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WIRELESS XCESSORIES GROUP INC

FORM 10-12G

(Securities Registration (section 12(g)))

Filed 08/13/13

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	HUNTINGDON VALLEY, PA, 19006
Telephone	8002330013
CIK	0001005504
Symbol	WIRX
SIC Code	3690 - Miscellaneous Electrical Machinery, Equipment and Supplies
Industry	Electrical Components & Equipment
Sector	Industrials
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10

GENERAL FORM FOR REGISTRATION OF SECURITIES
Pursuant to Section 12(b) or (g) of The Securities Exchange Act of 1934

WIRELESS XCESSORIES GROUP, INC.

(Exact name of registrant as specified in its charter)

Delaware	**13-3835420**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)
1840 County Line Road, Huntingdon Valley, Pennsylvania	**19006**
(Address of principal executive offices)	(Zip code)

Registrant's telephone number, including area code: **(215) 322-4600**

Securities to be registered pursuant to Section 12(g) of the Act: None

Title of each class to be so registered:	**Name of each exchange on which each class is to be registered:**
None	N/A

Securities to be registered pursuant to Section 12(g) of the Act:
Common Stock, Par Value $.001 per Share
(Title of class)

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one)

Large accelerated filer ☐	Accelerated filer ☐
Non-accelerated filer ☐ (Do not check if a smaller reporting company)	Smaller reporting company ☐

Explanatory Note

In 2008, as part of our efforts to conserve cash and improve profitability, we filed a Form 15 voluntarily terminating the registration of our common stock under Section 12(g) of the Securities Exchange Act of 1934 (the "Exchange Act"), thereby terminating our obligation to file reports under the Exchange Act. Our board of directors has determined to file this registration on Form 10 to re-register our common stock under the Exchange Act which will obligate us, our directors and significant shareholders to comply with the reporting provisions of the Exchange Act.

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We are an Emerging Growth Company

As a company with less than $1.0 billion in revenue during our last fiscal year, we qualify as an "emerging growth company" as defined in the Jumpstart our Business Startups Act of 2012, or the JOBS Act. An emerging growth company may take advantage of reduced reporting and other burdens that are otherwise applicable generally to public companies. These provisions include:

- a requirement to have only two years of audited financial statements and only two years of related Management's Discussion and Analysis of Financial Condition and Results of Operations disclosure; and
- an exemption from the auditor attestation requirement in the assessment of our internal control over financial reporting pursuant to the Sarbanes-Oxley Act of 2002.

We may take advantage of these provisions until the end of the fiscal year ending after the fifth anniversary of our initial public offering or such earlier time that we are no longer an emerging growth company and if we do, the information that we provide stockholders may be different than you might get from other public companies in which you hold equity. We would cease to be an emerging growth company if we have more than $1.0 billion in annual revenue, have more than $700 million in market value of our shares of common stock held by non-affiliates, or issue more than $1.0 billion of non-convertible debt over a three-year period.

The JOBS Act permits an "emerging growth company" like us to take advantage of an extended transition period to comply with new or revised accounting standards applicable to public companies.

Cautionary Note Regarding Forward-Looking Statements

This registration statement contains forward-looking statements. Certain of the matters discussed herein concerning, among other items, our operations, cash flows, financial position and economic performance including, in particular, future sales, product demand, competition and the effect of economic conditions, include forward-looking statements.

Forward-looking statements are predictive in nature and can be identified by the fact that they do not relate strictly to historical or current facts and generally include words such as "expects," "anticipates," "intends," "plans," "believes," "estimates" and similar expressions. Although we believe that these statements are based upon reasonable assumptions, including projections of orders, sales, operating margins, earnings, cash flow, research and development costs, working capital, capital expenditures, distribution channels, profitability, new products, adequacy of funds from operations, and general economic conditions, these statements and other projections contained herein expressing opinions about future outcomes and non-historical information, are subject to uncertainties and, therefore, there is no assurance that the outcomes expressed in these statements will be achieved.

Investors are cautioned that forward-looking statements are not guarantees of future performance and actual results or developments may differ materially from the expectations expressed in forward-looking statements contained herein. Given these uncertainties, you should not place any reliance on these forward-looking statements which speak only as of the date hereof. See "Risk factors" for a discussion of factors that could cause our actual results to differ from those expressed or implied by forward-looking statements.

We undertake no obligation to publicly update any forward-looking statement, whether as a result of new information, future events or otherwise, except as may be required under applicable securities laws. You are advised, however, to consult any additional disclosures we make in our reports filed with the Securities and Exchange Commission ("SEC").

ITEM 1 — BUSINESS

Introduction

Wireless Xcessories Group is a leading provider of cell phone accessories to dealers, distributors, retailers, agents and airtime carriers throughout the United States and Canada. We have created a variety of product lines, totaling over 4,000 items designed to appeal to the widest possible spectrum of wholesale buyers.

In addition to our products, we support our customers with a wide assortment of value added services, including customized retail packaging, vendor managed inventory program, displays, posters, marketing, and sales training materials, and free e-commerce websites.

Our cell phone accessory business was started in 1996 when we acquired Advanced Fox Antenna, and our product line has increased steadily since then as handheld cell phones have grown in popularity. In March 2000, we changed our name to Wireless Xcessories Group, Inc. Our headquarters are located at 1840 County Line Road, Huntingdon Valley, Pennsylvania 19006.

We are a leading distributor of accessories to independent wireless dealers in the United States. Our corporate website address is Wirexgroup.com. Some of our other operating websites are:

- wirexgroup.com
- store.wirexgroup.com
- phonesheet.wirexgroup.com
- yourXcessoryStore.com

Products and Services

We purchase approximately two-thirds of our products from domestic sources which are primarily brand name products. The balance of our products, which are primarily after market, are manufactured in China, Hong Kong and Taiwan.

We distribute brand name products such as OtterBox, Trident, Ballistic, Plantronics, Jabra, Body Glove, Samsung and Motorola. Our product lines are sold along with comprehensive sales and marketing programs, and a series of value added services designed to separate and distinguish us in the minds of wireless resellers.

These services are offered free of charge:

- Airtime carrier phone and accessories compatible charts
- E-mail blast management programs
- Customized retail packaging
- Sales training materials
- In store displays and posters
- Private label e-commerce websites that allow customers to offer our full product line to their end users

We offer an on-line ordering option to our customers which permits them to view our current inventory along with our next receive date if an item is out of stock.

Customers

Our customer base consists of more than 3,000 independent dealers from a one-location mall kiosk to multi-store retail franchisers covering 250 locations and more. In addition, we sell to some of the largest distributors of cell phones, computers, and infrastructure products. These distributors in turn resell to airtime carriers, mass retailers, and prepaid phone distributors. In 2012 three customers accounted for 18%, 13% and 11%, and in 2011 one customer accounted for 17% of net sales, respectively. No other customers in either 2012 or 2011 accounted for more than 10% of net sales.

Business Model

The wireless phone industry is characterized by the continuous and frequent introduction of new model handsets with design changes, new operating features, and enhancements that limit the ability of all but a few of our competitors to compete with the range of accessories we offer, especially by having them available for purchase soon after the phone manufacturers introduce their new models.

We offer our resellers three full product lines which provide low, middle and premium price point choices for end users to purchase.

In addition to being quick to market on accessories for new phones, it is necessary to have inventory for some handsets for 1 to 2 years because of their continuing popularity in certain parts of the country that do not follow the latest fashion trends.

Because of the rapid pace of new handset introductions, retail sales people find it hard to keep current on which accessories are compatible among various brands and models. We help solve this problem by making available a monthly chart of phone and accessory compatibilities to our customers who are agents of Verizon, Sprint/Nextel, T-Mobile, AT&T, U.S Cellular, Metro PCS, Cricket and other second and third tier carriers.

Management Discussion of Factors That Have Affected Our Sales Growth

In 2011 and 2012, we significantly expanded and developed direct distributor relationships with several popular branded industry leading cell phone accessory manufacturers, such as with Otter Products, LLC (“OtterBox”), enabling us to offer a broader array of product in line with the industry trends, particularly to smart phones and higher quality brand name products. In 2012, sales of OtterBox products resulted in 54% of our revenues and in 2011, sales of OtterBox products resulted in 24% of our revenues.

In the fourth quarter of 2011, we added a third Point of Sale company as a customer for which we integrated our real time inventory with the customer’s accounting software package in order to enable their wireless dealer locations to order more efficiently from our website and/or participate in our tailored Vendor Managed Inventory program, “VMI”.

In 2011, we also added our first significant VMI customer with over 40 operating retail stores.

During 2012, we substantially upgraded our VMI program, added to our staff, and brought in $7 million of revenues to the Company from new customers added as a result of the VMI program.

In May, 2012 we introduced our own private label cell phone accessory line called Upwardly Mobile Accessories or “UMA” which is tailored to the expanding Smartphone market. We proceeded to launch the full product line in early fall of 2012. Sales of the UMA products during 2012 consisted of approximately 1% of our revenues and we anticipate increased revenues from sales of UMA products in future periods.

Employees

As of June 30, 201 3, Wireless Xcessories Group employed approximately 83 full time persons divided into accounting, sales, vendor managed inventory, customer services, graphic design, purchasing/product development, MIS, quality control, and warehouse picking and packing.

No employee is covered by collective bargaining and we consider our employee relations to be excellent.

Competition

The aftermarket wireless accessory industry is both competitive and fragmented. There are a number of local and regional distributors who import a significant portion of their products from the Far East, and there are 10 or more national distributors. In addition, many manufacturers sell and fulfill directly to distributors or retailers.

Barriers to entry for distributors are low assuming one wants to market a limited product line. We believe that it would require a large investment in inventory, quality assurance, packaging capabilities, sales training, purchasing, and marketing to effectively compete with the total program we have developed.

The agreements or arrangements with our customers or vendors are of limited duration and are terminable by either party upon short notice. Accordingly, our ability to maintain these relationships is subject to competitive pressures and challenges.

The continual introduction of new phone models combined with popularity changes that can be measured in weeks and months have caused some of the larger resellers to seek out accessory specialists like Wireless Xcessories Group, Inc. to manage the selection, packaging and sourcing of their accessory programs under our VMI program. We believe this program will help us to compete favorably in the marketplace and to differentiate ourselves from our competitors.

Intellectual Property

We seek to protect our intellectual property through a combination of trademarks, service marks, and confidentiality agreements, non-compete agreements, and patent protection when appropriate.

Each of our employees other than our warehouse employees and our chief executive officer have entered into our standard confidentiality and non-compete agreement in favor of the Company. Our chief executive officer, Stephen Rade, has entered into an employment agreement with the Company that contains non-compete and confidentiality provisions.

We maintain a number of registered trade names and registered trademarks, including UMA Upwardly Mobile Accessories ®, get upwardly mobile ®, IndustrialStrength.com ®, Platinumaccessories.com ® and WirexGroup.com ®.

If appropriate in the future, we intend to seek protection for any patentable technology we may create. At the present time, we hold no patents nor have we filed any patent applications.

ITEM 1A. RISK FACTORS

Risks Relating to Our Business

We face significant competition in the cell phone accessory market.

The cell phone accessory market is competitive and fragmented, and is comprised of several national distributors that offer a broad range of products, as well as numerous regional distributors and small distributors that focus on a particular segment of the market. In addition, many manufacturers sell directly to customers. Barriers to entry for distributors are relatively low and the risk of new competitors entering the market is high. Some of our current competitors have substantially greater capital resources and sales and distribution capabilities than we do. In response to competitive pressures from any of our current or future competitors, we may be required to lower selling prices in order to maintain or increase market share, and such measures could adversely affect our operating results.

We purchase and sell our products and services on the basis of individual sales or purchase orders, and even in those cases where we have agreements or arrangements with our customers and vendors, those agreements and arrangements contain no purchase or sale obligations and are terminable by either party upon short notice.

Our sales to customers and our purchases from vendors are largely governed by individual sales or purchase orders, so there is no guarantee of future business. In some cases, we have formal agreements or arrangements with significant customers or vendors, but they are terminable by either party upon short notice, and they contain no purchase or sale obligations. If our vendors or suppliers refuse to, or for any reason are unable to supply products to us, and if we are not able to procure those products from alternative sources, we may not be able to maintain appropriate inventory levels to meet customer demand and our financial position and results of operations would be adversely affected. Similarly, if customers decide to make purchases from other sources, experience significant changes in demand internally or from their own customer bases, become financially unstable, or are acquired by another company; our ability to generate revenues from these customers may be significantly affected, resulting in an adverse effect on our financial position and results of operations.

Our relationship with our largest supplier, OtterBox, currently expires in December 2013.

Our relationship with our largest supplier, OtterBox, currently expires on December 31, 2013. Although we would use our best efforts to extend the relationship, there can be no assurance that the relationship would be extended. During the 2012 year, our revenues from sales of OtterBox products to our customers increased by approximately $16.5 million from the revenues from sales of OtterBox products to our customers during 2011. Sales of OtterBox products represented 54% of our revenues in 2012 and 24% of our revenues in 2011. The loss or non-renewal of such relationship with OtterBox could have a material adverse effect on our revenues and results of operations.

The ongoing weakness in the global economic environment may have significant effects on our customers and suppliers that could result in material adverse effects on our business and our operating results.

Notwithstanding the increased potential for economic recovery, the ongoing weakness in the global economic environment may materially adversely affect our customers' access to capital or willingness to spend capital on our products, and/or their levels of cash liquidity with which to pay for our products. In addition, our suppliers' access to capital and liquidity may continue to be affected, which may in turn adversely impact their ability to maintain inventories, production levels, and/or product quality, or cause them to raise prices or lower production levels, or result in their ceasing operation.

Any of the foregoing effects could have a material adverse effect on our results of operations and financial condition.

The mobile phone accessory marketplace is dynamic and challenging because of the continued introduction of new products and services.

We must constantly introduce new products, services and product features to meet competitive pressures. We may be unable to timely change our existing merchandise sales mix in order to meet these competitive pressures, which may result in increased inventory costs, inventory write-offs or loss of market share.

Additionally, our inventory may also lose value due to price changes made by our significant vendors, in cases where our arrangements with these vendors do not provide for inventory price protection, or in cases that the vendor is unable or unwilling to provide these protections.

We rely on trademark filings and confidentiality agreements to protect our intellectual property rights.

In an effort to protect our intellectual property, including our product data, customer information and information technology systems; we typically require our employees, consultants and others having access to this information or our technology to execute confidentiality and non-disclosure agreements. These agreements, however, may not provide us with adequate protection against improper use or disclosure of confidential information, and these agreements may be breached. A breach of confidentiality could adversely affect our business. Adequate remedies may not exist in the event of unauthorized use or disclosure of our confidential information. The disclosure of our proprietary information could impair our competitive position and could have a material adverse effect on our business, financial condition and results of operations.

We offer credit to our customers and, therefore, are subject to significant credit risk.

We sell to a large and diverse customer base. We finance a significant portion of such sales through trade credit, typically by providing 30-day payment terms. As a result, our business could be adversely affected in the event of a deterioration of the financial condition of our customers, resulting in the customers' inability to repay us. This risk may increase if there is a general economic downturn affecting a large number of our customers and in the event our customers do not adequately manage their business or properly disclose their financial condition.

Our recent offering of our private labeled products, known as UMA, may have a negative impact on our relationship with our manufacturer vendors.

In 2012, we commenced offering our own product line under the name UMA. During 2012, these product offerings represented approximately 1% of our revenues. Our own product line would compete with other manufacturers' branded items that we offer. A manufacturer may choose to not sell its products to us, or may substantially increase the price of products to us, in response to the competition created by the sales of our own branded products. Either could have a material adverse effect on our business and financial performance.

We may not successfully offer attractive merchandise to our customers.

In order to meet our strategic goals, we must successfully locate and offer our customers new, innovative and high quality products. Our product offerings must be affordable, useful to the customer, well made, distinctive in design, and not widely available from other sources. We cannot predict with certainty that we will successfully offer products that meet these requirements in the future.

We depend on our vendors.

Our performance depends on our ability to purchase our products in sufficient quantities at competitive prices and on our vendors' ability to make and deliver high quality products in a cost effective, timely manner. Some of our smaller vendors have limited resources, production capacities and limited operating histories. We have no long-term purchase contracts or other contracts that provide continued supply, pricing or access to new products and any vendor or distributor could discontinue selling to us at any time. There can be no assurance that we will be able to acquire the products that we desire in sufficient quantities or on terms that are acceptable to us in the future. In addition, there can be no assurance that our vendors will make and deliver high quality products in a cost effective, timely manner.

As stated above, we have one domestic vendor, OtterBox, who supplied approximately 63% of our product purchases during the twelve months ended December 31, 2012 which represented approximately 54% of our revenues during 2012. Any full or partial cut off in service from this vendor for whatever reason could have a material negative impact on our business and our results of operations. This vendor agreement expires on December 31, 2013, unless the Company is able to reach a new agreement or extend the existing agreement with the vendor.

