrower shall take whatever actions are required to be taken by lessor under the terms of such Facility Contract.

6.7 Books and Records; Inspections.

6.7.1 Books and Records. Borrower shall keep and maintain, or cause to be kept and maintained, complete and accurate books and records and make all necessary entries therein to reflect the transactions contemplated hereby and all payments, credits, adjustments and calculations relative thereto.

6.7.2 Inspections. Upon reasonable prior notice, Lender shall have full and complete access to the books and records of Borrower pertaining to the Collateral. In addition, from time to time, but not more often than twice each year (and upon the occurrence and during the continuation of a Borrower Event of Default as often as Lender in its sole discretion deems necessary in order to monitor the business activities of Borrower), representatives of Lender shall have the right to conduct an audit of the books and records of Borrower and Borrower's operations. During the pendency of a Borrower Event of Default, Borrower shall pay to Lender on demand the actual, reasonable, out-of-pocket travel expenses incurred by Lender for any employee of Lender who may conduct or assist in conducting any such audit.

6.8 Maintenance. Borrower, pursuant to the applicable Facility Contract, shall perform its obligations thereunder with respect to maintenance and service of Facility Equipment so as to keep such Facility Equipment in good operating condition, ordinary wear and tear from normal use excepted.

6.9 Notice of Defaults; Change in Business and Adverse Events. Except as otherwise noted in Section 8.2.2 hereof, Borrower, promptly after any Responsible Officer becomes aware thereof, shall give Lender written notice of the occurrence of (i) any Event of Default or any Incipient Default, accompanied by a statement of such Responsible Officer setting forth what action Borrower

proposes to take in respect thereof, (ii) any change in the (A) executive officers or key employees of Borrower, or (B) location of the chief place of business of Borrower, (iii) any event which may have a material adverse effect on the (A) enforceability of the Lender Lien or (B) ability of Borrower to perform any of its obligations under any of the Loan Documents, (iv) any material default in payment or performance by Borrower or any End-User under any Facility Contract or (v) any material damage to or irreparable malfunction of any Facility Equipment.

6.10 Insurance. Borrower, pursuant to the Facility Contracts, shall maintain in force and pay or cause each End-User to maintain in force and pay for any insurance which Borrower or such End-User, as applicable, is required to provide or cause to be provided pursuant to this Loan Agreement and/or each Facility Contract. Borrower, pursuant to the applicable Facility Contract, will cause the End-User under each Facility Contract to maintain all Facility Equipment in accordance with the terms of all insurance policies which are or may be in effect with respect thereto so as not to alter or impair any of the benefits or coverage to which Borrower or the applicable End-User is entitled under any such insurance policies.

6.11 Taxes. Borrower shall pay or, pursuant to each Contract, shall cause the End-User thereunder to pay promptly when due all taxes, levies, assessments and governmental charges upon or relating to Facility Equipment for which Borrower or the applicable End-User is or may be liable.

6.12 Contracts. With respect to each of the Contracts, Borrower shall: (i) perform all acts necessary to preserve the validity and enforceability of each such Contract; (ii) take all actions reasonably necessary to assist Lender in collecting when due all amounts owing to Borrower with respect to each such Contract; (iii) at all times keep accurate and complete records of performance by Borrower and the End-User under each such Contract; and (iv) upon request of Lender verify with the End-User under each Facility Contract the payments due to Borrower under such Facility Contract, except that (A) prior to the occurrence of a Borrower Event of Default or Incipient Default, such requests shall not occur any more frequently than once each year and (B) after the occurrence and during the continuation of a Borrower Event of Default or Incipient Default, such requests may occur as often as Lender shall require.

ARTICLE VII

NEGATIVE COVENANTS

Until Borrower's Obligations are paid and performed in full, Borrower shall not:

7.1 Liens. Create or incur any Lien on the Collateral other than Permitted Liens.

7.2 Borrowing. Create, incur or assume any indebtedness which is secured by Liens on the Collateral other than the Advances or Permitted Liens.

7.3 Modifications of Facility Contracts. Without the prior, written consent of Lender: amend, supplement, modify, compromise or waive any of the terms of any Facility Contract (i) if the effect of such amendment, supplement, modification, compromise or waiver is to (A) reduce or waive the amount of any payment thereunder, (B) extend the term thereof (except as otherwise permitted pursuant to Section 7.4), or (C) waive any provisions thereof with respect to taxes, insurance or maintenance or (ii) unless such amendment, supplement, modification, compromise or waiver is with respect to (A) the removal of any Facility Equipment and, in connection with such removal, Borrower complies with the provisions of Section 6.5, or (B) a Permitted Substitution and if, in connection with such Permitted Substitution any prepayment of any portion of the Facility shall occur, Borrower shall comply with the terms of subsection 2.6.

7.4 Extensions of Facility Contracts; Future Contracts of Facility Equipment. Without the prior written consent of Lender: (i) Extend the term of any Facility Contract, unless as of the end of the Approved Contract Term of such Facility Contract, Lender has released its lien on such Facility Contract pursuant to the last paragraph of Section 3.2, or (ii) re-lease any Facility Equipment unless such re-lease is for the purpose of mitigating damages arising from a Contract Event of Default.

7.5 Maintenance of Perfected Lender Lien. Change the location of its chief executive office or principal place of business, except if Borrower has (i) given Lender at least 30 days prior written notice thereof and (ii) caused to be filed all UCC financing statements which in the opinion of Lender are necessary or advisable to maintain the perfection of the applicable Lender Lien.

7.6 Merger and Acquisition. Without at least thirty (30) days' prior notice to Lender, consolidate with or merge into any Person, or acquire all or substantially all of the stock or Property of any Person.

7.7 Transactions with Affiliates. Enter into any transaction for Equipment with any Affiliate to be ultimately financed by Lender hereunder unless the monetary or business consideration arising therefrom would be substantially as advantageous to Borrower as the monetary or business consideration which would be obtained by Borrower in a comparable arm's-length transaction with another Person, and no other provision of this Agreement would be violated as a result thereof.

7.8 Sale or Transfer of Collateral. Sell, assign or otherwise dispose of any interest in the Collateral, except as such is assigned to Lender as provided herein, without the prior, written consent of Lender, which Lender shall not unreasonably withhold, and, in any event, any purchaser or assignee from Borrower shall assume all of Borrower's obligations hereunder and shall take any interest in the Collateral subject and subordinate to the interests of Lender hereunder and shall execute such documents as may be required by Lender to evidence such assumption and subordination.

7.9 Lockbox Compliance Ratio Covenant. Allow the Lockbox Compliance Ratio, as defined in the Lockbox Compliance Certificate, expressed as a

percentage, to be less than eighty percent (80%) for three consecutive reporting periods.

7.10 Delinquency Covenant. Allow Facility Contract 90-day delinquency to be greater than eight percent (8%) of the Aggregate Portfolio Outstandings, nor allow Facility Contract total delinquency to be greater than twenty five percent (25%) of the Aggregate Portfolio Outstandings. As used herein, Aggregate Portfolio Outstandings shall have the meaning set forth in Exhibit Q (Monthly Delinquency Report).

ARTICLE VIII

BORROWER AND CONTRACT EVENTS OF DEFAULT

8.1 Definitions

8.1.1 Borrower Events of Default -- Definition. The occurrence of any of the following shall constitute a Borrower Event of Default hereunder:

(a) Default in Payment. If Borrower shall fail to remit to Lender when due any payment that Borrower is required to make under the Warehouse and/or Limited Recourse Facilities, or required to remit under the Non-Recourse Facility, when and as the same shall become due and payable, and such failure shall continue for a period of 5 Business Days after notice from Lender.

(b) Breach of Representation or Warranty. If any representation made by Borrower to Lender in any Loan Document or in any report, certificate, opinion, financial statement (other than those financial statements provided by and pertaining to any End-User) or other document or statement furnished pursuant thereto shall be false or misleading in any material respect when made, or any warranty given by Borrower shall be breached by Borrower, unless (i) the fact, circumstance or condition is made true within ten (10) Business Days after notice thereof is given to Borrower by Lender, and (ii) in Lender's judgment, such cure removes any adverse effect on the Lender.

(c) Breach of Covenant. If Borrower shall fail to duly observe or perform any covenant, condition or agreement set forth in Article VI or VII of the Agreement on its part to be performed or observed for ten (10) Business Days after a Responsible Officer has knowledge of such failure.

(d) Bankruptcy, Receivership, Insolvency, etc.

(i) If Borrower shall (A) apply for or consent to the appointment of a receiver, trustee or liquidator for it or any of its Property, (B) be unable to pay its debts as they

mature, (C) make a general assignment for the benefit of creditors, (D) be adjudicated a bankrupt or insolvent or (E) file a voluntary petition in bankruptcy, or a petition or an answer seeking reorganization or an arrangement with creditors or to take advantage of any bankruptcy, reorganization, insolvency, readjustment of debt, dissolution or liquidation law or statute, or file an answer admitting the material allegations of a petition filed against it in any proceeding under any such law, or

(ii) If any Governmental Body of competent jurisdiction shall enter an order appointing, without consent of Borrower, a custodian, receiver, trustee or other officer with similar powers with respect to Borrower or with respect to any substantial part of the Property belonging to Borrower, or if an order for relief shall be entered in any case or proceeding for liquidation or reorganization or otherwise to take advantage of any bankruptcy or insolvency law of any jurisdiction, or ordering the dissolution, winding-up or liquidation of Borrower, or if any petition for any such relief shall be filed against Borrower, and such petition shall not be dismissed within 45 days.

(e) Non-Payment of Other Indebtedness. Default by Borrower (other than in payment of Borrower's Obligations) in the (i) payment when due (subject to any applicable grace period or cure period), whether by acceleration or otherwise, of any recourse indebtedness, where the amount thereof is in excess of \$500,000, or (ii) performance or observance of any obligation or condition with respect to any recourse indebtedness of Borrower, where the amount of such recourse indebtedness is in excess of \$500,000 (other than in payment of Borrower's Obligations) if the effect of such default is to accelerate the maturity of any such recourse indebtedness or to permit the holder thereof to cause such recourse indebtedness to become due and payable prior to its expressed maturity.

(f) Other Material Obligations. Default in the payment when due, or in the performance or observance of, any material obligation of, or condition agreed to by, Borrower with respect to any purchase or lease of goods or services, where (i) the amount with respect to any such purchase or lease of goods or services is in excess of \$500,000 and (ii) any grace period or cure period with respect to any such payment, performance or observance has lapsed (except such default in payment, performance or observance shall not be deemed to constitute a default hereunder if the existence of any such default is being contested by Borrower in good faith and by appropriate proceedings diligently pursued).

8.1.2 Contract Events of Default -- Definition. The occurrence of a default by any End-User pursuant to the terms of a Facility Contract, which default entitles Borrower to accelerate or terminate such Facility

Contract or to repossess the related Facility Equipment, shall constitute a Contract Event of Default.

8.2 Remedies.

8.2.1 Borrower Events of Default -- Remedies. If a Borrower Event of Default shall have occurred, and has not been cured by Borrower (or by Lender, at its option) within an applicable cure period, or a Material Adverse Change occurs of the type set forth in Section 4.1.7 (i) or (ii), then Lender shall have the right to do any or all of the following:

(a) complete and deliver to the End-Users the Contract Payment Letters in photocopy form to commence direct billing and collection with respect to the Facility Contracts, and deduct from such receipts and remittances a fee equal to three percent (3%) of the aggregate monthly receipts ("Administration Fee") from the payment on the Facility Contracts as compensation for the additional administrative burden;

(b) (i) exercise of any of Borrower's rights under any of the Facility Contracts, or (ii) by written notice, require Borrower to exercise on behalf of Lender as secured party under this Agreement any and all of the rights available to Borrower under any Facility Contract to the extent not already exercised by Borrower, whereupon Borrower shall immediately take all requested and reasonable action;

(c) declare that no further Advances shall be made, and proceed against Borrower for all rights and remedies Lender may have in law or in equity under the Loan Documents;

(d) declare the entire amount of Borrower's Obligations and Administration Fee due and payable immediately, and exercise in respect of the Facility Equipment all the rights and remedies of a secured party upon default under the UCC.

So long as no Contract Event of Default has occurred, Lender shall not take any action or exercise any right that would disturb any End-User's full and quiet enjoyment of all of such End-User's rights under that Facility Contract. Lender will give Borrower reasonable notice of the time and place of any public sale of any Collateral or of the time after which any public or private sale of such Collateral or any other intended disposition thereof is to be made. Unless otherwise provided by law, the requirement of reasonable notice shall be met if such notice is delivered at least ten (10) Business Days before, or mailed, postage prepaid, to Borrower, at least twenty (20) days before the time of such sale or disposition.

Notwithstanding the foregoing, to the extent that a breach occurs under Section 8.1.1(b), and such breach relates to a single Facility Contract, Borrower shall have twenty (20) days from receipt of demand by

Lender to repurchase the Facility Contract pursuant to the terms of the Mandatory Prepayment clause set forth at Section 2.6.4 herein. Borrower's failure to repurchase such Facility Contract within said twenty (20) day period shall then constitute a Borrower Event of Default under Section 8.1.1(a).

All actual costs and expenses incurred by Lender in connection with the enforcement and/or exercise of any of its rights or remedies (including, without limitation, reasonable attorneys fees) hereunder shall (i) be payable by Borrower to Lender immediately upon demand, (ii) constitute a portion of Borrower's Obligations and (iii) be secured by the Lender Lien.

8.2.2 Contract Event of Default -- Remedies. Upon the occurrence of a Contract Event of Default regarding late or missing payments, Borrower shall, within thirty (30) days thereafter, deliver to Lender written notice thereof. Upon the occurrence of a Contract Event of Default other than above, Borrower shall immediately deliver to Lender written notice thereof. The above referenced notices shall identify the Facility Contract which is in default and the applicable Advance, and describe the nature of such default and the actions Borrower proposes to undertake with respect to such default. If any payment(s) under a Warehouse or Limited Recourse Facility Contract become(s) ninety (90) days past due, whether or not such payment(s) have been cured by Borrower, then within ten (10) Business Days thereafter, Borrower shall prepay in full the unpaid portion of the Advance pertaining to such Facility Contract, or exercise its right of substitution pursuant to Section 3.3 hereof. If any payment(s) under a Non-Recourse Facility Contract become(s) thirty (30) days past due, whether or not such payment(s) have been cured by Borrower, then Lender may complete and deliver to the applicable End-User the Contract Payment Letter in photocopy form to commence direct billing and collection thereof. Lender, at any time (unless such Contract Event of Default shall have been cured), at its option, by notice to Borrower and/or End-User, may terminate such Facility Contract and accelerate all payments due thereunder.

Lender, with respect to the Facility Equipment subject to such Facility Contract, shall have and may exercise against Borrower all the rights and remedies of a secured party under the Illinois UCC and/or the UCC applicable to the location of the related Facility Equipment, and any other applicable laws. Lender will give Borrower reasonable notice of the time and place of any public sale of any Collateral or of the time after which any public or private sale of such Collateral or any other intended disposition thereof is to be made. Unless otherwise provided by law, the requirement of reasonable notice shall be met if such notice is delivered at least ten (10) Business Days before, or mailed, postage prepaid, to Borrower at least twenty (20) days before the time of such sale or disposition. In addition to the foregoing, at Lender's election, Lender may complete and deliver one or more Contract Payment Letters in photocopy form in order to commence direct billing and collection with

respect to one or more Contracts subject to a Contract Event of Default. Furthermore:

(i) Lender only shall be entitled to exercise the rights and remedies set forth in this Section 8.2.2 with respect to the Facility Contract, the End-User and the Facility Equipment which are the subject of such Contract Event of Default;

(ii) the expenses and other payments to which any proceeds of the Collateral shall be applied in accordance with the provisions of subsections 8.6 & 8.7 shall be so applied to payment of Borrower's Obligations pertaining to the Facility Contract which is the subject of such Contract Event of Default, and

(iii) upon payment and performance in full of all of Borrower's Obligations pertaining to the Facility Contract which is the subject of such Contract Event of Default, both (A) the Contract Event of Default with respect to such Facility Contract, and (B) any related Borrower Event of Default shall be deemed to be cured.

8.3 Recourse

8.3.1 Full Recourse Borrower shall be liable to Lender without limitation with respect to (i) that portion of Borrower's Obligations (A) described in Sections 10.6 (Attorneys' Fees and Other Expenses) and 10.7 (Indemnity), and/or (B) incurred pursuant to the Warehouse Facility, and/or (ii) any actual loss, cost, liability, damage or expense incurred by Lender as a result of any of the Borrower Events of Default described in subsections (a), (b) and (c) of Section 8.1.1. Notwithstanding the foregoing, however, no officer, director, shareholder or employee of Borrower shall have any individual or personal liability of any kind to Lender with respect to any of Borrower's Obligations, other than any actual loss, cost, liability, damage or expense incurred by Lender as a result of any materially adverse misrepresentation, gross negligence or willful misconduct on the part of such officer, director, shareholder or employee in connection with the transactions contemplated by this Loan Agreement.

If Borrower becomes liable to Lender on account of the foregoing, Lender shall have all of the rights set forth in Section 8.2.1 (Remedies -- Borrower Events of Default).

8.3.2 Limited Recourse without affecting Borrower's obligations under Section 8.2.2 hereof, the maximum aggregate amount of Net Loss which Borrower shall be required to bear hereunder with respect to Contract Events of Default under the Limited Recourse Facility ("Net Loss Pool") shall be limited to:

A. During the second calendar quarter of 1996, an amount

equal to the greater of (i) twenty percent (20%) of the aggregate Limited Recourse Facility Funding Amounts paid to Borrower or at Borrower's direction under the Limited Recourse Facility; or (ii) \$250,000.00; and

B. on June 30, 1996, the Net Loss Pool shall be reset for the forthcoming calendar quarter initially to an amount equal to the greater of (i) twenty percent (20%) of the aggregate Loan Repayment Amount owed to Lender as of June 30, 1996 under the Limited Recourse Facility, or (ii) \$250,000.00; and such Net Loss Pool shall increase by twenty percent (20%) of the aggregate Limited Recourse Facility Funding Amounts paid to Borrower during such quarter for new Limited Recourse Facility Contracts; and

C. thereafter, on the last Business Day of each succeeding calendar quarter, the Net Loss Pool shall be reset for the forthcoming calendar quarter initially to an amount equal to the greater of (i) twenty percent (20%) of the aggregate Loan Repayment Amount owed to Lender as of such last Business Day under the Limited Recourse Facility, or (ii) \$250,000.00; and such Net Loss Pool shall thereafter increase by twenty percent (20%) of the aggregate Limited Recourse Facility Funding Amounts paid to Borrower during such forthcoming calendar quarter for new Limited Recourse Facility Contracts.

No Net Loss incurred by Borrower shall be assessed against the Net Loss Pool with respect to any Limited Recourse Facility Contract, unless Borrower establishes and reports a Net Loss on such Limited Recourse Facility Contract within the Remarketing Period, whether or not legal possession of the related Facility Equipment has been obtained. Net Loss shall be established by Borrower's subsequent disposition of such Facility Equipment in a commercially reasonable manner under the applicable state's Uniform Commercial Code within the Remarketing Period, and the application of the proceeds thereof (plus any collected from the End-User or any other party) against the Loan Repayment Amount.

The Net Loss Pool shall be reduced by any charges made against it pursuant to this Section, and increased by any recoveries made by Borrower or Lender, from whatever source, which had been previously charged against such Net Loss Pool; provided, however, that no Net Loss shall reduce the Net Loss Pool unless Borrower establishes a Net Loss on the related Limited Recourse Facility Contract within the time frames set forth above.

