

SECURITIES AND EXCHANGE COMMISSION

FORM 10-Q

Quarterly report pursuant to sections 13 or 15(d)

Filing Date: **1996-11-14** | Period of Report: **1996-09-30**
SEC Accession No. **0000950123-96-006622**

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

FILER

HOLOPAK TECHNOLOGIES INC

CIK: **877928** | IRS No.: **510323272** | State of Incorpor.: **DE** | Fiscal Year End: **0331**
Type: **10-Q** | Act: **34** | File No.: **000-19453** | Film No.: **96664709**
SIC: **2670** Converted paper & paperboard prods (no containers/boxes)

Mailing Address

*9 COTTERS LANE
EAST BRUNSWICK NJ 08816*

Business Address

*9 COTTERS LANE
EAST BRUNSWICK NJ 08816
9082382883*

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

X QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES
EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 1996

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15 (d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission File Number 0-19453

HOLOPAK TECHNOLOGIES, INC.

Exact name of registrant as specified in its charter

Delaware

51-0323272

(State or other jurisdiction of
incorporation or organization)

(I.R.S. Employer
Identification No.)

9 COTTERS LANE, EAST BRUNSWICK, NEW JERSEY 08816

(Address of principal executive offices) (Zip Code)

(Registrant's telephone number, including area code) (908) 238-2883

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 X NO

Indicate the number of shares outstanding of each of the issuer's
classes of common stock, as of the latest practicable date.

CLASS	OUTSTANDING AT 10/31/96
-----	-----
Common Stock, \$.01 Par Value	2,796,403
Class A Common Stock, \$.01 Par Value	753,086

HOLOPAK TECHNOLOGIES, INC. AND SUBSIDIARIES

Index

<TABLE>
<CAPTION>

Page Number

<S>

<C>

PART I: FINANCIAL INFORMATION

Item 1.	Financial Statements	
	Consolidated Balance Sheets as of September 30, 1996 (Unaudited) and March 31, 1996	1
	Consolidated Statements of Operations (Unaudited) for the Three Months and Six Months ended September 30, 1996 and 1995	2
	Consolidated Statements of Cash Flows (Unaudited) for the Six Months Ended September 30, 1996 and 1995	3
	Notes to Consolidated Financial Statements	4

3

HOLOPAK TECHNOLOGIES, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

	SEPTEMBER 30, 1996 UNAUDITED ----- <C>	MARCH 31, 1996 UNAUDITED ----- <C>
<S> ASSETS		
CURRENT ASSETS:		
Cash and Cash Equivalents	\$ 2,348,973	\$ 1,999,609
Accounts Receivable, less allowance for doubtful accounts of \$58,000 and \$81,000	6,024,226	6,582,515
Inventories	7,639,842	8,149,598
Prepaid Expenses	389,916	411,748
Due From Related Parties	66,789	20,000
Prepaid Income Taxes	1,545,293	1,200,162
Deferred Income Taxes	307,468	307,468
Other Current Assets	31,287	16,470
	-----	-----
TOTAL CURRENT ASSETS	18,353,794	18,687,570
Property and Equipment, Net	10,412,030	10,638,555
Excess of Cost over Fair Value of Assets Acquired, less accumulated amortization of \$1,461,410 as of September, 1996 and \$1,361,930 as of March, 1996	6,899,405	6,998,885
Other Assets	149,088	149,088
	-----	-----
TOTAL ASSETS	\$ 35,814,317 =====	\$ 36,474,098 =====
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Bank Borrowings	\$ 750,000	\$ --
Current Maturities of Long-Term Debt	1,752,500	1,752,500
Accounts Payable and Accrued Liabilities	3,205,137	3,642,661
	-----	-----
TOTAL CURRENT LIABILITIES	5,707,637	5,395,161
Long-Term Debt	1,956,250	2,832,500
Deferred Income Taxes	1,639,953	1,740,128
	-----	-----
TOTAL LIABILITIES	9,303,840	9,967,789
	-----	-----
Commitments and Contingencies	--	--
STOCKHOLDERS' EQUITY		
Preferred Stock: \$.01 par value; 10,000,000 shares authorized; none issued	--	--
Common Stock; \$.01 par value; 10,000,000 shares authorized; 2,796,403 shares issued	27,964	27,964
Class A Common Stock; \$.01 par value; 2,000,000 shares authorized; 753,086 shares convertible to Common Stock at any time at the stockholder's option	7,531	7,531
Class B Common Stock, \$.01 par value; 700,000 shares authorized; none issued	--	--
Additional paid-in capital	22,228,094	22,228,094
Retained Earnings	5,941,862	5,926,661
Cumulative Translation Adjustment	(423,489)	(412,456)
	-----	-----
Less: Common Stock (201,800 shares) Held In the Treasury , at cost	27,781,962 (1,271,485)	27,777,794 (1,271,485)

Total Stockholders' Equity	26,510,477	26,506,309
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 35,814,317	\$ 36,474,098

</TABLE>

See notes to consolidated financial statements.

1

4

HOLOPAK TECHNOLOGIES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS

<TABLE>
<CAPTION>

	THREE MONTHS ENDED, SEPTEMBER 30,		SIX MONTHS ENDED, SEPTEMBER 30,	
	(UNAUDITED) 1996	(UNAUDITED) 1995	(UNAUDITED) 1996	(UNAUDITED) 1995
<S>	<C>	<C>	<C>	<C>
NET REVENUES	\$ 10,304,402	\$10,990,897	\$ 22,168,556	\$23,044,906
Cost of Sales	8,460,458	8,576,392	18,018,442	18,050,523
Gross Profit	1,843,944	2,414,505	4,150,114	4,994,383
Selling, General and Administrative Expenses ..	1,807,285	2,043,316	3,780,092	4,042,488
Restructuring Charge	130,000	--	130,000	--
Operating Income	(93,341)	371,189	240,022	951,895
Interest Income	19,208	31,395	41,361	71,018
Interest Expense	73,068	122,880	149,859	265,623
INCOME (LOSS) FROM CONTINUING OPERATIONS BEFORE INCOME TAXES	(147,201)	279,704	131,524	757,290
Provision (Benefit) for Income Taxes	(75,607)	63,602	(43,677)	206,376
Income From Continuing Operations	(71,594)	216,102	175,201	550,914
Loss From Discontinued Operations (net of tax benefit of \$86,000)	160,000	--	160,000	--
NET INCOME (LOSS)	\$ (231,594)	\$ 216,102	\$ 15,201	\$ 550,914

EARNINGS PER COMMON SHARE AND COMMON
SHARE EQUIVALENT

Continuing Operations	(0.02)	0.06	0.05	0.16
Discontinued Operations	(0.05)	--	(0.05)	--
NET INCOME (LOSS)	\$ (0.07)	\$ 0.06	\$ 0.00	\$ 0.16
Weighted average number of common shares and common share equivalents outstanding ..	3,360,996	3,517,989	3,372,061	3,517,989

</TABLE>

See notes to consolidated financial statements.

2

5

HOLOPAK TECHNOLOGIES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

<TABLE>
<CAPTION>

	SIX MONTHS ENDED SEPTEMBER 30,	
	1996 (UNAUDITED) -----	1995 (UNAUDITED) -----
<S>	<C>	<C>
OPERATING ACTIVITIES		
NET INCOME	\$ 15,201	\$ 550,944
Adjustments to reconcile net income to net cash provided by operating activities:		
Discontinued Operations	160,000	--
Depreciation	1,237,408	1,207,948
Amortization	99,480	128,195
Decrease in accounts receivable	553,154	405,932
Decrease (Increase) in inventories	504,316	(580,994)
Decrease in prepaid expenses	21,540	30,937
Decrease (Increase) in due from related parties	(46,789)	53,268
(Increase) in prepaid income taxes	(344,842)	--
Decrease in deferred income tax receivable	--	99,775
(Increase) in other current assets	(14,817)	(31,076)
(Increase) in other assets	--	(3,135)
(Decrease) in accounts payable and accrued liabilities	(434,067)	(142,811)
(Decrease) in deferred income taxes	(99,255)	--
	-----	-----
NET CASH PROVIDED BY OPERATING ACTIVITIES	1,651,329	1,718,983
	-----	-----
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures	(1,017,062)	(562,415)
Proceeds from government grants	--	220,006
(Advances to) Proceeds from discontinued operations	(160,000)	495,642
	-----	-----
NET CASH (USED) PROVIDED BY INVESTING ACTIVITIES	(1,177,062)	153,233
	-----	-----
CASH FLOW FROM FINANCING ACTIVITIES		
Net increase (decrease) from short-term borrowing	750,000	(652,208)
Repayment of long-term borrowings	(876,250)	(876,250)
	-----	-----
NET CASH (USED) IN FINANCING ACTIVITIES	(126,250)	(1,528,458)
	-----	-----
Effect of exchange rate changes on cash and cash equivalents	1,347	(51,643)
	-----	-----
Net increase in Cash and Cash Equivalents	349,364	292,115
Cash and Cash Equivalents, Beginning of Period	1,999,609	2,300,336
	-----	-----
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$ 2,348,973	\$ 2,592,451
	=====	=====

</TABLE>

See notes to consolidated financial statements.

3

6

HOLOPAK TECHNOLOGIES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS AND THE SIX MONTHS ENDED SEPTEMBER 30, 1996 AND 1995

(Unaudited)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying unaudited consolidated financial statements have been prepared by HoloPak Technologies, Inc. ("HoloPak" or the "Company") pursuant to the rules and regulations of the Securities and Exchange Commission. In the opinion of management, all adjustments (consisting of normal recurring adjustments) considered necessary for a fair presentation have been included. Operating results for the six months ended September 30, 1996 are not necessarily indicative of the results that may be expected for the year ending March 31, 1997. The Company's financial statements do not include certain information and footnotes required by generally accepted accounting principles and accordingly, should be read in conjunction with the financial statements and the notes thereto included in HoloPak's Annual Report on Form 10-K for the year ended March 31, 1996.