We may also be unable to develop relationships with new vendors. Our inability to acquire suitable products in a cost effective, timely manner or the loss of one or more key vendors or freight carriers could have a negative impact on our business.

We face certain risks relating to large customers.

A major part of our business has come from larger customers. For the twelve months to date, ending December 31, 2012, three customers accounted for 42% of our sales with the largest at 18%. In 2011, one customer accounted for 17% of the sales. The loss of any or all of these accounts could result in a significant reduction in sales and a negative impact on our business.

We face certain risks relating to customer service.

Any material disruption or slowdown in our order processing systems resulting from labor disputes, telephone down times, electrical outages, mechanical problems, human error or accidents, fire, natural disasters, or comparable events could cause delays in our ability to receive and distribute orders and may cause orders to be lost or to be shipped or delivered late. As a result, customers may cancel orders or refuse to receive goods on account of late shipments, which would result in a reduction of net sales and could mean increased administrative and shipping costs.

We are dependent on certain key personnel.

Our success depends to a significant extent upon the abilities of our senior management. The loss of the services of any of the members of our senior management or of certain other key employees could have a significant adverse effect on our business. We currently do not have any written employment agreements with our executive officers or any other key employees other than our chief executive officer, Stephen Rade. In addition, our performance will depend upon our ability to attract and retain qualified management, merchandising and sales personnel. There can be no assurance that the members of our existing management team will be able to manage the Company or our growth or that we will be able to attract and hire additional qualified personnel as needed in the future.

Risks Related to Our Common Stock

A significant portion of our voting stock is controlled by our executive officers and directors.

Our executive officers and directors beneficially owned approximately 29% of our outstanding common stock as of June 30 , 2013. Stephen Rade, our chairman, president and chief executive officer beneficially owned approximately 26.7% of our outstanding common stock as of June 30 , 2013. Should these shareholders decide to act together, they would have the ability to significantly influence all matters requiring shareholder approval, including the election of directors and any significant corporate transaction requiring shareholder approval.

There is only a very limited public market for our common stock.

Our common stock is currently quoted on OTC Pink under the symbol WIRX, where trading volume has been limited. There is not currently an established trading market for our stock, and an active trading market for our common stock may not develop or, if developed, may not be sustained. The lack of an active market may impair a stockholder's ability to sell shares of our common stock. We cannot assure you that a more active trading market in our common stock will ever develop or if one does develop, that it will be sustained. In the absence of a more active trading market, any attempt to sell a substantial number of our shares could result in a decrease in the price of our stock. Specifically, you may not be able to resell your shares of common stock at or above the price you paid for such shares or at all.

Future sales of our common stock, or the perception that such sales could occur, could have an adverse effect on the market price of our common stock.

Future sales of our common stock pursuant Rule 144 under the Securities Act, or the perception that such sales could occur, could have an adverse effect on the market price of our common stock. Under Rule 144, shares of common stock issued or issuable upon conversion of securities sold in private offerings are eligible for resale by non-affiliates after six months, assuming we file reports under the Exchange Act containing current information about us, and after one year regardless of whether current information about us is available. As substantially all of our shares of common stock are currently eligible for sale under Rule 144, the number of shares eligible for resale pursuant to Rule 144 is enormous relative to the trading volume of our common stock. Any attempt to sell a substantial number of our shares will severely depress the market price of our common stock. In addition, we may use our capital stock in the future to finance acquisitions and to compensate employees and management, which will further dilute the interests of our existing stockholders and could depress the trading price of our common stock.

We are an "emerging growth company" and we cannot be certain if the reduced disclosure requirements applicable to emerging growth companies will make our common stock less attractive to investors.

The JOBS Act permits "emerging growth companies" like us to rely on some of the reduced disclosure requirements that are already available to companies having a public float of less than $75 million, for as long as we qualify as an emerging growth company. During that period, we are permitted to omit the auditor's attestation on internal control over financial reporting that would otherwise be required by the Sarbanes-Oxley Act. Companies with a public float of $75 million or more must otherwise procure such an attestation beginning with their second annual report after their initial public offering. For as long as we qualify as an emerging growth company, we are also excluded from the requirement to submit "say-on-pay", "say-on-pay frequency" and "say-on-parachute" votes to our stockholders and may avail ourselves of reduced executive compensation disclosure compared to larger companies. In addition, as described in the following risk factor, as an emerging growth company we can take advantage of an extended transition period to comply with new or revised accounting standards applicable to public companies.

Until such time as we cease to qualify as an emerging growth company, investors may find our common stock less attractive because we may rely on these exemptions. If some investors find our common stock less attractive as a result, there may be a less active trading market for our common stock and our stock price may be more volatile.

As an "emerging growth company" we may take advantage of an extended transition period to comply with new or revised accounting standards applicable to public companies.

Section 107 of the JOBS Act also provides that, as an emerging growth company, we can take advantage of the extended transition period provided in Section 7(a)(2)(B) of the Securities Act of 1933, as amended (the "Securities Act"), for complying with new or revised accounting standards. We can therefore delay the adoption of certain accounting standards until those standards would otherwise apply to private companies. We have elected to take advantage of the benefits of this extended transition period. Our financial statements may therefore not be comparable to those of companies that comply with such new or revised accounting standards. Please refer to "Management's Discussion and Analysis of Financial Condition and Results of Operations — Critical Accounting Policies and Estimates" for further discussion of the extended transition period for complying with new or revised accounting standards.

At such time as we cease to qualify as an "emerging growth company" under the JOBS Act, the costs and demands placed upon management will increase.

We will continue to be deemed an emerging growth company until the earliest of (i) the last day of the fiscal year during which we had total annual gross revenues of $1 billion (as indexed for inflation), (ii) the last day of the fiscal year following the fifth anniversary of the date of the first sale of common stock under a registration statement under the Securities Act; (iii) the date on which we have, during the previous 3-year period, issued more than $1 billion in non-convertible debt; or (iv) the date on which we are deemed to be a 'large accelerated filer' as defined by the SEC, which would generally occur upon our attaining a public float of at least $700 million. Once we lose emerging growth company status, we expect the costs and demands placed upon management to increase, as we would have to comply with additional disclosure and accounting requirements, particularly if our public float should exceed $75 million.

We will incur significant costs as a result of operating as a public company, and our management will be required to devote substantial time to new compliance requirements, including establishing and maintaining internal controls over financial reporting, and we may be exposed to potential risks if we are unable to comply with these requirements.

As a public company, we will incur significant legal, accounting and other expenses under the Exchange Act and the Sarbanes-Oxley Act of 2002, together with rules implemented by the SEC and applicable market regulators. These rules impose various requirements on public companies, including filing current, quarterly and annual reports with the SEC, and requiring certain corporate governance practices. Our management and other personnel will need to devote a substantial amount of time to these requirements. Moreover, these rules and regulations will increase our legal and financial compliance costs and will make some activities more time-consuming and costly.

The Sarbanes-Oxley Act requires, among other things, that we maintain effective internal controls for financial reporting and disclosure controls and procedures. In particular, we must perform system and process evaluations and testing of our internal controls over financial reporting to allow management to report on the effectiveness of our internal controls over financial reporting, as required by Section 404 of the Sarbanes-Oxley Act. Compliance with Section 404 may require that we incur substantial accounting expenses and expend significant management efforts. Our testing may reveal deficiencies in our internal controls over financial reporting that are deemed to be material weaknesses. In the event we identify significant deficiencies or material weaknesses in our internal controls that we cannot remediate in a timely manner, the market price of our stock could decline if investors and others lose confidence in the reliability of our financial statements and we could be subject to sanctions or investigations by the SEC or other applicable regulatory authorities.

ITEM 2 — FINANCIAL INFORMATION

Management's Discussion and Analysis of Financial Condition and Results of Operations

CRITICAL ACCOUNTING POLICIES

We have identified the policies below as critical to our business operations and the understanding of our financial results.

Use of estimates

We prepare financial statements in conformity with accounting principles generally accepted in the United States of America which 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.

Cash and cash equivalents

The Company considers all highly liquid investment with original maturities of three months or less to be cash equivalents.

Revenue recognition

Revenue is recognized at the time goods are shipped, title has passed, evidence of an arrangement exists, the fee if fixed or determinable, and collectability is reasonably assured.

Accounts receivable

Accounts r eceivable are stated at the amounts management expects to collect. An allowance for doubtful accounts is recorded based on a combination of historical experience, aging analysis and information on specific accounts. Account balances are written off against the allowance after all means of collection have been exhausted and the potential for recovery is considered remote.

Investments

Security investments that the company has the intent to hold to maturity are classified as held-to maturity securities and recorded at amortized cost in investments. Securities investments that are bought and principally held for purposes of selling them in the near term are classified as trading securities. Trading securities are recorded at fair value on the balance sheet in investments, with the change in fair value during the period recorded in earnings. Securities investments not classified as either held-to-maturity or trading securities are classified as available-for-sales securities. Available -for-sale securities are recorded at fair value on the balance sheet in investments, with the change in fair value during the period excluded from earnings and recorded as a component of other comprehensive income.

Inventories

Inventories, which consist solely of finished goods, are carried at the lower of cost (first-in, first out) or market. The Company periodically reviews its inventories and makes provisions as necessary for estimated obsolescence and slow moving goods. The amount of such markdown is equal to the difference between cost of inventory and the estimated value based upon assumptions about future demands, selling price and market conditions.

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation and amortization . The Company provides for depreciation and amortization based on the useful lives of the assets. The estimated useful lives for financial reporting purposes are: 3 to 7 years for furniture and fixtures; the shorter of the lease term or estimated useful life of the asset for leasehold improvements; and 2 to 5 years for computer equipment and software. Expenditures for repairs and maintenance are expensed as incurred.

Stock based compensation

The Company recognizes all share based payments, including grants to employees of common stock options, as an expense based on fair values of the grants measured on award dates, generally using Black- Scholes valuation model, over vesting periods of such grants and net of an estimated forfeiture rate for grants to employees. The Company estimates the expected life of options granted based on historical exercise patterns and volatility based on trading patterns of its common stock over a period similar to vesting period of the grants.

Advertising costs

Advertising costs are expensed as incurred.

JOBS Act

On April 5, 2012, the JOBS Act was signed into law. The JOBS Act contains provisions that, among other things, reduce certain reporting requirements for qualifying public companies. As an "emerging growth company," we may, under Section 7(a)(2)(B) of the Securities Act, delay adoption of new or revised accounting standards applicable to public companies until such standards would otherwise apply to private companies. We may take advantage of this extended transition period until the first to occur of the date that we (i) are no longer an "emerging growth company" or (ii) affirmatively and irrevocably opt out of this extended transition period. We have elected to take advantage of the benefits of this extended transition period. Our financial statements may therefore not be comparable to those of companies that comply with such new or revised accounting standards. Until the date that we are no longer an "emerging growth company" or affirmatively and irrevocably opt out of the exemption provided by Securities Act Section 7(a)(2)(B), upon issuance of a new or revised accounting standard that applies to our financial statements and that has a different effective date for public and private companies, we will disclose the date on which adoption is required for non-emerging growth companies and the date on which we will adopt the recently issued accounting standard.

New Accounting Pronouncements

For a discussion on the impact of recently issued accounting pronouncements, see "Recently Adopted and Issued Accounting Standards" in Note 2 to the financial statements incorporated by reference in "Item 15. Financial Statements and Exhibits."

RESULTS OF OPERATIONS

Year Ended December 31, 2012 Compared to Year Ended December 31, 2011

Net sales increased by 80.0% or $17.8 million from $22.4 million in 2011 to $40.2 million in 2012. The increase in sales is mainly attributable to the following factors:

- Most of our sales growth is attributable to the growth of our outside lower margin brand name offerings, particularly in cell phone covers and cases, that appeal to the growing smart phone market. For example, the revenues from sales of our OtterBox products to our customers increased during 2012 by approximately $16.5 million from revenues from sales of those products to our customers during 2011.
- The growth and development of our value added services and, in particular our Vendor Managed Inventory program, has resulted in being able to add several larger dealers to our customer base in late 2011 and in 2012 which has resulted in an aggregate of $7.0 million of revenues during 2012.
- In the f all of 2012, we began selling our own branded accessory line known as UMA which is tailored to the growing smart phone market which lead to modest sales during the year but which we anticipate will result in increased sales in future periods.

During 2012, revenues derived from brand name products represented 82% of our revenues compared to 61% of our revenues during 2011. During 2012, revenues from after-market products represented 18% of our revenues compared to 39% of revenues during 2011 , or an increase of $ 0. 4 million .

Gross profit increased by $1.6 million from $6.2 million in 2011 to $7.8 million in 2012, and as a percentage of sales decreased from 28.0% to 19.4%. The decrease in gross profit as a percentage of sales resulted from the following:

- Our overall gross margin percentages were significantly impacted by the large shift in our product offering mix to OEM (brand name) product which carries significantly lower margins than our proprietary products.
- The cell phone accessory market continued to be highly competitive requiring selected aggressive pricing and promotions to add and maintain business.

- The company incurred higher outbound freight cost in 2012 as compared to 2011 relating to vendor cost increases and customer mix changes.
- We substantially increased our provision for obsolete and stale inventory, as a result of our expansion of new product offerings, particularly in OEM (brand name) product and resultant decreased demand for proprietary items. Additionally, the growth of our Vendor Managed Inventory program resulted in additional write offs of product from stock rotations especially, in the initial 6 months from the implementation of each new customer.

Selling, general and administrative ("SG&A") expenses increased by 9.5%, or $0.6 million in 2012, from $6.4 million in 2011 to $ 7.0 million in 2012. Total SG&A expenses, as a percentage of sales, decreased from 28.7% in 2011 to 17.4% in 2012. The increase in SG&A expenses in 2012 is mainly due to an increase in sales commissions of $0.2 million due to the increase in sales in 2012, an increase in warehouse labor and supplies expense of $0.2 million, an increase in insurance expense of $0.06 million, an increase in accounting and legal professional fees of $0.04 million associated with the preparation of becoming an SEC registrant, and a $0.03 million increase in customer credit card processing costs due to the increase in sales volume in 2012.

Total depreciation charges have decreased from $ 0 .15 million in 2011 to $ 0 .1 million in 2012 as a result of the Company limiting its capital additions in the past 2 years after investing heavily in upgrading its business systems in 2010.

Other income decreased from $ 0.4 million in 2011 to $ 0.2 million in 2012. The reduction in other income is due to a combination of a $0.1 million decrease in investment income earned in 2012 due to the reduction of the Company's investment portfolio from the prior year and a $0.1 million decrease in interest income as a result of the suspension of interest on one $ 0 .2 million note receivable from a vendor in fall of the 2011 that was subsequently written off and the suspension of interest in early 2012 on a second vendor interest bearing notes receivable (original balance of $ 0 .3 million) as a result of the note terms being amended in 2012.

The effective tax rate was approximately 40% in 2012 as compared to approximately 44% in 2011. The decrease in the effective tax rate during 2012 was mainly due to the tax rate differential on state income tax expense, net of federal benefit.

Net income was $0.6 million or $0.15 per diluted share for 2012 compared to $0.1 million or $0.03 per diluted share for 2011. The weighted-average number of shares used in the diluted earnings per share computation was 4,006,419 and 4,036,339 for 2012 and 2011, respectively.

Three Months Ended March 31, 2013 Compared to Three Months Ended March 31, 2012

Net sales increased by 8.2% or $0.6 million from $7.9 million in 2012 to $8.5 million in 2013. The increase in sales is mainly attributable to the following factors:

- Most of our sales growth is attributable to the growth of our outside lower margin brand name offerings, particularly in cell phone covers and cases, that appeal to the growing smart phone market. For example, the revenues from sales of our OtterBox products to our customers increased during the fir st quarter of 2013 by approximately $1.1 million , of which $ 0.5 million was related to new VMI business , from revenues from sales of those products to our customers during the first quarter of 2012.
- The continued growth and development of our value added services and, in particular our Vendor Managed Inventory (VMI) program, has resulted in being able to add several larger dealers to our customer base in late 2011 and in 2012. Total revenues generated from our VMI program increased from approximately $0.3 million to approximately $1.9 million of revenues during the first quarter of 2012 and 2013 respectively.

During the first quarter of 2013, revenues derived from brand name products , including OtterBox, represented 78% of our revenues compared to 75% of our revenues during the first quarter of 2012. During the first quarter of 2013, revenues from after-market product s r epresented 2 1 % of our revenues compared to 2 5 % of revenues during the first quarter of 2012 , or a net reduction of approximately $ 1.2 million .