8.3.3 Non-Recourse. Anything in this Agreement or any exhibits hereto, any Non-Recourse Facility Note, any certificate, opinion or documents of any nature whatsoever to the contrary notwithstanding, neither Lender nor its successors or assigns, nor any holder or holders of any Non-Recourse Facility Note shall have any claim, remedy or right to proceed (at law or in equity) against Borrower or any incorporator, shareholder, director, officer, or employee of Borrower for the payment

of any deficiency or any other sum owing on account of the indebtedness evidenced by any Non-Recourse Facility Note or for the payment of any liability of any nature whatsoever with respect to any Non-Recourse Facility Note, Non-Recourse Facility Contract or Non-Recourse Facility Equipment or any obligations of Borrower under this Agreement with respect to any Non-Recourse Facility Note, Non-Recourse Facility Contract or Non-Recourse Facility Equipment (except that Lender shall not be prohibited from asserting a claim against Borrower personally which claim is for actual damages directly resulting from the Borrower Events of Default described in subsections (a), (b) and (c) of Section 8.1.1), from any source other than the Collateral pertaining to such Non-Recourse Facility Contract, including the sums due and to become due under any Non-Recourse Facility Contract; and the Lender by acceptance of a Non-Recourse Facility Note waives and releases any liability of Borrower for and on account of such indebtedness or such liability, except as provided above, and the Lender, its successors and assigns and the holders of any Non-Recourse Facility Note agree to look either to the End-User pertaining to such Non-Recourse Facility Contract or to the Collateral pertaining to such Non-Recourse Facility Contract, including the sums due and to become due under such Non-Recourse Facility Contract for the payment of said indebtedness or the satisfaction of such liability.

8.4 Reassignment of Facility Contracts. Any Facility Contract which is paid in full to Lender by Borrower shall be assigned to Borrower AS IS, WITHOUT RECOURSE and without representation or warranties of any kind, express or implied, of any nature or kind whatsoever, except that, subject to the limitations set forth in the last paragraph of this Section, Lender will warrant and represent that at the time of Lender's assignment of the Facility Contract, or the Facility Equipment, or any interest therein, to Borrower, Lender has not placed or caused to be placed any lien or encumbrance on the Facility Contract or the Collateral pertaining thereto, and, to the best of its knowledge, has not done or failed to do anything which would impair the enforceability of the Facility Contract.

Any warranty or representation of Lender regarding the enforceability of any Facility Contract is subject to the effect of bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting or relating to the rights of creditors or secured parties generally, including, without limitation, any limitations imposed by laws, statutes, and judicial decisions relating to or affecting the rights of creditors or secured parties generally, or general principles of equity (regardless of whether enforcement is considered in proceedings at law or in equity), upon the enforceability of any security interest or any remedies, covenants, or other provisions of the Facility Contract and upon the availability of injunctive relief or other equitable remedies.

8.5 Power of Attorney. In order to permit Lender to exercise the rights and remedies set forth herein, Borrower hereby irrevocably appoints Lender as its attorney-in-fact and agent with full power of substitution, in the name of Lender or in the name of Borrower, to perform any of the following acts upon the

occurrence of a Borrower Event of Default : (i) receive, open and examine all mail addressed to Borrower and retain any such mail relating to the Collateral and return to Borrower only that mail which is not so related; (ii) endorse the name of Borrower on any checks or other instruments or evidences of payment or other documents, drafts, or instruments arising in connection with or pertaining to the Collateral, to the extent that any such items come into the possession of Lender; (iii) compromise, prosecute or defend any action, claim, or proceeding concerning the Collateral; (iv) perform any and all acts which Borrower is obligated to perform under the Loan Documents; (v) exercise such rights as Borrower might exercise with respect to the Collateral, including, without limitation, the leasing or other utilization thereof and the collection of any such rents or other payments applicable thereto; (vi) give notice of the existence of the Lender's Lien, including, without limitation, notification to End-Users and/or other account debtors of the existence of such Lender's Lien with respect to the rents and other payments due to Borrower relative to the Collateral; or (vii) upon notice to Borrower, execute in Borrower's name and file any notices, financing statements and other documents or instruments Lender determines are necessary or required to carry out fully the intent and purpose of the Loan Documents or to perfect the Lender Lien.

Borrower hereby ratifies and approves all that Lender shall do or cause to be done by virtue of the power of attorney granted herein and agrees that neither Lender nor any of Lender's employees, agents, officers, or its attorneys will be liable for any acts or omissions or for any error of judgment or mistake of fact or law made while acting in good faith pursuant to the provisions of this subparagraph, unless such act, omission, error of judgment or mistake of fact or law is determined by a court of competent jurisdiction in a decision which no longer is subject to appeal to be the result of the gross negligence or the willful or wanton misconduct of Lender or any such employees, agents, officers or attorneys of Lender. The appointment of Lender as Borrower's attorney-in-fact is a power coupled with an interest, and therefore shall remain irrevocable until all of Borrower's Obligations have been paid and performed in full.

8.6 Expenses. All actual costs and expenses incurred by Lender in connection with the enforcement and/or exercise of any of its rights or remedies (including, without limitation, reasonable attorneys fees) hereunder shall (i) be payable by Borrower to Lender immediately upon demand, (ii) constitute a portion of Borrower's Obligations and (iii) be secured by the Lender Lien.

8.7 Application of Funds. Any funds received by Lender pursuant to the exercise of any rights accorded to Lender pursuant to or by the operation of any of the terms of any of the Loan Documents, including, without limitation, Sale Proceeds, shall be applied by Lender in the following order of priority:

(i) Expenses: First to the payment of all (A) actual fees and expenses, including, without limitation, court costs, title charges, costs of maintaining and preserving the Collateral, reasonable attorney's fees, and all other costs incurred by Lender in exercising any rights accorded to Lender pursuant to the Loan Documents or by applicable law, but excluding costs and fees deducted in the computation of Sale

Proceeds, and (B) Liens superior to the Liens of Lender, except such superior Liens subject to which any sale of the Collateral may have been made;

(ii) Borrower's Obligations. Next, to the payment of Borrower's Obligations, in such order as Lender may determine; and

(iii) Surplus. Any surplus, to the Person or Persons legally entitled thereto.

8.8 Remarketing Assistance on Non-Recourse Facility Contracts. With regard to Non-Recourse Facility Contracts, Lender shall be solely responsible for the costs and expenses of repossession, refurbishment and remarketing of the Equipment on such Contracts. If requested by Lender, Borrower agrees to assist Lender as follows:

(i) to use commercially reasonable efforts to resell or re-lease the Equipment as soon as possible, either by public or private sale, and for an amount under the terms and conditions acceptable to Lender (as used herein, the term "commercial reasonable efforts" shall include but not be limited to, advertising, storing, displaying, and using the same methods to market the Equipment as Borrower uses to market and sell equipment in its own business; and, in remarketing any Equipment, Borrower will not be authorized to make any warranties or representations for or on behalf of Lender); and

(ii) to notify Lender of all offers to purchase or lease the Equipment which Borrower receives from any third party, and Lender shall accept or reject any such offers in its sole but reasonable discretion (Lender has the right to establish a minimum sales price for the Equipment and Borrower agrees that it will not sell any Equipment for an amount less than any established minimum sales price without prior written authorization from Lender).

Borrower agrees that any sale, and the terms thereof, will be subject to the prior approval of Lender in its sole but reasonable discretion; the Equipment will be sold "AS IS" without warranty or representation, express or implied, of any nature or kind whatsoever, except that Lender shall warrant that the Equipment is free from liens placed thereon, or caused to be placed thereon, by Lender.

As compensation for Borrower's remarketing services provided under this Section 8.8, Lender shall pay Borrower an amount equal to five percent (5%) of the Loan Repayment Amount of the related Facility Contract, which sum shall be (i) payable to Borrower upon consummation of the resale or re-lease of the Equipment on such Facility Contract, (ii) payable out of the proceeds of such resale or re-lease, and (iii) deemed to include any and all expenses, costs, fees, commissions and charges of any nature whatsoever related to such remarketing services.

ARTICLE IX

CLOSING

The Closing Date shall be such date as the parties shall determine, and the Closing shall take place on that date, provided all conditions for the Closing as set forth in this Agreement have been satisfied. Unless the Closing occurs on or before March 29, 1996, this Agreement shall terminate and be of no further force or effect, and neither of the parties hereto shall have any further obligation to any other party.

ARTICLE X

MISCELLANEOUS

10.1 Rights, Remedies and Powers. Each and every right, remedy and power granted to Lender hereunder shall be cumulative and in addition to any other right, remedy or power not specifically granted herein or now or hereafter existing in equity, at law, by virtue of statute or otherwise and may be exercised by Lender from time to time concurrently or independently as often and in such order as Lender may deem expedient. Any failure or delay on the part of Lender in exercising any such right, remedy or power, or abandonment or discontinuance of steps to enforce the same, shall not operate as a waiver thereof or affect Lender's right thereafter to exercise the same, and any single or partial exercise of any such right, remedy or power shall not preclude any other or further exercise thereof or the exercise of any other right, remedy or power. Acceptance of payments in arrears shall not waive or affect any right to accelerate Borrower's Obligations.

10.2 Modifications, Waivers and Consents. Any modification or waiver of any provision of this Agreement, or any consent to any departure by Borrower therefrom, shall not be effective in any event unless the same is in writing and signed by Lender, and then such modification, waiver or consent shall be effective only in the specific instance and for the specific purpose given. Any notice to or demand on Borrower in any event not specifically required of Lender hereunder shall not entitle Borrower to any other or further notice or demand in the same, similar or other circumstances unless specifically required hereunder.

10.3 Communications. All notices, consents, approvals and other communications under the Loan Documents shall be in writing and shall be (i) delivered in person, (ii) sent by telephonic facsimile ("FAX") or (iii) mailed, postage prepaid, either by (A) registered or certified mail, return receipt requested, or (B) overnight express carrier, addressed in each case as follows:

To Lender:

Heller Financial, Inc.
One TransAm Plaza Drive, Suite 222
Oakbrook Terrace, Illinois 60181
Attention: Executive Vice President, Vendor Finance Division
FAX No.: (708) 916-7457

Borrower:

CIS Corporation

Attention: Director of Corporate Finance And Chief Financial Officer

P.O. Box 4785, Syracuse, New York 13221-4785 (mail)

One Northern Concourse, North Syracuse, New York 13212 (overnight express)

FAX No.: (315) 455-4713

with a copy to:

CIS Corporation

Attention: Law Department

P.O. Box 4785, Syracuse, New York 13221-4785 (mail)

One Northern Concourse, North Syracuse, New York 13212 (overnight express)

FAX No.: (315) 455-4713

or to such other address, as to either of the parties hereto, as such party shall designate in a written notice to the other party hereto. All notices sent pursuant to the terms of this Section 10.3 shall be deemed received (i) if sent by FAX during regular business hours, on the day sent if a Business Day, or if such day is not a Business Day (or a Business Day after regular business hours), then on the next Business Day, (ii) if sent by overnight, express carrier, on the next Business Day immediately following the day sent, or (iii) if sent by registered or certified mail, on the fifth Business Day following the day sent.

10.4 Severability. If any provision of this Agreement is prohibited by, or is unlawful or unenforceable under, any applicable law of any jurisdiction, such provision, as to such jurisdiction, shall be ineffective to the extent of such prohibition without invalidating the remaining provisions hereof; provided, however, that where the provisions of any such applicable law may be waived, they hereby are waived by Borrower to the full extent permitted by law so that this Agreement shall be deemed to be an agreement which is valid and binding in accordance with its terms.

10.5 Survival. The warranties, representations, covenants and agreements set forth herein shall survive the making of the Advances and the execution and delivery of the Loan Documents and shall continue in full force and effect until Borrower's Obligations have been paid and performed in full.

10.6 Attorneys' Fees and Other Expenses. Borrower agrees to pay to Lender on demand any actual out-of-pocket costs or expenses, together with reasonable attorneys' fees, incurred by Lender in connection with the enforcement or collection against Borrower of any provision of any of the Loan Documents, whether or not suit is instituted, including, but not limited to, such actual costs or expenses arising from the enforcement or collection against Borrower of any provision of any of the Loan Documents in any state or Federal bankruptcy or reorganization proceeding. In addition, in the event that Borrower elects to submit a Contract Funding Request containing one or more Contracts which have deviations from the standard form approved by Lender and attached to this Agreement as Group Exhibit C, Lender reserves the right to charge a reasonable

fee, based on a rate of \$125.00 per hour, as an offset against the related Advance, for its inside counsel to review such Contract(s).

10.7 Indemnity. Lender assumes no obligation or liability to a End-User under any Facility Contract and no Advance shall impose any such obligation or liability on Lender except that the Lender agrees not to disturb any End-User's right of quiet enjoyment under a Facility Contract, provided such End-User is not in default thereunder. Borrower agrees to indemnify and save Lender harmless of, from and against any losses, damages, penalties, forfeitures, claims, costs, expenses (including court costs and reasonable attorneys' fees) or liabilities which may at any time be brought, incurred by, or assessed or adjudged against Lender from:

- (i) any claims of any Person arising from the Facility Contracts included in any Advance, including, without limitation, those arising or resulting from any failure of any Facility Contract included in an Advance to comply with any applicable law, rule, regulation or contractual specifications; any failure on Borrower's part to keep or perform any of Borrower's obligations, express or implied, with respect to any Facility Contract included in an Advance; and any injury to persons or property or any violation or invasion of any patent or invention rights;
- (ii) any breach by Borrower of any of its representations, warranties, covenants or other obligations or agreements contained in this Agreement, in any Facility Contract included in an Advance (including, without limitation, any such breach by Borrower or any entity or person controlled by Borrower);

provided, however, that this indemnification shall not apply to any losses, damages, penalties, forfeitures, claims, costs, expenses or liabilities of Lender arising from

- (i) with respect to the Non-Recourse Facility, any End-User's failure to pay regularly scheduled payments under a Facility Contract or any other amounts due under the Facility Contract unless it is determined by a court that the End-User is not obligated to pay, as a result of (A) such Facility Contract not being an Eligible Facility Contract on the Disbursement Date for the applicable Advance (assuming that the End-User thereunder was an Eligible End-User) and (B) Borrower being in default under any obligation it then owes to such End-User under the applicable Facility Contract or any other agreement relating to the Equipment subject to such Facility Contract,
- (ii) Lender's gross negligence or willful misconduct, or
- (iii) action taken by Borrower at the direction of or with prior approval of Lender.

The parties hereto will each give the other notice of any event or condition

that requires indemnification hereunder, promptly upon obtaining knowledge thereof. The indemnifying party agrees to pay all amounts due hereunder promptly on notice thereof from the indemnified party. To the extent that the indemnifying party may make or provide to the indemnified party's satisfaction for payment under this indemnity provision, and if the indemnifying party is otherwise in compliance with the terms of this Agreement, the indemnifying party shall be subrogated to the indemnified party's rights with respect to such event or condition and shall have the right to control litigation related thereto and to determine the settlement of claims thereon. All of the indemnities and agreements contained in this paragraph shall survive and continue in full force and effect notwithstanding termination of this Agreement or of any Facility Contracts included in the Advances. Any amounts subject to the indemnification provisions of this Section shall be paid by Borrower to Lender within five (5) Business Days following Lender's entitlement thereto.

10.8 Binding Effect. This Agreement shall be binding upon the successors and assigns of Borrower and shall inure to the benefit of the successors and assigns of Lender.

10.9 Assignments; Participations. Lender shall be entitled to sell, assign or transfer any portion of its interest in the Facility; provided, however, Lender hereby agrees to deliver to Borrower notice of such proposed sale, assignment or transfer not less than 30 days prior to the proposed date for the consummation thereof, which notice shall include a description of the financial institution to which such sale, assignment or transfer is proposed to be made. In connection with any such sale, assignment or transfer, Lender may

disclose such information with respect to Borrower, its business and financial affairs and the Facility as Lender reasonably deems necessary, unless any such information which has been provided by Borrower to Lender is confidential in nature, in which case such confidential information shall not be disclosed without the prior written consent of Borrower, which consent shall not unreasonably be withheld or delayed.

10.10 Further Assurances. Each of Borrower and Lender agrees that upon the request of the other party hereto at any time and from time to time after the execution of this Agreement it shall execute and deliver such further instructions, documents, and certificates and take such further actions as such party reasonably may request.

10.11 GOVERNING LAW, CONSENT TO JURISDICTION AND SERVICE OF PROCESS. THIS AGREEMENT AND EACH OF THE OTHER LOAN DOCUMENTS SHALL BE A CONTRACT MADE UNDER AND GOVERNED BY THE LAWS OF THE STATE OF ILLINOIS APPLICABLE TO CONTRACTS MADE AND PERFORMED ENTIRELY WITHIN THE STATE OF ILLINOIS. BORROWER DOES HEREBY SUBMIT, AT LENDER'S ELECTION, TO THE EXCLUSIVE JURISDICTION AND VENUE OF ANY COURTS (FEDERAL, STATE OR LOCAL) HAVING A SITUS WITHIN THE COUNTY OF COOK AND THE STATE OF ILLINOIS WITH RESPECT TO ANY DISPUTE, CLAIM, OR SUIT, WHETHER DIRECTLY OR INDIRECTLY ARISING OUT OF OR RELATING TO THIS AGREEMENT, OR ANY RELATED NOTE OR ANY OF BORROWER'S OBLIGATIONS OR INDEBTEDNESS HEREUNDER. BORROWER AGREES THAT, SHOULD LENDER BE UNABLE TO EFFECTUATE PERSONAL SERVICE OF PROCESS ON BORROWER, THAT LENDER MAY THEREUPON OBTAIN SUCH SERVICE OF PROCESS ON

BORROWER'S REGISTERED AGENT, WHICH SHALL BE THE SECRETARY OF STATE OF NEW YORK STATE UNTIL BORROWER OTHERWISE ADVISES LENDER. BORROWER HEREBY IRREVOCABLY WAIVES ANY CLAIM THAT THE COUNTY OF COOK, STATE OF ILLINOIS IS AN INCONVENIENT FORUM OR AN IMPROPER FORUM BASED ON LACK OF VENUE AS WELL AS ANY RIGHT IT MAY NOW OR HEREAFTER HAVE TO REMOVE ANY SUCH ACTION OR PROCEEDING, ONCE COMMENCED, TO ANOTHER COURT ON THE GROUNDS OF FORUM NON CONVENIENS OR OTHERWISE. THE EXCLUSIVE CHOICE OF FORUM SET FORTH HEREIN SHALL NOT BE DEEMED TO PRECLUDE THE ENFORCEMENT BY LENDER OF ANY JUDGMENT OBTAINED IN SUCH FORUM OR THE TAKING OF ANY ACTION BY LENDER TO ENFORCE THE SAME IN ANY OTHER APPROPRIATE JURISDICTION.

10.12 WAIVER OF JURY TRIAL. BORROWER AND LENDER HEREBY WAIVE THEIR RESPECTIVE RIGHTS TO A JURY TRIAL OF ANY CLAIM OR CAUSE OF ACTION BASED UPON OR ARISING OUT OF THIS LOAN AGREEMENT OR ANY OF THE OTHER LOAN DOCUMENTS. THIS WAIVER IS INTENDED TO BE EFFECTIVE WITH RESPECT TO ALL DISPUTES WHICH ARISE OUT OF ANY OF THE LOAN DOCUMENTS OR PERTAIN TO THE TRANSACTIONS CONTEMPLATED THEREBY. THIS WAIVER IS IRREVOCABLE, AND MAY NOT BE MODIFIED EITHER ORALLY OR IN WRITING, AND SUCH WAIVER SET FORTH HEREIN SHALL APPLY TO ANY SUBSEQUENT AMENDMENTS, RENEWALS, SUPPLEMENTS OR MODIFICATIONS TO THIS AGREEMENT OR THE OTHER LOAN DOCUMENTS.