2. INVENTORIES

The components of inventories were as follows:

<TABLE>
<CAPTION>

	SEPTEMBER 30, 1996	MARCH 31, 1996
<S>	<C>	<C>
Finished Goods	\$3,794,000	\$3,765,000
Work in Process	873,000	1,006,000
Raw Materials	2,973,000	3,379,000
	-----	-----
TOTAL	\$7,640,000	\$8,150,000
	=====	=====

</TABLE>

3. RELATED PARTY TRANSACTIONS

In September 1996, the Company loaned \$20,000 to an officer of the Company to partially fund the purchase of shares of the Company's Stock on the open market. The loan bears interest at 5%, and is secured by the shares of stock purchased. The principal is to be repaid in five years.

4. NOTE PAYABLE & LONG-TERM DEBT

The Company has available an unsecured revolving line of credit in the amount of \$3,000,000 to be used for general corporate purposes.

7

The facility bears interest at LIBOR plus 100 basis points which was approximately 6% at September 30, 1996. At September 30, 1996, there was \$750,000 outstanding under this line of credit. The Company also owes \$1,890,000 under a five year term loan. This term loan requires quarterly payments of \$135,000, which began on June 17, 1995 and also bears interest at three-month LIBOR plus 100 basis points. Final maturity will be on March 17, 2000.

The Company also has outstanding \$1,818,750 in long term debt incurred to fund the acquisition of Alubec in March 1993. This debt bears interest at a fixed rate of 5.9%. Principal payments are \$303,125 per quarter and will mature on March 31, 1998.

The conditions of the Company's bank borrowings and long-term debt call for the Company to maintain certain financial ratios regarding debt service coverage and certain amounts of tangible net worth. At September 30, 1996, the Company was not in compliance with the debt service coverage ratio; however, the Company obtained a waiver on this covenant as of September 30, 1996.

Annual maturities of long-term debt are as follows:

FOR THE YEAR ENDED	PAYMENTS
SEPTEMBER 30,	-----
-----	-----
1997	1,752,500
1998	1,146,250
1999	540,000

2000	270,000

Total	\$3,708,750
	=====

5. DISCONTINUED OPERATIONS

As a result of the discontinuance of the operations of Jaeger Graphic Technologies ("JGT"), on October 13, 1995, Bollore Technologies S.A. filed suit in the Commercial Court of Paris against JGT and the Company. The suit claimed noncompliance by the Company and JGT with a supply agreement and sought damages in the amount of approximately 5.76 million French francs (approximately \$1.3 million as of June 30, 1996). In August 1996 the Company settled this matter for 1.25 million French francs (\$246,000). This charge (\$160,000, net of tax) was recorded as a loss from Discontinued Operations for the three month period ended September 30, 1996. JGT has now been completely closed.

6. RESTRUCTURING CHARGE

During August 1996, the Company recorded a restructuring charge of \$130,000 to reflect work force reductions.

5

8

7. STOCK OPTIONS

At the September 1996 Board of Directors meeting, 12,000 options at \$3.56 per share were issued to the non-employee Directors of the Company.

During September 1996, 32,300 options were issued at \$3.50 per share to three officers of the Company under an Officer Stock Option Plan.

During September 1996, 8,300 options were issued at \$3.50 per share to two employees under an Employee Stock Option Plan.

All of the above stock options were issued with strike prices equal to the market value as of the date of issuance, and are exercisable as of the date of issuance.

6

9

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

RESULTS OF OPERATIONS

SIX MONTHS AND THREE MONTHS ENDED SEPTEMBER 30, 1996 COMPARED TO THE SIX MONTHS AND THREE MONTHS ENDED SEPTEMBER 30, 1995

NET REVENUES:

Net Revenues for the six months ended September 30, 1996 were \$22.2 million, compared to \$23.0 million for the comparable period of one year ago. For the three months ended September 30, 1996, net revenues were \$10.3 million, compared to \$11.0 million one year ago.

The decline for both the six and three month period was attributable to weak sales of metallic graphics foils, due to weakness in the consumer packaging market. Sales in this line of business declined \$1.6 million for the six month period and \$400,000 for the quarter, as compared to the same period in the prior year. Total sales of hot stamping foils declined by \$1.4 million for the six month period and \$400,000 for the quarter, as compared to the same period in the prior quarter.

Holographic product sales for the six month period were \$3.5 million, compared to \$3.3 million in the prior period last year. For the quarter, holographic product sales were \$1.6 million, compared to \$1.75 million last year. The decrease for the quarter is attributable to a decline of \$310,000 in the sale of diffracted holographic products, offset by an increase of \$200,000 in the sale of holographic security products. The weakness in diffractions is attributable to weakness in the general packaging and hot stamping foil market. The increase in the sale of security foils is attributable to continued strong demand for anti-counterfeiting and security products, particularly in the area of specialized identity cards.

Metallized paper sales for the six month period were \$6.1 million, compared to \$5.7 million for the similar period last year. For the second quarter, paper sales were \$2.3 million, off slightly from the same period last year. The decrease in the second quarter resulted from a slowdown in demand for the traditional laminated foil paper products, which is almost entirely attributable to lower demand from the tobacco industry.

COST OF GOODS SOLD AND GROSS PROFITS:

Cost of goods sold for the six month period was \$18.0 million, which was virtually unchanged from the prior year. For the three month period ended September 30, 1996, cost of goods sold was \$8.5 million, compared to \$8.6 million in the prior year.

Gross profits for the six months were \$4.1 million, compared to \$5.0 million in the six months ended September 30, 1995. For the three months ended September 30, 1996, gross profits were \$1.8 million, compared to \$2.4 million for the prior year.

7

10

The decline in gross profits is attributable primarily to the decline in sales. Fixed costs at the Company's Transfer Print Foil subsidiary, which manufactures hot stamping and holographic foils, are relatively high. Accordingly, a decline in sales has a highly correlative effect on margins. In addition, raw material costs for the first six months of the year were substantially higher than in the prior year further depressing margins.

The comparative periods in fact reflect opposite sides of the increase and subsequent decrease in the price of polyester film, which is the primary raw material in the manufacture of hot stamping and holographic foil. In the six month period ended September 30, 1995, the price of polyester film was relatively low, but was rising rapidly. In the six month period ended September 30, 1996, the price of polyester film was relatively high, but falling, although not as rapidly as the increases of one year ago. Therefore, the six month period ended September 30, 1996 is a high raw material cost period, where the comparable period of a year ago represents a lower cost environment.

Production waste during the period remained high, as problems with certain essential chemicals persisted. The Company has taken several steps to alleviate the problems associated with this situation; however, the company anticipates that any resulting benefits will not be apparent until subsequent reporting periods.

The Company in August 1996 reorganized production responsibilities, and was able to reduce its production labor force. Accordingly, the Company incurred a one-time charge of \$130,000, but believes that its operations will become more efficient as a result of this measure.

Gross margin for the six month period was 18.7%, compared to 21.7% for the same period last year. Gross margin for the quarter ended September 30, 1996, was 17.9%, compared to 22.0% for the same period last year.

SELLING, GENERAL, AND ADMINISTRATIVE EXPENSES:

Selling, general, and administrative expenses were \$1.8 million for the three months ended September 30, 1996 compared to \$2.0 million for the same period last year. For the six months ended September 30, 1996, selling, general, and administrative expenses was \$3.8 million, compared to \$4.0 million for the prior period. The reason for the decrease in expense was reduced executive salaries and lower legal expenses.

RESTRUCTURING CHARGE:

The Company recorded a charge of \$130,000 to reflect the cost of severance resulting from work force down sizing at its Transfer Print Foils, Inc. subsidiary.

OPERATING PROFITS (LOSSES):

Operating loss for the quarter was \$93,000, compared to a profit of \$371,000 for the prior year. For the six months ended September 30, 1996, operating profits were \$240,000, compared to profits of \$952,000 in the prior year. Reduced sales and gross profits, combined with the restructuring charge, were responsible for the decrease.

8

11

INTEREST EXPENSE:

Net interest expense for the quarter was \$54,000, compared to \$91,000 in the prior year. For the six months, net interest expense was \$108,000, compared to \$195,000 for the prior year. Lower outstanding balances of debt outstanding were the reason for the decrease in expense.

INCOME TAXES:

Income taxes were a benefit of \$76,000, compared to expense of \$64,000 for the prior year quarter.

For the six months ended September 30, income taxes were a benefit of \$44,000. The benefit was recorded because of the differential between US and Canadian tax rates. The benefit arising from losses recorded in the United States more than offset taxes owed on profits made in Canada.

LOSS FROM DISCONTINUED OPERATIONS:

The loss from discontinued operations reflects the cost of settling the lawsuit brought against the Company by Bollore Technologies concerning a supply contract to the Company's discontinued European operations. This operation has now been completely closed.

9

12

FINANCIAL CONDITION

LIQUIDITY AND CAPITAL RESOURCES:

As of September 30, 1996, the Company had working capital of \$12.6 million, compared to \$13.3 million at March 31, 1996. The decrease is attributable to an increase in short term borrowings of \$750,000, offset slightly by a decrease in payables. The borrowings were made primarily to fund the settlement of the lawsuit with Bollore Technologies and to partially fund the Company's capital expenditures.

The company has a general purpose line of credit of \$3.0 million, against which \$750,000 had been drawn as of September 30, 1996, and as of November 4, 1996, a new capital expenditures facility of \$2.0 million, against which there were no outstandings at September 30, 1996.