Gross profit was approximately $1.7 million for both of the three months ended March 31, 201 3 and 2012, and as a percentage of sales decreased from 21.8% to 20.5%. The decrease in gross profit percentage resulted from the following:

- Our overall gross margin percentages was negatively impacted by the shift in our product offering mix to OEM (brand name) product which carries significantly lower margins than our proprietary products.
- The cell phone accessory market continued to be highly competitive requiring selected aggressive pricing and promotions to add and maintain business.

Selling, general and administrative ("SG&A") expenses increased by 12.2%, or $0.2 million in 2013, from $1.5 million in 2012 to $1.7 million in 2013. Total SG&A expenses, as a percentage of sales, increased from 18.8% in 2012 to 19.5% in 2013. The increase in SG&A expense in 2013 was primarily related to additional payroll and related benefits of approximately $0.05 million to upgrade of our sales staff, an increase in expenses related to marketing catalogs, mailings, trade show expenses, vendor managed inventory services and marketing support materials of approximately $0.05 million and an increase in bad debt expense of approximately $0.1 million.

Total depreciation charges have decreased from $0.004 million in 2012 to $0.002 million in 2013 as a result of the Company limiting its capital additions in recent years after investing heavily in upgrading its business systems in 2010.

Other expenses of approximately $0.0 0 1 million , for the three months ended March 31, 2013, mainly represents interest expenses incurred on the Company's line of credit with a bank, that was entered into in January 2013. Other income, of approximately $0.04 million for the three months ended March 31, 2012 , mainly represents dividends and realized gains on the Company's available-for-sale investment portfolio.

The effective income tax rate was approximately 43% for both the three months ended March 31, 2013 and 2012.

Net income was $0.0 4 million or $0. 0 1 per basic and diluted earnings per share for 2013 compared to $0.1 million or $0.0 4 per share for 2012. The weighted-average number of shares used in the earnings per share for the basic and dilutive computation was 4,006,419 for both 2013 and 2012, respectively , since all potentially dilutive securities were determined to be anti-dilutive.

Off-Balance Sheet Arrangements

We do not have any off-balance sheet arrangements as of March 31, 201 3 and December 31, 2012 .

LIQUIDITY AND CAPITAL RESOURCES

Anticipated Uses of Cash

Our anticipated requirements for capital during 2013 is to fund sales growth and further development of our Upwardly Mobile Accessories "UMA" line geared to the smart phone market and development of additional markets.

Cash Flow

The following table summarizes our net cash flow from operating, investing and financial activities for the periods indicated below:

Cash provided by (used in)	Year ended December 31, 2012	Year ended December 31, 2011	Quarter ended March 31, 2013	Quarter ended March 31, 2012
Operating activities	$ (2,274,170)	$ (680,277)	$ (545,094)	$ (362,741)
Investing activities	1,727,844	798,416	30,000	320,457
Financing activities	—	—	200,000	—
Net (decrease) increase in cash and cash equivalents	$ (546,326)	$ 118,139	$ (315,094)	$ (42,284)

Our working capital as of March 31, 2013, December 31, 2012 and 2011 was $8.1 million, $8.1 million and $7.4 million, respectively.

Net cash (utilized in) operating activities for the twelve months ended December 31, 2012 and 2011 was $(2. 3) million and $(0.7) million, respectively. We utilized our net cash flow from our sales of available securities and cash on hand to partially finance our 80% sales growth and resultant increase in working capital activities, principally inventory.

In 2012, the non-cash items totaling $1.1 million consisted of depreciation and amortization of $ 0.1 million, bad debt expense of $ 0.2 million, Inventory Reserve of $ 0.8 million, partially offset by a change in deferred tax $ (0.1) million.

During 2012, the Company liquidated all but approximately $.009 million of its investments generating approximately $1.6 million of net cash provided by investing activities. These proceeds were used to acquire additional inventory. An additional $0.2 million of cash from investing activities was generated through the collection of notes receivable from a vendor. During 2011, the C ompany generated approximately $0. 8 million in net cash provided by investing activities from the sales of its investments of $1. 2 million and collection of vendor notes receivable of $0.2 million, offset by advances to vendors of $(0.3) million and investment purchases of $(0.3) million .

There were minimal capital expenditures during 2012 and 2011 as the Company had completed its business system upgrades in 2010. Capital expenditures were $ 0 .02 million in 2012 and $0.0 7 million in 2011, principally for computer and office equipment and software upgrades. Management anticipates capital expenditures of approximately $ 0 .05 million during 2013.

Net cash (utilized in) operating activities for the three months ended March 31, 2013 and 2012 was $(0.5) million and $(0. 4) million respectively. For the three months ended March 31, 2013, the Company had $0.03 million of net cash provided by investing activities related to t he collection of ven dor notes receivable and $0.2 million in net cash provided by financing activities due to cash proceeds received under its line of credit with a bank which was entered into in January 2013. For the three months ended March 31, 2012, the Company had net cash provided by inv e sting activities of $0. 3 million, consisting of $0.3 million in sales of investments and $0.1 million from collection of vendor notes receivable , offset by $(0.1) million in investment purchases and capital expenditures. The Company had no financing activities for the three months ended March 31, 2012.

Based upon its present plans, management believes that operating cash flow, and available cash from our bank line of credit , which was established in January 2013, will be sufficient to meet the anticipated working capital cash needs of the Company and capital expenditures during the twelve months ending December 31, 2013.

Line of Credit

On January 15, 2013, the Company entered into a Loan and Security Agreement and other ancillary documents (the “Loan Documents”) with TD Bank, N.A. (the “Bank”), providing for a secured revolving line of credit in an amount of up to $2.0 million (the “Line of Credit”). The outstanding balance of the amounts advanced under the Line of Credit bear interest at 2.5% above the one month LIBOR Rate as defined in the Loan Documents. Interest is payable on a monthly basis. The Line of Credit and the Company’s obligations under the Loan Documents are secured by substantially all of the Company’s assets. The term of the Line of Credit is one year (January 15, 2014). At the time of maturity , all outstanding advances under the Line of Credit as well as any unpaid interest is due and payable. Prior to maturity of the Line of Credit, the Company may prepay amounts due under the Line of Credit without penalty, and subject to the terms of the Loan Documents, may re-borrow any such amounts. The Company is required to comply with quarterly net worth and quick ratio financial covenants, as defined in the Loan Documents. The Company was in compliance with all financial covenants as of June 30, 2013. As of June 30 , 2013, $0. 3 million has been borrowed and $1. 7 million is available on the line.

Commitment

We lease warehouse and administrative office space and copy machines with non-cancelable operating lease agreements, which expire at various dates. Certain leases for warehouse and other space contain rental escalation clauses. Future minimum lease payments including base rent, common area charges, and lease required real estate tax charges under non-cancelable operating leases as of December 31, 2012 are as follows:

2013	$ 464,243
2014	156,265
Total	$ 620,508

Inflation

Inflation or increased pricing of our products did not materially affect our revenues during 2011 and 2012.

ITEM 3 — PROPERTIES

We lease approximately 65,100 square feet of warehouse space in Huntingdon Valley, Pennsylvania, which we have occupied since 2001.

Our facility is divided into 13,100 square feet of office and administrative space and 52,000 square feet of warehouse pick, pack, and quality control facilities.

In March 2009, we renewed our lease for a 5-year period, expiring in April 2014, with no increase in costs, except for a 3% percent increase in the last full year of the lease. Our rent is approximately $450,000 annually.

The following table provides certain information concerning our leased properties:

Operation	Nature	Location	Approximate Lease Area (Sq. Ft.)	Expiration Date
Main Facility	Warehouse	Huntingdon Valley, PA	52,000	4/30/2014
Main Facility	Office	Huntingdon Valley, PA	13,100	4/30/2014

ITEM 4 — SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth certain information as of June 30 , 2013, as supplied to the Company, regarding the beneficial ownership of the Common Stock by all persons known to the Company who own more than 5% of the outstanding shares of the Company's Common Stock, each director of the Company, and each executive officer and employee of the Company named in the Summary Compensation Table included elsewhere in this registration statement, and all executive officers and directors as a group. Unless otherwise indicated, based on information provided to the Company , the persons named in the table below have sole voting and investment power with respect to all shares of Common Stock shown as beneficially owned by them.

Name	Number of Shares Beneficially Owned [1]	Percentage [2]
Christopher F. McConnell [3]	10,421	**
Stephen Rade [4]	1,070,000	26.7%
Ronald E. Badke	26,200	**
Christopher C. Cole [5]	35,421	**
Allan Kalish [6]	20,421	**
Dawn Reale	19,500	**
Susan Rade [4] [7]	1,070,000	26.7%
Bartley Concannon		**
Directors and Executive Officers as a group (5 persons)	1,162,463	29.0%

The business address of each shareholder named in this table is 1840 County Line Road, Huntingdon Valley, PA 19006.

** Less than 1%.

(1) For purposes of this table, a person or group is deemed to have "beneficial ownership" of any shares, which such person has the right to acquire within 60 days.

(2) The percentage of ownership is based on 4,081,419 shares of Common Stock issued and outstanding on June 30 , 2013. For purposes of computing the percentage of outstanding shares held by each such person or group of persons named above, any security which such person or group of persons has the right to acquire within 60 days is deemed to be outstanding, but is not deemed to be outstanding for the purpose of computing the percentage ownership of any other person.

(3) Includes options to purchase 2,427 shares.

(4) Includes 858,286 shares owned by the Liquid Limited Partnership of which Stephen Rade and his spouse, Susan Rade are the general partners, 39,001 shares owned jointly by Stephen Rade and his spouse, and 172,713 shares owned by his spouse.

(5) Includes options to purchase 2,427 shares.

(6) Includes options to purchase 2,427 shares.

(7) Susan Rade is the spouse of Stephen Rade and is the beneficial owner of the shares described in footnote (4) above.

ITEM 5 — DIRECTORS AND EXECUTIVE OFFICERS

The following table sets forth as of June 30 , 2013, the name of each of our directors and executive officers, his or her principal occupation and the nature of all positions and offices with us held by him or her. Our directors will hold office until the next Annual Meeting of Stockholders and until his successor has been elected and qualified.

Name	Age	Office	First Became Director
Stephen Rade	75	President, Chief Executive Officer and Chairman of the Board	1996
Christopher F. McConnell	59	Director	1998
Ronald E. Badke	67	Chief Financial Officer and Secretary	
Allan Kalish	87	Director	1998
Christopher C. Cole	57	Director	2000
Dawn Reale	43	Vice President and Business Development Manager	

Each executive officer serves at the discretion of the Board of Directors.

Mr. Rade has been our Chairman of the Board since June 2002 and President and Chief Executive Officer since June 1998. From 1996 until June 1998, he was Executive Vice President of the Company. He has been a director since April 1996. He had been the President, Chief Executive Officer and a director of Advanced Fox Antenna, Inc. since he founded that company in 1990. In 1996, Advanced Fox Antenna, Inc. was acquired by the Company.

Mr. McConnell has been a director of the Company since December 1998 while holding the title of Chairman of the Board through June 2002. In addition, he is co-founder and President of Adondo Corporation, a company focused on Internet telephony, and enhancing communications through artificial intelligence and real-time streaming media. Adondo Phone Portals allow companies to distribute their audio content, including live streams, broadly and efficiently over any telephone. Mr. McConnell also

co-founded CFM Technologies, Inc., a semiconductor capital equipment company and until it merged into Matson Technologies in March 2001. He currently serves as a director of Point 5 Technologies. Mr. McConnell holds eighteen U.S patents in semiconductor processing and wireless communications.

Mr. Badke has been our Chief Financial Officer since November 1995 and Secretary since March 1999. He was a Senior Vice President and the Chief Financial Officer of Shoe Town Inc. from 1984 through September 1994, positions he later held (September to November 1995) with Natures Elements. Mr. Badke, a certified public accountant, had been a consultant from October 1994 through August 1995.

Mr. Kalish has been a director since 1998. He is the owner of Kalish & Associates, a consulting firm specializing in marketing, advertising and public relations, which he founded in 1986. Kalish & Associates serves advertisers, marketers and advertising agencies throughout the country, including three New York Stock Exchange companies. Prior to founding Kalish & Associates, Mr. Kalish managed Kalish & Rice, Inc., one of the largest advertising agencies in Philadelphia. In 2002, he co-founded WorkZone, LLC, a software company which markets collaboration, communication and project management tools internationally. He serves as Chairman of WorkZone. Mr. Kalish served as a member of the Board of Directors of Checkpoint Systems, Inc., a New York Stock Exchange company, from 1993 to 1997.

Mr. Cole was elected as a director in February 2000. He is currently the CEO of Intelligrated, Inc., a position he has held since June of 2001. From April 2000 to June 2001 Mr. Cole served as President of Cole Consulting. Until the acquisition of Pinnacle Automation by FKI, Plc. in early 2000, Mr. Cole was employed by Pinnacle Automation as its Chief Operating Officer and served as a director of Pinnacle Automation since June 1997 and as Executive Vice President from March 1994 to June 1997. Mr. Cole served as Vice President of Cincinnati Milacron, from 1987 through March of 1994.

Mrs. Reale has been with the Company since 1993, and holds the title of Vice President a position she was promoted to in August, 2005. Prior thereto, she has held the title of Business Development and Purchasing manager from 2001 and Purchasing Manager from 1994 to 2001.

ITEM 6 — EXECUTIVE COMPENSATION

Summary Compensation Table

The following table sets forth certain information with respect to compensation paid or accrued by the Company during the years ended December 31, 2012 and 2011 to each of the executive officers and employees of the Company named below:

Name and Principal Position	Fiscal Year	Salary	Bonus	All Other Compensation	Total
Stephen Rade	2012	$ 250,000	$ 50,000	$ 47,698	$347,698
Chief Executive Officer, President & Chairman of the Board	2011	$ 250,000	$ 50,000	$ 47,698	$347,698
Ronald E. Badke	2012	$ 130,803	$ —	$ 13,080	$143,883
Chief Financial Officer and Secretary	2011	$ 128,308	$ —	$ 13,080	$141,388
Susan Rade	2012	$ 183,042	$ —	$ 19,440	$202,482
Vice President Sales Account Manager	2011	$ 183,042	$ —	$ 19,440	$202,482
Dawn Reale	2012	$ 170,713	$ —	$ —	$170,713
Vice President and Purchasing Director	2011	$ 130,190	$ —	$ —	$130,190
Bartley Concannon	2012	$ 209,640	$ —	$ —	$209,640
Sales Representative	2011	$ 187,726	$ —	$ —	$187,726

Other compensation may consist of all or part of the following: health insurance, auto expenses, auto lease, auto insurance, life insurance, mobile phone service and mobile phone.

Outstanding Equity Awards at Fiscal Year-End

As of December 31, 2012, none of the executive officers or employees named in the summary compensation table held any unvested stock awards, unvested equity incentive plan awards, or unexercised stock options.

Employment Agreements

The Company does not have any written employment agreements with any of its executive officers or other employees identified in the Summary Compensation Table set forth above other than with Stephen Rade, our Chief Executive Officer. Each of the executive officers and employees identified in the Summary Compensation Table other than Stephen Rade has entered into a Confidentiality and Non-Solicitation Agreement pursuant to which he or she has agreed not to compete with the business of the Company or to solicit customers of the Company for a period of 12 months following his or her termination of employment and also not to use or disclose certain confidential information of the Company other than in connection with the business of the Company.

On September 1, 2005, the Company entered into an Employment Agreement with Mr. Rade. The agreement had an initial term of three years, and is thereafter automatically continued from year to year unless terminated by the Board of Directors or Mr. Rade by at least 90-days' notice prior to the end of any renewal period.

The agreement provides for an annual base salary of $250,000 and an annual bonus of a minimum of $50,000. Mr. Rade is entitled to participate in the standard benefits that are made available to all employees of the Company, including retirement, medical, dental, disability, life insurance, stock option, profit sharing, or other plan or benefit. Pursuant to the agreement, the Company is required to purchase a long-term disability policy which shall pay benefits equal to 75% of Mr. Rade's base salary at the time of any disability that lasts more than six consecutive months or termination of employment due to such disability.

Upon the termination of the agreement due to Mr. Rade's death, his estate will receive the greater of either: (i) a one-time lump sum payment equivalent to two times the sum of Mr. Rade's last base salary, or (ii) a portion of the benefits of a life insurance policy owned by the Company and taken on Mr. Rade's life (which is currently $500,000). If the Company terminates Mr. Rade's employment for other than cause, death or disability, or Mr. Rade terminates his employment for good reason, then the Company shall pay to Mr. Rade a severance in an amount equal to two years of Mr. Rade's then annual base salary. The Company shall also pay the first six months of COBRA premiums if Mr. Rade makes such an election. If Mr. Rade's employment is terminated within one year of a change of control, Mr. Rade will be paid severance in the amount of his last annual base salary plus his last annual bonus amount for a period of two years. In addition, all benefits, including, but not limited to, health insurance benefits, will continue during such two-year period.