10.13 Possession and Use of Facility Equipment. So long as a Borrower Event of Default has not occurred, Borrower shall be permitted to remain in full possession, enjoyment and control of Facility Equipment, and to manage, operate and use the same and each part thereof with the rights and franchises appertaining thereto; provided always, that the possession, enjoyment control and use of the Facility Equipment shall at all times be subject to the pertaining Facility Contract and to the observance and performance of the terms of this Agreement. It is expressly understood that the use and possession of Facility Equipment by the pertaining End-User subject to the pertaining Facility Contract shall not constitute a violation of this Section 10.13.

10.14 Constructive Trust for Certain Payments. Notwithstanding anything to the contrary contained in this Agreement, if Lender at any times receives (i) any payments in respect of amounts due under a Facility Contract for a period prior to the date set forth in the Contract Payment Letter for receipt by Lender of the first payment to be made under such Facility Contract, (ii) so long as no Borrower Event of Default has occurred, any payment made by an End-User in respect of sales or use tax or property tax, or (iii) any other amount not constituting part of the Collateral, Lender shall hold such funds in constructive trust for the sole benefit of Borrower and shall promptly turn over such funds to Borrower.

10.15 Direct Billing and Collecting Option. Notwithstanding anything to the contrary contained in this Agreement, prior to Borrower submitting a Contract Funding Request for a Non-Recourse Facility Advance, Borrower may, at Borrower's option, deliver a Contract Payment Letter to any End-User(s) whose Contract(s) are included in such Advance. In such event and with respect only to Borrower's Obligations relating to such Non-Recourse Facility Contracts under which the End-User(s) will be notified prior to the related Advance that Lender will be billing and collecting, this Agreement shall be deemed to be amended as

follows:

(a) The fifth sentence of Section 2.5, beginning with "With respect to Non-Recourse Facility Contracts..." shall be deleted and the following substituted therefor:

"Lender shall bill and collect the payments due under any Non-Recourse Facility Contract(s) as to which Borrower has delivered a Contract Payment Letter to the End-User(s) prior to the related Advance."

(b) Subclauses III and IV of clause (iv) of Section 6.4 are deleted in their entirety.

(c) Clauses (ii), (iii) and (iv) in Section 6.12 are deleted in their entirety.

(d) The following phrase is inserted at the beginning of Section 8.2.1(a); after the phrase "whether or not such payment(s) have been cured by Borrower, then" in the first paragraph of Section 8.2.2; and after the phrase "[i]n addition to the foregoing, at Lender's election," in the second paragraph of Section 8.2.2:

"[i]f Borrower has not previously done so,".

SIGNATURE BLOCK ON FOLLOWING PAGE

This Agreement has been executed and delivered by each of the parties hereto by a duly authorized officer of each such party on the date first set forth above.

HELLER FINANCIAL, INC.

CIS CORPORATION

By: /s/Jeffrey D. Kochanek

By: /s/Frank J. Corcoran

AVP, Credit Manager, LPG

VP

Form of Full Recourse Warehouse Facility Promissory Note

WAREHOUSE FACILITY NOTE

Up to \$1,000,000.00

Chicago, Illinois March 27, 1996

For Value Received, CIS Corporation, a New York corporation ("Borrower"), promises to pay to the order of Heller Financial, Inc., a Delaware corporation ("Lender"), the principal sum of One Million Dollars (\$1,000,000.00) or so much as is advanced by Lender under the Warehouse Facility, plus interest thereon and any other charges applicable thereto, all as set forth more fully in that certain Multi-Facility Loan and Security Agreement dated of even date and executed by and between Borrower and Lender (the "Loan Agreement"). All capitalized terms not otherwise defined herein shall have the meaning ascribed to them in such Loan Agreement, the applicable provisions of which are incorporated herein by this reference.

This Note is executed to evidence the Warehouse Facility described in the Loan Agreement. Each Warehouse Facility Advance shall bear interest as provided in the Loan Agreement. Interest which accrues on each Warehouse Facility Advance, together with the principal amount thereof, shall be payable in accordance with the Loan Agreement. The principal balance of the Warehouse Facility, or any portion thereof, shall or may be prepaid as described in the Loan Agreement.

If any payment to be made pursuant to this Note becomes past due for a period in excess of ten (10) days, Borrower shall pay to Lender on demand any late charges or other payments which Lender is entitled to receive from Borrower pursuant to the provisions of Article II of the Loan Agreement.

At the election of the holder hereof, upon the occurrence of an Event of Default, the Warehouse Facility, and all accrued and unpaid interest thereon, together with any other applicable charges, shall be and become immediately due and payable in full.

If any suit or action is instituted or attorneys are employed to collect this Note or any part thereof, Borrower promises and agrees to pay all costs of collection, including actual court costs and reasonable attorneys' fees.

Borrower for itself and its successors and assigns hereby waives presentment for payment, protest and demand, notice of protest, demand and of dishonor and nonpayment of this Note, and expressly agrees that this Note, or any payment hereunder, may be extended from time to time before, at or after maturity, without in any way affecting the liability of Borrower hereunder or any guarantor hereof.

Lender or the holder hereof shall not be required to look to any collateral for the payment of this Note, but may proceed against the undersigned in such manner as it deems desirable. None of the rights or remedies of Lender or the holder hereunder or under the Loan Agreement are to be deemed waived or affected by any

failure to exercise same. All remedies conferred upon Lender or the holder of this Note, the Loan Agreement or any other instrument or agreement to which the undersigned is a party or under which any or all of them is bound, shall be cumulative and not exclusive, and such remedies may be exercised concurrently or consecutively at Lender's or the holder's option.

THIS PROMISSORY NOTE SHALL BE A CONTRACT MADE UNDER AND GOVERNED BY THE LAWS OF THE STATE OF ILLINOIS APPLICABLE TO CONTRACTS MADE AND PERFORMED ENTIRELY WITHIN THE STATE OF ILLINOIS. BORROWER DOES HEREBY SUBMIT, AT LENDER'S ELECTION, TO THE EXCLUSIVE JURISDICTION AND VENUE OF ANY COURTS (FEDERAL, STATE OR LOCAL) HAVING A SITUS WITHIN THE COUNTY OF COOK AND THE STATE OF ILLINOIS WITH RESPECT TO ANY DISPUTE, CLAIM, OR SUIT WHETHER DIRECTLY OR INDIRECTLY ARISING OUT OF OR RELATING TO THIS PROMISSORY NOTE. BORROWER AGREES THAT, SHOULD LENDER BE UNABLE TO EFFECTUATE PERSONAL SERVICE OF PROCESS ON BORROWER, THAT LENDER MAY THEREUPON OBTAIN SUCH SERVICE OF PROCESS ON BORROWER'S REGISTERED AGENT, WHICH SHALL BE THE SECRETARY OF STATE OF NEW YORK STATE UNTIL BORROWER OTHERWISE ADVISES LENDER. BORROWER HEREBY IRREVOCABLY WAIVES ANY CLAIM THAT THE COUNTY OF COOK, STATE OF ILLINOIS IS AN INCONVENIENT FORUM OR AN IMPROPER FORUM BASED ON LACK OF VENUE AS WELL AS ANY RIGHT IT MAY NOW OR HEREAFTER HAVE TO REMOVE ANY SUCH ACTION OR PROCEEDING, ONCE COMMENCED, TO ANOTHER COURT ON THE GROUNDS OF FORUM NON CONVENIENS OR OTHERWISE. THE EXCLUSIVE CHOICE OF FORUM SET FORTH HEREIN SHALL NOT BE DEEMED TO PRECLUDE THE ENFORCEMENT BY LENDER OF ANY JUDGMENT OBTAINED IN SUCH FORUM OR THE TAKING OF ANY ACTION BY LENDER TO ENFORCE THE SAME IN ANY OTHER APPROPRIATE JURISDICTION.

BORROWER AND LENDER HEREBY WAIVE THEIR RESPECTIVE RIGHTS TO A JURY TRIAL OF ANY CLAIM OR CAUSE OF ACTION BASED UPON OR ARISING OUT OF THIS PROMISSORY NOTE. BORROWER AND LENDER ALSO WAIVE ANY BOND OR SURETY OR SECURITY UPON SUCH BOND WHICH MIGHT, BUT FOR THIS WAIVER, BE REQUIRED OF LENDER. THIS WAIVER IS INTENDED TO BE EFFECTIVE WITH RESPECT TO ALL DISPUTES WHICH ARISE OUT OF THE PROMISSORY NOTE, THE LOAN DOCUMENTS OR PERTAIN TO THE TRANSACTIONS CONTEMPLATED THEREBY. BORROWER AND LENDER EACH ACKNOWLEDGE THAT THIS WAIVER IS A MATERIAL INDUCEMENT TO ENTER INTO A BUSINESS RELATIONSHIP, THAT EACH ALREADY HAS RELIED ON SUCH WAIVER IN ENTERING INTO THIS PROMISSORY NOTE AND THE OTHER LOAN DOCUMENTS AND THAT EACH WILL CONTINUE TO RELY ON SUCH WAIVER IN THEIR RELATED FUTURE DEALINGS. BORROWER AND LENDER FURTHER WARRANT AND REPRESENT THAT EACH KNOWINGLY AND VOLUNTARILY HAS WAIVED ITS JURY TRIAL RIGHTS FOLLOWING CONSULTATION WITH LEGAL COUNSEL. THIS WAIVER IS IRREVOCABLE, AND MAY NOT BE MODIFIED EITHER ORALLY OR IN WRITING, AND SUCH WAIVER SET FORTH HEREIN SHALL APPLY TO ANY SUBSEQUENT AMENDMENTS, RENEWALS, SUPPLEMENTS OR MODIFICATIONS TO THIS PROMISSORY NOTE OR THE OTHER LOAN DOCUMENTS. IN THE EVENT OF LITIGATION, THIS PROMISSORY NOTE MAY BE FILED AS A WRITTEN CONSENT TO A TRIAL BY THE COURT.

This Note shall be binding upon Borrower, its successors and assigns, and shall inure to the benefit of the successors and assigns of Lender.

IN WITNESS WHEREOF, Borrower has executed this Note as of the day and year first written above.

CIS CORPORATION

By: /s/ Frank J. Corcoran

VP

Form of Limited Recourse Facility Promissory Note

LIMITED RECOURSE FACILITY NOTE

Up to \$5,000,000.00

Chicago, Illinois March 27, 1996

For Value Received, CIS Corporation, a New York corporation ("Borrower"), promises to pay to the order of Heller Financial, Inc., a Delaware corporation ("Lender"), the principal sum of Five Million Dollars (\$5,000,000.00), or so much as is advanced by Lender under the Limited Recourse Facility, plus interest thereon and any other charges applicable thereto, all as set forth more fully in that certain Multi-Facility Loan and Security Agreement dated of even date herewith and executed by and between Borrower and Lender (the "Agreement"). All capitalized terms not otherwise defined herein shall have the meaning ascribed to them in such Agreement, the applicable provisions of which are incorporated herein by this reference.

This Note is executed to evidence the Limited Recourse Facility described in the Agreement. Each Advance shall bear interest as provided in the Agreement. Interest which accrues on each Advance, together with the principal amount thereof, shall be payable in accordance with the applicable Amortization Schedule attached to each Contract Funding Request. Each payment described on such Amortization Schedule represents payment of interest as well as principal. The principal balance of the Limited Recourse Facility, or any portion thereof, shall or may be prepaid as described in the Agreement.

If any payment to be made pursuant to this Note becomes past due for a period in excess of ten (10) days, Borrower shall pay to Lender on demand any late charges or other payments which Lender is entitled to receive from Borrower pursuant to the provisions of Article II of the Agreement.

At the election of the holder hereof, upon the occurrence of an Event of Default, the Limited Recourse Facility, and all accrued and unpaid interest thereon, together with any other applicable charges, shall be and become immediately due and payable in full.

If any suit or action is instituted or attorneys are employed to collect this

Note or any part thereof, Borrower promises and agrees to pay all costs of collection, including actual court costs and reasonable attorneys' fees.

Borrower for itself and its successors and assigns hereby waives presentment for payment, protest and demand, notice of protest, demand and of dishonor and nonpayment of this Note, and expressly agrees that this Note, or any payment hereunder, may be extended from time to time before, at or after maturity, without in any way affecting the liability of Borrower hereunder or any guarantor hereof.

Recourse against Borrower shall be limited as more fully set forth in the Agreement. None of the rights or remedies of Lender or the holder hereunder or under the Agreement are to be deemed waived or affected by any failure to exercise same. All remedies conferred upon Lender or the holder of this Note, the Agreement or any other instrument or agreement to which the undersigned is a party or under which any or all of them is bound, shall be cumulative and not exclusive, and such remedies may be exercised concurrently or consecutively at Lender's or the holder's option.

THIS PROMISSORY NOTE SHALL BE A CONTRACT MADE UNDER AND GOVERNED BY THE LAWS OF THE STATE OF ILLINOIS APPLICABLE TO CONTRACTS MADE AND PERFORMED ENTIRELY WITHIN THE STATE OF ILLINOIS. BORROWER DOES HEREBY SUBMIT, AT LENDER'S ELECTION, TO THE EXCLUSIVE JURISDICTION AND VENUE OF ANY COURTS (FEDERAL, STATE OR LOCAL) HAVING A SITUS WITHIN THE COUNTY OF COOK AND THE STATE OF ILLINOIS WITH RESPECT TO ANY DISPUTE, CLAIM, OR SUIT WHETHER DIRECTLY OR INDIRECTLY ARISING OUT OF OR RELATING TO THIS PROMISSORY NOTE. BORROWER AGREES THAT, SHOULD LENDER BE UNABLE TO EFFECTUATE PERSONAL SERVICE OF PROCESS ON BORROWER, THAT LENDER MAY THEREUPON OBTAIN SUCH SERVICE OF PROCESS ON BORROWER'S REGISTERED AGENT, WHICH SHALL BE THE SECRETARY OF STATE OF NEW YORK STATE UNTIL BORROWER OTHERWISE ADVISES LENDER. BORROWER HEREBY IRREVOCABLY WAIVES ANY CLAIM THAT THE COUNTY OF COOK, STATE OF ILLINOIS IS AN INCONVENIENT FORUM OR AN IMPROPER FORUM BASED ON LACK OF VENUE AS WELL AS ANY RIGHT IT MAY NOW OR HEREAFTER HAVE TO REMOVE ANY SUCH ACTION OR PROCEEDING, ONCE COMMENCED, TO ANOTHER COURT ON THE GROUNDS OF FORUM NON CONVENIENS OR OTHERWISE. THE EXCLUSIVE CHOICE OF FORUM SET FORTH HEREIN SHALL NOT BE DEEMED TO PRECLUDE THE ENFORCEMENT BY LENDER OF ANY JUDGMENT OBTAINED IN SUCH FORUM OR THE TAKING OF ANY ACTION BY LENDER TO ENFORCE THE SAME IN ANY OTHER APPROPRIATE JURISDICTION.

BORROWER AND LENDER HEREBY WAIVE THEIR RESPECTIVE RIGHTS TO A JURY TRIAL OF ANY CLAIM OR CAUSE OF ACTION BASED UPON OR ARISING OUT OF THIS PROMISSORY NOTE. THIS WAIVER IS INTENDED TO BE EFFECTIVE WITH RESPECT TO ALL DISPUTES WHICH ARISE OUT OF THE PROMISSORY NOTE, THE LOAN DOCUMENTS OR PERTAIN TO THE TRANSACTIONS CONTEMPLATED THEREBY. THIS WAIVER IS IRREVOCABLE, AND MAY NOT BE MODIFIED EITHER ORALLY OR IN WRITING, AND SUCH WAIVER SET FORTH HEREIN SHALL APPLY TO ANY SUBSEQUENT AMENDMENTS, RENEWALS, SUPPLEMENTS OR MODIFICATIONS TO THIS PROMISSORY NOTE OR THE OTHER LOAN DOCUMENTS.

This Note shall be binding upon Borrower, its successors and assigns, and shall inure to the benefit of the successors and assigns of Lender.

IN WITNESS WHEREOF, Borrower has executed this Note as of the date first written

above.

CIS CORPORATION

By: /s/Frank J. Corcoran

VP

LOAN AND SECURITY AGREEMENT

CIS Corporation

with

CoreStates Bank, N.A.

TABLE OF CONTENTS

SECTION 1. DEFINITIONS AND INTERPRETATION

- 1.1 Terms Defined

- 1.2 Accounting Principles

SECTION 2. THE LOANS

- 2.1 Credit Facility - Description

- 2.2 Advances and Payments

- 2.3 Preconditions to Advances and Assignment of Leases
and Leased Property

- 2.4 Credit Facility Interest

- 2.5 Additional Interest Provisions

- 2.6 Administrative Fee

- 2.7 Prepayments

- 2.8 Use of Proceeds

- 2.9 Capital Adequacy

SECTION 3. COLLATERAL

- 3.1 Description
- 3.2 Lien Documents
- 3.3 Other Actions

- 3.4 Searches
- 3.5 Filing Security Agreement
- 3.6 Power of Attorney

SECTION 4. CLOSING AND CONDITIONS PRECEDENT TO ADVANCES

- 4.1 Resolutions, Opinions, and Other Documents
- 4.2 Absence of Certain Events
- 4.3 Warranties and Representations at Closing
- 4.4 Compliance with this Agreement
- 4.5 Officers' Certificate
- 4.6 Closing
- 4.7 Non-Waiver of Rights

SECTION 5. REPRESENTATIONS AND WARRANTIES

- 5.1 Corporate Organization and Validity
- 5.2 Places of Business
- 5.3 Pending Litigation
- 5.4 Title to Collateral
- 5.5 Governmental Consent
- 5.6 Taxes
- 5.7 Financial Statements
- 5.8 Full Disclosure
- 5.9 Subsidiaries

- 5.10 Guarantees, Contracts, etc.
- 5.11 Government Regulations, etc.
- 5.12 Names
- 5.13 Other Associations
- 5.14 Environmental Matters
- 5.15 Capital Stock
- 5.16 Solvency
-
- 5.17 Leases and Leased Property
-

SECTION 6. BORROWER'S AFFIRMATIVE COVENANTS

- 6.1 Payment of Taxes and Claims
- 6.2 Maintenance of Insurance, Financial Records and Corporate Existence
- 6.3 Business Conducted
- 6.4 Litigation/Action Effecting Plan of Reorganization
- 6.5 Taxes
- 6.6 Bank Accounts
- 6.7 Employee Benefit Plans
- 6.8 Warranties for Future Advances
- 6.9 Financial Covenants
- 6.10 Financial and Business Information
- 6.11 Officers' Certificates
- 6.12 Inspection
- 6.13 Tax Returns and Reports

- 6.14 Material Adverse Developments
- 6.15 Places of Business
- 6.16 Sale of Collateral
- 6.17 Compliance with Plan of Reorganization
- 6.18 Release of Collateral

SECTION 7. BORROWER'S NEGATIVE COVENANTS:

- 7.1 Merger, Consolidation, Dissolution or Liquidation
- 7.2 Liens and Encumbrances
- 7.3 Transactions With Affiliates or Subsidiaries
- 7.4 Guarantees
- 7.5 Use of Lender's Name
- 7.6 Continental's Consolidated Financial Statements

SECTION 8. DEFAULT

- 8.1 Events of Default

- 8.2 Cure

- 8.3 Rights and Remedies on Default

- 8.4 Nature of Remedies

- 8.5 Set-Off

SECTION 9. MISCELLANEOUS

- 9.1 GOVERNING LAW
- 9.2 Integrated Agreement
- 9.3 Waiver
- 9.4 Time

- 9.5 Expenses of Lender
- 9.6 Brokerage
- 9.7 Notices
- 9.8 Headings
- 9.9 Survival
- 9.10 Successors and Assigns
- 9.11 Duplicate Originals
- 9.12 Modification
- 9.13 Signatories
- 9.14 Third Parties
- 9.15 Discharge of Taxes, Borrower's Obligations, Etc.
- 9.17 Consent to Jurisdiction
- 9.18 Waiver of Jury Trial
- 9.19 WARRANT OF ATTORNEY:
- 9.20 Information to Participant

EXHIBIT LIST

Exhibit 2.1(b) -- Form of Revolving Credit Note

LOAN AND SECURITY AGREEMENT

This Loan and Security Agreement ("Agreement") is dated this 26th day of June, 1996, by and among CIS Corporation ("Borrower") and CoreStates Bank, N.A., a national banking association ("Lender").