Capital expenditures for the six months ended September 30, 1996 were \$1.0 million. The primary expenditures were made to reorganize production operations at the Company's plant in New Jersey, and for expenditures necessary to begin the production of hot stamping foil in Canada.

STOCKHOLDER'S EQUITY:

Stockholder's equity remained constant at \$26.5 million as a result of break even operations.

10

13

PART II

OTHER INFORMATION

Item 1.	Legal Proceedings	None
Item 2.	Change in Securities	None
Item 3.	Defaults Upon Senior Securities	None
Item 4.	Submission of Matters to Vote of Security Holders	

(a) The Annual Meeting of Stockholders of the Company was held in New Jersey on September 20, 1996. Proxies for the annual

meeting were solicited pursuant to Regulation 14A under Securities Exchange Act of 1934, as amended

(b) At the Annual Meeting, stockholders elected the following directors to one-year terms:

<TABLE>
<CAPTION>

	NUMBER OF VOTES		
	FOR	AGAINST	ABSTAIN
	---	-----	-----
<S>	<C>	<C>	<C>
Robert J. Simon	2,089,259	--	34,611
Robert E. Coghan	2,087,559	--	36,311
Michael S. Mathews	2,089,909	--	33,961
Cheryl A. Mills	2,089,588	--	34,282
Courtney M. Price	2,089,688	--	34,182
Brian Kelly	2,089,909	--	33,961
John J. Collins	2,089,909	--	33,961

</TABLE>

(c) The stockholders also ratified the appointment of Deloitte & Touche LLP as independent auditors for the Company for the fiscal year ending March 31, 1997.

<TABLE>
<CAPTION>

	NUMBER OF VOTES		
	FOR	AGAINST	ABSTAIN
	---	-----	-----
<S>		<C>	<C>
	2,096,641	10,743	16,486

</TABLE>

Item 5. Other Information None

11

14
Item 6. Exhibits and Reports on Form 8-K

- a. Exhibits
- Exhibit 10.1 Note and Pledge Agreement between the Company and D. W. Jaffin, dated September 5, 1996.
 - Exhibit 10.2 Third Amendment and Supplement to Loan Agreement between the Company and First Union National Bank, relating to a \$2.0 million Capital Expenditures Facility, dated November 1, 1996.
 - Exhibit 11 Computation of Earnings Per Share
 - Exhibit 27 Financial Data Schedule
- b. Report on Form 8-K None

12

15
SIGNATURES

Pursuant to the requirements of the Securities and Exchange Act of 1934, the registrant has duly caused this to be signed on its behalf by the undersigned thereunto duly authorized.

HOLOPAK TECHNOLOGIES, INC.

/s/ ROBERT E. COGHAN

Robert E. Cohan,
Chief Executive Officer

Dated: November 11, 1996

/s/ DAVID W. JAFFIN

David W. Jaffin,
Chief Financial Officer

Dated: November 11, 1996

NOTE AND PLEDGE AGREEMENT

NOTE AND PLEDGE AGREEMENT, dated as of September 5, 1996 between David W. Jaffin (the "Maker") and HOLOPAK TECHNOLOGIES, INC., a Delaware corporation (the "Payee").

PRELIMINARY STATEMENT

The Maker has purchased 10,500 shares of the common stock, par value \$0.01 per share, of the Payee (the "Shares"). The Maker has the right to purchase the Shares by delivering this Note and Pledge Agreement whereby the Maker promises, among other things, to pay the principal amount of \$20,000 (the "Note") as partial payment of the purchase price of the Shares and to pledge to the Payee the Shares to secure the payment of the purchase price of the Shares (the "Pledge"). Under the terms of the Pledge, the Payee shall continue to hold the Pledged Securities (as defined below) until the termination of this Note and Pledge Agreement.

NOW, THEREFORE, to induce the Payee to make a loan under this Note and Pledge Agreement and in consideration of the mutual covenants contained herein, the parties hereto, each intending to be legally bound hereby, covenant and agree as follows:

A. Promissory Note.

1. Terms. FOR VALUE RECEIVED, and intending to be legally bound, the Maker hereby promises to pay, in lawful money of the United States of America, which shall be legal tender for payment of public and private debts, without demand, defalcation, set off or deduction, to the order of Payee, at the address of the Payee, 9 Cotters Lane, East Brunswick, New Jersey 08816 or at such other place as the holder hereof shall from time to time designate in writing, the principal amount of Twenty thousand dollars (\$20,000.00), with interest on the unpaid principal balance from the date of this Note until paid at the annual rate of five percent (5%), calculated on the basis of a 360-day year consisting of twelve 30-day months. The principal amount and accrued interest shall be due and payable on the fifth anniversary of the date hereof.

2. Prepayment. The Maker may prepay at any time all or part of the outstanding principal balance hereof without penalty at any time, provided that when making such prepayment the Maker pays all interest then accrued and all other sums then due hereunder. Partial prepayments shall be applied to reduce the principal indebtedness evidenced hereby, the amortization of the remaining principal to be revised appropriately.

3. Default Interest. All sums not paid when due shall bear interest

between the due date until the payment date at the rate that is five percent (5%) over the above-specified interest rate on the principal of this Note, or if such rate is usurious, the highest legal rate (the rate so determined is herein called the "Default Rate").

2

4. Deferral. All sums due under this Note may be deferred to the extent necessary (based on an opinion of counsel to the Maker that is acceptable to the Payee) to avoid any violation of applicable rules and regulations of the Securities and Exchange Commission, the National Association of Securities Dealers, Inc. and any other regulatory authority and also to avoid any violation of the Delaware General Corporation Law that would result from repayment. Any amount deferred hereunder shall bear interest at the Default Rate, with such interest payable quarterly.

5. Default.

a. The Maker shall be in default hereunder upon the occurrence of any of the following events: (i) if the Maker fails to pay any interest or principal or any other sum due hereunder on the applicable due date therefor; (ii) if any representation or warranty now or hereafter made by the Maker or in connection with the debt evidenced by this Note or the Pledge is false or incorrect in any material respect and is not cured within 30 days of notice thereof; or (iii) the occurrence of any default under the Pledge (an "Event of Default").

b. Upon the occurrence of an Event of Default by the Maker, which shall be continuing, the entire unpaid principal indebtedness of this Note, together with all interest accrued at the above specified rate until the date of such default and thereafter at the Default Rate, together with all other charges provided for herein, shall at the option of the holder of this Note, become due and payable immediately.

c. Any right or remedy granted herein or in the Pledge is separate, distinct and cumulative and not exclusive of any other right or remedy granted herein or in the Pledge or provided by law or equity, and may be exercised concurrently, independently or successively by the holder hereof in such holder's discretion. Any forbearance on the part of any holder in exercising any such right or remedy shall not be a waiver of or preclude the exercise of any such right or remedy. The holder hereof shall not be deemed by any act or omission to have waived any such right or remedy or any default by the Maker hereunder or under the Pledge unless such waiver is in writing and signed by the holder, and then only to the extent specifically set forth in the writing. Any such waiver shall not be construed as a continuing waiver or as a bar to or waiver of any right or remedy with respect to any other default by the Maker.

d. The Maker agrees to pay on demand all costs of collection, including without limitation reasonable attorneys' fees, incurred by the holder hereof with respect to any default by the Maker hereunder. Such amounts, until paid by the Maker, shall be added to the principal hereof, bear interest at the

3

B. Pledge Agreement.

1. Pledge of Stock. As collateral security for the punctual payment and performance of all existing and future indebtedness, obligations and other liabilities, absolute or contingent, direct or indirect, primary or secondary, of the Maker to the Payee of any nature whatsoever under this Note and Pledge Agreement (all of such indebtedness, obligations and liabilities of the Maker being hereinafter sometimes referred to collectively as the "Obligations"), the Maker hereby deposits with and pledges and hypothecates to the Payee for its benefit and grants to the Payee for its benefit and agrees that the Payee shall have a first security interest in and pledge of, the number of shares of Shares (the "Pledged Securities") of the Payee set forth below:

Class of Security	Certificate Number(s)	Number of Shares Pledged
Common Stock		10,500

2. Representations and Warranties of the Maker. The Maker represents and warrants to and agrees with Payee as follows:

a. The Pledged Securities have been duly and validly pledged hereunder in accordance with all applicable laws, and the Maker warrants and covenants to defend the Payee's right, security interest and special property in and to the Pledged Securities against the claims and demands of all persons whomsoever. Except for the security interest created hereby in favor of the Payee, the Maker is the exclusive legal and equitable owner of, and has good title to, all of the Pledged Securities identified in Section 1 as being owned by the Maker, free and clear of all claims, liens, security interests and other encumbrances, and the Maker has the unqualified legal right to pledge the same hereunder. The security interest created hereby or intended so to be represents a valid, perfected first lien on and security interest in all of the Pledged Securities, and such security interest is superior and prior in right to the rights of all third persons. The parties acknowledge that no filings or recordings (including without limitation filings under the Uniform Commercial Code) are necessary to be made under present law in order to perfect, protect and preserve the security interest of the Payee in the Pledged Securities created by this Note and Pledge Agreement or intended so to be. Notwithstanding the foregoing, the Maker makes no representations or warranties hereunder regarding any claims, liens, security interests or encumbrances created by or in favor of the Payee.

b. The Maker and his representatives, successors and assigns, hereby irrevocably waive and release all preemptive, first-refusal and other similar rights of the Maker to purchase any or all of the Pledged Securities upon any sale thereof by the Payee hereunder, whether such right to purchase arises under the Certificate of Incorporation or any By-law of the Payee, by agreement, by operation of law or otherwise.

c. All of the foregoing representations, warranties and agreements shall survive the execution and delivery of this Note and Pledge Agreement and the making of the loan hereunder.