Mr. Rade's employment agreement also contains confidentiality, non-competition and non-solicitation clauses.

The agreement provides that should Mr. Rade introduce, cause or be responsible in any material way for an acquisition, consolidation, sale, merger, disposition or change of control of the Company, he will be compensated by payment of between 1% and 5% of the purchase or sale price received or paid by the Company in connection with any such transaction depending on the amount of consideration paid or received.

Compensation of Directors

In 2012, each of our non-employee Directors were paid a flat $2,500 for attendance at Board meetings and committee meetings for the year.

Name	Fees Earned or Paid in Cash ($)	Total ($)
Christopher F. McConnell	$ 2,500	$ 2,500
Allan Kalish	$ 2,500	$ 2,500
Christopher C. Cole	$ 2,500	$ 2,500

ITEM 7 — CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

We employ Susan Rade, spouse of Stephen Rade, our CEO, as a high volume and senior sales person with certain administrative functions. In this role, Mrs. Rade earned the compensation set forth in the Summary Compensation Table appearing above.

Director Independence

Our Board of Directors has determined that Christopher McConnell, Allan Kalish and Christopher C. Cole are "independent directors" with the meaning of NASDAQ Marketplace Rule 5605(a)(2).

ITEM 8 — LEGAL PROCEEDINGS

We, from time to time, are a party to other litigation arising in the normal course of our business, most of which involves claims for amounts due from merchandise or services purchased or merchandise sold to third parties. We believe that none of these actions will have a material adverse effect on our financial condition or our results of operations.

ITEM 9 — MARKET PRICE OF AND DIVIDENDS ON THE REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

Our common stock is quoted on OTC Pink under the symbol "WIRX." Because there are limited quotations for our stock on the OTC Pink, there is not an established trading market for our stock. The prices set forth below reflect the quarterly high and low closing prices of a share of our Common Stock for the periods indicated as reported by Yahoo Finance. These quotations reflect inter-dealer prices, without retail mark-up, mark-down or commission and may not necessarily represent actual transactions.

Year Ending December 31, 2013	Low	High
Quarter ended March 31, 2013	1.15	1.55

Year Ended December 31, 2012	Low	High
Quarter ended December 31, 2012	0.80	1.19
Quarter ended September 30, 2012	0.75	0.99
Quarter ended June 30, 2012	0.71	0.89
Quarter ended March 31, 2012	0.70	0.85

Year Ended December 31, 2011	Low	High
Quarter ended December 31, 2011	0.72	0.98
Quarter ended September 30, 2011	0.73	0.99
Quarter ended June 30, 2011	0.86	0.99
Quarter ended March 31, 2011	0.87	1.08

There were 47 record holders of the Company's Common Stock on June 30 , 2013. A substantially larger number of beneficial owners hold such shares of Common Stock in depository or nominee form.

No dividends have been paid on the outstanding shares of Common Stock during the 2012 and 2011 calendar years or the quarter ended March 31, 2013 .

As of the date hereof, 4,006,416 of our issued and outstanding shares of Common Stock are eligible for sale under Rule 144 promulgated under the Securities Act.

As of the date hereof, there are issued and outstanding options to purchase up to 17,281 shares of Common Stock.

As of December 31, 2012, equity securities authorized for issuance by the Company with respect to compensation plans were as follows:

Plan category	Number of Securities to be issued upon exercises of outstanding options and warrants (a)	Weighted average exercise price of outstanding options and warrants (b)	Number of securities remaining available for future issuance (excluding securities reflected in column (a) (c)
Equity compensation plans approved by security holders	17,281	$ 3.58	0
Equity compensation plans not approved by security holders	—	—	0
Total	17,281	$ 3.58	0

ITEM 10 — RECENT SALES OF UNREGISTERED SECURITIES

On April 16, 2013, we awarded 15,000 shares of common stock to each of the following executives for services rendered to the Company: Ronald E. Badke, Chief Executive Officer; Dawn Reale, Vice President and Purchasing Manager; Sergio Reale, Purchasing and Quality Control Director; and Dan Kenderdine, Operation Manager. The shares were awarded pursuant to the exemption from registration provided by Rule 701 promulgated under the Securities Act of 1933, as amended.

On April 16, 2013, we awarded 5,000 shares of common stock to each of our non-employee directors, Messrs. Kalish, Cole, and McConnell, for past and anticipated services to the Company. The shares cannot be sold or transferred for a period of six months from the date of the award. The shares were awarded pursuant to the exemption from registration provided by Rule 701 promulgated under the Securities Act of 1933, as amended.

ITEM 11 — DESCRIPTION OF REGISTRANT'S SECURITIES TO BE REGISTERED

We are authorized to issue 12,000,000 shares of common stock, $.001 par value per share, and 2,000,000 shares of preferred stock, $.001 par value per share. There are no shares of preferred stock issued and outstanding.

Common Stock

As of June 30 , 2013, we had outstanding 4,081,419 shares of common stock.

Holders of our common stock are entitled to receive dividends when and as declared by our Board out of funds legally available therefore. Upon dissolution of our company, the holders of common stock are entitled to share, pro rata, in our net assets after payment of or provision for all of our debts and liabilities, and subject to the preferential rights of any class of preferred stock or other senior security which we may issue. Each share of common stock is entitled to participate on a pro rata basis with each other share of such stock in dividends and other distributions declared on shares of common stock.

The holders of common stock are entitled to one vote per share on all matters submitted to a vote of the stockholders and may not cumulate their votes for the election of directors. The holders of common stock do not have preemptive rights to subscribe for additional shares of any class that we may issue, and no share of common stock is entitled in any manner to any preference over any other share of such stock.

ITEM 12 — INDEMNIFICATION OF DIRECTORS AND OFFICERS

Section 145 of the Delaware General Corporation Law ("DGCL") provides, among other things, that a corporation may indemnify any person who was, is or is threatened to be made, party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (other than an action by or in the right of such corporation), by reason of the fact that such person is or was an officer, director, employee or agent of such corporation or is or was serving at the request of such corporation as a director, officer, employee or agent of another corporation or enterprise. The indemnity

may include expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by such person in connection with such action, suit or proceeding, provided such person acted in good faith and in a manner he or she reasonably believed to be in or not opposed to the corporation's best interests and, with respect to any criminal action or proceeding, had no reasonable cause to believe that his or her conduct was unlawful. A Delaware corporation may indemnify any persons who were or are a party to any threatened, pending or completed action or suit by or in the right of the corporation by reason of the fact that such person is or was a director, officer, employee or agent of another corporation or enterprise. The indemnity may include expenses (including attorneys' fees) actually and reasonably incurred by such person in connection with the defense or settlement of such action or suit, provided such person acted in good faith and in a manner he or she reasonably believed to be in or not opposed to the corporation's best interests, provided further that no indemnification is permitted without judicial approval if the officer, director, employee or agent is adjudged to be liable to the corporation. Where an officer or director is successful on the merits or otherwise in the defense of any action referred to above, the corporation must indemnify him or her against the expenses (including attorneys' fees) which such officer or director has actually and reasonably incurred.

Our bylaws provide that we must indemnify, and advance expenses to, our directors and officers to the fullest extent authorized by the DGCL if such officer or director was made a party or is threatened to be made a party or is involved in any action, suit or proceeding; provided, however, that any such indemnification must be authorized by the Board of Directors of the Company in connection with any proceeding initiated by such officer or director.

ITEM 13 — FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The information required by this item may be found beginning on page F-1 of this Form 10.

ITEM 14 — CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

N/A

ITEM 15 — FINANCIAL STATEMENTS AND EXHIBITS

Documents filed as part of this Report:

1. Financial Statements :

   Wireless Xcessories Group, Inc. — years ended December 31, 2012 and 2011

   Report of Independent Registered Public Accounting Firm

   Balance Sheet s as of December 31, 2012 and 2011

   Statements of Operations and Comprehensive Income (Loss) for the Years ended December 31, 2012 and 2011

   Statements of Stockholders' Equity for the Years ended December 31, 2012 and 2011

   Statements of Cash Flows for the Years ended December 31, 2012 and 2011

   Notes on Financial Statements — December 31, 2012 and 2011

   Condensed Balance Sheets as of March 31, 2013 (Unaudited) and December 31, 2012

   Condensed Statements of Operations and Comprehensive Income for the Three Months Ended March 31, 2013 and 2012 (Unaudited)

   Condensed Statements of Cash Flows for the Three Months Ended March 31, 2013 and 2012 (Unaudited)

   Notes to Condensed Financial Statements (Unaudited)

2. Exhibits : The following is a list of exhibits. Where so indicated by footnote, exhibits, which were previously filed, are incorporated by reference.

Exhibit Number	Description
3.1	Certificate of Incorporation of Company and amendments thereto*
3.2	By-Laws*
4.1	Form of Common Stock Certificate*
10.1	Employment Agreement between the Company and Stephen Rade dated as of September 1, 2005 **
10.2	Lease Agreement dated February ___, 2009 between the Company and 1830 Business Complex, LLC***
10.3	Revolving Term Note dated January 15, 2013 by the Company in favor of TD Bank, N.A. ***
10.4	Loan and Security Agreement dated as of January 15, 2013 between the Company and TD Bank, N.A. ***
10.5	Form of Confidentiality and Non-Solicitation Agreement ***

* Filed as an exhibit to the Company's Registration Statement on Form S-1(File No. 33-80939) and incorporated by reference herein.

** Filed as exhibit 10.01 to the Company's Current Report on Form 8-K filed with the SEC on March 23, 2006 and incorporated by reference herein.

*** Filed herewith.

SIGNATURES

Pursuant to the requirements of Section 12 of the Securities Exchange Act of 1934, the registrant has duly caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized.

WIRELESS XCESSORIES GROUP, INC.

By: /s/ Stephen Rade
Stephen Rade,
Chief Executive Officer and President

Date: August 12 , 2013

WIRELESS XCESSORIES GROUP, INC.

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Report of Independent Registered Public Accounting Firm

Board of Directors and Stockholders
Wireless Xcessories Group, Inc.
Huntingdon Valley, Pennsylvania

We have audited the accompanying balance sheets of Wireless Xcessories Group, Inc. (the "Company") as of December 31, 2012 and 2011 and the related statements of operations and comprehensive income (loss), stockholders' equity, and cash flows for the years then ended. 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 in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also 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, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Wireless Xcessories Group, Inc. as of December 31, 2012 and 2011, and the results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 3 to the financial statements, the Company restated its 2011 financial statements.

/s/BDO USA, LLP

Philadelphia, Pennsylvania

August 12 , 2013

WIRELESS XCESSORIES GROUP, INC.
BALANCE SHEETS
DECEMBER 31, 2012 AND 2011

	2012	2011 (As Restated)
ASSETS		
Current assets		
Cash and cash equivalents	$ 345,202	$ 891,528
Investments	8,675	1,577,429
Accounts receivable, net of allowance for doubtful accounts of $ 84,652 and $74,012 , respectively	4,777,982	2,552,404
Inventories, net	4,379,022	2,819,980
Prepaid expenses and other current assets	2,070,400	1,450,480
Notes receivable from vendor	103,050	280,000
D eferred income taxes	359,299	299,310
Total current assets	12,043,631	9,871,131
Property and equipment, net	268,925	347,184
Other assets	44,258	46,231
Total assets	$ 12,356,813	$ 10,264,546
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Accounts payable	$ 3,149,821	$ 2,179,451
Accrued payroll and related benefits	120,144	115,452
Other accrued expenses	255,518	75,860
Income taxes payable	438,339	95,676
Total current liabilities	3,963,822	2,466,439
Deferred income taxes	35,179	30,320
Total liabilities	3,999,001	2,496,759
Commitments and contingencies (Note 9)		
Stockholders' equity		
Preferred stock, par value $.001, 1,000,000 shares authorized, no shares issued or outstanding	—	—
Common stock, par value $.001, 10,000,000 shares authorized, 5,346,080 issued, and 4,006,419 outstanding at December 31, 2012 and 2011	5,346	5,346
Additional paid-in capital	11,468,997	11,468,997
Accumulated deficit	(2,038,740)	(2,618,625)
Accumulated other comprehensive income (loss)	1,172	(8,968)
Treasury stock, at cost, 1,339,661 shares at December 31, 2012 and 2011	(1,078,963)	(1,078,963)
Total stockholders' equity	8,357,812	7,767,787
Total liabilities and stockholders' equity	$ 12,356,813	$ 10,264,546

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

WIRELESS XCESSORIES GROUP, INC.
STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS)
YEARS ENDED DECEMBER 31, 2012 AND 2011

	2012	2011 (As Restated)
Net sales	$ 40,243,548	$ 22,351,300
Cost of goods sold	32,416,424	16,104,107
Gross profit	7,827,124	6,247,193
Operating expenses		
Selling	2,399,979	2,129,350
General and administrative	4,514,790	4,137,732
Depreciation and amortization	106,260	143,768
Total operating expenses	7,021,029	6,410,850
Gain (Loss) from operations	806,095	(163,657)
Other income		
Realized gain on investments	109,609	184,126
Dividend income	44,958	95,136
Interest income	7,458	107,257
Miscellaneous income	—	11,524
Total other income	162,025	398,043
Income before income taxes	968,120	234,386
Income tax expense	388,235	103,091
Net income	579,885	131,295
Other comprehensive income (loss):		
Unrealized gain (loss) on available-for-sale investments	10,140	(196,375)
Comprehensive income (loss)	$ 590,025	$ (65,080)
Earnings per common share – Basic	$ 0.15	$ 0.03
Earnings per common share – Diluted	$ 0.15	$ 0.03
Weighted average number of common shares outstanding – Basic	4,006,419	4,006,419
Weighted average number of common shares outstanding – Diluted	4,006,419	4,036,339

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

WIRELESS XCESSORIES GROUP, INC.
STATEMENTS OF STOCKHOLDERS' EQUITY
YEARS ENDED DECEMBER 31, 2012 AND 2011

	Common Stock		Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive (Loss) Income	Treasury Stock		Total Stockholders' Equity
	Shares	Amount				Shares	Amount	
Balance as of December 31, 2010	5,346,080	$ 5,346	$11,468,997	$ (2,749,920)	$ 187,407	1,339,661	$(1,078,963)	$ 7,832,867
Unrealized loss on investments	—	—	—	—	(196,375)	—	—	(196,375)
Net income (As Restated)	—	—	—	131,295	—	—	—	131,295
Balance as of December 31, 2011 (As Restated)	5,346,080	$ 5,346	$11,468,997	$ (2,618,625)	$ (8,968)	1,339,661	$(1,078,963)	$ 7,767,787
Unrealized gain on investments	—	—	—	—	10,140	—	—	10,140
Net income	—	—	—	579,885	—	—	—	579,885
Balance as of December 31, 2012	5,346,080	$ 5,346	$11,468,997	$ (2,038,740)	$ 1,172	1,339,661	$(1,078,963)	$ 8,357,812

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

WIRELESS XCESSORIES GROUP, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2012 AND 2011

	2012	2011 (As Restate d)
Operating activities		
Net income	$ 579,885	$ 131,295
Adjustments to reconcile net income to net cash utilized in operating activities:		
Depreciation and amortization	106,260	143,768
Bad debt expense	165,120	215,783
Inventory reserve	839,546	422,685
Deferred income taxes	(55,130)	41,852
Changes in operating assets and liabilities:		
Accounts receivable	(2,390,698)	(854,495)
Inventories	(2,398,589)	(1,415,654)
Prepaid expenses and other assets	(619,920)	499,321
Prepaid income taxes	—	154,337
Other long-term assets	1,973	(7,001)
Accounts payable and accrued expenses	1,154,720	(107,844)
Income taxes payable	342,663	95,676
Net cash utilized in operating activities	(2,274,170)	(680,277)
Investing activities		
Purchases of available-for-sale securities	(291,254)	(279,128)
Sales of available-for-sale securities	1,870,148	1,223,742
Acquisition of property and equipment	(28,000)	(66,198)
Issuance of notes receivable from vendors	—	(300,000)
Collection of notes receivable from vendors	176,950	220,000
Net cash provided by investing activities	1,727,844	798,416
Net (decrease) increase in cash and cash equivalents	(546,326)	118,139
Cash and cash equivalents at beginning of year	891,528	773,389
Cash and cash equivalents at end of year	$ 345,202	$ 891,528
Supplemental cash flow disclosures		
Income taxes paid	$ 75,000	$ —
Non-cash investing and financing activities		
Disposal of fully depreciated property and equipment	$ —	$ 244,000

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

WIRELESS XCESSORIES GROUP, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 201 1

1. ORGANIZATION AND BUSINESS

Wireless Xcessories Group, Inc. (the "Company") is a leading provider of cell phone accessories to dealers, distributors, retailers, agents and airtime carriers throughout the United States and Canada. The Company provides a variety of product lines designed to appeal to the widest spectrum of wholesale buyers.