BACKGROUND

A. Borrower is in the business of leasing personal property to Lessees or otherwise financing the purchase of personal property for third party purchasers pursuant to leases or installment sale agreements. Borrower wishes, from time to time, to obtain advances up to the Maximum Credit Limit. Lender is willing to make loans and grant extensions of credit to Borrower under the terms and provisions hereinafter set forth.

B. The parties desire to reduce the terms and conditions of their relationship to writing.

NOW, THEREFORE, the parties hereto, intending to be legally bound, hereby agree as follows:

SECTION 1. DEFINITIONS AND INTERPRETATION

1.1 Terms Defined: As used in this Agreement, the following terms have the following respective meanings:

Account - Any right to payment for goods sold or leased or for services rendered which is not evidenced by an instrument or chattel paper, whether or not it has been earned by performance.

Adjusted Debt to Tangible Net Worth Ratio - At any time means the ratio of (i) total Liabilities less Nonrecourse Debt to (ii) Borrower's

Tangible Net Worth.

Administrative Fee - Section 2.6.

Advance(s) - Any monies advanced or credit extended to Borrower by Lender under the Credit Facility.

Affiliate - As to any person, each other person that directly, or indirectly, through one or more intermediaries, controls or is controlled by, or is under common control with, the person in question.

Agreement - This Loan and Security Agreement, as it may hereafter be amended, supplemented or replaced from time to time.

Aircraft Lease - A Lease pursuant to which Borrower is leasing, or has leased, Leased Property comprised of aircraft, airframes and/or aircraft engines (collectively and individually referred to as "Aircraft") which has a remaining term of at least three (3) months and which is otherwise an Eligible Lease.

Aircraft Loans - Revolving Credit Loans specifically collateralized by and relating to, Aircraft Leases.

Aircraft Sublimit - \$1,000,000.

Applicable Rate - Section 2.4.

Assignment Agreement - Section 2.3(b).

Authorized Officer - Any officer or partner of Borrower authorized by specific resolution of Borrower to request Advances as set forth in the incumbency certificate referred to in Section 4.1(d) of this Agreement.

Base Rate - That per annum rate designated or announced by Lender at its principal office from time to time as its prime rate of interest, which may be greater or less than other interest rates charged by Lender to other borrowers and is not solely based or dependent upon the interest rate which Lender may charge any particular borrower or class of borrowers.

Books and Records - All of Borrower's original ledger cards, payment schedules, credit applications, Contract Rights, liens, security instruments, guarantees and other General Intangibles relating in any way to the Leases or Leased Property.

Borrowing Base - As of any date of determination, an amount equal to the lesser of, (i) the Maximum Credit Limit, or (ii) the aggregate amount, with respect to the Eligible Leases, of the lesser of the following for each Eligible Lease, as determined on a lease-by-lease basis, (A) eighty percent (80%) of the original cost of the Leased Property, less the aggregate amount of payments scheduled to have been paid prior to the date of determination with respect to the corresponding Eligible Lease, and (B) seventy-five percent (75%)

of the present value of the remaining scheduled Lease payments due under such Eligible Lease, discounted at the then applicable Applicable Rate, as such Applicable Rate may change from time to time.

Borrowing Base Certificate - Section 2.1(d).

Business Day - Any day that is not a Saturday or Sunday or day on which Lender is required or permitted to close.

Closing Date - Section 4.6.

Collateral - All now or hereafter existing Leases and Leased Property, Books and Records and all cash and noncash proceeds, thereof, including insurance proceeds.

Continental - Continental Information Systems Corporation, parent company of Borrower which owns 100% of the issued and outstanding stock of Borrower.

Contract Rights - All rights under contracts not yet earned by performance.

Credit Facility - Section 2.1(a).

Current Term - The Initial Term during the period of the Initial Term, and any renewal or extended term during the term thereof, if Lender elects, in its sole discretion to renew or extend the Credit Facility.

Defaulted Lease - Any Lease where the Lease or Leased Property associated therewith fails, at any time, to comply with all of the representations and warranties set forth in Section 5.17 below.

Distribution -

(1) Dividends or other distributions on capital stock of Borrower; and

(2) The redemption, repurchase or acquisition of such stock or of warrants, rights or other options to purchase such stock.

Eligible Lease(s) - All Leases which meet all of the following specifications: (1) are not subject to any Lien, security interest or prior assignment other than Permitted Liens; (2) are valid and enforceable Leases, representing the undisputed obligation of each Lessee, with rentals due thereunder not more than 60 days past due; (3) are not subject to any defense, set off, counterclaim, deduction, or allowance or adjustment; (4) provide for the lease of Leased Property which has not been returned, rejected, lost or damaged; (5) arose in the ordinary course of Borrower's business; (6) Borrower has not received notice of bankruptcy, receivership, reorganization, insolvency or material adverse change in the financial condition of the Lessee; (7) the Lessee is not a Subsidiary or Affiliate of Borrower, does not control Borrower,

and is not under the control of or under common control with Borrower; (8) are not Defaulted Leases and comply with all general warranties set forth in Section 5.17 hereof; (9) are Leases which have not been an "Eligible Lease" under the Borrowing Base for more than twelve months in the aggregate; (10) are Leases with stated terms of not greater than 60 months; and (11) if such Leases are Aircraft Leases, Borrower shall have delivered each of the items with respect thereto required by Section 2.3(c) hereof.

Equipment - The meaning ascribed thereto in the Pennsylvania Uniform Commercial Code.

ERISA - The Employee Retirement Income Security Act of 1974, as the same may be amended, from time to time.

Event of Default - Section 8.1.

Expenses - Section 9.5.

Financial Statements - The financial statements of Borrower prepared in accordance with GAAP.

GAAP - Generally accepted accounting principles as in effect on the Closing Date, as may be amended from time to time.

General Intangibles - The meaning ascribed thereto in the Pennsylvania Uniform Commercial Code and shall include, but not be limited to, all Contract Rights (including without limitation, all rights under any remarketing agreements), chattel paper, documents, instruments, books, records, ledgers, journals, check books, print outs, blue prints, designs, computer programs, computer tapes, punch cards, formulae, drawings, customer lists, choses in action, claims, goodwill, designs and plans, licenses, license agreements, tax and all other types of refunds, returned and unearned insurance premiums, rights and claims under insurance policies, patents, patent application, trademarks, trade names, trade styles, trademark applications and copyrights.

Hazardous Substance - Section 5.14.

Initial Term - Section 2.1(c).

Interest Coverage Ratio - The ratio of Borrower's operating cash flow (Net Income before interest, taxes, depreciation and extraordinary items) to interest expense (excluding interest expense recorded on Continental's financial statements as relating to Nonrecourse Debt).

Inventory - The meaning ascribed thereto in the Pennsylvania Uniform Commercial Code and shall include all additions, improvements, accessions, attachments, upgrades, replacements and substitutions thereto or therefor.

IRS - Section 6.7.

Lease(s) - All of Borrower's Accounts, Documents, General Intangibles, Instruments and Chattel Paper arising in connection with each and every equipment lease, including without limitation each and every Aircraft Lease, and/or schedule to a master lease agreement, assigned to Lender, or now or hereafter designated on any schedule, Assignment Agreement or Collateral Agreement (with respect to an Aircraft Lease) as being assigned to Lender. The term "Lease" includes (i) all payments to be made thereunder, (ii) all rights of Borrower therein, and (iii) any and all amendments, renewals, extensions or guarantees thereof.

Leased Property - Any property leased or to be leased or financed by Borrower pursuant to a Lease; the term "Leased Property" includes all of Borrower's Inventory or Equipment, including without limitation Aircraft subject to an Aircraft Lease, so leased and any and all additions, improvements, accessions, attachments, upgrades, replacements and substitutions thereto and therefor.

Lessee - The lessee(s) or obligor(s) responsible for payment and/or performance under a Lease.

Liabilities - All of Borrower's liabilities (excluding indebtedness for borrowed money which is expressly subordinated to the Obligations of Borrower to Lender, on terms satisfactory to Lender) as would be shown on a consolidated financial statement of Borrower prepared in accordance with GAAP.

Lien - Any interest of any kind or nature in property securing an obligation owed to, or a claim of any kind or nature in property by, a Person other than the owner of the Property, whether such interest is based on the common law, statute, regulation or contract, and including, but not limited to, a security interest or lien arising from a mortgage, encumbrance, pledge, conditional sale or trust receipt, a lease, consignment or bailment for security purposes, a trust, or an assignment.

Loans - All Revolving Credit Loans.

Loan Documents - This Agreement, the Revolving Credit Note and all agreements, instruments and documents executed and/or delivered from time to time in connection therewith, all as may be amended or replaced from time to time.

Maturity Date - Section 2.1(c).

Maximum Credit Limit - Five Million (\$5,000,000) Dollars.

Net Income - The consolidated net income after taxes of Borrower as such would appear on Borrower's consolidated statement of income, prepared in accordance with GAAP.

Nonrecourse Debt - All Liabilities of Borrower which are non-recourse in nature and treated as non-recourse obligations on Borrower's Financial Statements.

Obligations - All existing and future liabilities and obligations of every kind or nature at any time owing by Borrower to Lender, whether joint or several, related or unrelated, primary or secondary, matured or contingent, due or to become due, and whether principal, interest, fees or Expenses, including, without limitation, obligations in respect of the Credit Facility and this Agreement and any extensions, modifications, substitutions, increases and renewals thereof, and the payment of all reasonable amounts advanced by Lender to preserve, protect and enforce rights hereunder and in the Collateral and all Expenses incurred by Lender in connection therewith.

PBGC - Section 6.7.

Pennsylvania Uniform Commercial Code or UCC - The Uniform Commercial Code as enacted in Pennsylvania, as the same shall be amended from time to time.

Permitted Liens - Any of the following Liens: (i) a Lien on the Collateral granted by Borrower to Lender pursuant to Section 3 of this Agreement; (ii) the leasehold interest(s) of the Lessee(s) under the Lease(s); (iii) any Liens to which Lender has consented in writing and which are expressly subordinate to (i) or (ii) above; and (iv) Liens for taxes (excluding any federal tax lien) or assessments and similar charges, which either are (A) not delinquent or (B) being contested diligently and in good faith by appropriate proceedings, and provided that Borrower has set aside on its books adequate reserves in respect thereof in accordance with GAAP and only so long as Lender's Lien on the Collateral is not materially and adversely affected thereby.

Person - An individual, partnership, corporation, trust, unincorporated association or organization, joint venture or any other entity.

Plan of Reorganization - That certain Trustee's Proposed Joint Plan of Reorganization dated October 4, 1994 in the bankruptcy case of CIS Corporation, Continental Information Systems Corporation, et al, 89 B 10073 (PBA) through 89 B 10084 (PBA) inclusive.

Property - Any interest of Borrower in any kind of property or asset, whether real, personal or mixed, or tangible or intangible.

Revolving Credit Note - Section 2.1(b).

Subsidiary - Any corporation more than fifty percent (50%) of whose voting stock is legally and beneficially owned by Borrower or owned by a corporation more than fifty percent (50%) of whose voting stock is legally and beneficially owned by Borrower.

Tangible Net Worth - At any time means the amount of

stockholders equity on a consolidated basis (excluding trademarks, goodwill, covenants not to compete, deferred closing costs and all other intangible assets as that term is defined under GAAP).

Unmatured Event of Default - An event or condition which with the passage of time, the giving of notice, or both would become an Event of Default.

1.2 Accounting Principles: Where the character or amount of any asset or liability or item of income or expense is required to be determined or any consolidation or other accounting computation is required to be made for the purposes of this Agreement, this shall be done in accordance with GAAP, to the extent applicable, except as otherwise expressly provided in this Agreement.

SECTION 2. THE LOANS

2.1 Credit Facility - Description:

(a) Subject to the terms and conditions of this Agreement, Lender hereby establishes for the benefit of Borrower a discretionary line of credit facility ("Credit Facility") which shall include Advances which may be extended by Lender in its sole and absolute discretion to or for the benefit of Borrower from time to time hereunder in the form of revolving credit loans ("Revolving Credit Loans"). The aggregate outstanding principal amount of all Revolving Credit Loans, at any time, shall not exceed the Borrowing Base. Subject to such limitation, the outstanding balance of all Revolving Credit Loans may fluctuate from time to time, to be reduced by repayments made by Borrower, to be increased by future Revolving Credit Loans which may be made by Lender. In no event shall the initial principal amount of any Advance be less than \$200,000. If the aggregate outstanding principal amount of all Revolving Credit Loans exceeds the Borrowing Base, Borrower shall either immediately (x) repay such excess in full or (y) pledge additional Eligible Leases in accordance with the terms hereof. Lender has the right at any time and from time to time, in its sole discretion, (but without any obligation) as a form of credit enhancement, to (i) require that Borrower supply additional and/or substitute Collateral or (ii) demand that Borrower repay a portion of the outstanding Loans in an amount that Lender deems appropriate within fifteen (15) Business Days of such demand. The Obligations of Borrower under the Credit Facility and this Agreement shall at all times be absolute and unconditional.

(b) At Closing, Borrower shall execute and deliver its promissory note to Lender in the principal face amount of Five Million (\$5,000,000) Dollars (as may be amended, modified or replaced from time to time, the "Revolving Credit Note"). The Revolving Credit Note shall evidence Borrower's absolute and unconditional obligation to repay Lender for all Revolving Credit Loans made by Lender under the Credit Facility, with interest as herein and therein provided. Each and every Revolving Credit Loan under the Credit Facility shall be deemed evidenced by the Revolving Credit Note, which are deemed incorporated herein by reference and made a part hereof. The Revolving Credit Note shall be substantially in the form set forth in Exhibit "2.1(b)" attached hereto and made a part hereof.

(c) The term ("Initial Term") of the Credit Facility shall expire on May 31, 1997. The Credit Facility may, nonetheless, be renewed annually in Lender's sole discretion, for additional one year periods provided Borrower requests such renewal at least 60 days prior to the last day of the then Current Term. All Revolving Credit Loans shall be repaid on the earlier of (i) 90 days following DEMAND by Lender that Borrower repay all amounts outstanding under the Credit Facility or (ii) the last day of the Current Term, unless such term is renewed or extended in Lender's sole discretion ("Maturity Date"). Without impairing the discretionary nature of the Credit Facility, after the Maturity Date no further Advances shall be available from Lender.

(d) Borrower shall deliver, at least monthly on the tenth Business Day of each month, and with each borrowing request, unless Lender requests more frequent delivery, a borrowing base certificate in the form of Exhibit 2.1(d) attached hereto and made a part hereof ("Borrowing Base Certificate"); provided that so long as no Event of Default has occurred hereunder, Lender shall not request Borrowing Base Certificates more frequently than twice per month in addition to those delivered with each request for a borrowing. Each Borrowing Base Certificate shall be executed by an Authorized Officer, evidencing the availability under the Borrowing Base.

(e) As a sublimit under the Credit Facility, Borrower may request, and Lender, in its sole and absolute discretion may advance Revolving Credit Loans in the form of Aircraft Loans; provided that in no event shall the maximum amount of all Aircraft Loans exceed the Aircraft Sublimit and in no event shall all Revolving Credit Loans, including such Aircraft Loans, exceed the Borrowing Base. Notwithstanding anything to the contrary contained in this Agreement, including the existence of excess availability under the Borrowing Base, each Aircraft Loan shall be repaid by Borrower in accordance with an amortization schedule determined by Lender based on the anticipated payments to be made under the corresponding Aircraft Lease, at the time such Aircraft Loan is made.

2.2 Advances and Payments:

(a) Except to the extent otherwise set forth in this Agreement, all payments of principal and of interest on the Credit Facility, the Administrative Fee, the Expenses, and all other charges and any other Obligations of Borrower hereunder, shall be made to Lender at its main Philadelphia banking office CoreStates Bank, N.A., 1339 Chestnut Street, Philadelphia, Pennsylvania, in United States dollars, in immediately available funds. Lender shall have the unconditional right and discretion to make an Advance under the Credit Facility in the form of a Revolving Credit Loan to pay, and/or to charge Borrower's operating account for, all of Borrower's Obligations as they become due from time to time under this Agreement including without limitation, interest, principal, fees and reimbursement of Expenses.

(b) (i) Advances which may be made by Lender from time to time under the Credit Facility shall be made available by crediting such proceeds to

Borrower's operating account with Lender.

(ii) All Advances requested by Borrower must be requested by 11:00 A.M. Philadelphia time, three Business Days prior to the date of such requested Advance. All requests or confirmation of requests for an Advance are to be in writing and may be sent by telecopy or facsimile transmission provided that Lender shall have the right to require that receipt of such request not be effective unless confirmed via telephone with Lender. Subject to satisfaction of the terms and conditions hereof, and if Lender, in its sole discretion, decides to make such Advance, the requested Advance shall be made available to Borrower by crediting such amount to Borrower's operating account with Lender on the day the requested Advance is to be made.

2.3 Preconditions to Advances and Assignment of Leases and Leased Property

(a) Before Lender will make any Advance:

(i) Borrower will deliver to Lender the following (dated and signed) in form and substance satisfactory to Lender:

A. A borrowing request setting forth the requested date of the Advance (but no sooner than 3 Business Days after Lender receives the request), the requested advance amount, a Borrowing Base Certificate in the form attached hereto as Exhibit "2.1(d)" setting forth the

availability under the Borrowing Base, any information required by this Agreement and such other information as Lender shall reasonably request. A borrowing request may be made orally, provided that Borrower confirms the request in writing within two (2) days thereafter, provided further however, that, notwithstanding the discretionary nature of the Credit Facility, Lender need not make any Advances until Lender receives actual written confirmation and a Borrowing Base Certificate,

B. Such financial information concerning any of the Leases, Borrower or any Lessee as Lender may reasonably request, and

C. Such other instruments, agreements and documents as Lender reasonably requests to carry out the intent of the parties to this Agreement.

(ii) No Event of Default or Unmatured Event of Default shall have occurred hereunder.