3. Representations and Warranties of the Payee. The Payee represents and warrants to the Maker that the Payee is transferring to the Maker good title to all of the Pledged Securities identified in Section 1, free and clear of all claims, liens, security interests and other encumbrances, and that the Payee has the unqualified legal right to transfer the same to the Maker.

4. Reservation of Voting Rights. Upon the occurrence of an Event of Default that shall be continuing, the Payee shall, after a formal declaration of such default delivered to the Maker in accordance with the notice provisions of Section 9(e) of the Officer Subscription Agreement (but not before), be entitled to exercise any and all voting power with respect to the Pledged Securities. At all other times, the Maker shall be entitled to exercise as it deems appropriate, but in a manner consistent with the provisions of this Note and Pledge Agreement, all voting power with respect to the Pledged Securities.

5. Additional Collateral Security. If upon the bankruptcy of the Maker any sum shall be paid upon or with respect to any of the Pledged Securities, such sum shall be paid over to the Payee to be held by the Payee as additional collateral security for satisfaction of the Obligations, or in the case of any cash amount paid over, the Maker may at its option elect to reduce the Obligations with such payment. If any stock dividend shall be declared on any of the Pledged Securities, or any shares of stock or fractions thereof shall be issued pursuant to any stock split involving any of the Pledged Securities, or any distribution of capital shall be made on any of the Pledged Securities, or any property shall be distributed upon or with respect to the Pledged Securities pursuant to any recapitalization or reclassification of the capital of the Payee or pursuant to a reorganization thereof, the shares or other property so distributed shall be delivered to the Payee to be held by it in pledge as additional collateral security for the Obligations.

6. Remedies in General. Upon the occurrence of an Event of Default that shall be continuing, the Payee shall have, without obligation to resort to other security or to seek recourse against any guarantor or other party secondarily liable, the right at any time and from time to time to sell, resell, assign and deliver, in the Payee's discretion, all or any of the Pledged Securities, in one or more parcels at the same or different times, and all right, title, interest, claim and demand therein and right of redemption thereof, at public or

5

private sale, subject to the restrictions, if any, set forth in Section 7 hereof, for cash, upon credit or for immediate or future delivery, and at such price or prices and on such terms as the Payee may determine, the Maker hereby agreeing that upon any such sale any and all equity and right of redemption shall be automatically waived and released without any further action on the part of the Maker, and in connection therewith the Payee may grant options, all without any demand, advertisement or notice, all of which are hereby expressly waived. In the event of any such sale, the Payee shall, at least 15 days before the sale, give the Maker notice of its intention to sell, which notice the Maker acknowledges is reasonable. Upon each such sale, the Payee and the Maker may purchase all or any of the Pledged Securities being sold, free of any equity or right of redemption. The proceeds of each such sale shall be applied to the payment of all costs and expenses of every kind for sale or delivery, including reasonable compensation to the agents and attorneys of the Payee, and all other expenses, liabilities and advances made or incurred by the Payee in connection therewith, and after deducting such costs and expenses from the proceeds of sale, the Payee shall apply any residue to the payment of the Obligations in such order as the Payee may deem fit, the Maker remaining liable for any deficiency. The balance, if any, remaining after payment in full of the Obligations shall be paid over to the Maker.

7. Right to Execute Endorsements. The Payee shall have the right, for and in the name, place and stead of the Maker and acting as its attorney-in-fact if necessary, to execute endorsements, assignments and other instruments of conveyance or transfer with respect to all or any of the Pledged Securities whenever any such execution is required or permitted hereunder.

C. Remedies, Termination, Waiver and Miscellaneous.

1. Remedies Cumulative; Indemnities, etc. The rights, powers and remedies provided herein in favor of the Payee shall not be deemed exclusive, but shall be cumulative, and shall be in addition to all other rights and remedies in favor of the Payee existing at law or in equity, including without limitation all of the rights, powers and remedies available to a secured creditor under the Uniform Commercial Code as in effect in Delaware or any other appropriate jurisdiction. The Maker shall indemnify and save harmless the Payee from and against any and all liabilities, losses and damages that any of them may incur in the exercise or performance of any of its or their rights, powers or remedies set forth herein, provided, however, that the Maker shall have no obligation to indemnify any such indemnitee against any liability, loss or damage resulting from such indemnitee's own gross negligence or bad faith.

2. No Waiver; Amendments. No delay on the part of the Payee in exercising any of its options, powers or rights, and no partial or single exercise thereof, shall constitute a waiver thereof or of any other option, power or right. None of the terms and conditions of this Note and Pledge Agreement may be amended, modified or waived orally but only in a writing signed

6

3. Termination of Agreement; Return of Collateral. Upon the full payment and performance of all of the Obligations, this Note and Pledge Agreement shall expire and the Maker (except to the extent otherwise contemplated hereby) shall be entitled to the return of all of the Pledged Securities and other property and cash held in pledge hereunder that have not been used or applied to the payment of the Obligations.

4. Further Assurances; Immunities, etc. With respect to the Pledged Securities and any security interest of the Payee, the Maker shall file, record, make, execute and deliver all such acts, deeds, things, notices and instruments as may be necessary or desirable in the opinion of the Payee in order to vest more fully in and assure to the Payee the security interest in the Pledged Securities created hereby or intended so to be and the enforcement and realization of all of the benefits of the rights, remedies and powers of the Payee hereunder relating to the Pledged Securities. Without limiting the generality of the foregoing, if at any time hereafter, whether or not due to any change in circumstances (including without limitation any change in applicable law or any decision hereafter made by a court construing any applicable law), it is, in the opinion of counsel for the Payee, necessary or desirable to file or record this Note and Pledge Agreement or any financing statement or other instrument relating hereto, the Maker shall pay all fees, costs and expenses of such recording or filing and execute and deliver any instruments that the Payee may deem necessary or appropriate to make such filing or recording effective. The Maker hereby irrevocably appoints the Payee the attorney-in-fact of the Maker to perform, in the name of the Maker or the Payee or otherwise, any and all acts, including without limitation the signing and filing of financing statements and amendments thereto, that the Payee may deem necessary or appropriate to effect and continue the security interests created hereby or intended so to be or otherwise to preserve and protect the Pledged Securities and the security interest of the Payee therein, but nothing herein contained or otherwise shall require the Payee to take any such action. The duty of the Payee in respect of the Pledged Securities shall be strictly confined to one of reasonable care in the custody of the certificates therefor so long as they are in the custody of the Payee. Without limiting the generality of the preceding sentence, the Payee shall not be under any duty to anyone to send any notices, perform any services, vote, exercise any options or elections with respect to, pay any taxes or charges associated with' or otherwise take any action of any kind with respect to, any of the Pledged Securities.

5. Transfers of Interest. Upon any assignment or other transfer by the Payee of any of the Obligations, the Payee may transfer its interest in the Pledged Securities, or any part thereof, to the assignee or transferee, who shall thereupon become vested with all the rights, remedies, powers, security interests and liens herein granted to the Payee in respect of the Pledged Securities or the transferred part thereof, subject, however, to the

restrictions contained herein.

6. Expenses. The Pledged Securities secure, and the Maker shall pay on demand, all reasonable expenses (including but not limited to reasonable attorneys' fees and costs for legal services, costs of insurance and payments of taxes or other charges) of,

-6-

7

or incidental to, the custody, care, sale or realization on any of the Pledged Securities or in any way relating to the enforcement or protection of the rights of the Payee hereunder.

7. Notices. All notices, requests, demands, directions, declarations and other communications provided for herein shall be in writing and shall be deemed effectively given (a) upon personal delivery to the party to be notified, (b) three days after notice shall be deposited with the United States Post Office, by registered or certified mail, postage prepaid and addressed to the party to be notified (i) if to the Maker, at the address specified for such party on the signature page hereof, and (ii) if to the Payee at 9 Cotters Lane, East Brunswick, New Jersey 08816, or (c) upon confirmation that notice shall have been received by fax at the fax number specified for such party with its address. Any party may change its address or fax number for notice purposes by giving advance notice hereunder to the other party in accordance with this Section 7.

8. Governing Law; Consent to Jurisdiction, etc. This Agreement and the rights and obligations of the parties hereunder shall be governed by and construed and enforced in accordance with the laws of the State of Delaware. The Maker and the Payee hereby consent to the jurisdiction of the courts of the State of Delaware in any action or proceeding that may be brought against the Maker or the Payee under or in connection with this Note and Pledge Agreement or any of the transactions contemplated hereby or to enforce any undertaking contained herein, and if any such action or proceeding shall be brought against such party, it shall not raise any objection to such jurisdiction or to the laying of the venue thereof in the City of Wilmington. Service of process in any such action or proceeding may be duly effected upon the Maker or the Payee by service in accordance with the provisions of the Uniform Interstate and International Procedure Act as in effect in New Jersey.

9. Certain Waivers; Integration, etc.

a. The Maker waives presentment for payment, demand, notice of nonpayment, notice of protest, protest and notice of dishonor of this Note, and all other notices in connection with the Pledge and the delivery, acceptance, performance, default or enforcement of the payment of this Note. The Maker further waives presentment for payment, protest, dishonor and notice of dishonor and of protest with respect to this Note and Pledge Agreement.

b. The Maker hereby waives any and all present and future laws and rules of court exempting any of the Pledged Securities or any other property, real or personal, or any of the proceeds arising from any sale of such property, from attachment, levy, sale or execution, or providing for any stay of execution, appraisal, exemption from civil process or extension of time for payment.

c. This instrument states the entire agreement of the parties concerning the subject matter hereof, and it is acknowledged that there are no customs, usages,

-7-

8

representations, or assurances referring to the subject matter, and no inducements leading to the execution or delivery hereof, other than those expressed herein.