The Company also supports its customers with a wide assortment of value added services, including customized retail packaging, displays, marketing, sales training materials and free e-commerce websites.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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.

Cash and cash equivalents

The Company considers all highly liquid instruments with original maturities of three months or less to be cash equivalents.

Revenue recognition

Revenue is recognized at the time goods are shipped, title has passed, evidence of an arrangement exists, the fee is fixed or determinable, and collectability is reasonably assured.

Accounts receivable

Accounts receivable are stated at the amounts management expects to collect. An allowance for doubtful accounts is recorded based on a combination of historical experience, aging analysis and information on specific accounts. Account balances are written off against the allowance after all means of collection have been exhausted and the potential for recovery is considered remote.

Investments

Securities investments that the Company has the intent to hold to maturity are classified as held-to-maturity securities and recorded at amortized cost in investments. Securities investments that are bought and principally held for the purpose of selling them in the near term are classified as trading securities. Trading securities are recorded at fair value on the balance sheet in investments, with the change in fair value during the period recorded in earnings. Securities investments not classified as either held-to-maturity or trading securities are classified as available-for-sale securities. Available-for-sale securities are recorded at fair value on the balance sheet in investments, with the change in fair value during the period excluded from earnings and recorded as a component of other comprehensive income.

The Company's investment holdings consist of mutual funds which are classified as available-for-sale securities. For the years ended December 31, 2012 and 2011, there was an unrealized gain (loss) on available-for-sale securities of $10,140 and ($196,375), respectively, which was recorded as a component of other comprehensive income (loss) within the accompanying Statement s of Stockholders' E quity.

WIRELESS XCESSORIES GROUP, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Inventories

Inventories, which consist solely of finished goods, are carried at the lower of cost (first-in, first-out) or market. The Company periodically reviews its inventories and makes provisions as necessary for estimated obsolescence and slow-moving goods. The amount of such markdown is equal to the difference between cost of inventory and the estimated market value based upon assumptions about future demands, selling prices and market conditions. As of December 31, 2012 and 2011, the Company's reserve for inventory excess and obsolescence was $190,452 and $197,537, respectively.

Property and equipment

Property and equipment are stated at cost less accumulated depreciation and amortization . The Company provides for depreciation and amortization based upon the estimated useful lives of the assets. The estimated useful lives for financial reporting purposes are: 3 to 7 years for furniture and fixtures; the shorter of the lease term or estimated useful life of the asset for leasehold improvements; and 2 to 5 years for computer equipment and software. Expenditures for repairs and maintenance are expensed as incurred.

Treasury stock

Shares of common stock repurchased are recorded at cost as treasury stock.

Comprehensive income (loss)

Comprehensive income (loss) represents the total of net income plus the change in unrealized gains (losses) on investments classified as available-for-sale. Comprehensive income (loss) for the years ended December 31, 2012 and 2011 is included in the S tatements of O perations and C omprehensive I ncome (Loss) . An analysis of the changes in components of other comprehensive income (loss) for the years ended December 31, 2012 and 2011 are as follows:

	2012	2011 (As Restated)
Net income	$ 579,885	$ 131,295
Other comprehensive income (loss) :		
Unrealized gain (loss) on available-for-sale investments	770	(234,375)
Less: reclassification for gains included in net income	9,370	38,000
Other comprehensive income (loss)	10,140	(196,375)
Comprehensive income (loss)	$ 590,025	$ (65,080)

As of December 31, 2012 and 2011, accumulated other comprehensive income (loss) of $1,172 and $(8,968), respectively, consisted solely of unrealized gains (losses) on investments classified as available-for-sale.

Stock based compensation

The Company recognizes all share based payments, including grants to employees of common stock options, as an expense based on fair values of the grants measured on award dates, generally using the Black- Scholes valuation model, over vesting periods of such grants and net of an estimated forfeiture rate for grants to employees. The Company estimates the expected life of options granted based on historical exercise patterns and volatility based on trading patterns of its common stock over a period similar to vesting period s of the grants.

WIRELESS XCESSORIES GROUP, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

No stock based compensation expense was recorded for the years ended December 31, 2012 and 2011 as all options were fully vested as of January 1, 2011.

Shipping and handling

Shipping and handling costs of $2,277,292 and $1,834,892 are included in cost of goods sold i n the accompanying S tatements of O perations and Comprehensive Income (Loss) for the years ended December 31, 2012 and 2011, respectively.

Advertising costs

Advertising costs, which are expensed as incurred, totaled approximately $192, 000 and $158, 000 for the years ended December 31, 2012 and 2011, respectively , and are included in selling expense in the accompanying Statement s of Operations and Comprehensive Income (Loss) .

Income taxes

The Company uses the asset and liability method of accounting for income taxes under which, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts and the tax bases of existing assets and liabilities. Deferred tax assets and liabilities are measured using enacted tax rates in effect for the year in which these temporary differences are expected to be recovered or settled. The effect on deferred tax assets or liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. A valuation allowance against deferred tax assets is provided when it is more likely than not that the deferred tax asset will not be fully realized.

For the years ended December 31, 2012 and 2011, the Company did not identify any uncertain tax positions taken or expected to be taken in an income tax return that would require adjustment to or disclosure in its financial statements. With few exceptions, Federal and state tax returns for years prior to 200 9 are no longer subject to examination by tax authorities.

The Company reports accrued interest and penalties, if any, related to uncertain tax positions as a component of income tax expense. There were no interest or penalties accrued by the Company or assessed by income taxing authorities as of and for the years ended December 31, 2012 and 2011.

Earnings per share

Basic earnings per share (“EPS”) is computed using the weighted average number of common shares outstanding for the period while diluted EPS is computed assuming conversion of all dilutive securities such as stock options.

Included below is a reconciliation of weighted average common shares for the basic and diluted EPS computations:

	2012	2011
Weighted average shares outstanding – basic	4,006,419	4,006,419
Add: dilutive effect of stock options	—	29,920
Weighted average shares outstanding – diluted	4,006,419	4,036,339

Stock options to purchase 17,281 and 27,361 shares of common stock were not included in the computation of diluted EPS for 2012 and 2011, respectively, as the effects of these instruments were determined to be anti-dilutive.

WIRELESS XCESSORIES GROUP, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Segment information

The Company is organized and operates as one reporting segment wherein the Company provides cell phone accessories to dealers, distributors, retailers, agents and airtime carriers. In accordance with ASC 280, "Segment Reporting", the chief operating decision-maker has been identified as the Chief Executive Officer, who reviews operating results to make decisions about allocating resources and assessing performance for the entire Company. Since the Company operates in one segment and provides one group of similar products, all financial segment and product line information required by ASC 280 can be found in these financial statements.

Recently Adopted and Issued Accounting Standards

In May 2011, the FASB issued ASU No. 2011- 0 4, "Amendments to Achieve Common Fair Value Measurements and Disclosure Requirements in U.S. GAAP and IFRS," which converges fair value measurement and disclosure guidance in U.S. GAAP with fair value measurement and disclosure guidance issued by the International Accounting Standards Board ("IASB"). The amendments in the authoritative guidance do not modify the requirements for when fair value measurements apply. The amendments generally represent clarifications on how to measure and disclose fair value under ASC 820, "Fair Value Measurement." ASU 2011-04 is effective for fiscal years and interim periods beginning after December 15, 2011, with early adoption not permitted. The adoption of the provisions of ASU No. 2011- 0 4 did not have a material impact on the Company's financial statements.

In June 2011, the FASB issued ASU 2011-05 "Presentation of Comprehensive Income," which requires an entity to present the total of comprehensive income, the components of net income, and the components of other comprehensive income either in a single continuous statement of comprehensive income, or in two separate but consecutive statements. ASU 2011-05 eliminates the option to present components of other comprehensive income as part of the statement of equity. ASU 2011-05 is effective for fiscal years beginning on or after December 15, 2011 and interim periods within those years. As this new guidance is related to presentation only, the implementation in 2012 did not have a material impact on the Company's results of operations, financial position or cash flows.

In October 2012, the FASB issued ASU 2012-04 "Technical Corrections and Improvements," which makes certain technical corrections and improvements and conforming amendments related to fair value measurements. The amendments represent changes to clarify, correct unintended application of, or make minor improvements to the FASB Accounting Standards Codification that are not expected to have a significant effect on current accounting practice. ASU 2012-04 is effective for fiscal periods beginning after December 15, 2012. The implementation of this guidance is not expected to have a material impact on the Company's financial statements.

In February 2013, the FASB issued ASU No. 2013-02, "Comprehensive Income (Topic 220) — Reporting Amounts Reclassified Out of Accumulated Other Comprehensive Income," which requires an entity to report the effect of significant reclassifications out of accumulated other comprehensive income on the respective line items in net income if the amount being reclassified is required under U.S. GAAP to be reclassified in its entirety in the same reporting period. ASU 2013-02 is effective for fiscal periods beginning after December 15, 2012. The implementation of this guidance is not expected to have a material impact on the Company's financial statements.

WIRELESS XCESSORIES GROUP, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011

3. RESTATEMENT

The accompanying financial statements as of and for the year ended December 31, 2011 have been restated to fully reserve a vendor note receivable in the amount of $200,000 that was determined to be uncollectible as of December 31, 2011 (see Note 7). The Company's previously issued financial statements as of and for the year ended December 31, 2011 included a reserve of $82,000 against this note receivable which was included in the accounts receivable allowance for doubtful accounts. As a result of the restatement, the Company reclassified $82,000 of its allowance for doubtful accounts against the vendor note receivable balance and recorded additional general and administrative expense of $118,000 to fully reserve the remaining balance of the vendor note receivable. The Company's 2011 income tax provision was also adjusted for the impact of this restatement. The effect of the restatement was to decrease net income by $70,800 ($0.02 per share) for the year ended December 31, 2011. The effects of the restatement on the balance sheet, statement of operations and comprehensive income (loss) and statement of cash flows as of and for the year ended December 31, 2011 are summarized below:

	As Previously Reported	Adjustments	As Restated
Balance Sheet as of December 31, 2011			
Accounts receivable, net	$ 2,470,404	$ 82,000	$ 2,552,404
Deferred income taxes, current	252,110	47,200	299,310
Notes receivable from vendors	480,000	(200,000)	280,000
Total assets	10,335,346	(70,800)	10,264,546
Accumulated deficit	(2,547,825)	(70,800)	(2,618,625)
Total Stockholders' equity	7,838,587	(70,800)	7,767,787
Statement of Operations and Comprehensive Income (Loss) for the year ended December 31, 2011			
General and administrative	$ 4,019,732	$ 118,000	$ 4,137,732
Income tax expense	150,291	(47,200)	103,091
Net income	202,095	(70,800)	131,295
Comprehensive income (loss)	5,720	(70,800)	(65,080)
Earnings per share – Basic and Diluted	0.05	(0.02)	0.03
Statement of Cash Flows for the year ended December 31, 2011			
Net income	$ 202,095	$ (70,800)	$ 131,295
Bad debt expense	97,783	118,000	215,783
Deferred income taxes	89,052	(47,200)	41,852
Accounts receivable	(654,495)	(200,000)	(854,495)
Notes receivable from vendors	(280,000)	200,000	(80,000)

WIRELESS XCESSORIES GROUP, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011

4 . PROPERTY AND EQUIPMENT

Property and equipment consists of the following, as of December 31:

	December 31, 2012	December 31, 2011
Furniture and fixtures	$ 32,914	$ 32,914
Leasehold improvements	35,194	35,194
Computer equipment and software	603,050	575,050
	671,158	643,158
Less – Accumulated depreciation and amortization	(402,233)	(295,974)
	$ 268,925	$ 347,184

Depreciation and amortization expense was $106,260 and $143,768 for the years ended December 31, 2012 and 2011, respectively. The Company disposed of fully depreciated property and equipment in the amount of $0 and $244,030 for the years ended December 31, 2012 and 2011, respectively.

5 . STOCKHOLDERS' EQUITY

Preferred stock

The Board of Directors of the Company, without authorization by the common stockholders, is authorized to issue shares of preferred stock in one or more series and, within certain limitations, to determine the voting rights (including the right to vote as a series on particular matters), preferences as to dividends and in liquidation, conversion, redemption, and other rights of each such series.

The Board of Directors may issue series with rights more favorable with respect to dividends, liquidation and voting than those held by the holders of any class of common stock.

Common stock and dividends

The Company did not declare or pay any dividends in either 201 2 or 201 1 .

Treasury stock

The Company did not purchase any shares in either 201 2 or 201 1 .

Stock options

Under the now expired 1995 Stock Option Plan, as amended, the Company was approved to grant an aggregate of 1,000,000 options to officers, key employees, directors and independent consultants. Option grants were authorized by the Board of Directors or a Stock Option Committee appointed by the Board of Directors . No options have been granted since 2005 and all options outstanding are currently exercisable. There was no stock based compensation expense incurred for the years ended December 31, 2012 and 2011. At December 31, 2012 and 2011, there were no stock options available for grant.

WIRELESS XCESSORIES GROUP, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011

5. STOCKHOLDERS' EQUITY (Continued)

A summary of activity under the Stock Option Plan for 2012 and 2011 follows:

	2012			2011		
Options	Shares	Weighted Average Exercise Price	Aggregate Intrinsic Value	Shares	Weighted Average Exercise Price	Aggregate Instrinsic Value
Outstanding at beginning of the year	57,281	$ 1.27		97,281	$ 0.91	
Cancelled	(40,000)	$ 0.28		(40,000)	$ 0.38	
Outstanding at the end of the year	17,281	$ 3.58	$ —	57,281	$ 1.27	$ 18,800
Exercisable at the end of the year	17,281	$ 3.58	$ —	57,281	$ 1.27	$ 18,800

The following table summarizes the status of the Company's stock options outstanding and exercisable at December 31, 2012:

	Stock Options Outstanding			Stock Options Exercisable	
Exercise Prices	Shares	Weighted Average Remaining Life (Yrs)	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
$2.06	7,281	2.0	$ 2.06	7,281	$ 2.06
$4.68	10,000	3.0	$ 4.68	10,000	$ 4.68
Total at December 31, 2012	17,281	2.6	$ 3.58	17,281	$ 3.58

6 . FAIR VALUE OF FINANCIAL INSTRUMENTS

Effective January 1, 2008, the Company adopted the guidance under FASB Accounting Standards Codification (ASC) 820-10, which establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels:

Level 1: Inputs are quoted prices in active markets for identical assets or liabilities.

Level 2: Inputs are quoted prices for similar assets or liabilities in an active market, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable and market-corroborated inputs which are derived principally from or corroborated by observable market data.

Level 3: Inputs are derived from valuation techniques in which one or more significant inputs or value drivers are unobservable.

The Company uses appropriate valuation techniques based on the available inputs to measure the fair value of its investment portfolio. When available, the Company measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value.

The following is a description of the valuation methodologies used for assets measured at fair value on a recurring basis as of December 31, 2012 and 2011:

Level 1 Fair Value Measurements

Mutual funds are valued based on quoted net asset values of the shares held by the Company at year-end. Money market funds are valued based on quoted prices in active markets for identical assets.

WIRELESS XCESSORIES GROUP, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011

6. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

The following table sets forth by level, within the fair value hierarchy, the Company's assets recorded at fair value on a recurring basis as of December 31:

	2012	
	Level 1	Total
Investments available-for-sale:		
Mutual funds:		
Money market funds	$ 1,725	$ 1,725
Fixed income funds	6,950	6,950
Total	$ 8,675	$ 8,675

	2011	
	Level 1	Total
Investments available-for-sale:		
Mutual funds:		
Money market funds	$ 43,512	$ 43,512
Equity funds	264,700	264,700
Balanced funds	61,614	61,614
Fixed income funds	1,192,173	1,192,173
Sector funds	15,430	15,430
Total	$ 1,577,429	$ 1,577,429

There were no liabilities that were recorded at fair value on a recurring basis as of December 31, 2012 and 2011. There were no assets or liabilities that were recorded at fair value on a non-recurring basis as of December 31, 2012 and 2011.

Fair value of financial instruments not measured at fair value on a recurring basis : The carrying amount of cash, accounts receivable, notes receivable from vendors, and accounts payable are considered representative of their respective fair values because of the short-term nature of these financial instruments.