(b) In order to establish and/or increase the Borrowing Base, Borrower shall deliver to Lender the following items (all to be in form and substance satisfactory to Lender):

(i) A description of the collateral package, which shall include, a description of the Lessee, the Leased Property, the net cost of the Leased Property, the net remaining principal balance under the Lease(s), and

the terms of and rentals owed under each Lease, and such other information which Lender shall reasonably request,

(ii) An Assignment Agreement signed by Borrower assigning Borrower's right, title and interest in and to the Leased Property and Leases to Lender, in the form attached hereto as Exhibit "2.3(b)" ("Assignment Agreement"),

(iii) Invoices showing the true cost of the Leased Property net of any servicing or maintenance charges, brokers' fees or similar type of "soft costs" along with proof that full payment for the Leased Property has been made to the vendor,

(iv) If requested by Lender, additional Uniform Commercial Code ("UCC") financing statements covering, inter alia, the Leased Property and the Leases listing Lender as secured party and Borrower as debtor, to be filed in locations reasonably required by Lender,

(v) Copies of all UCC-1 financing statements filed by Borrower against Lessee(s) and any acknowledgment copies or recording information Borrower has received back from the recording offices,

(vi) Subject to 5.17(c) below, the sole original of each Lease along with all schedules duly assigned to Lender,

(vii) Evidence that each item of Leased Property is insured against such risks, in such amounts, with such insurance, and on such terms and conditions as shall be satisfactory to Lender, including but not limited to, provisions naming Lender as lender loss payee, as its interest may appear, and preventing cancellation or modification of the insurance coverage without at least 30 days prior notice to Lender ("Insurance Coverage"),

(viii) A certificate of acceptance or other document evidencing that the Lessee has received and accepted the Leased Property, and

(ix) An undated notice signed by the Borrower directing each Lessee to pay all sums due or to become due under each Lease directly to Lender ("Lessee Notice") to be used only following the occurrence of an Event of Default. Lender will hold the Lessee Notices in escrow and will not release them, unless and until an Event of Default shall have occurred.

(c) In order for an Aircraft Lease to constitute an Eligible Lease, Borrower shall in addition to those items described in Section 2.3(b) above, deliver to Lender the following items (all to be in form and substance satisfactory to Lender):

(i) Collateral Agreement;

(ii) Aircraft Chattel Mortgage;

(iii) Aircraft Bill of Sale;

(iv) Opinion of special counsel with respect to the Aircraft and the assignment of Borrower's right, title and interest therein and thereto to Lender;

(v) specific UCC-1 Financing Statements as appropriate and as requested by Lender, in order to perfect Lender's interest in the Aircraft and related Property;

(vi) a Notice and Acknowledgment of Assignment to be delivered to the Lessee upon the occurrence of an Event of Default;

(vii) appropriate Engine Exchange Agreements;

(viii) appropriate UCC-3 Termination Statements;

(ix) appropriate FAA Releases and FAA Conveyance Recordation Notices; and

(x) such other agreements, instruments and documents as Lender may reasonably request in order to evidence the priority and perfection of its security interest in the Aircraft Leases and the Leased Property subject thereto.

2.4 Credit Facility Interest: The unpaid principal balance of all Revolving Credit Loans shall bear interest, subject to the terms hereof, at the per annum rate equal to one percent (1%) in excess of the Base Rate ("Applicable Rate"). Changes in the Base Rate shall become effective on the same day as Lender announces a change in its prime rate. Interest on Revolving Credit Loans shall be due and payable in arrears on the first day of each calendar month commencing the first full month following the Closing Date.

2.5 Additional Interest Provisions.

(a) Calculation of Interest: Interest on the Loans shall be based on a three hundred sixty (360) day year comprised of twelve 30-day months and charged for the actual number of days elapsed.

(b) Default Rate: After the occurrence and during the continuance of an Event of Default hereunder, the per annum effective rate of interest on all Revolving Credit Loans outstanding under the Credit Facility, shall be increased to a rate equal to two (2%) percentage points in excess of the Applicable Rate.

(c) Continuation of Interest Charges: All contractual rates of interest chargeable on outstanding Loans, shall continue to accrue and be paid even after default, maturity, acceleration, judgment, bankruptcy, insolvency proceedings of any kind or the happening of any event or occurrence similar or dissimilar.

(f) Applicable Interest Limitations: In no contingency or

event whatsoever shall the aggregate of all amounts deemed interest hereunder and charged or collected pursuant to the terms of this Agreement exceed the highest rate permissible under any law which a court of competent jurisdiction shall, in a final determination, deem applicable hereto. In the event that such court determines Lender has charged or received interest hereunder in excess of the highest applicable rate, Lender shall in its sole discretion, apply and set off such excess interest received by Lender against other Obligations due or to become due and such rate shall automatically be reduced to the maximum rate permitted by such law.

2.6 Administrative Fee: So long as this Agreement has not been terminated or if any of Borrower's Obligations remain outstanding, Borrower shall unconditionally pay to Lender a non-refundable fee ("Administrative Fee") equal to Twelve Thousand (\$12,000) Dollars per year. Such fee shall be paid on a quarterly basis, in advance, with the initial installment due and payable at Closing and each subsequent quarterly installment payable on successive three (3) month intervals commencing on the first day of _____ and continuing on each _____, _____, _____, and _____, thereafter.

2.7 Prepayments:

(a) Revolving Credit Loans: Subject to Section 2.1(a), upon five days prior written notice, Revolving Credit Loans may be prepaid at any time and from time to time in whole or in part without premium or penalty.

(b) Proceeds of Collateral: Prior to the occurrence of an Event of Default, proceeds from Collateral and payments received pursuant to the terms of the Leases, to the extent that the aggregate outstanding principal amount of all Revolving Credit Loans exceeds the Borrowing Base, shall promptly be paid to Lender and be first applied to accrued but unpaid interest, fees, costs and Expenses related to the Credit Facility, and then to the outstanding balance of the Revolving Credit Loans. Following the occurrence of an Event of Default, all proceeds from the Collateral and all payments received pursuant to the terms of the Leases shall be immediately delivered to Lender and Lender may apply such proceeds to any of Borrower's Obligations in such order as Lender may decide in its sole discretion.

(c) Mandatory Prepayment: In the event the aggregate outstanding amount of all Revolving Credit Loans exceeds the Borrowing Base, Borrower shall either immediately (i) repay such excess in full or (ii) pledge additional Eligible Leases in accordance with the terms hereof. Such payments shall first be applied to accrued but unpaid interest, fees, costs and Expenses related to the Credit Facility and then to the outstanding balance of the Revolving Credit Loans.

2.8 Use of Proceeds: The extensions of credit under and proceeds of the Credit Facility shall be used to enable Borrower to purchase Leased Property and/or finance Leases associated with Leased Property.

2.9 Capital Adequacy: If any present or future law, governmental rule,

regulation, policy, guideline, directive or similar requirement (whether or not having the force of law) imposes, modifies, or deems applicable any capital adequacy, capital maintenance or similar requirement which affects the manner in which Lender allocates capital resources to its obligations (including any obligations hereunder), and as a result thereof, in the opinion of Lender, the rate of return on Lender's capital with regard to the Loans will be reduced to a level below that which Lender could have achieved but for such circumstances, then in such case and upon notice from Lender to Borrower, from time to time, Borrower shall pay Lender such additional amount or amounts as shall compensate Lender for such reduction in its rate of return, commencing as of the fifth Business Day following the date of such notice. Such notice shall contain the statement of Lender with regard to any such amount or amounts which shall, in the absence of manifest error, be binding upon Borrower. In determining such amount, Lender may use any reasonable method of averaging and attribution that it deems applicable.

SECTION 3. COLLATERAL

3.1 Description: As security for the payment of the Obligations, and satisfaction by Borrower of all covenants and undertakings contained in this Agreement and the other Loan Documents Borrower hereby assigns and grants to Lender a continuing first lien on and security interest in, upon and to the Collateral.

3.2 Lien Documents: At Closing and thereafter as Lender deems necessary, Borrower shall execute and deliver to Lender, or shall have executed and delivered (all in form and substance reasonably satisfactory to Lender):

(a) Financing Statements - Financing statements, as requested by Lender, pursuant to the UCC, which Lender may file in any jurisdiction where any Collateral is or may be located and in any other jurisdiction that Lender deems appropriate; and

(b) Other Agreements - Any other agreements, documents, instruments and writings, including, without limitation, security agreements and Assignment Agreements, reasonably required by Lender to evidence, perfect or protect Lender's liens and security interest in the Collateral or as Lender may reasonably request from time to time.

3.3 Other Actions: In addition to the foregoing, Borrower shall do anything further that may be lawfully and reasonably required by Lender to perfect its security interests and to effectuate the intentions and objectives of this Agreement, including, but not limited to, the execution and delivery of lockbox agreements, continuation statements, amendments to financing statements, security agreements, contracts and any other documents required hereunder. At Lender's request, Borrower shall also immediately deliver (with execution by Borrower of all necessary documents or forms to reflect Lender's Lien thereon) to Lender, all items for which Lender must or may receive possession to obtain a perfected security interest, including without limitation, all Leases, notes, certificates and documents of title, chattel paper, warehouse receipts,

instruments, and any other similar instruments constituting Collateral.

3.4 Searches: Lender shall, prior to or on the Closing Date, and thereafter as Lender may from time to time reasonably require, at Borrower's expense, obtain the following searches (the results of which are to be consistent with the warranties made by Borrower in this Agreement):

(a) UCC Searches: UCC searches with the Secretary of State and local filing office of each state where Borrower maintains its executive office, or maintains a significant concentration of assets;

(b) Judgments, Etc.: Judgment, federal tax lien and corporate tax lien searches, in all applicable filing offices of each state searched under subparagraph (a) above.

Borrower shall, prior to or on the Closing Date and at its expense, obtain and deliver to Lender good standing certificates showing Borrower to be in good standing in its state of incorporation and in each other state or foreign country in which it is doing and presently intends to do business for which Borrower's failure to be so qualified might have material adverse effect on Borrower's business, financial condition, Property or Lender's rights hereunder.

3.5 Filing Security Agreement: A carbon, photographic or other reproduction or other copy of this Agreement or of a financing statement is sufficient as and may be filed in lieu of a financing statement.

3.6 Power of Attorney: Each of the officers of Lender is hereby irrevocably made, constituted and appointed the true and lawful attorney for Borrower (without requiring any of them to act as such) with full power of substitution to do the following: (1) endorse the name of Borrower upon any and all checks, drafts, money orders and other instruments for the payment of monies that are payable to Borrower and constitute collections on the Collateral; (2) execute in the name of Borrower any financing statements, schedules, assignments, instruments, documents and statements that Borrower is obligated to give Lender hereunder or are necessary to perfect Lender's security interest or Lien in the Collateral; (3) to verify validity, amount or any other matter relating to the Collateral by mail, telephone, telecopy or otherwise; and (4) do such other and further acts and deeds in the name of Borrower that Lender may reasonably deem necessary or desirable to enforce any Lease or other Collateral.

SECTION 4. CLOSING AND CONDITIONS PRECEDENT TO ADVANCES

Closing under this Agreement and the making of the initial Advances are subject to the following conditions precedent (all documents to be in form and substance satisfactory to Lender and Lender's counsel):

4.1 Resolutions, Opinions, and Other Documents: Prior to the closing, Borrower shall have delivered to Lender the following:

(a) this Agreement and the Revolving Credit Note both properly executed;

(b) each document and agreement required to be executed under any provision of this Agreement or any related agreement;

(c) certified copies of (i) resolutions of Borrower's board of directors authorizing the execution of this Agreement, the Revolving Credit Note and each document required to be delivered by any Section hereof and (ii) Borrower's Articles of Incorporation and By-laws;

(d) an incumbency certificate identifying all Authorized Officers of Borrower, with specimen signatures;

(e) a written opinion of Borrower's counsel addressed to Lender;

(f) certification by Borrower's chief financial officer that there has not occurred any material adverse change in the operations and condition (financial or otherwise) of Borrower since February 29, 1996;

(g) payment by Borrower of all Expenses associated with the Credit Facility incurred to the Closing Date and the first installment of the Administrative Fee;

(h) Uniform Commercial Code, judgment, federal and state tax lien searches against Borrower, at Borrower's expense, showing that the Collateral is not subject to any Liens, together with Good Standing and Corporate Tax Lien Search Certificates showing no tax Liens on Borrower's Property and showing Borrower to be in good standing in each jurisdiction where the failure to so qualify might have a material adverse affect on Borrower's business, financial condition, Property or Lender's rights hereunder;

(i) An initial borrowing base certificate dated the Closing Date evidencing Borrower's maximum borrowing availability under the Borrowing Base as of the Closing Date; and

(j) A copy of the final confirmation order from the Bankruptcy Court confirming the Plan of Reorganization, accompanied by a true and correct copy of the Plan of Reorganization, along with a certification from Borrower's counsel that (i) no appeal or motion to suspend, revoke, withdraw, vacate, reconsider or amend such confirmation order has been granted or is pending; (ii) the Plan of Reorganization, as filed, has not been amended; and (iii) Borrower is in full compliance with the Plan of Reorganization and that the Effective Date (as defined in the Plan of Reorganization) shall have occurred.

4.2 Absence of Certain Events: At the Closing Date and prior to each Advance, no Event of Default or Unmatured Event of Default hereunder shall have occurred and be continuing.

4.3 Warranties and Representations at Closing: The warranties and

representations contained in Section 5 as well as any other Section of this Agreement shall be true and correct in all material respects on the Closing Date and at the time of each Advance with the same effect as though made on and as of that date. Borrower shall not have taken any action or permitted any condition to exist which would have been prohibited by any Section hereof.

4.4 Compliance with this Agreement: Borrower shall have performed and complied with all agreements, covenants and conditions contained herein including, without limitation, the provisions of Sections 6 and 7 hereof, which are required to be performed or complied with by Borrower before or at the Closing Date and as of the date of each Advance.

4.5 Officers' Certificate: Lender shall have received a certificate dated the Closing Date and signed by the chief financial officer of Borrower certifying that all of the conditions specified in this Section have been fulfilled.

4.6 Closing: Subject to the conditions of this Section 4, the Credit Facility shall be made available upon execution hereof and completion of the conditions contained in Section 4.1 hereof (the "Closing Date").

4.7 Non-Waiver of Rights: By completing the Closing hereunder, or by making Advances hereunder, Lender does not thereby waive a breach of any warranty, representation or covenant made by Borrower hereunder or any agreement, document, or instrument delivered to Lender or otherwise referred to herein, and any claims and rights of Lender resulting from any breach or misrepresentation by Borrower are specifically reserved by Lender.

SECTION 5. REPRESENTATIONS AND WARRANTIES

To induce Lender to enter into this Agreement and make the initial Advances under the Credit Facility to Borrower, Borrower warrants and represents to Lender that:

5.1 Corporate Organization and Validity:

(a) Borrower is a corporation duly organized and validly existing under the laws of its state of incorporation, is duly qualified, is validly existing and in good standing and has lawful power and authority to engage in the business it conducts in each state and other jurisdiction where the nature and extent of its business requires qualification, except where the failure to so qualify would not have a material adverse effect on Borrower's business, financial condition, Property or prospects. A list of all states and other jurisdictions where Borrower is qualified to do business is attached hereto as Exhibit "5.1" and made a part hereof.

(b) The making and performance of this Agreement and related agreements, and each document required by any Section hereof will not violate any law, government rule or regulation, or the charter, minutes or bylaw provisions of Borrower or violate or result in a default (immediately or with

the passage of time) under any contract, agreement or instrument to which Borrower is a party, or by which it is bound. Borrower is not in violation of nor has knowingly caused any Person to violate any term of any agreement or instrument to which it or such Person is a party or by which it may be bound or of its charter, minutes or bylaws which violation could have a material adverse effect on Borrower's business, financial condition, Property or prospects.

(c) Borrower has all requisite corporate power and authority to enter into and perform this Agreement and to incur the obligations herein provided for, and has taken all proper and necessary corporate action to authorize the execution, delivery and performance of this Agreement, and the documents and related agreements required hereby.

(d) This Agreement, the Revolving Credit Note and all related agreements and documents required to be executed and delivered by Borrower hereunder, when delivered, will be valid and binding upon Borrower and enforceable in accordance with their respective terms.

5.2 Places of Business: The only places of business of Borrower, and the places where it keeps and intends to keep its Books and Records concerning the Collateral, are at the addresses listed in Exhibit "5.2" attached hereto and made a part hereof.

5.3 Pending Litigation: There are no judgments or judicial or administrative orders, proceedings or investigations (civil or criminal) pending, or to the knowledge of Borrower, threatened, against Borrower in any court or before any governmental authority or arbitration board or tribunal that may materially and adversely affect the business, financial condition, Property or prospects of Borrower, or the ability of Borrower to perform under this Agreement. Borrower is not in default with respect to any order of any court, governmental authority, regulatory agency or arbitration board or tribunal, including without limitation the Plan of Reorganization. No shareholder, or executive officer of Borrower or Continental, has been indicted or convicted in connection with or is engaging in any criminal conduct, or is currently subject to any lawsuit or proceeding or under investigation in connection with any criminal activity.

5.4 Title to Collateral: Borrower has good and marketable title in fee simple (or its equivalent under applicable law) to all the Collateral it respectively purports to own, free from Liens, other than Permitted Liens.

5.5 Governmental Consent: Neither the nature of Borrower or of its business or Property, nor any relationship between Borrower and any other Person, nor any circumstance affecting Borrower in connection with the issuance or delivery of the Revolving Credit Note, is such as to require a consent, approval or authorization of, or filing, registration or qualification with, any governmental authority on the part of Borrower in connection with the execution and delivery of this Agreement or the issuance or delivery of the Revolving Credit Note or other documents contemplated hereby.

5.6 Taxes: All tax returns required to be filed by Borrower in any

jurisdiction have in fact been filed, and all taxes, assessments, fees and other governmental charges upon Borrower, or upon any of its Property, income or franchises, which are shown to be due and payable on such returns have been paid, except for those taxes being contested in good faith with due diligence by appropriate proceedings for which appropriate reserves have been maintained under GAAP. Borrower is not aware of any proposed additional tax assessment or tax to be assessed against or applicable to Borrower that might have a material adverse effect on Borrower's business, financial condition, Property or prospects.

5.7 Financial Statements: Borrower's annual consolidated audited balance sheet as of May 31, 1995 and the quarterly consolidated balance sheet as of February 29, 1996 and the related income statements and statements of cash flows as of such dates, all accompanied by reports thereon from Borrower's independent certified public accountants, (complete copies of which have been delivered to Lender), have been prepared in accordance with GAAP and present fairly the financial position of the Borrower as of such dates and the results of its operations for such periods. The fiscal year for Borrower currently ends on May 31. Borrower's federal tax identification number is 16- 1258753.

5.8 Full Disclosure: Neither the financial statements referred to in Section 5.7, nor this Agreement or related agreements and documents or any written statement furnished by Borrower to Lender in connection with the negotiation of the Credit Facility and contained in any financial statements or documents relating to Borrower contain any untrue statement of a material fact or omit a material fact necessary to make the statements contained therein or herein not misleading.

5.9 Subsidiaries: Borrower has no Subsidiaries or Affiliates, except as listed on Exhibit "5.9" attached hereto and made a part hereof.

5.10 Guarantees, Contracts, etc.:

(a) Borrower does not have any available recourse lines of credit and Borrower does not serve as guarantor, surety or accommodation maker for the obligations of any Person, except as described in Exhibit "5.10", attached hereto and a made part hereof.

(b) Borrower is not a party to any contract or agreement, or subject to any charter or other corporate restriction, which materially and adversely affects its business, financial condition, Property or prospects.

(c) Except as otherwise specifically provided in this Agreement, Borrower has not agreed or consented to cause or permit any of the Collateral whether now owned or hereafter acquired to be subject in the future (upon the happening of a contingency or otherwise) to a Lien not permitted by this Agreement.

5.11 Government Regulations, etc.:

(a) Borrower has obtained all licenses, permits, franchises or

other governmental authorizations necessary for the ownership of its Property and for the conduct of its business, where the failure to obtain would have a material adverse effect on the business, financial condition, Property or prospects of Borrower.