10. Miscellaneous. This Note and Pledge Agreement shall bind and inure to the benefit of the Maker and the Payee and their respective heirs, executors, administrators, personal representatives, successors and assigns, except that the Maker shall not have the right to assign any of the Maker's rights hereunder or interests herein without the written consent of the Payee. No persons other than the Maker and the Payee and the respective assignees of the Payee are intended to be benefited hereby or shall have any rights hereunder, as third-party beneficiaries or otherwise. The Maker acknowledges that this Note and Pledge Agreement and the obligations of the Maker hereunder and the security interest created or intended to be created hereby have constituted, and were intended by the Maker to constitute, a material inducement to the Payee to enter into this Note and Pledge Agreement and make the loan contemplated hereby, knowing that the Payee will rely upon this Agreement. The Maker intends this to be a sealed instrument and to be legally bound hereby. This Agreement may be executed in any number of counterparts, each of which shall be deemed an original, and all such counterparts shall together constitute but one and the same instrument. Any provision of this Note and Pledge Agreement which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without affecting the validity or enforceability of the remainder of this Agreement or the validity or enforceability of such provision in any other jurisdiction. Words of any gender herein shall include any other

-8-

9

genders, and the singular shall include the plural and vice versa, whenever the same is necessary to produce a fair and meaningful construction.

IN WITNESS WHEREOF, the Maker has executed this Note and Pledge Agreement, or has caused the same to be executed in its name, under seal and intending to be legally bound as of the day and year first written above.

MAKER

/s/ David W. Jaffin

Name: DAVID W. JAFFIN

131 HARBOURTON-WOODSVILLE ROAD

LAMBERTVILLE NJ 08530

Address

HOLOPAK TECHNOLOGIES, INC.

By: /s/ Robert E. Cohan

Name:

Title:

THIRD AMENDMENT AND SUPPLEMENT TO
LOAN AGREEMENT

THIS THIRD AMENDMENT AND SUPPLEMENT TO LOAN AGREEMENT (this "Third Amendment"), dated as of November 1, 1996, is entered into by and between TRANSFER PRINT FOILS, INC., a New Jersey corporation (the "Borrower"), and FIRST UNION NATIONAL BANK, formerly known as First Fidelity Bank, National Association (the "Bank").

RECITALS:

A. The Borrower and the Bank are parties to a certain Loan Agreement, dated March 17, 1993, as amended by First Amendment to Loan Agreement and Confirmation of Guaranties, dated as of March 10, 1995 (the "First Amendment"), and by Second Amendment to Loan Agreement and Confirmation of Guaranties, dated June 28, 1996 (the "Second Amendment;" the Loan Agreement, as amended by the First Amendment and Second Amendment, the "Loan Agreement"); and

B. The Borrower has requested that the Bank make available to the Borrower a revolving credit facility in the maximum amount of \$2,000,000 (the "New Revolver"); and

C. The Bank is willing to make the New Revolver available to the Borrower, upon and subject to the terms and conditions set forth herein.

NOW, THEREFORE, in consideration of the premises and the covenants and agreements set forth herein, and for value received by each party, the parties hereto agree as follows:

SECTION 1. DEFINITIONS

1.1 EXISTING DEFINITIONS. Unless otherwise defined herein, capitalized terms used herein shall have the meanings set forth in the Loan Agreement. The definitions of the following defined terms are amended as set forth herein and such amended definitions shall apply wherever such defined terms are used in the Loan Documents.

(a) ADJUSTED LIBO RATE. The definition of the term "Adjusted LIBO Rate" set forth in the Loan Agreement is amended to insert the words "and New Interest Period" after the words "Interest Period" in the first line thereof.

(b) ADVANCE. The definition of the term "Advance" set forth in the Loan Agreement is deleted and the following is substituted therefor:

"ADVANCE" means an amount loaned by the Bank, as lender, to the Borrower, as borrower, under the New Revolver."

(c) AGREEMENT. The definition of the term "Agreement" set forth in the Loan Agreement is deleted and the following is substituted therefor:

"AGREEMENT" means the Loan Agreement, as amended, modified and supplemented from time to time, and any appendices, exhibits or schedules to any of the foregoing."

(d) BORROWING DATE. The definition of the term "Borrowing Date" set forth in the Loan Agreement is deleted and the following is substituted therefor:

"BORROWING DATE" means the Business Day or Working Day on which an Advance is to be made under the New Revolver."

(e) EURODOLLAR RATE. The definition of the term "Eurodollar Rate" set forth in the Loan Agreement is amended to insert the words "or outstanding portion of the New Term Loan" after the words "Acquisition Term Loan" in the third line thereof.

(f) LOANS. The definition of the term "Loans" set forth in the Loan Agreement is deleted and the following is substituted therefor:

" LOANS' means, collectively, the Term Loan, the Acquisition Term Loan, the New Revolver and the New Term Loan."

(g) LOAN DOCUMENTS. The definition of the term "Loan Documents" set forth in the Agreement is hereby deleted and the following is substituted therefor:

"LOAN DOCUMENTS' means the Agreement, the Notes, the Guaranties, the Security Agreements and all instruments, agreements, certificates and other documents executed and/or delivered in connection with the Loans, and any amendments or supplements to, or restatements of, any thereof."

(h) NOTES. The definition of the term "Notes" set forth in the Loan Agreement is deleted and the following is substituted therefor:

"`NOTES' means, collectively, the Term Note, the Acquisition Term Note, the New Revolver Note and the New Term Note."

(i) REPAYMENT INDEMNITY. The definition of the term "Repayment Indemnity" set forth in the Loan Agreement is amended to insert the words; (i) "or the New Term Loan" after the words "Term Loan" in the fifth line and forty-first line thereof, (ii) "of the Loan Agreement and/or Section 2.10 of the Third Amendment" after the words "Section 2.02(d)" in the seventh

3

line thereof: and (iii) "or the outstanding principal amount of the New Term Loan" after the word "Loan" in the eleventh line thereof.

(j) TANGIBLE NET WORTH. The definition of the term "Tangible Net Worth" set forth in the Loan Agreement is amended to delete the words "less intangibles" in the second line thereof and to substitute the words "less Intangible Assets" therefor.

1.2. ADDITIONAL DEFINITIONS. For purposes of the Agreement and the other Loan Documents, the following terms shall have the meanings assigned to them in this Section 1.2:

"AVAILABLE COMMITMENT" means, at any time, an amount equal to the excess, if any, of (i) the amount of the New Commitment, over (ii) the aggregate principal amount of all Advances then outstanding.

"BASE RATE LOANS" means, with regard to Advances and the New Term Loan. Loans whose interest rate is based on the Base Rate.

"COLLATERAL" means all present and future property in which the Borrower and the Guarantors shall grant to the Bank a lien as security for their obligations to the Bank.

"COMMITMENT PERIOD" means the period from and including the date of this Third Amendment to but not including the Term Loan Commencement Date or such earlier date on which the New Commitment shall terminate as provided herein.

"CURRENT ASSETS" means, as of any date, the current assets which would be reflected on a balance sheet of the Borrower and the Guarantors on a consolidated basis prepared as of such date in accordance with GAAP, but excluding: (i) accounts receivable which did not arise from the sale of goods or from services rendered in the ordinary course of business and for which adequate reserves have not been established, (ii) Intangible Assets, and (iii) amounts due from affiliates and from employees who are not affiliates.

"CURRENT LIABILITIES" means as of any date, the current liabilities which would be reflected on a balance sheet of the Borrower and the Guarantors on a consolidated basis prepared as of such date in accordance with GAAP.

"DIVIDENDS" means dividends, distributions of payments of any kind made by Borrower or any of the Guarantors in respect of the capital stock of any of them.

"EURODOLLAR LOANS" means, with regard to Advances and the New Term Loan, Loans whose rate of interest is based upon the Adjusted LIBO Rate.

"INTANGIBLE ASSETS" means, as to any person or entity, those assets

which are (i) deferred assets, other than prepaid insurance and prepaid taxes, (ii) trademarks, tradenames, copyrights, technology, know-how and processes, (iii) goodwill and other assets which would be classified as intangible assets on a balance sheet of such person or entity prepared in accordance with

-3-

4

GAAP, (iv) unamortized debt discount and expense, and (v) costs in excess of fair value of net assets acquired.

"INTEREST PAYMENT DATE" means with regard to Advances and the New Term Loan; (i) as to any Base Rate Loan, the last day of each month to occur while such Loan is outstanding, and (ii) as to any Eurodollar Loan, the last day of the New Interest Period applicable to such Loan. Interest shall accrue from and including the first day of a New Interest Period to but excluding the last day of such New Interest Period.

"LIBO MARGIN" means, for any day; (i) for Advances outstanding under the New Revolver, one percent (1.0%) per annum, and (ii) for amounts outstanding under the New Term Loan, one and one-quarter percent (1.25%) per annum.

"NEW COMMITMENT" means the agreement of Bank to make Advances to the Borrower under the New Revolver in an aggregate principal amount at any one time outstanding not to exceed the sum of \$2,000,000, as such amount may be reduced from time to time in accordance with the terms of this Third Amendment.

"NEW INTEREST PERIOD" means, with respect to any Eurodollar Loan; (a) initially, the period commencing on the Borrowing Date, date of conversion under Section 2.8 or Term Loan Commencement Date, as the case may be, with respect to such Eurodollar Loan and ending one or three months thereafter, as selected by the Borrower; and (b) thereafter for each such Eurodollar Loan, each period commencing on the last day of the next preceding New Interest Period applicable to such Eurodollar Loan and ending one or three months thereafter, as selected by the Borrower by irrevocable notice to the Bank not less than three Working Days prior to the last day of the then current New Interest Period with respect thereto; provided that the foregoing provisions relating to New Interest Periods are subject to the following:

(i) any New Interest Period which would otherwise end on a date which is not a Working Day shall be extended to the next succeeding Working Day unless such Working Day falls in another calendar month, in which case such New Interest Period shall end on the next preceding Working Day;

(ii) any New Interest Period which begins on the last Working Day of a calendar month (or a day for which there is no numerically corresponding day in the calendar month at the end of such New Interest Period) shall end, subject to clause (iii) below, on the last Working Day of a calendar month; and

(iii) with respect to any principal to be repaid, in no event shall any New Interest Period extend beyond the date on which such principal sum is due.