7 . NOTES RECEIVABLE FROM VENDORS

In March 2010, the Company lent a vendor $200,000 in exchange for a promissory note. The note require s monthly interest only payments with an interest rate of 3% per month. Outstanding principal and any unpaid accrued interest is payable on demand. As a result of the vendor experiencing financial difficulties, the Company modified this promissory note in 2011 to reflect a change in the monthly interest payment. Interest payments were reduced from $6,000 per month to $1,500 per month beginning in August 2011. The Company recorded interest income on this note in the amount of $43,500 for the year ended December 31, 2011. Since the vendor was experiencing financial difficulties , the Company fully reserved the $200,000 outstanding principal balance on the note as of December 31, 2011. In 2012, the vendor declared bankruptcy, thus the note receivable remains fully reserved as of December 31, 2012.

In March 2011, the Company entered into a revolving note receivable agreement with another vendor whereby the vendor could borrow up to $300,000 from the Company up to one-year from date of the first advance. The revolving note is collateralized by certain vendor inventory held by the Company. This agreement is automatically renewable after the one-year term date unless either party gives at least

WIRELESS XCESSORIES GROUP, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011

7. NOTES RECEIVABLE FROM VENDORS (Continued)

thirty day(s) notice of cancellation prior to the one-year term date. The agreement required monthly interest only payments, with an interest rate of 0.75% per week. In December 2011, the agreement was modified to cease the accrual of interest and to require principal only payments of $10,000 each month, beginning January 2012. Additionally, at the discretion of the vendor, inventory held as collateral may be sold with the proceeds reducing the outstanding principal balance on the note. As of December 31, 2012 and 2011, the outstanding balance on the revolving note was $103,050 and $280,000, respectively. The Company recorded interest income of $67,050 on this note for the year ended December 31, 2011.

8 . INCOME TAXES

Significant components of the income tax provision were as follows for the years ended December 31, 2012 and 2011:

	2012	2011 (As Restated)
Current:		
Federal	$ 345,820	$ 38,166
State	97,545	23,073
	443,365	61,239
Deferred:		
Federal	(39,028)	31,912
State	(16,102)	9,940
	(55,130)	41,852
Income tax provision	$ 388,235	$ 103,091

The tax effects of temporary differences that give rise to deferred tax assets and deferred tax liabilities consisted of the following at December 31, 2012 and 2011:

	2012		2011 (As Restated)	
	Current	Noncurrent	Current	Noncurrent
Deferred income tax assets:				
Goodwill	$ 27,500	$ 35,580	$ 27,500	$ 60,090
Accrued officers compensation	11,400	—	11,400	—
Inventory	141,812	—	119,663	—
Allowance for doubtful accounts	30,989	—	106,485	—
Sales allowances	147,598	—	34,262	—
	359,299	35,580	299,310	60,090
Deferred income tax liabilities:				
Depreciation and amortization	—	70,759	—	90,410
Net deferred income tax assets (liabilities)	$ 359,299	$ (35,179)	$ 299,310	$ (30,320)

In 2012 and 2011, management determined that a valuation allowance was not required to offset any of the balances in its deferred tax assets totaling $359,299 and $299, 310 , respectively.

WIRELESS XCESSORIES GROUP, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011

8. INCOME TAXES (Continued)

The effective income tax rate varied from the U.S. Federal statutory tax rate as follows:

	2012	2011 (As Restated)
Statutory income tax rate	34.0%	34.0%
State income taxes, net of Federal tax benefit	6.3	9.2
Meals and entertainment	0.1	5.0
Other	(0.4)	(4.2)
Effective tax rate	40.0%	44.0%

9 . COMMITMENTS AND CONTINGENCIES

Operating leases

The Company leases its corporate headquarters and warehouse distribution center under a non-cancelable operating lease which expires on April 30, 2014. A 3% escalation charge will occur in the fifth year of the lease (May 2013).

Future minimum lease payments under the non-cancelable operating lease are as follows:

Years Ending December 31,	Amount
2013	$ 464,243
2014	156,265
Total	$ 620,508

Rent expense for all operating leases for the years ended December 31, 2012 and 2011 was approximately $4 30 ,000 and $425,000, respectively.

Litigation

The Company is, from time to time, party to litigation arising in the normal course of its business. The Company believes that it is not a party to any material litigation which could reasonably be expected to have a material adverse affect on its financial statements.

10 . RETIREMENT PLANS

The Company has a 401(k) profit sharing plan for all full-time employees. The Company, at its discretion, may make matching contributions and/or bonus contributions . In 2012 and 2011, the Company elected to make a matching contribution of 2% of employee's contributions. For the years ended December 31, 2012 and 2011, employer contributions to the 401(k) profit sharing plan were approximately $1,754 and $724, respectively.

11 . CONCENTRATIONS OF RISK

Cash and cash equivalents

The Company's cash and cash equivalents are maintained at various banks and financial institutions. Cash and cash equivalents are insured by the Federal Deposit Insurance Corporation ("FDIC") subject to certain limitations. At times, the Company's cash and cash equivalent balances may exceed the FDIC insured limits. The Company mitigates this risk by only depositing funds with major financial institutions and has not experienced any losses from maintaining cash and cash equivalent accounts in excess of federally insured limits.

WIRELESS XCESSORIES GROUP, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011

11. CONCENTRATIONS OF RISK (Continued)

Significant customers

For the years ended December 31, 2012 and 2011, the percentage of the Company's revenue derived from customers with an excess of 10% of total revenue was as follows:

Customer	2012	2011
Company A	18%	17%
Company B	13%	*
Company C	11%	*

* Customer account balances did not exceed 10% of total revenues.

As of December 31, 2012 and 2011, customers with accounts receivable balances in excess of 10% of total accounts receivable was as follows:

Customer	2012	2011
Company A	33%	34%
Company B	28%	*

* Customer accounts balances did not exceed 10% of total accounts receivable.

Inventory purchases

For the years ended December 31, 2012 and 2011, the Company procured approximately 6% and 18%, respectively of inventory purchases from the Far East. One foreign vendor accounted for 4% and 9% of total purchases during 2012 and 2011, respectively. One domestic vendor accounted for 63% and 33%, of total purchases during 2012 and 2011 respectively. This domestic vendor agreement expires on December 31, 2013, unless the C ompany is able to reach a new agreement or extend the existing agreement with the vendor.

12 . SUBSEQUENT EVENTS

In January 2013, the Company entered into an agreement with a bank by executing a Revolving Term Note that expires on January 15, 2014 unless extended in writing by the bank. The facility provides for borrowings of up to $2,000,000 for working capital purposes and bears interest at a per annum rate of 2.50% above the one-month London Interbank Offered Rate ("LIBOR"). The Revolving Term Note requires monthly interest payments only, with the outstanding principal balance and accrued interest due at the January 15, 2014 maturity date. The facility is collateralized by a perfected security interest in all assets of the Company and requires the Company to comply with quarterly net worth and q uick r atio financial covenants as defined in the Loan and Security Agreement.

WIRELESS XCESSORIES GROUP, INC.
CONDENSED BALANCE SHEETS
MARCH 31, 2013 AND DECEMBER 31, 2012

	March 31, 2013 (Unaudited)	December 31, 2012
ASSETS		
Current assets		
Cash and cash equivalents	$ 30,108	$ 345,202
Investments	7,816	8,675
Accounts receivable, net of allowance for doubtful accounts of $88,598 and $84,652 respectively	3,461,066	4,777,982
Inventories, net of reserves for obsolescence of $241,815 and $190,452 respectively	4,046,915	4,379,022
Prepaid expenses and other current assets	2,061,008	2,070,400
Notes receivable from vendor	73,050	103,050
D eferred income taxes	354,620	359,299
Total current assets	10,034,583	12,043,630
Property and equipment, net	245,532	268,925
Other assets	44,258	44,258
Total assets	$ 10,324,373	$ 12,356,813
LIABILITIES AND STOCKHOLDERS ' EQUITY		
Current liabilities		
Accounts payable	$ 1,145,353	$ 3,149,821
Accrued payroll and related benefits	66,509	120,144
Income taxes payable	193,683	438,339
Revolving line of credit	200,000	—
Other accrued expenses	285,915	255,518
Total current liabilities	1,891,460	3,963,822
Deferred income tax liability	41,307	35,179
Stockholders ' equity		
Preferred stock, par value $.001, 1,000,000 shares authorized, no shares issued or outstanding	—	—
Common stock, par value $.001, 10,000,000 shares authorized, 5,346,080 issued, and 4,006,419 outstanding at March 31, 2013 and December 31, 2012, respectively	5,346	5,346
Additional paid-in capital	11,468,997	11,468,997
Accumulated deficit	(2,004,087)	(2,038,740)
Accumulated other comprehensive income	313	1,172
Treasury stock, at cost, 1,339,661 shares at March 31, 2013 and December 31, 2012 shares, respectively	(1,078,963)	(1,078,963)
Total stockholders ' equity	8,391,606	8,357,812
Total liabilities and stockholders ' equity	$ 10,324,373	$ 12,356,813

See the accompanying notes to these condensed financial statements.

WIRELESS XCESSORIES GROUP, INC.
CONDENSED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME
QUARTERS ENDED MARCH 31, 2013 AND 2012 (Unaudited)

	2013	2012
Net sales	$ 8,549,038	$ 7,903,235
Cost of goods sold	6,800,268	6,176,784
Gross profit	1,748,770	1,726,451
Operating expenses		
Selling expenses	547,992	500,659
General and administrative	1,115,746	981,527
Depreciation expense	23,393	36,079
Total operating expenses	1,687,131	1,518,265
Income (loss) from operations	61,639	208,186
Other income (expense)		
Dividend income	73	16,066
Realized gains on investments	—	23,841
Interest (expense) income	(918)	6,215
Total other income (expense)	(845)	46,122
Income before income taxes	60,794	254,308
Income tax expense	26,141	109,781
Net income	$ 34,653	$ 144,527
Other comprehensive income:		
Unrealized (loss) gain on available-for-sale investments	(859)	87,518
Comprehensive income	$ 33,794	$ 232,045
Earnings per common share – Basic and Diluted	$ 0.01	$ 0.04
Weighted average number of common shares outstanding – Basic and Diluted	4,006,419	4,006,419

See the accompanying notes to these condensed financial statements.

WIRELESS XCESSORIES GROUP, INC.
CONDENSED STATEMENT OF CASH FLOWS
QUARTERS ENDED MARCH 31, 2013 AND 2012 (U naudited)

	2013	2012
Net cash used in operating activities	$ (545,094)	$ (362,741)
Investing activities		
Sales of available-for-sale securities	—	361,881
Purchases of available-for-sale securities	—	(123,164)
Acquisition of property and equipment	—	(5,210)
Collection of note receivable from vendor	30,000	86,950
Net cash provided by investing activities	30,000	320,457
Financing activities		
Borrowings under line of credit, net of repayments	200,000	—
Net cash provided by financing activities	200,000	—
Net decrease in cash and cash equivalents	(315,094)	(42,284)
Cash and cash equivalents at beginning of year	345,202	891,528
Cash and cash equivalents at end of period	$ 30,108	$ 849,244

See the accompanying notes to these condensed financial statements.

WIRELESS XCESSORIES GROUP, INC.
NOTES TO CONDENSED FINANCIAL STATEMENTS (Unaudited)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

We have prepared these unaudited condensed financial statements based on Securities and Exchange Commission ("SEC") rules that permit reduced disclosure for interim periods. These financial statements include all adjustments that are necessary for a fair presentation of our results of operations, financial condition and cash flows for the periods shown, including normal, recurring accruals and other items. The results of operations for the interim periods presented are not necessarily indicative of results for the full year.

The year-end condensed balance sheet was derived from audited financial statements but does not include all disclosures required by generally accepted accounting principles in the United States ("U.S. GAAP"). For a more complete discussion of our accounting policies and certain other information, refer to our audited financial statements included in this Form 10.

Comprehensive income

Comprehensive income represents the total of net income plus the change in unrealized gains (losses) on investments classified as available-for-sale. Comprehensive income for the three months ended March 31, 2013 and 2012 is included in the statements of operations and comprehensive income. An analysis of the changes in components of other comprehensive income for the years ended March 31, 2013 and 2012 are as follows:

	2013	2012
Net income	$ 36,432	$ 144,527
Other comprehensive (loss) income:		
Unrealized (loss) gain on available-for-sale investments	(859)	111,359
Less: reclassification for gains included in net income	—	23,841
Other comprehensive (loss) income	(859)	87,518
Comprehensive income	$ 35,573	$ 232,045

As of March 31, 2013 and December 31, 2012, accumulated other comprehensive income of $313 and $1,172, respectively, consisted solely of unrealized gains (losses) on investments classified as available-for-sale.

Earnings per share

Basic earnings per share ("EPS") is computed using the weighted average number of common shares outstanding for the period while diluted EPS is computed assuming conversion of all dilutive securities such as stock options. The amounts reported for the basic and dilutive earnings per share, for the three months ended March 31, 2013 and 2012, were the same as all potentially dilutive securities, consisting of 17,281 stock options, were determined to be anti-dilutive.

Income Taxes

The Company calculates its interim tax provision in accordance with the provisions of ASC 740-270 "Income Taxes — Interim Reporting." For each interim period the Company estimates its annual effective income tax rate and applies the estimated rate to its year-to-date income or loss before income taxes. The Company also computes the tax provision or benefit related to items separately reported, such as discontinued operations, and recognizes the items net of their related tax effect in the interim periods in which they occur. The Company also recognizes the effect of changes in enacted tax laws or rates in the interim periods in which the changes occur. For the three months ended March 31, 2013 and March 31, 2012, the effective income tax rate was 43%.

WIRELESS XCESSORIES GROUP, INC.
NOTES TO CONDENSED FINANCIAL STATEMENTS (Unaudited)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently adopted and issued Accounting Standards

In October 2012, the FASB issued ASU 2012-04 "Technical Corrections and Improvements," which makes certain technical corrections and improvements and conforming amendments related to fair value measurements. The amendments represent changes to clarify, correct unintended application of, or make minor improvements to the FASB Accounting Standards Codification that are not expected to have a significant effect on current accounting practice. ASU 2012-04 is effective for fiscal periods beginning after December 15, 2012. The implementation of this guidance did not have a material impact on the Company's financial statements.

In February 2013, the FASB issued ASU No. 2013-02, "Comprehensive Income (Topic 220) — Reporting Amounts Reclassified Out of Accumulated Other Comprehensive Income," which requires an entity to report the effect of significant reclassifications out of accumulated other comprehensive income on the respective line items in net income if the amount being reclassified is required under U.S. GAAP to be reclassified in its entirety in the same reporting period. ASU 2013-02 is effective for fiscal periods beginning after December 15, 2012. The implementation of this guidance did not have a material impact on the Company's financial statements.

2. PROPERTY AND EQUIPMENT

Property and equipment consists of the following:

	March 31, 2013	December 31, 2012
Furniture and fixtures	$ 32,914	$ 32,914
Leasehold improvements	35,194	35,194
Computer e quipment and s oftware	603,050	603,050
	671,158	671,158
Less – Accumulated depreciation and amortization	(425,626)	(402,233)
	$ 245,532	$ 268,925

3. FAIR VALUE OF FINANCIAL INSTRUMENTS

The Company adopted the guidance under FASB Accounting Standards Codification (ASC) 820-10, which establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels:

Level 1: Inputs are quoted prices in active markets for identical assets or liabilities.

Level 2: Inputs are quoted prices for similar assets or liabilities in an active market, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable and market-corroborated inputs which are derived principally from or corroborated by observable market data.

Level 3: Inputs are derived from valuation techniques in which one or more significant inputs or value drivers are unobservable.

The Company uses appropriate valuation techniques based on the available inputs to measure the fair value of its investment portfolio. When available, the Company measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value.

The following is a description of the valuation methodologies used for assets measured at fair value on a recurring basis as of March 31, 2013 and December 31, 2012:

WIRELESS XCESSORIES GROUP, INC.
NOTES TO CONDENSED FINANCIAL STATEMENTS (Unaudited)

3. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

Level 1 Fair Value Measurements

Mutual funds are valued based on quoted net asset values of the shares held by the Company at year-end. Money market funds are valued based on quoted prices in active markets for identical assets.

The following table sets forth by level, within the fair value hierarchy, the Company's assets recorded at fair value on a recurring basis :

	March 31, 2013	
	Level 1	Total
Investments available-for-sale:		
Mutual funds:		
Money market funds	$ 989	$ 989
Fixed income funds	6,827	6,827
Total	$ 7,816	$ 7,816

	December 31, 2012	
	Level 1	Total
Investments available-for-sale:		
Mutual funds:		
Money market funds	$ 1,725	$ 1,725
Fixed income funds	6,950	6,950
Total	$ 8,675	$ 8,675

There were no liabilities that were recorded at fair value on a recurring basis as of March 31, 2013 and December 31, 2012. There were no assets or liabilities that were recorded at fair value on a non-recurring basis as of March 31, 2013 and December 31, 2012.