(b) Borrower is not in violation of, has not received written notice that it is in violation of, or has knowingly caused any Person to violate, any applicable statute, regulation or ordinance of the United States of America, or of any state, city, town, municipality, county or of any other jurisdiction, or of any agency, or department thereof, (including without limitation, environmental laws and regulations), which may materially and adversely affect its business, financial condition, Property or prospects.

(c) Borrower is current with all reports and documents required to be filed with any state or federal securities commission or similar agency and is in full compliance in all material respects with all applicable rules and regulations of such commissions.

5.12 Names: Within five (5) years prior to the Closing Date, Borrower has not conducted business under or used any other name (whether corporate or assumed) except for the names shown on Exhibit "5.12", attached hereto and made a part hereof. Borrower is the sole owner of all names listed on such Exhibit "5.12" and any and all business done and all invoices issued in such trade names are Borrower's sales, leases, business and invoices. Each trade name of Borrower represents a division or trading style of Borrower and not a separate corporate subsidiary or affiliate or independent entity.

5.13 Other Associations: Borrower is not engaged and has no interest in any joint venture or partnership with any other Person except as described on Exhibit "5.13" hereto and made a part hereof.

5.14 Environmental Matters: Except as disclosed on Exhibit "5.14" attached hereto and made a part hereof, Borrower has no knowledge:

(a) of the presence of any Hazardous Substances on any of the real property where Borrower conducts operations or has its personal property, or

(b) of any on-site spills, releases, discharges, disposal or storage of Hazardous Substances that have occurred or are presently occurring on any of such real property or where any Collateral is located, or

(c) of any spills, releases, discharges or disposal of Hazardous Substances that have occurred, are presently occurring on any other real property as a result of the conduct, action or activities of Borrower.

As used herein, the term "Hazardous Substances" means any substances defined or designated as hazardous or toxic waste, hazardous or toxic material, hazardous or toxic substance or similar term, by any environmental statute, rule or regulation of any governmental entity presently in effect and applicable to such real property, other than such otherwise Hazardous Substances which may be

present in minimal quantities and which are stored, used and disposed of in accordance with applicable laws.

5.15 Capital Stock: The authorized and outstanding shares of capital stock of Borrower is as set forth on Exhibit "5.15" attached hereto and made a part hereof. All of the capital stock of Borrower has been duly and validly authorized and issued and is fully paid and non-assessable and has been sold and delivered to the holders thereof in compliance with, or under valid exemption from, all Federal and state laws and the rules and regulations of all regulatory bodies thereof governing the sale and delivery of securities. Except for the rights and obligations set forth in Exhibit "5.15", there are no subscriptions, warrants, options, calls, commitments, rights or agreements by which Borrower or any of the shareholders of Borrower is bound relating to the issuance, transfer, voting or redemption of shares of its capital stock or any pre-emptive rights held by any Person with respect to the shares of capital stock of Borrower. Except as set forth in Exhibit "5.15", Borrower has not issued any securities convertible into or exchangeable for shares of its capital stock or any options, warrants or other rights to acquire such shares or securities convertible into or exchangeable for such shares.

5.16 Solvency: Borrower is solvent, able to pay its debts as they become due, and has capital sufficient to carry on its business and all business in which it is about to engage, and now owns Property having a value both at fair valuation and at present fair salable value greater than the amount required to pay its debts. Borrower will not be rendered insolvent by the execution and delivery of this Agreement or any of the other documents executed in connection with this Agreement or by the transactions contemplated hereunder or thereunder.

5.17 Leases and Leased Property: With respect to each Lease and/or items of Leased Property:

(a) Each Lease is genuine, based on contracts that are enforceable in accordance with its terms against the Lessee and the Leased Property named and referenced therein, constitutes the entire agreement for the leasing of the Leased Property thereby covered, has not been altered or amended, except as set forth in the related schedules, and Borrower's Books and Records relating thereto are accurate, complete and genuine;

(b) The sole original of each Lease has been delivered to Lender, and all other counterparts of each Lease shall contain a legend stating that the Lease has been assigned to CoreStates Bank, N.A., pursuant to that certain Loan and Security Agreement dated _____, or contain similar language specifying that such counterpart is not an original for "chattel paper" purposes under the UCC;

(c) Where the Lease consists of a Master Lease Agreement and specific schedules which describe the terms of any specific items to be leased pursuant to such schedule, the sole original schedule shall constitute the sole original Lease, provided that the terms of the Master Lease Agreement and the

schedule make it clear that the sole original schedule is a separate lease for "Chattel Paper" purposes under the UCC and that possession of such schedule constitutes possession of "Chattel Paper" under the UCC;

(d) Except as otherwise consented to by Lender in writing, no more than fifteen (15%) percent of the Credit Facility is secured by Leases with the same Lessee and no more than twenty-five (25%) percent of the Credit Facility is secured by Leases with the same two Lessees;

(e) The original amount and unpaid balance of each Lease shown on Borrower's Books and Records and on any statement or schedule delivered to Lender in connection therewith is the true and correct amount actually owed to Borrower, no portion of which, except as specifically provided for in the Lease, has been prepaid;

(f) The amount due under each Lease is not subject to, and the terms of each Lease provide that the Lessee may not assert, any claim or reduction, counterclaim, setoff, recoupment, or any other claim, allowance or adjustment and no Lease has been re-negotiated, restructured or compromised except as renewed in the ordinary course of business;

(g) All security agreements, title retention instruments and other documents and instruments which are security for any Lease, and/or each Lease, contain a correct and sufficient description of the Leased Property covered thereby and all security interests granted therein to Borrower (either directly or as assignee), if applicable, have been properly perfected and assigned to Lender;

(h) Unless otherwise specifically consented to in writing and provided that following such consent the Borrowing Base is adjusted accordingly, Borrower has not and will not enter into any agreement with a Lessee of any Leased Property which provides, directly or indirectly, for the crediting of any obligation or liability of Borrower to such Lessee against future rentals accruing under the Lease;

(i) To the best of Borrower's knowledge, information and belief, each item of Leased Property has been delivered to and, in all instances, accepted by the Lessee and has not been removed from service and is in good condition, ordinary wear and tear accepted, has not been returned, rejected, lost, stolen, destroyed or damaged;

(j) Each Lease has been duly executed by Borrower and each Lessee, is a valid, legal and binding obligation of Borrower, and such Lessee, and is enforceable against Borrower and such Lessee in accordance with its terms. Borrower is the sole owner of each of the Leases and has the authority to assign all of its right, title and interest therein upon the terms herein set forth;

(k) Borrower has made an adequate credit investigation of each Lessee and has determined that the credit is satisfactory in accordance with Borrower's credit rating guidelines;

(l) All costs, fees, and expenses incurred in making and closing each of the Leases has been paid and each Lease is and will be current at the time of the assignment thereof to Lender. No default exists nor to the best of Borrower's knowledge, information and belief, do any events exist which with the giving of notice or the passage of time or both, will result in the occurrence of a default of any obligation, as expressed in any Lease;

(m) All rentals, fees, costs, expenses and charges paid or payable by the Lessee under any Lease, including without limitation, any brokerage and other fees paid to Borrower do not violate any laws relating to the maximum fees, costs, expenses or charges that can be charged in any state in which any Leased Property is located or in which the corresponding Lessee is located, or in which a transaction was consummated, or in any other state which may have jurisdiction with respect to any such Leased Property, Lease or Lessee;

(n) Lender has a first perfected lien and security interest in the Collateral (including without limitation each Lease and the Leased Property) subject to no Lien other than a Permitted Lien. Borrower has taken and in the future, shall take all steps necessary to maintain Lender's first perfected lien and security interest in the Collateral, including, if required, perfecting Borrower's security interest (in the event the Lease is not a "true lease") through filing financing statements, amendments thereto, or assignments and/or continuations thereof and recording of the documentation necessary to perfect Borrower's lien;

(o) For each Lease, unless Lender has previously consented in writing after notice from Borrower, Borrower has filed within ten (10) days of receipt by the Lessee of possession of the Leased Property, such UCC financing statements (listing Borrower as secured party, Lessee as debtor, and such Leased Property as collateral), in such locations as would be required by applicable law (if Borrower were a secured party and Lessee were a debtor) in order to perfect a security interest in such Leased Property under the UCC or otherwise, in favor of Lender, as Borrower's assignee;

(p) Each Lease is valid and enforceable and presents the undisputed obligation of the Lessee named therein and is not more than sixty (60) days past due;

(q) Each item of Leased Property has been insured in the ordinary course of Borrower's or the corresponding Lessee's business;

(r) Borrower has not received notice of a bankruptcy, receivership, reorganization or insolvency of any Lessee;

(s) No Lessee is a subsidiary, or affiliate of Borrower, or under common control with Borrower or is an officer or employee of Borrower;

(t) The Lessee is not otherwise in default under the corresponding Lease; and

(u) No Lease has been restructured due to a Lessee default or

provides for the lease of Leased Property, ownership of which is evidenced by certificate of title.

SECTION 6. BORROWER'S AFFIRMATIVE COVENANTS

Borrower covenants that until all of Borrower's Obligations to Lender are paid and satisfied in full and the Credit Facility has been terminated:

6.1 Payment of Taxes and Claims: Borrower shall pay, before they become delinquent, all taxes, assessments and governmental charges or levies imposed upon it or upon Borrower's Property unless such taxes, assessments or governmental charges are being contested diligently and in good faith by appropriate proceedings, and provided that Borrower has set aside on its books adequate reserves in respect thereof and in accordance with GAAP and only so long as Lender's Lien on its Collateral and/or Borrower's business, financial condition, Property or prospects (financial or otherwise) are not materially and adversely affected thereby.

6.2 Maintenance of Insurance, Financial Records and Corporate Existence:

(a) Property Insurance - Borrower shall maintain or caused to be maintained insurance on the Collateral against fire, flood, casualty and such other hazards in such amounts, with such deductibles and with such insurers as are customarily used by companies operating in the same industry as Borrower or the corresponding Lessee. At or prior to Closing, Borrower shall furnish Lender with copies of original policies of insurance certified as true and correct and being in full force and effect as of the Closing Date or such other evidence of insurance as Lender may require. In the event Borrower fails to procure or cause to be procured any such insurance or to timely pay or cause to be paid the premium(s) on any such insurance, Lender may do so for Borrower, but Borrower shall continue to be liable for the same. The policies of all such casualty insurance shall contain standard Lender's Loss Payable Clauses issued in favor of Lender under which all losses thereunder shall be paid to Lender as Lender's interest may appear. Such policies shall expressly provide that the requisite insurance cannot be altered or canceled without thirty (30) days prior written notice to Lender and shall insure Lender notwithstanding the act or neglect of Borrower. Borrower hereby appoints Lender as Borrower's attorney-in-fact, exercisable at Lender's option to endorse any check which may be payable to Borrower in order to collect the proceeds of such insurance and any amount or amounts collected by Lender pursuant to the provisions of this paragraph may be applied by Lender to Borrower's Obligations. Borrower further covenants that all insurance premiums owing under its current casualty policy have been paid. Borrower also agrees to notify Lender, promptly, upon Borrower's receipt of a notice of termination, cancellation, or non-renewal from its insurance company of any such policy.

(b) Public and Products Liability Insurance Borrower shall maintain, and shall deliver to Lender upon Lender's request evidence of, public liability, products liability and business interruption insurance in such amounts as is customary for companies in the same or similar businesses located

in the same or similar area.

(c) Financial Records - Borrower shall keep current and accurate books of records and accounts in which full and correct entries will be made of all of its business transactions, and will reflect in its financial statements adequate accruals and appropriations to reserves, all in accordance with GAAP. Borrower shall not change its respective fiscal year end date without at least 60 days prior written notice to Lender.

(d) Corporate Existence and Rights - Borrower shall do (or cause to be done) all things necessary to preserve and keep in full force and effect its existence, good standing, rights and franchises.

(e) Compliance with Laws - Borrower shall be in compliance with any and all laws, ordinances, governmental rules and regulations, and court or administrative orders or decrees to which it is subject, whether federal, state or local, (including without limitation environmental or environmental-related laws, statutes, ordinances, rules, regulations and notices), and shall obtain and maintain any and all licenses, permits, franchises or other governmental authorizations necessary to the ownership of its Property or to the conduct of its businesses, which violation or failure to obtain may materially adversely affect the business, Property, financial conditions or prospects of Borrower.

6.3 Business Conducted: Borrower shall continue in the business presently operated by it using its best efforts to maintain its customers and goodwill. Unless Lender consents otherwise in writing, which consent shall not be unreasonably withheld, Borrower shall not engage, directly or indirectly, in any material respect in any line of business substantially different from the businesses conducted by it immediately prior to the Closing Date.

6.4 Litigation/Action Effecting Plan of Reorganization: Borrower shall give prompt notice to Lender of any litigation which may have a material adverse effect on the business, financial condition, Property or prospects of Borrower. Borrower shall also promptly notify Lender of the initiation of any legal action, the result of which could modify, revoke or otherwise affect the Plan of Reorganization or the corresponding confirmation order.

6.5 Taxes: Borrower shall pay all taxes (other than taxes based upon or measured by Lender's income or revenues), if any, in connection with the Loans and/or the recording of any financing statements or other Loan Documents. The Obligations of Borrower under this section shall survive the payment of Borrower's Obligations under this Agreement and the termination of this Agreement. Borrower shall cause to be paid all taxes incurred in connection with any of the Leases or the acquisition, sale or lease of any of the Leased Property.

6.6 Bank Accounts: Borrower shall maintain its major depository and disbursement account(s) with Lender.

6.7 Employee Benefit Plans: Borrower has funded all Pension Plan(s) in a manner that satisfies the minimum funding requirements of Section 302 of ERISA and will (a) fund all its Pension Plan(s) in a manner that will satisfy the minimum funding standards of Section 302 of ERISA, or will promptly satisfy any accumulated funding deficiency that arises under Section 302 of ERISA, (b) furnish Lender, promptly upon Lender's request of the same, with copies of all reports or other statements filed with the United States Department of Labor, the Pension Benefit Guaranty Corporation ("PBGC") or the Internal Revenue Service ("IRS") with respect to all Pension Plan(s), or which Borrower, or any member of a Controlled Group, may receive from the United States Department of Labor, the IRS or the PBGC, with respect to all such Pension Plan(s), and (c) promptly advise Lender of the occurrence of any reportable event (as defined in Section 4043 of ERISA, other than a reportable event for which the thirty (30) day notice requirement has been waived by the PBGC) or prohibited transaction (under Section 406 of ERISA or Section 4975 of the Internal Revenue Code) with respect to any such Pension Plan(s) and the action which Borrower proposes to take with respect thereto. Borrower will make all contributions when due with respect to any multi-employer pension plan in which it participates and will promptly advise Lender (i) upon its receipt of notice of the assertion against Borrower of a claim for withdrawal liability, (ii) upon the occurrence of any event which, to the best of Borrower's knowledge, would trigger the assertion of a claim for withdrawal liability against Borrower, and (iii) upon the occurrence of any event which, to the best of Borrower's knowledge, would place Borrower in a Controlled Group as a result of which any member (including Borrower) thereof may be subject to a claim for withdrawal liability, whether liquidated or contingent.

6.8 Warranties for Future Advances: Each request by Borrower for an Advance under the Credit Facility in any form following the Closing Date shall constitute an automatic representation and warranty by Borrower to the effect that:

(a) There has been no material adverse change in Borrower's operations or condition (financial or otherwise) since the date of delivery of Borrower's then most recent Financial Statements.

(b) No Event of Default which has not been cured or waived, or Unmatured Event of Default, then exists;

(c) Each Advance is within and complies with the terms and conditions of this Agreement including without limitation the notice provisions contained in Section 2.3 hereof;

(d) No Lien, other than Permitted Liens, including, without limitation, any federal tax Lien, has been imposed on Borrower which may, in any way, take priority over Lender's security interests in or Liens on any Collateral; and

(e) Each representation and warranty set forth in Section 5 of this Agreement is then true and correct in all material respects; provided that Borrower may update Exhibits "5.1", "5.9", "5.10", "5.13", "5.14" and "5.15" so

that such Exhibits accurately reflect the state of Borrower's affairs as of the date of a request for an Advance by giving written notice thereof to Lender, and further provided that such updated Exhibits do not reflect events or conditions which constitute violations of Section 6 or 7 hereof or otherwise reflect material adverse developments.

6.9 Financial Covenants: Borrower shall maintain and comply with the following financial covenants as reflected on and computed from their Financial Statements:

(a) Adjusted Debt to Tangible Net Worth Ratio: Borrower shall have and maintain at all times an Adjusted Debt to Tangible Net Worth Ratio on a consolidated basis, measured quarterly as of the last day of each fiscal quarter, of not more than 2 to 1.

(b) Tangible Net Worth: Borrower shall have and maintain a Tangible Net Worth on a consolidated basis, measured quarterly as of the last day of each fiscal quarter, of not less than \$22,500,000 plus 50% of Borrower's Net Income (without reduction for losses) for each fiscal year commencing June 1, 1996.

(c) Interest Coverage Ratio: Borrower shall have and maintain, on a consolidated basis, an Interest Coverage Ratio measured quarterly of not less than 1.8 to 1.

6.10 Financial and Business Information: Borrower shall deliver to Lender the following:

(a) Financial Statements and Collateral Reports: such data, reports, statements and information, financial or otherwise, as Lender may reasonably request, including, without limitation:

(i) within one hundred and five (105) days after the end of each fiscal year of Borrower, deliver to Lender, a copy of Continental's Annual Report and Form 10-K, which shall have been filed with the Securities and

Exchange Commission, which shall contain Financial Statements of Continental and Borrower for such year including the balance sheet of Continental as at the end of such fiscal year and a statement of cash flows and income statement for such fiscal year, all on a consolidated basis, setting forth in the consolidated statements in comparative form, the corresponding figures as at the end of and for the previous fiscal year, and audited and certified by independent public accountants of recognized standing, selected by Borrower and reasonably satisfactory to the Lender, to have been prepared in accordance with GAAP, and such independent public accountants shall have also provided an unqualified opinion that the Financial Statements present fairly the Borrower's financial condition. Such independent accountants shall also provide a statement certifying that nothing has come to their attention to cause them to believe that calculations contained in the compliance certificate are inaccurate.

(ii) within fifteen (15) Business Days of the end of

each calendar month, deliver to Lender, Borrower's receivables aging report which shall include an aging summary of Borrower's entire lease portfolio, including the Leases and a complete aging report for all Leases pledged to Lender, and such other reports as Lender reasonably deems necessary, certified by Borrower's chief financial officer as true and correct, all in form and substance reasonably satisfactory to Lender;

(iii) within sixty (60) days after the end of each fiscal quarter, deliver to Lender Continental's Form 10Q which shall have been filed with the Securities and Exchange Commission and which shall include internally prepared quarterly consolidated Financial Statements, including balance sheet, income statement and statements of cash flows;

(iv) within fifteen (15) Business Days after the end of each fiscal quarter, deliver to Lender an Inventory aging report with respect to the Inventory of CIS Air Corporation, GMCCCS, INC., d/b/a Laser Access and Telecom division of CIS Corporation.

(b) Notice of Event of Default - promptly upon becoming aware of the existence of any condition or event which constitutes a default or an Event of Default or Unmatured Event of Default under this Agreement, a written notice specifying the nature and period of existence thereof and what action Borrower is taking (and proposes to take) with respect thereto;

(c) Notice of Claimed Default - promptly upon receipt by Borrower, notice of default given to Borrower by any creditor for borrowed money which may constitute a recourse obligation of Borrower in excess of \$500,000;

(d) Securities and Other Reports - if Borrower shall be required to file reports with the Securities and Exchange Commission, promptly upon its becoming available, one copy of each financial statement, report, notice or proxy statement sent by Borrower to stockholders generally, and, a copy of each regular or periodic report, and any registration statement, or prospectus in respect thereof, filed by Borrower with any securities exchange or with federal or state securities and exchange commissions or any successor agency.