-4-

5

"NEW MATURITY DATE" means the first Business Day which is five years after the Term Loan Commencement Date.

"NEW REVOLVER NOTE" means the promissory note, in substantially the form of Exhibit "A" annexed to this Third Amendment, executed and delivered by the Borrower to the Bank, evidencing the New Revolver, and any amendment, modification, restatement or renewal thereof or replacement or substitution therefor.

"NEW TERM LOAN" means the term loan described in Section 2.6 hereof arising upon the Term Loan Commencement Date.

"NEW TERM NOTE" means the promissory note, in substantially the form of Exhibit "B" annexed to this Third Amendment, to be executed and delivered by the Borrower to the Bank on the Term Loan Commencement Date, evidencing the New Term Loan, and any amendment, modification, restatement or renewal thereof or replacement or substitution therefor.

"RENT" means as to any person or entity for any period, the aggregate amount of fixed and contingent rentals (other than capital lease obligations) payable by such person or entity for such period with respect to leases of real and personal property.

"TERM LOAN COMMENCEMENT DATE" means the earlier of the following to occur; (i) the first day on which the full principal amount of the Commitment shall be outstanding, or (ii) November 1, 1997.

"THIRD AMENDMENT" means this Third Amendment and Supplement to Loan and Security Agreement.

"TYPE" means, as to any Advance or amount outstanding under the New Term Loan, its nature as a Base Rate Loan or a Eurodollar Loan.

SECTION 2. THE NEW REVOLVER

2.1. COMMITMENT.

(a) Subject to the terms and conditions of this Third Amendment, provided that no Event of Default has occurred and is continuing, the Bank agrees from time to time during the Commitment Period to make Advances to the Borrower; provided, however, that at no time shall the sum of the aggregate amount of Advances outstanding exceed the amount of the New Commitment then in

effect; and provided further that the amount of any Advance shall not exceed an amount equal to eighty percent (80%) of the aggregate amount of the Capital Expenditure being financed therewith.

(b) If at any time the sum of the aggregate amount of Advances outstanding exceeds the amount of the New Commitment then in effect, Borrower shall immediately pay to

-5-

6

Bank, without demand by Bank, the amount of such excess. Subject to the foregoing, Borrower may borrow, repay and reborrow hereunder up to the full amount permitted.

(c) Advances may from time to time be (i) Eurodollar Loans, (ii) Base Rate Loans, or (iii) a combination thereof, as determined by the Borrower and notified to the Bank in accordance with subsections 2.3 and 2.8. provided that no Advance shall be made as a Eurodollar Loan after the day that is one month prior to the Term Loan Commencement Date.

2.2. NEW REVOLVER NOTE.

The Advances shall be evidenced by the New Revolver Note, payable to the order of Bank and in a principal amount equal to the amount of the New Commitment. Bank is hereby authorized to record the date, Type and amount of each Advance made by Bank, each continuation thereof, each conversion of all or a portion thereof to another Type, the date and amount of each payment or prepayment of principal thereof and, in the case of Eurodollar Loans, the length of each New Interest Period with respect thereto, on the schedule annexed to and constituting a part of the New Revolver Note, and any such recordation shall constitute prima facie evidence of the accuracy of the information so recorded. The New Revolver Note shall (i) be dated the date hereof, (ii) be stated to mature on the Term Loan Commencement Date, and (iii) provide for the payment of interest in accordance with subsection 2.9.

2.3. PROCEDURE FOR ADVANCES.

(a) The Borrower may borrow under the New Commitment during the Commitment Period on any Working Day, in the case of Eurodollar Loans, or on any Business Day, otherwise. Not less than three (3) Working Days, in the case of Eurodollar Loans, or one (1) Business Day, in the case of Base Note Loans, not later than 11:00 a.m., New York City time, prior to the requested Borrowing Date, Borrower shall give the Bank irrevocable notice specifying the amount to be borrowed, the requested Borrowing Date, whether the borrowing is to be a Eurodollar Loan, Base Rate Loan or a combination thereof and, if the borrowing is to be entirely or partly a Eurodollar Loan, the amount of such Advance and the length of the initial New Interest Period therefor. Upon making any request for an Advance, the Borrower shall provide to the Bank a true and complete copy of the documentation, including without limitation, the purchase orders,

relating to the Capital Expenditures in connection with which the Advance is being requested. Each borrowing under the New Commitment shall be in an amount equal to (x) in the case of Base Rate Loans, \$100,000 or a whole multiple of \$100,000 in excess thereof (or, if the then Available Commitment is less than \$100,000, such lesser amount) and (y) in the case of Eurodollar Loans, \$250,000 or a whole multiple of \$100,000 in excess thereof (or, if the then Available Commitment is less than \$250,000, such lesser amount).

(b) Subject to all other terms and conditions of this Agreement, the Bank will make the proceeds of Advances available to the Borrower on the Borrowing Date by crediting the account of the Borrower on the Bank's books with the aggregate of the amount of the Advances requested.

-6-

7

2.4. FACILITY FEE.

The Borrower agrees to pay to the Bank a facility fee during the Commitment Period, computed at the rate of one-quarter of one percent (0.25%) per annum, on the average daily amount of the Available Commitment during the period for which payment is made, payable quarterly in arrears on the last Business Day of each March, June, September and December and on the Term Loan Commencement Date or such earlier date as the New Commitment shall terminate or be no longer available as provided herein, commencing on the first of such dates to occur after the date hereof.

2.5. TERMINATION OR REDUCTION OF NEW COMMITMENT.

The Borrower shall have the right, upon not less than five (5) Business Days' notice to the Bank, to terminate the New Commitment or, from time to time, to reduce the amount of the New Commitment. Any such reduction shall be in an amount equal to \$250,000 or a whole multiple thereof and shall reduce permanently the New Commitment then in effect. Simultaneously with any termination or reduction of the New Commitment, the Borrower shall pay the facility fee required pursuant to Section 2.4 hereof due on the amount terminated or reduced through the date of such termination or reduction. Any amounts so reduced may not be reborrowed.

2.6. CONVERSION TO NEW TERM LOAN.

(a) Provided that no Event of Default has occurred and is continuing, the outstanding principal balance of Advances shall be converted to a term loan (the "New Term Loan") on the Term Loan Commencement Date, with the principal amount of such New Term Loan payable in equal calendar quarterly installments over a period of five (5) years from such date, together with interest as provided in Section 2.9. Such term loan shall be evidenced by the New Term Note, with appropriate insertions as to the amount thereof and payments thereunder, to be executed and delivered by the Borrower to the Bank on the Term Loan Commencement Date.

(b) Amounts outstanding under the New Term Loan may from time to time be Eurodollar Loans, Base Rate Loans or a combination thereof, as determined by the Borrower and notified to the Bank in accordance with this subsection and subsection 2.8. The Borrower shall give the Bank irrevocable notice (which notice must be received by the Bank prior to 10:00 A.M., New York City time, three (3) Working Days prior to the Term Loan Commencement Date, if all or any part of the New Term Loan is to be initially Eurodollar Loans, or prior to 12:00 noon, New York City time, one (1) Business Day prior to the Term Loan Commencement Date, if all of the New Term Loan is to be initially a Base Rate Loan) requesting that the Bank make the New Term Loan on the Term Loan Commencement Date and specifying whether the New Term Loan to be initially Eurodollar Loans or Base Rate Loans or a combination thereof, and if the New Term Loan is to be entirely or partly Eurodollar Loans, the amounts of such Eurodollar Loans and the length of the initial New Interest Period or New Interest Periods therefor.

-7-

8

(c) Other than the outstanding principal balance of Advances on the Term Loan Commencement Date, amounts outstanding under the New Term Loan shall be in amounts equal to (i) in the case of Base Rate Loans, \$100,000 or a whole multiple of \$100,000 in excess thereof, and (ii) in the case of Eurodollar Loans, \$250,000 or a whole multiple of \$100,000 in excess thereof.

2.7. OPTIONAL PREPAYMENTS.

(a) From time to time the Borrower may prepay the Loans, in whole or in part upon at least one Business Day's irrevocable notice to the Bank with respect to Base Rate Loans and three (3) Working Business Days' irrevocable notice to the Bank with respect to Eurodollar Loans, specifying the date and amount of prepayment and whether the prepayment is of Eurodollar Loans, Base Rate Loans or a combination thereof, and, if a combination thereof, the amount allocable to each. In the event that the Borrower shall prepay a Eurodollar Loan on a date other than the last day of the New Interest Period applicable thereto, Borrower shall also pay to the Bank the Repayment Indemnity with respect to such payment. Partial prepayments shall be in an aggregate principal amount of \$250,000 or a whole multiple thereof.

(b) If any notice of prepayment is given, the amount specified in such notice shall be due and payable on the date specified therein, together with accrued interest to the payment date on the amount prepaid. The Repayment Indemnity shall be payable by Borrower upon a voluntary or involuntary prepayment, whether upon acceleration after the occurrence of an Event of Default or otherwise.