Fair value of financial instruments not measured at fair value on a recurring basis : The carrying amount of cash, accounts receivable, notes receivable from vendor, and accounts payable are considered representative of their respective fair values because of the short-term nature of these financial instruments. The carrying value of the revolving line of credit approximates fair value due to the interest rates and other terms currently available to the Company for similar debt instruments.

4. NOTES RECEIVABLE FROM VENDORS

In March 2011, the Company entered into a revolving note receivable agreement with a vendor whereby the vendor could borrow up to $300,000 from the Company up to one-year from date of the first advance. The revolving note is collateralized by certain vendor inventory held by the Company. This agreement is automatically renewable after the one-year term date unless either party gives at least thirty days notice of cancellation prior to the one-year term date. The agreement required monthly interest only payments, with an interest rate of 0.75% per week. In December 2011, the agreement was modified to cease the accrual of interest and to require principal only payments of $10,000 each month, beginning January 2012. Additionally, at the discretion of the vendor, inventory held as collateral may be sold with the proceeds reducing the outstanding principal balance on the note. As of March 31, 2013 and December 31, 2012, the outstanding balance on the revolving note was $73,050 and $103,050, respectively.

5. LINE OF CREDIT

On January 15, 2013, the Company entered into a Loan and Security Agreement and other ancillary documents (the "Loan Documents") with a bank, providing for a secured revolving line of credit in an amount of up to $2,000,000 (the "Line of Credit"). The outstanding balance of the amounts advanced under the Line of Credit bear interest at 2.5% above the one month LIBOR Rate as defined in the Loan

WIRELESS XCESSORIES GROUP, INC.
NOTES TO CONDENSED FINANCIAL STATEMENTS (Unaudited)

5. LINE OF CREDIT (Continued)

Documents (2.7% at March 31, 2013) . Interest is payable by the Company to the bank on a monthly basis. The Line of Credit and the Company's obligations under the Loan Documents are secured by substantially all of the Company's assets. The term of the Line of Credit is one year (January 15, 2014). At the time of maturity, all outstanding advances under the Line of Credit as well as any unpaid interest is due and payable. Prior to maturity of the Line of Credit, the Company may prepay amounts due under the Line of Credit without penalty, and subject to the terms of the Loan Documents, may re-borrow any such amounts. The Loan Documents contain customary affirmative and negative covenants. As of March 31, 2013, $200,000 has been borrowed and $1,800,000 was available on the line.

The C ompany is required to comply with quarterly net worth and quick ratio financial covenants, as defined in the Loan and Security Agreement. The C ompany was in compliance with all financial covenants as of March 31, 2013.

6. CONCENTRATIONS OF RISK

Cash and cash equivalents

The Company's cash and cash equivalents are maintained at various banks and financial institutions. Cash and cash equivalents are insured by the Federal Deposit Insurance Corporation ("FDIC") subject to certain limitations. At times, the Company's cash and cash equivalent balances may exceed the FDIC insured limits. The Company mitigates this risk by only depositing funds with major financial institutions and has not experienced any losses from maintaining cash and cash equivalent accounts in excess of federally insured limits.

Significant customers

For the three months ended March 31, 2013 and 2012, the percentage of the Company's revenue derived from customers with an excess of 10% of total revenue was as follows:

Customer	2013	2012
Company A	23%	19%
Company B	16%	*

* Customer account balances did not exceed 10% of total revenues.

As of March 31, 2013 and December 31, 2012, customers with accounts receivable balances in excess of 10% of total accounts receivable was as follows:

Customer	2013	2012
Company A	35%	33%
Company B	25%	28%

Inventory purchases

For the three months ended March 31, 2013 and 2012, the Company procured approximately 16 % and 16 %, respectively of inventory purchases from the Far East. One foreign vendor accounted for 6 % and 6 % of total purchases during the three months ended March 31, 2013 and 2012, respectively. One domestic vendor accounted for 64 % and 47 %, of total purchases for the three months ended March 31, 2013 and 2012 respectively. This domestic vendor agreement expires on December 31, 2013, unless the company is able to reach a new agreement or extend the existing agreement with the vendor.

LEASE AGREEMENT

1. This Agreement (hereinafter called "the Lease"), made the day of February Two Thousand and Nine (2009) by and between 1830 Business Complex, LLC (hereinafter called "Landlord"), of the one part, and Wireless Xcessories Group, Inc., a Delaware corporation, (hereinafter called "Tenant"), of the other part.

2. WITNESSETH THAT Landlord does hereby demise and let unto Tenant part of that certain premises known as 1830 County Line Road, Huntingdon Valley, PA 19006 (that part being 65,012 square feet) in the Township of Upper Moreland, Commonwealth of Pennsylvania (hereinafter called the Leased Premises), to be used and occupied as office/warehouse and for no other purpose.

3. The term of the Lease shall be 5 years beginning the first day of May, 2009 and ending the thirtieth day of April, 2014.

4. (a) The minimum yearly rental shall be Four Hundred Fifty Five Thousand, One Hundred Forty and 20/100 Dollars ($455,140.20) lawful money of the United States of America, payable in monthly installments in advance during the term of the Lease, or any renewal hereof, in sums of Thirty Seven Thousand, Nine Hundred Twenty Eight and 35/100 Dollars ($37,928.35) per month on the first day of each month, rent to begin from the first day of May, 2009, the first full monthly installment together with the security deposit to be paid at the time of signing the Lease. If Tenant occupies the Leased Premises before the date stated above for the beginning of the term of the lease, the additional period shall be added to the term of the Lease at the beginning of the Lease, and the rental for such additional period shall be paid at the time of occupancy.

(b) The first rental payment during the occupancy of the Leased Premises shall be adjusted to pro-rate a partial month of occupancy, if any, at the inception of the Lease.

(c) Lessor agrees to abate any rental increase for a period of four years. Increase of 3% per annum shall be effective beginning with the first month of year five.

5. If Landlord is unable to give Tenant possession of the Leased Premises, as provided in the Lease, the Landlord shall not be liable in damages to the Tenant.

6 (a) Tenant agrees to pay as rent in addition to the minimum rental herein reserved any and all sums which may become due by reason of the failure of Tenant to comply with all of the provisions and covenants of the Lease and any and all damages, costs and expenses which the Landlord may suffer or incur by reason of refusal or failure of Tenant to comply with the provisions and covenants of the Lease, and each of them.

(b) Tenant further agrees to pay to Landlord as additional rent in addition to the minimum rental reserved herein its proportionate share of all increase or increases in fire and extended coverage insurance premiums upon the Leased Premises and/or building or buildings or real property of which the Leased Premises is a part, due to an increase in the rate of fire and extended coverage insurance in excess of the rate on the Leased Premises and/or building or buildings or real property of which the Leased Premises is a part, on the lease date set forth in paragraph 1 of the Lease, unless said increase is caused by any act or omission of the Landlord or another Tenant, their officers, agents, servants or employees, or by the nature of another Tenant's business. Tenant shall pay to Landlord the amount due hereunder within ten (10) days of the date of Landlord's written notice to Tenant of the amount of such increase in insurance premiums.

(c) Tenant further agrees to pay as additional rent in addition to the minimum rental herein reserved its proportionate share of all real estate taxes assessed or imposed upon the Leased Premises and/or building or buildings or real property of which the Leased Premises is a

part during the term of the Lease in excess of and over and above those assessed or imposed upon the Leased Premises and/or building or buildings or real property of which the Leased Premises is a part at the time of the Year 2000 tax bills . Tenant shall pay to Landlord the amount due hereunder within ten (10) days of the date of Landlord's written notice to Tenant of the amount of such taxes.

7. All rent shall be payable without prior notice or demand at the office of Landlord, Suite 213, 1840 County Line Road, Huntingdon Valley, PA 19006, or at such other places as Landlord may from time to time designate by notice of writing.

8. Tenant covenants and agrees that he will without demand:

(a) Pay the rent, and all other charges, payments, costs or expenses herein reserved as rent at the times and at the place that the same are payable, without fail; and if Landlord shall at any time or times accept said rent or charges after the same shall have become delinquent, such acceptance shall not excuse delay upon any subsequent occasion or occasions, or constitute or be construed as a waiver of any of Landlord's rights. Tenant agrees that any charge, payment, cost, expenses, or interest herein reserved, included, or agreed to be treated or collected as rent and/or any other charges, payments, costs, expenses, or interest herein agreed to be paid by Tenant may be proceeded for and recovered by Landlord by legal process in the same manner as rent due and in arrears.

(b) Tenant shall keep the heating, ventilation and air conditioning system clean and in good working order; and shall be responsible for any damage resulting from abuse or neglect by Tenant, its agents, servants or employees.

(c) At all times shall maintain the Leased Premises in good order and repair, including without limitation all improvements installed at the request of Tenant; and at the end of the lease term shall return the Leased Premises to the Landlord in the good order and repair as they

are at the beginning of the Lease, reasonable wear and tear and damage by fire and other casualty not caused by Tenant, its officers, agents, servants, employees, contractors, customers, guests, visitors or invitees alone excepted.

(d) Comply with any requirements of any of the constituted public authorities, and with the terms of any State or Federal statutes or local ordinances or governmental regulations applicable to Tenant or his use of the Leased Premises, and indemnify, hold harmless and defend Landlord from penalties, fines, costs or damages resulting from failure so to do.

(e) Use every reasonable precaution against fire and other casualty.

(f) Comply with existing rules and regulations of Landlord and additional rules and regulations hereinafter promulgated by Landlord.

(g) Peaceably deliver up and surrender possession of the Leased Premises to the Landlord at the expiration or sooner termination of the Lease, promptly delivering to Landlord at its office all keys for the Leased Premises.

(h) Give to Landlord prompt written notice of any accident, fire, or damage occurring on or to the Leased Premises.

(i) Tenant agrees that if, with the permission in writing of Landlord, Tenant shall vacate or decide at any time during the term of the Lease, or any renewal thereof, to vacate the Leased Premises prior to the expiration of the Lease, or any renewal hereof, Tenant will not cause or allow any agent to represent Tenant in any sub-letting or re-letting of the Leased Premises and that should Tenant do so, or attempt to do so, the Landlord may remove any signs that may be placed in or about the Leased Premises by such other agent without any liability to Landlord or to said agent, the Tenant assuming all responsibility for such action.

9. Tenant covenants and agrees that he will do none of the following things without first obtaining the written consent of Landlord, and without providing Landlord with reimbursement for any expenses incurred or incidental to Tenant's proposed action:

(a) Occupy the Leased Premises in any other manner or for any other purpose than as set forth in the Lease.

(b) Assign, mortgage or pledge the Lease or under-let or sub-lease the Leased Premises, or any part thereof or permit any other person, firm or corporation to occupy the Leased Premises, or any part thereof; nor shall any assignee or sub-Tenant, if such is permitted in writing by the Landlord, assign, mortgage or pledge the Lease or such sub-lease, without the written consent of the Landlord, and without such consent no such assignment, mortgage or pledge shall be valid. If the Tenant becomes insolvent in any sense, or makes an assignment for the benefit of the creditors, or offers a composition or settlement to creditors, or if a petition in bankruptcy is filed by or against the Tenant or a complaint in equity or other proceeding for the appointment of a receiver, trustee, liquidator, custodian or conservator for the Tenant or Tenant's assets is filed, or if proceedings for reorganization or composition with creditors under any State or federal law be instituted by or against Tenant, or if any of the real or personal property of Tenant shall be attached, levied upon, executed upon or otherwise seized by judicial proceeding, the same shall be a violation of this covenant. In addition to the foregoing, a violation of this covenant shall exist where there remains outstanding for a timer period in excess of sixty (60) days: (i) a petition in bankruptcy is filed by or against the Tenant; (ii) a complaint in equity or other proceeding for the appointment of a receiver, trustee, liquidator, custodian or conservator for the Tenant or Tenant’s assets is filed; (iii) or if proceedings for reorganization or composition with creditors under any State or federal law be instituted by or against Tenant.

(c) Place or allow to be placed any stand, booth, sign or showcase upon the doorsteps, vestibules or outside walls or pavements of the Leased Premises, or paint, place, erect or cause to be painted, placed or erected any sign, projection or device on the outside walls or outside area of the Leased Premises. If such permission has been granted, Tenant shall restore the walls or area, as the case may be, to their former conditions at the expiration of the Lease. In case of the breach of this covenant (in addition to all other remedies given to Landlord in case of the breach of any provisions or covenants of the Lease) Landlord shall have the privilege of removing said stand, booth, sign, show case, projection or device, and restoring said walls and outside area, as the case my be, to their former condition, and Tenant, at Landlord's option, shall be liable to Landlord for any and all expenses so incurred by Landlord.

(d) Tenant shall make no alterations, additions or improvements to the Leased Premises without the written consent of Landlord.

(e) Use or operate any machinery that in Landlord's sole opinion is harmful to the building and will use and operate its machinery in compliance with all applicable governmental laws, rules and regulations.

(f) Place any weights in any portion of the Leased Premises beyond the safe carrying capacity of the structure.

(g) Do or suffer to be done any act, matter or thing objectionable to the fire insurance companies and other insurance companies whereby the fire insurance or any other insurance now in force or hereafter to be placed on the Leased Premises, or any part thereof, or on the building or buildings or real property of which the Leased Premises is a part, or any other building shall become void and suspended, or whereby the same shall be rated as a more hazardous risk than at the date of execution of the Lease, or employ any person or persons objectionable to the fire insurance companies and other insurance companies or carry or have any

hazardous materials of any kind in or about the Leased Premises, except as set forth in paragraph 34 of the Lease. In case of a breach of this covenant (in addition to all other remedies given to Landlord in case of the breach of any of the provisions or covenants of the Lease) Tenant agrees to pay to Landlord as additional rent any and all increase or increases of premiums on insurance carried by Landlord on the Leased Premises or any part thereof, or on the building or buildings or real property of which the Leased Premises may be a part, or any other building, caused in any way by the occupancy of Tenant.

(h) Remove, attempt to remove or manifest an intention to remove Tenant's goods or property from or out of the Leased Premises otherwise than in the ordinary and usual course of business, without having first paid and satisfied Landlord for all rent, additional rent, charges, payments, costs, expenses and interest due or which may become due during the entire term of the Lease.

(i) Vacate or desert the Leased Premises during the term of the Lease, or permit the same to be empty and unoccupied.

10. Tenant covenants and agrees that Landlord shall have the right to do the following things and matters in and about the Leased Premises:

(a) At all reasonable times by itself or its duly authorized agents to go upon and inspect the Leased Premises and every part thereof, and/or at its option to make repairs, alterations and additions to the Leased Premises or the building or buildings or real property of which the Leased Premises is a part.

(b) At any time or times and from time to time make such reasonable rules and regulations as may be necessary or desirable for the safety, care, and cleanliness of the Leased Premises, the building or buildings of which the Leased Premises is a part and the real property on which they are located, and of personal property contained therein and for the preservation of good

order. Such rules and regulations shall, when communicated in writing to Tenant, form a part of the Lease.

(c) To display a "For Sale" and a "For Rent" sign or both at any time; and all of such signs shall be placed upon such part of the Leased Premises or other property of Landlord as Landlord may elect and may contain such matters as Landlord shall require. Persons authorized by Landlord may inspect the Leased Premises at reasonable hours.

11.(a) It shall be Tenant's sole responsibility to insure against loss or damage from fire or other casualty all personal property on the Leased Premises owned by Tenant or third persons, attached or unattached, including without limitation all fixtures and equipment owned by Tenant or owned by third parties and Landlord shall have no liability with respect thereto except to the extent such loss or damage is caused by the negligent acts or omissions of Landlord, its agents, servants or employees.

(b) Tenant shall be responsible for and shall reimburse Landlord for all loss or damage to the Leased Premises or to the building or the real property of which the Leased Premises are a part to the extent such loss or damage is caused by or contributed to by the acts or omissions of Tenant, its officers, agents, servants, employees, contractors, customers, guests, visitors and invitees. This provision shall survive the termination or expiration of the Lease and any extension thereof.

(c) Tenant shall indemnify, hold harmless and defend Landlord, its officers, agents, servants and employees from and against all demands, claims, causes of action, fines, penalties, damages (including without limitation consequential damages), losses, liabilities, judgments and expenses (including without limitation reasonable attorneys' fees and court costs and reasonable consultant and reasonable expert witness fees) arising out of any acts or omissions of Tenant, its officers, agents, servants, employees, contractors, customers, guests, visitors and

invitees, or breach of the Lease caused by or contributed to by Tenant, its officers, agents, servants, employees, contractors, customers, guests, visitors and invitees. Any defense of such claim shall be with counsel reasonably satisfactory to Landlord. This provision shall survive the expiration or termination of the Lease and any extension thereof.