6.11 Officers' Certificates: Along with the set of Financial Statements delivered to Lender at the end of each fiscal quarter and fiscal year pursuant to Section 6.10(a) hereof, deliver to Lender a certificate (in the form of Exhibit "6.11" attached hereto and made a part hereof) from the chief financial officer of Borrower (and as to certificates accompanying the annual statements of Borrower, also certified by Borrower's independent certified public accountant) setting forth:

(a) Covenant Compliance - the information (including detailed calculations) required in order to establish whether Borrower is in compliance with the requirements of Sections 6.9 as of the end of the period covered by the financial statements then being furnished (and any exhibits appended thereto) under Section 6.10; and

(b) Event of Default -that the signer in his capacity as an officer of Borrower has reviewed the relevant terms of this Agreement, and has made (or caused to be made under his supervision) a review of the transactions and conditions of Borrower from the beginning of the accounting period covered by the Financial Statements being delivered therewith to the date of the certificate, and that such review has not disclosed the existence during such period of any condition or event which constitutes an Event of Default or Unmatured Event of Default or if any such condition or event existed or exists, specifying the nature and period of existence thereof and what action Borrower has taken or proposes to take with respect thereto.

6.12 Inspection: Borrower will permit any of Lender's officers or other representatives to visit and inspect any of Borrower's locations or where any Collateral is kept during regular business hours and, prior to the occurrence of an Event of Default or Unmatured Event of Default, upon 5 Business Days prior notice, to examine and audit all of Borrower's books of account, records, reports and other papers, to make copies and extracts therefrom and to discuss its affairs, finances and accounts with its officers, employees and independent certified public accountants. All such inspections shall be at Borrower's expense at the standard rates charged by Lender for such activities (plus Lender's out-of-pocket expenses).

6.13 Tax Returns and Reports: At Lender's request from time to time, Borrower shall promptly furnish Lender with copies of the annual federal and state income tax returns of Borrower.

6.14 Material Adverse Developments: Borrower agrees that promptly upon, but in any event within five (5) Business Days of, becoming aware of any development or other information which would reasonably be expected to materially and adversely affect its businesses, financial condition, Property, prospects or its ability to perform under this Agreement, it shall give to Lender telephonic or facsimile notice specifying the nature of such development or information and such anticipated effect. In addition, such verbal communication shall be confirmed by written notice thereof to Lender on the next business day after such verbal notice is given.

6.15 Places of Business: Borrower shall give thirty (30) days prior written notice to Lender of any change in the location of any of its chief executive offices or other places where Books and Records are kept.

6.16 Sale of Collateral: Borrower shall mark its Books and Records to indicate Lender's security interest in the Collateral, including the Leases and Leased Property and, unless Lender consents otherwise in writing, which consent shall not be unreasonably withheld or delayed, Borrower shall retain title at all times to the Leased Property; provided however, that so long as no Event of Default or Unmatured Event of Default has occurred, Borrower may sell Leases and Leased Property. So long as no Event of Default or Unmatured Event of Default has occurred, upon receipt of the proceeds (if required) from the sale of such Leases and/or Leased Property, Lender shall execute such documentation as is reasonably necessary to release its security interest in such Leases and/or Lease Property.

6.17 Compliance with Plan of Reorganization: Borrower shall comply, in all material respects, with the Plan of Reorganization.

6.18 Release of Collateral: So long as no Event of Default or Unmatured Event of Default has occurred or would occur as a result thereof, Lender shall promptly at Borrower's direction, release specific items of Collateral and shall execute all documents reasonably requested by Borrower (including but not limited to loan payout letters and UCC-3 termination statements) necessary to evidence such release, provided that at the time of such direction from Borrower, Borrower delivers a current Borrowing Base Certificate evidencing that after giving effect to such release of Collateral, Borrower shall have sufficient availability under the Borrowing Base to support the outstanding Loans.

SECTION 7. BORROWER'S NEGATIVE COVENANTS:

Borrower covenants that until all of Borrower's Obligations to Lender are paid and satisfied in full and the Credit Facility has been terminated, that:

7.1 Merger, Consolidation, Dissolution or Liquidation:

(a) Borrower shall not sell, lease, license, transfer or otherwise dispose of its Property other than Property sold in the ordinary course or ordinary operation of Borrower's business, without Lender's prior written consent.

(b) Borrower shall not merge or consolidate with, or acquire, any other Person or commence a dissolution or liquidation without Lender's prior written consent.

7.2 Liens and Encumbrances: Borrower shall not: (i) execute a negative pledge agreement with any Person covering any of the Collateral, or (ii) cause or permit or agree or consent to cause or permit in the future (upon the happening of a contingency or otherwise) the Collateral, whether now owned or hereafter acquired, to be subject to a Lien other than the Permitted Liens.

7.3 Transactions With Affiliates or Subsidiaries: Borrower shall not enter into any transaction with any Subsidiary or other Affiliate including, without limitation, the purchase, sale, lease or exchange of Property, or the loaning or giving of funds to any Affiliate or any Subsidiary, unless Lender consents otherwise in writing or (i) such Subsidiary or Affiliate is engaged in a business related to the business conducted by Borrower and the transaction is in the ordinary course of and pursuant to the reasonable requirements of Borrower's business and upon terms substantially the same and no less favorable to Borrower- as it would obtain in a comparable arm's-length transaction with any Person not an Affiliate or a Subsidiary, and (ii) so long as such transaction is not prohibited hereunder.

7.4 Guarantees: Excepting the endorsement in the ordinary course of business of negotiable instruments for deposit or collection, Borrower shall not become or be liable, directly or indirectly, primary or secondary, matured or contingent, in any manner, whether as guarantor, surety, accommodation maker, or otherwise, for the existing or future indebtedness of any kind of any Person other than a Subsidiary of Borrower who is included on the consolidated Financial Statements of Continental.

7.5 Use of Lender's Name: Borrower shall not use Lender's name (or the name of any of Lender's Affiliates) in connection with any of its business operations except to identify the existence of the Credit Facility. Nothing herein contained is intended to permit or authorize Borrower to make any contract on behalf of Lender.

7.6 Continental's Consolidated Financial Statements: Unless Lender consents otherwise in writing, Borrower shall at all times cause Continental to include the financial results and analysis of Borrower on its consolidated Financial Statements.

SECTION 8. DEFAULT

8.1 Events of Default: Notwithstanding the demand nature of the Credit Facility, each of the following events shall constitute an event of default ("Event of Default") and Lender shall thereupon have the option (without impairing Lender's right to make demand at any time), to declare the Obligations immediately due and payable, all without demand, notice, presentment or protest or further action of any kind (it also being understood that the occurrence of any of the events or conditions set forth in subparagraphs (j), (k) or (l) shall automatically cause an acceleration of the Obligations):

(a) Payments - if Borrower fails to make any payment of principal or interest on the date when such payment is due and payable, whether upon maturity, acceleration, demand or otherwise; or

(b) Other Charges - if Borrower fails to pay any other charges, fees, Expenses or other monetary obligations owing to Lender arising out of or incurred in connection with this Agreement on the date when such payment is due and payable, whether upon maturity, acceleration, demand or otherwise; or

(c) Particular Covenant Defaults - if Borrower fails to perform, comply with or observe any covenant contained in Sections 6 or 7 hereof, or, except with respect to specific Events of Default contained elsewhere in this Section 8.1, if Borrower fails to perform, comply with or observe any other undertaking contained in this Agreement or the other Loan Documents within ten (10) days after Borrower becomes aware of such failure; or

(d) Financial Information - if any statement, report, financial statement, or certificate made or delivered by Borrower or any of its officers, employees or agents, to Lender is not true and correct, in all

material respects, when made; or

(e) Uninsured Loss - if there shall occur any uninsured damage to or loss, theft, or destruction in excess of \$500,000 with respect to any portion of any Collateral; or

(f) Warranties or Representations - if any warranty, representation or other statement by or on behalf of Borrower contained in or pursuant to this Agreement, or in any document, agreement or instrument furnished in compliance with, relating to, or in reference to this Agreement, is false, erroneous, or misleading in any material respect when made; or

(g) Agreements with Others - if Borrower shall default beyond any grace period under any agreement with any creditor for borrowed money which may constitute a recourse obligation of Borrower and (i) such default consists of the failure to pay any principal, premium or interest with respect to such indebtedness or (ii) such default consists of the failure to perform any covenant or agreement with respect to such indebtedness, if the effect of such default is to cause Borrower's obligations which are the subject thereof to become due prior to its maturity date or prior to its regularly scheduled date of payment;

(h) Other Agreements with Lender - if Borrower breaches or violates the terms of, or if a default or an event of default, occurs under, any other existing or future agreement (related or unrelated) between or among Borrower and Lender; or

(i) Judgments - if any final judgment for the payment of money in excess of \$100,000 which is not fully and unconditionally covered by insurance or for which Borrower has not established a cash or cash equivalent reserve in the amount of such judgment shall be rendered;

(j) Assignment for Benefit of Creditors, etc. - if Borrower makes or proposes an assignment for the benefit of creditors generally, offers a composition or extension to creditors, or makes or sends notice of an intended bulk sale of any business or assets now or hereafter owned or conducted by Borrower which might materially and adversely affect Borrower; or

(k) Bankruptcy, Dissolution, etc. - upon the commencement of any action for the dissolution or liquidation of Borrower, or the commencement of any proceeding to avoid any transaction entered into by Borrower, or the commencement of any case or proceeding for reorganization or liquidation of Borrower's debts under the Bankruptcy Code or any other state or federal law, now or hereafter enacted for the relief of debtors, whether instituted by or against Borrower; provided, however, that Borrower shall have forty-five (45) days to obtain the dismissal or discharge of involuntary proceedings filed against it, it being understood that during such forty-five (45) day period, Lender shall (notwithstanding the discretionary nature of the Credit Facility) be obligated to make Advances hereunder and Lender may seek adequate protection in any bankruptcy proceeding; or

(l) Receiver - upon the appointment of a receiver, liquidator, custodian, trustee or similar official or fiduciary for Borrower or for any of Borrower's Property; or

(m) Execution Process, Seizure, etc. - the issuance of any execution or distraint process against Borrower, or if any Collateral is seized by any governmental entity, federal, state or local (unless such seized Collateral is insured against such risk of seizure and Lender is named as Lender Loss Payee on the applicable policy), or if any other Property of Borrower is seized by any governmental entity, federal, state or local if such seizure might have a material and adverse affect on Borrower, its business, financial condition, Property or prospects (financial or otherwise); or

(n) Termination of Business - if Borrower ceases business operations as presently conducted; or

(o) Pension Benefits, etc. - if Borrower fails to comply with ERISA, so that grounds exist to permit the appointment of a trustee under ERISA to administer Borrower's employee plans or to allow the Pension Benefit Guaranty Corporation to institute proceedings to appoint a trustee to administer such plan(s), or to permit the entry of a Lien to secure any deficiency or claim; or

(p) Investigations - any indication or evidence received by Lender that reasonably leads it to believe Borrower may have directly or indirectly been engaged in any type of activity which, would be reasonably likely to result in the forfeiture of any Property of Borrower to any governmental entity, federal, state or local; or

(q) Breach of Plan of Reorganization - if Borrower breaches, violates or fails to comply with the Plan of Reorganization or any event occurs which would constitute a violation of breach by Borrower of the Plan of Reorganization, or if any motion is filed or any action is initiated with the Bankruptcy Court or any other court to revoke, suspend or modify the Plan of Reorganization or the corresponding confirmation order.

8.2 Cure - Nothing contained in this Agreement or the Loan Documents shall be deemed to compel Lender to accept a cure of any Event of Default hereunder.

8.3 Rights and Remedies on Default:

(a) In addition to all other rights, options and remedies granted or available to Lender under this Agreement or the Loan Documents, or otherwise available at law or in equity, upon or at any time whether before or after the occurrence and during the continuance of an Event of Default or Unmatured Event of Default, Lender may, in its discretion and without effecting the otherwise discretionary nature of the Credit Facility, withhold or cease making Advances under the Credit Facility.

(b) In addition to all other rights, options and remedies

granted or available to Lender under this Agreement or the Loan Documents (each of which is also then exercisable by Lender), Lender may, in its discretion, upon or at any time after the occurrence and during the continuance of an Event of Default, terminate the Credit Facility.

(c) In addition to all other rights, options and remedies granted or available to Lender under this Agreement or the Loan Documents (each of which is also then exercisable by Lender), Lender may, upon or at any time after the occurrence of an Event of Default, exercise all rights under the UCC and any other applicable law or in equity, and under all Loan Documents permitted to be exercised after the occurrence of an Event of Default, including the following rights and remedies (which list is given by way of example and is not intended to be an exhaustive list of all such rights and remedies):

(i) The right to take possession of, and notify all Lessees of the Lender's security interest in the Collateral and require payment under the Leases to be made directly to Lender and Lender may, in its own name or in the name of Borrower, exercise all rights of lessor under the Leases and collect, sue for and receive payment on all Leases, and settle, compromise and adjust the same on any terms as may be satisfactory to Lender, in its sole and absolute discretion for any reason or without reason and Lender may do all of the foregoing with or without judicial process (including without limitation notifying the United States postal authorities to redirect mail addressed to Borrower to an address designated by Lender); or

(ii) By its own means or with judicial assistance, subject to the rights of the Lessees, enter Borrower's premises or location of Collateral and take possession of the Collateral, or render it unusable, or dispose of the Collateral on such premises in compliance with subsection (e) below, without any liability for rent, storage, utilities or other sums, and Borrower shall not resist or interfere with such action; or

(iii) Require Borrower at Borrower's expense, subject to the rights of the Lessees, to assemble all or any part of the Collateral and make it available to Lender at any place designated by Lender; or

(iv) The right to reduce or modify the Maximum Credit Limit, Borrowing Base or any portion thereof or the advance rates or to modify the terms and conditions upon which Lender, may be willing to consider making Advances under the Credit Facility or to take additional reserves in the Borrowing Base for any reason.

(e) Borrower hereby agrees that a notice received by it at least ten (10) days before the time of any intended public sale or of the time after which any private sale or other disposition of the Collateral is to be made, shall be deemed to be reasonable notice of such sale or other disposition. If permitted by applicable law, any Collateral which threatens to speedily decline in value or which is sold on a recognized market may be sold immediately by Lender without prior notice to Borrower. Borrower covenants and agrees not to interfere with or impose any obstacle to Lender's exercise of its rights and

remedies with respect to the Collateral, after the occurrence of an Event of Default hereunder.

8.4 Nature of Remedies: All rights and remedies granted Lender hereunder and under the Loan Documents, or otherwise available at law or in equity, shall be deemed concurrent and cumulative, and not alternative remedies, and Lender may proceed with any number of remedies at the same time until all Obligations are satisfied in full. The exercise of any one right or remedy shall not be deemed a waiver or release of any other right or remedy, and Lender, upon or at any time after the occurrence of an Event of Default, may proceed against Borrower, at any time, under any agreement, with any available remedy and in any order.

8.5 Set-Off: If any bank account of Borrower with Lender, or any participant is attached or otherwise liened or levied upon by any third party, Lender (and such participant) shall have and be deemed to have, without notice to Borrower, the immediate right of set-off and may apply the funds or amount thus set-off against any of Borrower's Obligations hereunder.

SECTION 9. MISCELLANEOUS

9.1 GOVERNING LAW: THIS AGREEMENT, AND ALL RELATED AGREEMENTS AND DOCUMENTS, SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE SUBSTANTIVE LAWS OF THE COMMONWEALTH OF PENNSYLVANIA. THE PROVISIONS OF THIS AGREEMENT, THE OTHER LOAN DOCUMENTS AND ALL OTHER AGREEMENTS AND DOCUMENTS REFERRED TO HEREIN ARE TO BE DEEMED SEVERABLE, AND THE INVALIDITY OR UNENFORCEABILITY OF ANY PROVISION SHALL NOT AFFECT OR IMPAIR THE REMAINING PROVISIONS WHICH SHALL CONTINUE IN FULL FORCE AND EFFECT.

9.2 Integrated Agreement: The Revolving Credit Note, the other Loan Documents, all related agreements, and this Agreement shall be construed as integrated and complementary of each other, and as augmenting and not restricting Lender's rights and remedies. If, after applying the foregoing, an inconsistency still exists, the provisions of this Agreement shall constitute an amendment thereto and shall control.

9.3 Waiver:

(a) No omission or delay by Lender in exercising any right or power under this Agreement or any related agreements and documents will impair such right or power or be construed to be a waiver of any default, or Event of Default or an acquiescence therein, and any single or partial exercise of any such right or power will not preclude other or further exercise thereof or the exercise of any other right, and as to Borrower no waiver will be valid unless in writing and signed by Lender and then only to the extent specified.

(b) Borrower releases and shall indemnify, defend and hold harmless Lender, and its respective officers, employees and agents, of and from any claims, demands, liabilities, obligations, judgments, injuries, losses, damages and costs and expenses (including, without limitation, reasonable legal

fees) resulting from (i) acts or conduct of Borrower or under, pursuant or related to this Agreement and the other Loan Documents, (ii) Borrower's breach or violation of any representation, warranty, covenant or undertaking contained in this Agreement or the other Loan Documents, and (iii) Borrower's failure to comply with any or all laws, statutes, ordinances, governmental rules, regulations or standards, whether federal, state or local, or court or administrative orders or decrees, (including without limitation environmental laws, etc.) and all costs, expenses, fines, penalties or other damages resulting therefrom, unless resulting from acts or conduct of Lender constituting willful misconduct or gross negligence.

9.4 Time: Whenever Borrower shall be required to make any payment, or perform any act, on a day which is not a Business Day, such payment may be made, or such act may be performed, on the next succeeding Business Day. Time is of the essence in Borrower's performance under all provisions of this Agreement and all related agreements and documents.

9.5 Expenses of Lender: At Closing and from time to time thereafter, Borrower will pay all expenses of Lender on demand (including, without limitation, search costs, audit fees (in an amount not to exceed \$5,000 per audit), appraisal fees, environmental fees and the fees and expenses of legal counsel for Lender) relating to this Agreement, and all related agreements and documents, including, without limitation, expenses incurred in the analysis, negotiation, preparation, closing, administration and enforcement of this Agreement and the other Loan Documents, the enforcement, protection and defense of the rights of Lender in and to the Loans and Collateral or otherwise hereunder, and any reasonable expenses relating to extensions, amendments, waivers or consents pursuant to the provisions hereof, or any related agreements and documents or relating to agreements with other creditors, or termination of this Agreement (collectively, the "Expenses").

9.6 Brokerage: Except as otherwise provided herein, this transaction was brought about and entered into by Lender and Borrower acting as principals and without any brokers, agents or finders being the effective procuring cause hereof. Borrower represents that it has not committed Lender to the payment of any brokerage fee, commission or charge in connection with this transaction. If any such claim is made on Lender by any broker, finder or agent or other person, Borrower hereby indemnifies, defends and holds harmless Lender against such claim and further will defend, with counsel satisfactory to Lender, any action or actions to recover on such claim, at Borrower's own cost and expense, including Lender's reasonable counsel fees. Borrower further agrees that until any such claim or demand is adjudicated in Lender's favor, the amount demanded shall be deemed an Obligation of Borrower under this Agreement.