2.8. CONVERSION AND CONTINUATION OPTIONS.

The Borrower shall have the right at any time upon prior irrevocable notice to the Bank (i) not later than 12:00 noon, New York City time, one (1) Business Day prior to conversion, to convert any Eurodollar Loan to a Base Rate Loan, (ii) not later than 10:00 a.m., New York City time, three (3) Working Days prior to conversion or continuation, to convert any Base Rate Loan into a Eurodollar Loan or to continue any Eurodollar Loan as a Eurodollar Loan for any additional Interest Period and (iii) not later than 10:00 a.m., New York City time, three (3) Working Days prior to conversion, to convert the New Interest Period with respect to any Eurodollar Loan to another permissible New Interest Period, subject in each case to the following:

- (a) a Eurodollar Loan may not be converted at a time other than the last day of the New Interest Period applicable thereto;
- (b) any portion of a Loan maturing or required to be repaid in less than one month may not be converted into or continued as a Eurodollar Loan;
- (c) no Eurodollar Loan may be continued as such and no Base Rate Loan may be converted to a Eurodollar Loan when any Event of Default has occurred

-8-

9

and is continuing and the Bank has determined that such a continuation is not appropriate;

- (d) any portion of a Eurodollar Loan that cannot be converted into or continued as a Eurodollar Loan by reason of paragraphs (b) or (c) automatically shall be converted at the end of the New Interest Period in effect for such Loan to a Base Rate Loan; and
- (e) on the last day of any New Interest Period for Eurodollar Loans, if the Borrower has failed to give notice of conversion or continuation as described in this subsection or if such conversion or continuation is not permitted, such Loans shall be converted to Base Rate Loans on the last day of such then expiring New Interest Period.

2.9. INTEREST RATES AND PAYMENT DATES.

(a) Each Base Rate Loan shall bear interest at a rate per annum equal to the Base Rate.

(b) Each Eurodollar Loan shall bear interest at a rate per annum equal to the Adjusted LIBO Rate for the New Interest Period in effect for such Eurodollar Loan plus the applicable LIBO Margin.

(c) Interest shall be payable in arrears on each Interest Payment Date,

and shall be charged automatically to Borrower's account with Bank.

(d) As soon as practicable the Bank shall notify the Borrower of each determination of an Adjusted LIBO Rate and the effective date and the amount of each change in the interest rate on a Loan. Any change in the Base Rate shall be effective on the day on which such change occurs. Each determination of an interest rate by the Bank pursuant to any provision of this Third Amendment shall be conclusive and binding on the Borrower in the absence of clearly demonstrable error. At the request of the Borrower, the Bank shall deliver to the Borrower a statement showing the quotations used by the Bank in determining any interest rate pursuant to subsections 2.9(a) or (b).

2.10. CHANGE IN LEGALITY.

Notwithstanding any other provision herein, if any change in any requirement of law or in the interpretation or application thereof shall make it unlawful for Bank to make or maintain Eurodollar Loans as contemplated by this Third Amendment, then; (a) the Bank's agreement hereunder to make Eurodollar Loans, continue Eurodollar Loans as such and convert Base Rate Loans to Eurodollar Loans forthwith shall be cancelled, and (b) Loans then outstanding as Eurodollar Loans, if any, automatically shall be converted to Base Rate Loans on the respective last days of the then current New Interest Periods with respect to such Loans or within such earlier period as required by law. If any such conversion of a Eurodollar Loan occurs on a day

-9-

10

which is not the last day of the then current New Interest Period with respect thereto, the Borrower shall pay to such Lender such amounts, if any, as may be required pursuant to the Repayment Indemnity.

2.11. AMENDMENT OF CERTAIN APPLICABLE PROVISIONS.

(a) Section 2.05 of the Loan Agreement is amended to insert the words "or Advances or the New Term Loan" after the words "Revolving Loan or the Term Loan," in the third paragraph thereof.

(b) Section 2.09 of the Loan Agreement is amended to:

- (i) insert the words "or New Interest Period" after the words "Interest Period" whenever the words "Interest Period" appear therein, and
- (ii) in the event that the provisions of Section 2.09 of the Loan Agreement shall become applicable to Advances or to the New Term Loan, delete the words "minus three-quarters percent (3/4%)" in the second sentence thereof.

(c) In all other respects, the provisions of Sections 2.05, 2.06, 2.07, 2.08 and 2.09 of the Loan Agreement shall apply with full force and effect to amounts outstanding under the New Revolver and the New Term Loan as if set forth at length herein.

2.12. USE OF PROCEEDS. The proceeds of the New Revolver shall be used by the Borrower to make Capital Expenditures.

SECTION 3. CONDITIONS PRECEDENT

3.1. CONDITIONS TO THE NEW REVOLVER AND NEW TERM LOAN. Notwithstanding any other provision of this Third Amendment, the Bank shall not be obligated to make Advances or to agree to the conversion of Advances outstanding on the Term Loan Commencement Date to the New Term Loan unless, in each case, no Event of Default shall have occurred and be continuing and the Bank shall have received (or waived receipt of, in writing) the following, all in form and substance satisfactory to the Bank and its counsel:

(a) The New Revolver Note, duly executed and delivered by the Borrower to the Bank;

(b) The Guarantors Agreement, in substantially the form of Exhibit "C" annexed hereto, duly executed and delivered by the Guarantors to the Bank;

(c) The Security Agreements, in substantially the form of Exhibit "D" annexed hereto duly executed and delivered by the Borrower and the Guarantors to the Bank;

-10-

11

(d) Resolutions of the boards of directors of the Borrower and the Guarantors, certified by the Secretary of each of them as of the date hereof to be duly adopted and in full force and effect on such date, authorizing (i) the consummation of each of the transactions contemplated by this Third Amendment, and (ii) specific officers to execute and deliver this Third Amendment and the other Loan Documents in connection therewith;

(e) Certificates of the chief financial officers of the Borrower and the Guarantors stating that all of the representations and warranties of Borrower and the Guarantors contained herein and in any of the Loan Documents are true and complete on and as of the date hereof as though made on and as of such date, and that no event has occurred and is continuing, or would result from the making of Advances, which constitutes or would constitute an Event of Default;

(f) Certificates of the Secretaries of each of the Borrower and the Guarantors certifying the names of the officers of each of them authorized to sign this Third Amendment and each of the Loan Documents in connection herewith, together with true signatures of each of such officers;

(g) Certificates of the appropriate governmental authorities, dated the most recent practicable date prior to the hereof, showing that Borrower and the Guarantors are in good standing in the State of New Jersey and in such other jurisdictions as the Bank shall reasonably request;

(i) Opinions of counsel to Borrower and the Guarantors, in substantially the form of Exhibits "E" and "F", respectively, annexed hereto;

(j) UCC financing statements and other filings or recordings deemed necessary by the Bank in order to perfect its security interests in the Collateral;

(k) Landlords' consents and waivers with respect to the premises located at 9, 15 and 21 Cotters Lane, East Brunswick, New Jersey, and at 417 Place de Louvain, Montreal, Quebec, H2N 1A1, Canada, duly executed and delivered by the landlord thereof;

(l) Results of UCC, judgment, tax and other lien searches relating to the Borrower and the Guarantors disclosing no liens other than liens for which termination statements or discharges have been obtained;

(m) Evidence that the insurance policies provided for in Section 5.01(g) of the Loan Agreement are in full force and effect, with appropriate loss payee and additional insured clauses in favor of the Bank, certified by the insurer;

(n) Payment of a \$5,000 commitment fee to the Bank, which shall be non-refundable and shall be deemed fully earned upon the payment thereof, and all fees and expenses incurred by the Bank in connection with this Third Amendment including, but not limited to, fees and expenses of attorneys;

-11-

12

(o) On the Term Loan Commencement Date, the New Term Note, completed in all applicable respects and duly executed and delivered by the Borrower to the Bank; and

(p) Such additional information and documents as the Bank may request.

SECTION 4. RATIFICATION OF THE FIRST AMENDMENT

4.1. The parties hereto agree that the substantive terms of the First Amendment, a copy of which is annexed hereto as Exhibit "F", are ratified and confirmed, effective as of March 10, 1995, notwithstanding the fact that certain conditions precedent have not been satisfied, subject to the amendment and modification of certain terms as set forth in this Third Amendment.

SECTION 5. RATIFICATION AND AMENDMENT OF REPRESENTATIONS, WARRANTIES AND COVENANTS

5.1. RATIFICATION. Borrower hereby ratifies, confirms and restates, as if set forth herein in their entirety, all representations, warranties, covenants, acknowledgments and agreements set forth in Sections 4 and 5 of the Loan Agreement, as amended prior the date hereof, at and as of the date hereof (other than representations, warranties and covenants which expressly speak only as of a different date), and affirmatively states that all of the same are true and accurate and shall be and remain in full force and effect, subject only to changes effected by this Third Amendment and/or changes previously disclosed to the Bank in writing. In addition, Borrower represents and warrants to the Bank that:

(a) Borrower has the power and authority to enter into this Third Amendment;

(b) the audited consolidated financial statements of Borrower as at March 31, 1996 and unaudited consolidated financial statements of Borrower as at June 30, 1996, which were furnished previously to the Bank, were prepared in accordance with GAAP consistently applied throughout the period involved, and present fairly the financial position of Borrower as at the date thereof and the results of operations and cash flows of Borrower for the period then ended;

(c) no changes having a material adverse effect have occurred since the date of such financial statements referred to in Section 5.1(b) above;

(d) the execution, delivery and performance of this Third Amendment and the instruments and agreements executed and delivered in connection herewith by the Borrower have been duly authorized by all requisite corporate action and this Third Amendment and the instruments and agreements executed and delivered in connection herewith constitute the legal, valid and binding obligations of the Borrower, enforceable against it in accordance with their terms;

(e) the Borrower is not in default with respect to any judgment, writ, injunction, decree, rule or regulation of any court or other governmental authority which would have a material adverse effect;

-12-

13

(f) (i) the Borrower has no defenses, offsets or counterclaims against the Bank as to the repayment of any of the obligations under the Loan Agreement or any of the other Loan Documents, and (ii) the principal amount outstanding under (a) the Term Loan is \$1,890,000 plus accrued and unpaid interest and late charges, if any, and (b) the Acquisition Term Loan is \$1,818,750 plus accrued and unpaid interest and late charges, if any, and (c) a certain line of credit evidenced by a note dated June 1, 1996 is \$550,000 plus accrued and unpaid interest and late charges, if any; and

(g) no Event of Default has occurred and is continuing or will result from the execution, delivery and performance of this Third Amendment and the instruments and agreements executed and delivered in connection herewith.