9.7 Notices:

(a) Any notices or consents required or permitted by this Agreement shall be in writing and shall be deemed given if delivered in person or if sent by telecopy or by nationally recognized overnight courier, or via first class, Certified or Registered mail, postage prepaid, as follows, unless such address is changed by written notice hereunder:

If to Lender to: CoreStates Bank, N.A.
1339 Chestnut Street
FC 1-8-11-24
Philadelphia, PA 19101
Attn: S. Scott Gates, Asst. VP
Telecopy No.: 215/786-7704

With copies to: Blank Rome Comisky & McCauley
Four Penn Center Plaza
Philadelphia, PA 19103
Attn: Lawrence F. Flick, II, Esquire
Telecopy No.: 215/569-5555

If to Borrower to: CIS Corporation
One Northern Concourse
P.O. Box 4785
Syracuse, NY 13221
Attn: Director of Corporate Finance/
Chief Financial Officer
Telecopy No.: 315/455-4713

For Courier
Service: CIS Corporation
One Northern Concourse
North Syracuse, NY 13212
Attn: Director of Corporate Finance/
Chief Financial Officer

(b) Any notice sent by Lender or Borrower by any of the above methods shall be deemed to be given when so received.

(c) Lender shall be fully entitled to rely upon any facsimile transmission or other writing purported to be sent by any Authorized Officer (whether requesting an Advance or otherwise) as being genuine and authorized.

9.8 Headings: The headings of any paragraph or Section of this Agreement are for convenience only and shall not be used to interpret any provision of this Agreement.

9.9 Survival: All warranties, representations, and covenants made by Borrower herein, or in any agreement referred to herein or on any certificate, document or other instrument delivered by it or on its behalf under this Agreement, shall be considered to have been relied upon by Lender, and shall survive the delivery to Lender of the Revolving Credit Note, regardless of any investigation made by Lender or on its behalf. All statements in any such certificate or other instrument prepared and/or delivered for the benefit of Lender shall constitute warranties and representations by Borrower hereunder. Except as otherwise expressly provided herein, all covenants made by Borrower hereunder or under any other agreement or instrument shall be deemed continuing

until all Obligations are satisfied in full.

9.10 Successors and Assigns: This Agreement shall inure to the benefit of and be binding upon the successors and assigns of each of the parties. Borrower may not transfer, assign or delegate any of its duties or obligations hereunder.

9.11 Duplicate Originals: Two or more duplicate originals of this Agreement may be signed by the parties, each of which shall be an original but all of which together shall constitute one and the same instrument. This Agreement may be executed in counterparts, all of which counterparts taken together shall constitute one completed fully executed document.

9.12 Modification: No modification hereof or any agreement referred to herein shall be binding or enforceable unless in writing and signed by Borrower and Lender.

9.13 Signatories: Each individual signatory hereto represents and warrants that he is duly authorized to execute this Agreement on behalf of his principal and that he executes the Agreement in such capacity and not as a party.

9.14 Third Parties: No rights are intended to be created hereunder, or under any related agreements or documents for the benefit of any third party donee, creditor or incidental beneficiary of Borrower. Nothing contained in this Agreement shall be construed as a delegation to Lender of Borrower's duty of performance, including, without limitation, Borrower's duties under any Lease, account or contract with any other Person.

9.15 Discharge of Taxes, Borrower's Obligations, Etc.: Lender, in its sole discretion, shall have the right at any time, and from time to time, with prior notice to Borrower, if Borrower fails to do so five (5) Business Days after requested in writing to do so by Lender, to: (a) pay for the performance of any of Borrower's obligations hereunder, and (b) discharge taxes or Liens, at any time levied or placed on any of Borrower's Property in violation of this Agreement unless Borrower is in good faith with due diligence by appropriate proceedings contesting such taxes or Liens and maintaining proper reserves therefor in accordance with GAAP. Expenses and advances shall be deemed Advances hereunder and shall be deemed Advances hereunder and shall bear interest at the same rate applied to the Revolving Credit Loans until reimbursed to Lender. Such payments and advances made by Lender shall not be construed as a waiver by Lender of an Event of Default under this Agreement.

9.16 Most Favored Lender: Borrower agrees to promptly notify Lender in writing if any agreement for borrowed money to which Borrower is a party, contains or is amended to contain, financial or performance covenants more restrictive than those contained herein and upon Lender's request, Borrower agrees to amend this Agreement accordingly so that covenants contained herein are substantially the same as those contained in such other agreements for borrowed money.

9.17 Consent to Jurisdiction: Borrower and Lender hereby irrevocably consent to the jurisdiction of the Courts of Common Pleas of Philadelphia, Commonwealth of Pennsylvania or the United States District Court for the Eastern District of Pennsylvania in any and all actions and proceedings whether arising hereunder or under any other agreement or undertaking and irrevocably agree to service of process by certified mail, return receipt requested to the address of the appropriate party set forth herein.

9.18 Waiver of Jury Trial: EACH OF BORROWER AND LENDER HEREBY WAIVES ANY AND ALL RIGHTS IT MAY HAVE TO A JURY TRIAL IN CONNECTION WITH ANY LITIGATION COMMENCED BY OR AGAINST LENDER WITH RESPECT TO RIGHTS AND OBLIGATIONS OF THE PARTIES HERETO OR UNDER THE LOAN DOCUMENTS.

9.19 WARRANT OF ATTORNEY: BORROWER HEREBY AUTHORIZES AND EMPOWERS ANY ATTORNEY OR ATTORNEYS OR THE PROTHONOTARY OR CLERK OF ANY COURT OF RECORD IN THE COMMONWEALTH OF PENNSYLVANIA, FOLLOWING TEN (10) BUSINESS DAYS AFTER NOTICE TO BORROWER THAT AN EVENT OF DEFAULT HAS OCCURRED HEREUNDER, TO APPEAR FOR BORROWER IN ANY SUCH COURT, WITH OR WITHOUT DECLARATION FILED, AS OF ANY TERM OR TIME THERE OR ELSEWHERE TO BE HELD AND THEREIN TO CONFESS OR ENTER JUDGMENT AGAINST BORROWER IN FAVOR OF LENDER, FOR ALL SUMS DUE OR TO BECOME DUE BY BORROWER TO LENDER UNDER THIS AGREEMENT, WITH COSTS OF SUIT AND RELEASE OF ERRORS AND WITH THE GREATER OF FIVE PERCENT (5%) OF SUCH SUMS OR \$7,500.00 ADDED AS A REASONABLE ATTORNEY'S FEE; AND FOR DOING SO THIS AGREEMENT OR A COPY VERIFIED BY AFFIDAVIT SHALL BE SUFFICIENT WARRANT; SUCH AUTHORITY AND POWER SHALL NOT BE EXHAUSTED BY ANY EXERCISE THEREOF, AND JUDGMENT MAY BE CONFESSED AS AFORESAID FROM TIME TO TIME AS OFTEN AS THERE IS OCCASION THEREFOR.

BORROWER ACKNOWLEDGES THAT IT HAS HAD THE ASSISTANCE OF COUNSEL IN THE REVIEW AND EXECUTION OF THIS AGREEMENT AND FURTHER ACKNOWLEDGES THAT THE MEANING AND EFFECT OF THE CONFESSION OF JUDGMENT HAVE BEEN FULLY EXPLAINED TO IT BY SUCH COUNSEL.

BORROWER, BEING FULLY AWARE OF THE RIGHT TO NOTICE AND A HEARING CONCERNING THE VALIDITY OF ANY AND ALL CLAIMS THAT MAY BE ASSERTED AGAINST BORROWER BY LENDER BEFORE A JUDGMENT CAN BE ENTERED HEREUNDER OR BEFORE EXECUTION MAY BE LEVIED ON SUCH JUDGMENT AGAINST ANY AND ALL PROPERTY OF BORROWER, HEREBY WAIVES THESE RIGHTS AND AGREES AND CONSENTS TO JUDGMENT BEING ENTERED BY CONFESSION IN ACCORDANCE WITH THE TERMS HEREOF AND EXECUTION BEING LEVIED ON SUCH JUDGMENT AGAINST ANY AND ALL PROPERTY OF BORROWER, IN EACH CASE WITHOUT FIRST GIVING NOTICE AND THE OPPORTUNITY TO BE HEARD ON THE VALIDITY OF THE CLAIM OR CLAIMS UPON WHICH SUCH JUDGMENT IS ENTERED.

9.20 Information to Participant: Upon prior notice to Borrower, Lender may divulge to any participant, co-lender or assignee or prospective participant, co-lender or assignee it may obtain in the Credit Facility, or any portion thereof, all information, and furnish to such Person copies of any reports, financial statements, certificates, and documents obtained under any provision of this Agreement, or related agreements and documents; provided, however that any potential participant, co-lender or assignee agrees to hold in confidence all confidential or proprietary information provided to them by

Borrower or Lender except (a) to the extent that the production of such information is required pursuant to any statute, ordinance, regulation, rule or order or any subpoena or any governmental inquiry or by reason of any bank regulation in connection with any bank examination, and (b) such potential participant, co-lender or assignee shall not be prohibited from disclosing any such information to any of their agents, officers, employees, attorneys, accountants or consultants who shall be informed of this provision.

IN WITNESS WHEREOF, the undersigned parties have executed this Agreement the day and year first above written.

CIS CORPORATION

By: /s/Frank J. Corcoran

Title:

CORESTATES BANK, N.A.

By: /s/D. Scott Gates

Title:

CORESTATES BANK, N.A. EX-2.1(b)

REVOLVING CREDIT NOTE

\$5,000,000

Philadelphia, PA

June 26, 1996

FOR VALUE RECEIVED and intending to be legally bound, the undersigned, CIS Corporation ("Borrower"), promises to pay, in lawful money of the United States, to the order of CoreStates Bank, N.A. ("Lender"), at the offices of Lender, 1339 Chestnut Street, Philadelphia, Pennsylvania 19101 (or at such other address as Lender may designate to Borrower) the maximum aggregate principal sum of Five Million (\$5,000,000) Dollars or such lesser sum which represents the outstanding balance of the aggregate outstanding principal balance of all Revolving Credit Loans advanced to the Borrower pursuant to the provisions of that certain Loan and Security Agreement dated June 26, 1996, among Borrower and Lender (as it may be supplemented, amended, extended or replaced from time to time, the "Loan Agreement"). The outstanding principal balance hereunder shall be payable pursuant to the terms of the Loan Agreement. The actual amount due and owing from time to time hereunder shall be evidenced by Lender's records of receipts and disbursements with respect to the Revolving Credit Loans, which shall be conclusive evidence of such amount, absent manifest error. All

capitalized terms not otherwise defined herein shall have the meaning ascribed to them in the Loan Agreement.

Borrower further agrees to pay interest on the outstanding principal balance hereunder from time to time at the per annum rates set forth in Sections 2.4 and, as applicable, 2.5(b) and (c) of the Loan Agreement. Interest shall be calculated as set forth in Section 2.5(a) of the Loan Agreement, and shall be due and payable on the dates and otherwise in accordance with the terms of the Loan Agreement. In no event shall the amount of interest paid or agreed to be paid to Lender hereunder exceed the highest lawful rate permissible under any law which a court of competent jurisdiction may deem applicable hereto. In such event, the interest rate shall automatically be reduced to the maximum rate permitted by such law and Lender may set off any excess received against other Obligations which are then due.

This Revolving Credit Note is that certain Revolving Credit Note referred to in the Loan Agreement and other Loan Documents. This Revolving Credit Note ("Note") shall evidence Borrower's unconditional obligations to repay the outstanding balance of the aggregate outstanding principal balance of all Revolving Credit Loans made to Borrower, with interest thereon and Expenses in connection therewith. If Borrower fails to make any payment required hereunder or if an Event of Default occurs under the Loan Agreement, Lender shall thereupon have the option at any time and from time to time, to declare the unpaid principal balance of this Note along with accrued and unpaid interest and Expenses to be immediately due and payable and to exercise all rights and remedies set forth herein, and in the other Loan Documents, as well as all rights and remedies otherwise available to Lender at law or in equity, to collect the unpaid indebtedness hereunder and thereunder. This Note is secured by the Collateral described in the Loan Agreement.

This Note may be prepaid only in accordance with the terms and conditions of the Loan Agreement.

Borrower hereby waives presentment for payment, protest, demand, notice of nonpayment or dishonor and all other notices in connection with the delivery, acceptance, performance or enforcement of this Note. Any failure or delay of Lender to exercise any right hereunder shall not be construed as a waiver of the right to exercise the same or any other right at any other time or times. The waiver by Lender of a breach or default of any provision of this Note shall not operate or be construed as a waiver of any subsequent breach or default thereof. Borrower agrees to reimburse Lender for all Expenses, including, without limitation, attorneys' fees, reasonably incurred by Lender to enforce the provisions of this Note, to protect, preserve and defend Lender's rights under the Loan Documents, and collect Borrower's Obligations hereunder as described in the Loan Agreement.

Notwithstanding the entry of any judgment under this Note, the unpaid principal balance under this Note shall continue to bear interest at the applicable rate set forth in the Loan Agreement.

BORROWER HEREBY AUTHORIZES AND EMPOWERS ANY ATTORNEY OR ATTORNEYS OR THE PROTHONOTARY OR CLERK OF ANY COURT OF RECORD IN THE COMMONWEALTH OF PENNSYLVANIA, FOLLOWING TEN (10) BUSINESS DAYS AFTER NOTICE TO BORROWER THAT AN EVENT OF DEFAULT HAS OCCURRED UNDER THE LOAN AGREEMENT OR THAT BORROWER HAS FAILED TO PAY WHEN DUE ANY SUM PAYABLE BY BORROWER PURSUANT TO THIS NOTE, TO APPEAR FOR BORROWER IN ANY SUCH COURT, WITH OR WITHOUT DECLARATION FILED, AS OF ANY TERM OR TIME THERE OR ELSEWHERE TO BE HELD AND THEREIN TO CONFESS OR ENTER JUDGMENT AGAINST BORROWER IN FAVOR OF THE LENDER UNDER THIS NOTE, WITH COSTS OF SUIT AND RELEASE OF ERRORS AND WITH THE GREATER OF FIVE PERCENT (5%) OF SUCH SUMS OR \$7,500.00 ADDED AS A REASONALBE ATTORNEY'S FEE; AND FOR DOING SO THIS NOTE OR A COPY VERIFIED BY AFFIDAVIT SHALL BE SUFFICIENT WARRANT; SUCH AUTHORITY AND POWER SHALL NOT BE EXHAUSTED BY ANY EXERCISE THEROF, AND JUDGMENT MAY BE CONFESSED AS AFORESAID FROM TIME TO TIME AS OFTEN AS THERE IS OCCASION THEREFOR.

BORROWER ACKNOWLEDGES THAT IT HAS HAD THE ASSISTANCE OF COUNSEL IN THE REVIEW AND EXECUTION OF THIS NOTE AND FURTHER ACKNOWLEDGES THAT THE MEANING AND EFFECT OF THE CONFESSION OF JUDGMENT HAVE BEEN FULLY EXPLAINED TO IT BY SUCH COUNSEL.

BORROWER, BEING FULLY AWARE OF THE RIGHT TO NOTICE AND A HEARING CONCERNING THE VALIDITY OF ANY AND ALL CLAIMS THAT MAY BE ASSERTED AGAINST BORROWER BY THE LENDER BEOFORE A JUDGMENT CAN BE ENTERED HEREUNDER OR BEFORE EXECUTION MAY BE LEVIED ON SUCH JUDGMENT AGAINST ANY AND ALL PROPERTY OF BORROWER, HEREBY WAIVES THESE RIGHTS AND AGREES AND CONSENTS TO JUDMENT BEING ENTERED BY CONFESSION IN ACCORDANCE WITH THE TERMS HEREOF AND EXECUTION BEING LEVIED ON SUCH JUDGMENT AGAINST ANY AND ALL PROPERTY OF BORROWER, IN EACH CASE WITHOUT FIRST GIVING NOTICE AND THE OPPORTUNITY TO BE HEARD ON THE VALIDITY OF THE CLAIM OR CLAIMS UPON WHICH SUCH JUDGMENT IS ENTERED.

This Note shall be construed and governed by the laws of the Commonwealth of Pennsylvania, without regard to its otherwise applicable principles of conflict of laws. The provisions of this Note are severable and the invalidity or unenforceabilty of any provision shall not alter or impair the remaining provisions of this Note. Jury trial is waived by Borrower and Lender in connection with any controversy or proceeding involving the rights of the parties to this Note, whether sounding in contract, tort or otherwise.

IN WITNESS WHEREOF, and intending to be legally bound hereby, Borrower has executed these presents the day and year first above written.

CIS CORPORATION

By: s/s Frank J. Corcoran

Continental Information Systems Corporation Subsidiaries

CIS Corporation
CIS Land Holding, Inc.

Subsidiaries of CIS Corporation

CMI Holding (US) Co.
CIS LCI Corportion
CIS Investment Corporation
CIS Aircraft Partners, Inc.
CIS LC II Corporation
CIS Equipment Investors Corporation
CIS Air Corporation
CIS LC III Corporation
CIS Rail Corporation
CIS Assignor L.P.A., Inc.
CIS Equipment Management
Corporation
CIS LC IV Corporation
CIS Partners, Inc.
CIS LC V Corporation
Framework Capital Corporation
CIS Leasing Co. Acquisition I
Corporation
NC3, Inc.
CIS Leasing Co. Acquisition II
Corporation
CIS Leasing Programs, Inc.
CIS Leasing Co. Acquisition III
Corporation
Aviron Computer Technologies, Inc.
CIS Aircraft Management
Corporation
GMCCCS Corp.
CIS/TUS I Acquisition Corporation

Subsidiaries of CMI Corporation

CMI Corporation Canada
CMI Financial Services, Inc.
CMI Equipment Corporation
CMI Leasing Corporation
CMI Aircraft Corporation
Troy Investment Company
CMI Sales, Inc.
CMI Lease Services Company

Exhibit 23.1

CONSENT OF INDEPENDENT ACCOUNTANTS

We hereby consent to the incorporation by reference in the registration statement (No. 33-80489) on Form S-8 of our reports dated July 11, 1996 and January 20, 1995 on the financial statements and financial statement schedules of Continental Information Systems Corporation (the "Company") which appear in the May 31, 1996 Annual Report on Form 10-K of the Company.

PRICE WATERHOUSE LLP
August 15, 1996
Syracuse, New York

<TABLE> <S> <C>

<ARTICLE> 5

<LEGEND>

Continental Information Systems Corporation as of and for the year ended May 31, 1996.

</LEGEND>

<S>	<C>
<PERIOD-TYPE>	12-MOS
<FISCAL-YEAR-END>	MAY-31-1996
<PERIOD-END>	MAY-31-1996
<CASH>	5,382
<SECURITIES>	0
<RECEIVABLES>	20,824
<ALLOWANCES>	(53)
<INVENTORY>	3,639
<CURRENT-ASSETS>	29,792
<PP&E>	17,438
<DEPRECIATION>	(5,665)
<TOTAL-ASSETS>	53,550
<CURRENT-LIABILITIES>	3,055
<BONDS>	17,042
<PREFERRED-MANDATORY>	0
<PREFERRED>	0
<COMMON>	70
<OTHER-SE>	33,383
<TOTAL-LIABILITY-AND-EQUITY>	53,550
<SALES>	16,657
<TOTAL-REVENUES>	26,822
<CGS>	11,899
<TOTAL-COSTS>	16,755
<OTHER-EXPENSES>	7,871
<LOSS-PROVISION>	34
<INTEREST-EXPENSE>	551
<INCOME-PRETAX>	1,611
<INCOME-TAX>	611
<INCOME-CONTINUING>	1,000
<DISCONTINUED>	(934)
<EXTRAORDINARY>	0
<CHANGES>	0
<NET-INCOME>	66
<EPS-PRIMARY>	.01
<EPS-DILUTED>	0

</TABLE>