5.2. AMENDMENT OF CERTAIN COVENANTS.

(a) Section 5.01(c) (3) of the Loan Agreement is deleted and the following is substituted therefor:

"(3) concurrently with the statements required under Paragraphs (c) (1) and (2) hereof, a certificate of the Borrower's chief financial officer certifying (i) that no Event of Default, or an event which, with notice or lapse of time, or both, would constitute an Event of Default, has occurred or is continuing, and if such an event has occurred, a statement of the Borrower's chief financial officer as to the nature thereof and the action which the Borrower proposes to take with respect thereto, (ii) that all Rent due and owing during such period by the Borrower and any Guarantor with respect to leases of real property has been paid in full, and (iii) as to the computations called for in the financial covenants set forth in Section 5.02(k), (l), (n) and (o); and"

(b) Section 5.01(g) of the Loan Agreement is amended to add the following words before the period: ", and to deliver to the Bank a policy or policies of insurance with an additional insured provision or lender's loss payee endorsement providing that the coverage of said policy shall not be terminated without thirty (30) days written notice to the Bank".

(c) Section 5.02(a) (vii) of the Loan Agreement is deleted and the following is substituted therefor:

"(vii) operating or capital leases and purchase money obligations up to an aggregate amount of \$500,000 in any fiscal year and \$1,000,000 in the aggregate over the term of the Loans."

-13-

14

(d) Section 5.02(b) of the Loan Agreement is amended to delete subsection (6) thereof and to renumber subsection (7) accordingly.

(e) Section 5.02(d) of the Loan Agreement is deleted and the following is substituted therefor:

"(d) Merger, Reorganization, Dissolution. Other than the Acquisition, the Sandler Purchase, and except as permitted under this Agreement, enter into any merger, consolidation, reorganization or recapitalization or take any steps in contemplation or dissolution or liquidation without the prior written consent of the Bank."

(f) Section 5.02(h) of the Loan Agreement is amended to delete subsections (vii) and (viii) thereof and to substitute the following therefor:

", and (vii) loans to the Borrower or any Guarantor that arise in the

ordinary course of business."

(g) Section 5.02 (k) of the Loan Agreement is deleted and the following is substituted therefor:

"(k) TANGIBLE NET WORTH. Permit Tangible Net Worth, as measured on a quarterly basis, to be less than:

(i) \$19,500,000 on the date of the Third Amendment,

(ii) \$19,500,000 on December 31, 1996, and

(ii) at fiscal year end 1997 and at the end of each fiscal quarter thereafter, an amount equal to the sum of (i) the amount of Tangible Net Worth at the end of the immediately preceding fiscal year end (but not less than \$19,500,000), plus (ii) an amount not less than \$1,000,000."

(h) The following new subsections (n) through (q) are added to Section 5.02 of the Agreement:

"(n) CURRENT RATIO. Permit the ratio of Current Assets to Current Liabilities, at the end of any fiscal quarter, to be less than 2.0 to 1.0.

(o) FIXED CHARGE COVERAGE RATIO. Permit the ratio of (i) the sum of Cash Flow plus Rent minus unfinanced Capital Expenditures, to (ii) the sum of interest expense due and payable plus the current

-14-

15

portion of long term debt plus Rent plus capital lease payments, to be less than 1.1 to 1.0 at the end of any fiscal quarter, for the twelve (12) month period covering the then ended fiscal quarter and the three (3) preceding fiscal quarters.

(p) DIVIDENDS. Make Dividends to any shareholders.

(q) CHANGE OF OWNERSHIP. Make or suffer to exist any material change of ownership of any shares of capital stock of any of the Borrower or the Guarantors which effects a change of control of the Borrower or any Guarantor, as applicable."

SECTION 6. EVENTS OF DEFAULT

6.1. ADDITIONAL EVENT OF DEFAULT. An additional Event of Default is added to Section 6.01 of the Loan Agreement as follows:

"(n) The Borrower or any Guarantor shall fail to make any payment of

Rent with respect to leases of real property when due and owing, and such failure shall continue after the applicable grace period, if any, specified in the agreement or instrument relating to such payment of Rent;"

SECTION 7. MISCELLANEOUS.

7.1. CONTINUED EFFECTIVENESS. Except as specifically amended by and/or inconsistent with this Third Amendment, all of the terms and conditions of the Loan Agreement shall remain unchanged and in full force and effect and are hereby ratified, adopted and confirmed in all respects. All references to the Agreement in any Loan Document shall hereafter be deemed to refer to the Loan Agreement as amended prior to the date hereof and by this Third Amendment. This Third Amendment is a Loan Document.

7.2. PAYMENT OF EXPENSES. Borrower shall pay the reasonable fees and expenses (including, but not limited to, reasonable attorneys' fees and expenses) incurred by the Bank in connection with the preparation, negotiation, execution and delivery and enforcement of this Third Amendment and the documents executed and delivered in connection herewith and any and all renewals, modifications, amendments and waivers hereof and hereunder.

7.3. NOTICES.

The address set forth in Section 7.02 of the Loan Agreement for notice to the Bank is deleted and the following is substituted therefor:

-15-

16

If to the Bank, at:

First Union National Bank
1889 Route 27
Edison, New Jersey 08817
Attn: James T. King, Vice President
Telephone: 908-819-4134
Telecopier: 908-985-4651

With a copy to:

Crummy, Del Deo, Dolan, Griffinger & Vecchione
One Riverfront Plaza
Newark, New Jersey 07102
Attn: Paul M. Antinori, Esq.
Telephone: 201-596-4500
Telecopier: 201-596-0545

7.4. ENTIRE AGREEMENT. This Third Amendment, together with the other Loan Documents, constitutes the entire agreement between the parties with

respect to the subject matter hereof and supersedes any prior agreements, written or oral, with respect to such subject matter.

7.5. COUNTERPARTS. This Third Amendment may be executed in one or more counterparts, each of which shall be deemed to be an original and all of which together shall constitute one and the same agreement, and any party may execute this Third Amendment by signing any such counterpart.

7.6. GOVERNING LAW. This Third Amendment shall be interpreted, and the rights and liabilities of the parties hereto, whether arising in contract or tort and howsoever pertaining to the parties' relationship, shall be determined in accordance with the laws of the State of New Jersey.

7.7. HEADINGS. The section titles contained in this Third Amendment shall be without substantive meaning or content of any kind whatsoever and are not a part of the agreement between the parties.

-16-

17

IN WITNESS WHEREOF, the parties have executed this Third Amendment the day and year first above-written.

TRANSFER PRINT FOILS, INC.,
a New Jersey corporation

By: /S/David Jaffin

Name: David Jaffin
Title: Chief Financial Officer

FIRST UNION NATIONAL BANK

By: /S/James T. King

Name: James T. King
Title: Vice President

-17-

EXHIBIT 11

HOLOPAK TECHNOLOGIES, INC. AND SUBSIDIARIES

COMPUTATION OF EARNINGS PER SHARE
(UNAUDITED)

	THREE MONTHS ENDED SEPTEMBER 30,		SIX MONTHS ENDED SEPTEMBER 30,	
	1996	1995	1996	1995
<S>	<C>	<C>	<C>	<C>
Weighted Average Number of Common Shares Outstanding	3,347,689	3,517,989	3,347,689	3,517,989
Common Share Equivalents Based Upon the Treasury Stock Method	13,307	--	24,372	--
Common Share Equivalents Based Upon the Modified Treasury Stock Method	--	--	--	--
Total Common Shares and Common Share Equivalents Outstanding	3,360,996	3,517,989	3,372,061	3,517,989
Earnings Per Common Share and Common Share Equivalents:				
Continuing Operations	(0.02)	0.06	0.05	0.16
Discontinued Operations	(0.05)	--	(0.05)	--
Net Income	\$ (0.07)	\$ 0.06	\$ 0.00	\$ 0.16

</TABLE>

<TABLE> <S> <C>

<ARTICLE> 5

<S>	<C>
<PERIOD-TYPE>	6-MOS
<FISCAL-YEAR-END>	MAR-31-1997
<PERIOD-START>	APR-01-1996
<PERIOD-END>	SEP-30-1996
<CASH>	2,348,973
<SECURITIES>	0
<RECEIVABLES>	6,024,226
<ALLOWANCES>	58,000
<INVENTORY>	7,639,842
<CURRENT-ASSETS>	18,353,794
<PP&E>	10,412,030
<DEPRECIATION>	0
<TOTAL-ASSETS>	35,814,317
<CURRENT-LIABILITIES>	5,707,637
<BONDS>	0
<PREFERRED-MANDATORY>	0
<PREFERRED>	0
<COMMON>	35,495
<OTHER-SE>	26,474,982
<TOTAL-LIABILITY-AND-EQUITY>	35,814,317
<SALES>	22,168,556
<TOTAL-REVENUES>	22,168,556
<CGS>	18,018,442
<TOTAL-COSTS>	3,910,092
<OTHER-EXPENSES>	0
<LOSS-PROVISION>	58,000
<INTEREST-EXPENSE>	149,859
<INCOME-PRETAX>	131,524
<INCOME-TAX>	(43,677)
<INCOME-CONTINUING>	175,201
<DISCONTINUED>	160,000
<EXTRAORDINARY>	0
<CHANGES>	0
<NET-INCOME>	15,201
<EPS-PRIMARY>	0
<EPS-DILUTED>	0

</TABLE>