(d) Tenant shall maintain in full force and effect during the entire term of the Lease and any renewals thereof at Tenant's sole expense, an entire insurance policy or policies of comprehensive general public liability insurance protecting Tenant and Landlord against any loss, liability from personal injury, theft, death or property damage arising or occurring upon or in connection with the Leased Premises by reason of Tenant's operation or occupancy of the Leased Premises, the operation of Tenant's business, or any acts or omissions of Tenant, its agents, servants, employees, contractors, customers, guests, visitors and invitees, in at least the amount of $1,000,000.00 combined single limit per occurrence. Certificates of insurance shall be provided promptly to Landlord from policy period to policy period and at least ten (10) days before the commencement date of the Lease and any renewals thereof, naming Landlord as additional insured. Each such policy shall provide that it cannot be canceled without at least thirty (30) days written notice to Landlord. Each such policy shall be issued by an insurer satisfactory to Landlord in a form satisfactory to Landlord. If Tenant fails for any reason to obtain or maintain the insurance coverage it is required to provide under the Lease, Landlord shall have the right to purchase such insurance, and all such payments by Landlord shall be recoverable by Landlord, together with interest thereon, as additional rent immediately upon submission of a bill by Landlord.

(e) If the Leased Premises are totally destroyed or so damaged by fire or other casualty that, in the opinion of a licensed architect or engineer retained by Landlord, the same cannot be repaired and restored within one hundred eighty (180) days from the happening of such

injury the Lease shall absolutely cease and determine, and the rent shall abate for the balance of the term.

(f) If the Leased Premises are partially damaged by fire or other casualty, and the damage be only partial and such that the Leased Premises can be restored, in the opinion of a licensed architect or engineer retained by the Landlord, to approximately their former condition within one hundred eighty (180) days from the date of the casualty loss Landlord may, at Landlord's option, restore the same with reasonable promptness, reserving the right to enter upon the Leased Premises for that purpose, or Landlord may terminate the Lease. Landlord reserves the right to enter upon the Leased Premises whenever necessary to repair damage caused by fire or other casualty to the building or buildings or real property of which Leased Premises is a part, even though the effect of such entry is to render the Leased Premises or a part thereof untenantable. If all or a portion of the Leased Premises is rendered untenantable either by fire or other casualty or by Landlord's possession thereof during the period of repairs, the rent shall be abated proportionately during the period of untenantability as to the portion rendered untenantable. If a dispute arises as to the amount of rent due under this clause, Tenant agrees to pay the full amount claimed by Landlord. Tenant shall have the right to proceed by law to recover the excess payments, if any.

Landlord shall make such election to repair the Leased Premises or terminate the Lease by giving notice thereof to Tenant at the Leased Premises within thirty (30) days from the day Landlord received notice that the Leased Premises had been destroyed or damaged by fire or other casualty.

(g) Tenant shall at all times be solely responsible for the protection and safety of all machinery, equipment, trade fixtures and other personal property used by Tenant in its business, whether owned by Tenant or third parties; and shall upon written notice from Landlord,

immediately remove all such items, at Tenant's sole cost and expense, from the Leased Premises upon the termination of the Lease, or as required by Landlord with respect to repairs or improvements by Landlord to the Leased Premises.

(h) Except as to abatement of rent, Landlord shall not be liable for any damage, compensation, or claim by reason of the necessity of repairing any portion of the Leased Premises or building or buildings or real property of which the Leased Premises are a part, the interruption in the use of the Leased Premises, any inconvenience or annoyance arising as a result of such repairs or interruption, or the termination of the Lease by reason of damage to or destruction of the Leased Premises or building or buildings or real property of which the Leased Premises are a part.

(i) Landlord has let the Leased Premises in their present "as is" condition and without any representation or warranty, other than those specifically set forth in writing in this Lease by Landlord, through its officers and employees. It is understood and agreed the Landlord is under no duty to make repairs, alterations, or decorations at the inception of the Lease, except with respect to the improvements specifically agreed to in the Lease, or at any time thereafter unless subsequently agreed to in a written agreement signed by both parties..

(j) It is understood and agreed that the Landlord does not warrant or undertake that the Tenant shall be able to obtain a permit under any statute, zoning ordinance or governmental regulation for such use as Tenant intends to make of the Leased Premises, and nothing contained in the Lease shall obligate the Landlord to assist Tenant in obtaining said permit. Tenant further agrees that if a permit cannot be obtained by Tenant under any under any statute, zoning ordinance or governmental regulation, the Lease shall not terminate without Landlord's consent, and the Tenant shall use the Leased Premises only in a manner permitted under such statute, zoning ordinance or governmental regulation, provided such use has been agreed to in the Lease.

12. (a) No contract entered into or that may be subsequently entered into by Landlord with Tenant, relative to any alterations, additions, improvements or repairs, nor the failure of Landlord to make such alterations, additions, improvements or repairs as required by any such contract, nor the making by Landlord or its agents or contractors of such alterations, additions, improvements or repairs shall in any way affect the payment of the rent or other charges, payments, costs, expenses and interest specified in the Lease, unless otherwise specified in writing in the Lease.

(b) It is hereby covenanted and agreed, that any law, usage or custom to the contrary notwithstanding, that Landlord shall have the right at all times to enforce all the provisions and covenants of the Lease in strict accordance with the terms thereof, notwithstanding any conduct or custom on the part of the Landlord in refraining from so doing at any time or times; and further, that the failure of Landlord at any time or times to enforce any or ail of its rights under any or all of the provisions or covenants of the Lease strictly in accordance with the terms thereof shall not be construed as having created a custom in any way or manner contrary to the specific provisions and covenants of the Lease or as having in any way or manner modified the Lease.

(c) If Tenant, after ten (10) days written notice to cure, fails promptly to perform any provisions or covenants of the Lease that are Tenant's obligation; or if any breach by Tenant of any provision or covenant of the Lease that is Tenant's obligation causes a health or safety hazard to persons or property, or violates any applicable statutes, ordinances or regulations, or interferes with the rights of other tenants of Landlord; or if Landlord is required in an emergency to perform any provision or covenant of the Lease that is Tenant's obligation; then in the event of any of the above occurring Landlord may go upon the Leased Premises and perform

such provision or covenant, the cost thereof, at the sole option of the Landlord, to be charged to Tenant as additional and delinquent rent.

(d) Tenant hereby grants to Landlord a security interest under the Uniform Commercial Code in all of Tenant's goods and personal property in, on, or about the Leased Premises. Said security interest shall secure unto Landlord the payment of all rent (and charges, payments, costs, expenses and interest reserved as rent or otherwise owed to Landlord) hereunder which shall become due under the provisions of the Lease. Tenant hereby agrees to execute, upon request of Landlord, such financing statements or other documents as may be required under the provisions of the Uniform Commercial Code to perfect a security interest in Tenant's said goods and property.

13. (a) The occurrence of any one or more of the following shall constitute an "Event of Default":

(1) Tenant's failure to pay when due and without demand rent, additional rent or any other charges, payments, costs, expenses and interest owed to Landlord under the Lease.

(2) Tenant violating, failing to perform or otherwise breaching any provision or covenant of the Lease that is Tenant's obligation, or otherwise made between Landlord and Tenant.

(3) Tenant vacating the Leased Premises or removing or attempting to remove or manifesting an intention to remove any goods or property from the Leased Premises otherwise than in the ordinary and usual course of business without having first paid and satisfied the Landlord in full for all rent, additional rent, charges, payments, costs, expenses and interest then due or that may thereafter become due until the expiration of the current term of the Lease or any earlier term of the Lease.

(4) Tenant becoming insolvent in any sense, or making an assignment for the benefit of creditors, or offering a composition or settlement to creditors, or if one-half or more of the real property or one-half or more the personal property of Tenant shall be attached; or if there remains outstanding for a period in excess of sixty (60) days: (i) a petition in bankruptcy is filed by or against Tenant; (ii) a complaint in equity or other proceedings for the appointment of a receiver, trustee, liquidator, custodian or conservator for Tenant or Tenant's assets is filed; (iii) or if proceedings for reorganization or for composition with creditors under any State or federal law be instituted by or against Tenant.

(b) Upon the occurrence of an Event of Default, in addition to any other remedies Landlord may have under the Lease or at law or in equity, Landlord shall have the right to exercise, as many times as Landlord shall deem appropriate, any or all of the following remedies:

(1) To charge Tenant a late fee of five percent (5%) of the monthly rental, additional rental or other charges, payments, costs or expenses not received by Landlord on the due date. Interest shall accrue and be deemed due and payable on all sums, including without limitation late fees, due and unpaid under the Lease at the rate of ten percent (10%) per annum. If Landlord incurs a charge or penalty in connection with any payment which Tenant has failed to make within the times required by the Lease, Tenant shall pay Landlord, as additional rent, the full amount of such charge or penalty.

(2) To accelerate the whole or any part of the rent and additional rent for the entire unexpired balance of the term of the Lease, including all other charges, payments, costs or expenses agreed to be paid by Tenant or for which Tenant is or would become liable, all of which shall be deemed due and payable and in arrears.

(3) To reenter the Leased Premises and at the option of the Landlord, remove all persons and any or all property therefrom by any appropriate summary dispossession proceeding or by any applicable proceeding at law or in equity or as otherwise provided in the Lease, and repossess and enjoy the Leased Premises, all without being liable for any such prosecution or any damages. Upon recovering possession of the Leased Premises as the result of Tenant's default, Landlord may at its option terminate the Lease or make such alterations, improvements and repairs as it deems appropriate, and re-let the Leased Premises or any part thereof, for such term or terms as may be the same, less than or greater than the term of the Lease, and at such rental and other terms and conditions as Landlord deems appropriate, and to such person or persons as Landlord deems appropriate. All rental received by Landlord from such reletting shall be applied first to the payment of the costs of re-letting, including reasonable architect, engineer and attorney fees, and second, to the payment of any indebtedness other than rent due to Landlord from Tenant, and third to the payment of rent and additional rent due and unpaid under the Lease, including accelerated rent, charges, payments, costs, expenses and interest. The residue, if any, shall be held by Landlord and applied to the payment of rent, additional rent, charges, payments, costs, expenses and interest as are or may become due and payable. Landlord's reentry, taking possession or making alterations, repairs or improvements, or the re-letting of all or any part of the Leased Premises shall not be construed as an election by Landlord to terminate the Lease, unless Landlord shall have given written notice of intention to terminate the Lease. Landlord shall not be liable for failure to re-let all or part of the Leased Premises, or for failure to collect rent for the re-letting.

(4) To terminate the Lease and the term created thereby, without any right on the part of Tenant to waive the forfeiture by payment of any sum due or by performance of any other provision, term, condition or covenant broken. Upon termination of the Lease,

Landlord shall be entitled to recover from Tenant all sums due and owing and damages, including interest, arising out of Tenant's breach of the provisions and covenants of the Lease, existing at the time of termination of the Lease ; and also damages for Tenant's default in an amount equal to the rent reserved for the remaining term of the Lease, including all additional rent, charges, payments, costs and expenses agreed to be paid by Tenant, all discounted to present worth at the rate of four percent (4%) per annum, less the fair rental value of the Leased Premises for the remainder of the term (reduced by the reasonable time and costs to re-let the Leased Premises, including architect, engineer and attorney fees) also discounted to present worth at the rate of four percent (4%) per annum, all of which shall be immediately due and payable to Landlord. Nothing in this Lease shall limit or prejudice Landlord's right to recover damages by reason of termination in an amount equal to the maximum allowed by any bankruptcy or reorganization or insolvency proceedings.

(5) To proceed as a secured party under the provisions of the Uniform Commercial Code against the goods and personal property in which Landlord has been granted a security interest pursuant to this Lease.

(6) To have and exercise any and all other rights and remedies, granted or allowed landlords by an existing or future Statute, Act of Assembly, or other law of the Commonwealth of Pennsylvania in cases where a landlord seeks to enforce rights arising under a lease agreement against a tenant who has defaulted or otherwise breached the terms of such lease agreement.

(7) Tenant covenants and agrees that if any rent, additional rent, charges, payments, costs, expenses or interest reserved in this lease as rent or any other charges, payments, costs, expenses or interest (including all accelerations of rent, charges, payments, costs or expenses permissible under the provisions of the Lease) shall remain unpaid five (5) days after the same is required to be paid, then and in that event, Landlord may cause Judgment to be entered against Tenant, and for that purpose Tenant hereby authorizes and empowers Landlord or any Prothonotary, Clerk of Court or Attorney of any Court of Record to appear for and confess judgment against Tenant and agrees that Landlord may commence an action pursuant to Pennsylvania Rules of Civil Procedure No. 2950 et seq. or such other Pennsylvania Rules of Civil Procedure as may be promulgated from time to time, for the recovery from Tenant of all rent due and owing under the Lease (including all accelerations of rent, charges, payments, costs and expenses permissible under the provisions of the Lease) and/or for all charges, payments, costs, expenses and interest reserved under the Lease as rent or for which Tenant is otherwise liable under the Lease, as well as for interest and costs and Attorney's commission of five percent (5%) of the full amount of Landlord's claim against Tenant, for which authorization to confess judgment, the Lease, or a true and correct copy thereof, shall be sufficient warrant. Such judgment may be confessed against Tenant for the amount of rent in arrears (including all accelerations of rent, charges, payments, costs and expenses permissible under the provisions of this lease) and/or for all charges, payments, costs, expenses and interest reserved under the Lease as rent or for which Tenant is otherwise liable under the Lease, as well as for interest and costs; together with an attorney's commission of five percent (5%) of the full amount of Landlord's claim against Tenant. Neither the right to institute an action pursuant to Pennsylvania Rules of Civil Procedure No. 2950 et seq. or such other

Pennsylvania Rules of Civil Procedure as may be promulgated from time to time, nor the authority to confess judgment granted herein shall be exhausted by one or more exercise thereof, but successive complaints may be filed and successive judgments may be entered for the afore described sums five (5) days or more after they become due as well as after the expiration of the original term and/or during or after expiration of any extension or renewal of the Lease.

(8) Tenant covenants and agrees that if the Lease shall be terminated (either because of Tenant's breach of the Lease during the term of the Lease or any renewal or extension thereof and/or when the term hereby created or any extension thereof shall have expired) then, and in that event, Landlord may cause a judgment in ejectment to be entered against Tenant for possession of the Leased Premises, and for that purpose Tenant hereby authorizes and empowers any Prothonotary, Clerk of Court or Attorney of any Court of Record to appear for Tenant and to confess judgment against Tenant in Ejectment for possession of the Leased Premises, and agrees that Landlord may commence an action pursuant to Pennsylvania Rules of Procedure No. 2970 et seq. or such other Pennsylvania Rules of Civil Procedure as may be promulgated from time to time, for the entry of an order in Ejectment for the possession of real property, and Tenant further agrees that a Writ of Possession pursuant thereto may issue forthwith, for which authorization to confess judgment and for the issuance of a writ or writs of possession pursuant thereto, the Lease, or a true and correct copy thereof, shall be sufficient warrant. Tenant further covenants and agrees, that if for any reason whatsoever, after said action shall have commenced the action shall be terminated and the possession of the Leased Premises hereunder shall remain in or be restored to Tenant, Landlord shall have the right upon any subsequent default or defaults, or upon the termination of the Lease as above set

forth to commence successive actions for possession of real property and to cause the entry of successive judgments by confession in Ejectment for possession of the Leased Premises.

In any procedure or action to enter Judgment by Confession for Money pursuant to Section 13 (b)(7) hereof, or to enter Judgment By Confession in Ejectment for possession of real property pursuant to Section 13 (b)(8) hereof, if Landlord shall first cause to be filed in such action an affidavit or averment of the facts constituting the default or occurrence of the condition precedent, or event, the happening of which default, occurrence, or event authorizes and empowers Landlord to cause the entry of judgment by confession, such affidavit or averment shall be conclusive evidence of such facts, defaults, occurrences, conditions precedent, or events; and if a true and correct copy of the Lease (and of the truth of which such affidavit or averment shall be sufficient evidence) be filed in such procedure or action, it shall not be necessary to file the original as a Warrant of Attorney, any rule of court, custom, or practice to the contrary notwithstanding.

Tenant hereby releases to Landlord and to any and all attorneys who may appear for Tenant all errors in any procedure or action to enter Judgment by Confession by virtue of the warrants of attorney contained in the Lease, and all liability therefore. Tenant further authorizes the Prothonotary or any Clerk of any Court of Record to issue a Writ of Execution or other process, and further agrees that real estate may be sold on a Writ of Execution or other process. If proceedings shall be commenced to recover possession of the Leased Premises either at the end of the term or sooner termination of the Lease, or for non-payment of rent or for any other reason, Tenant specifically waives the right to the three (3) months' notice to quit and/or fifteen (15) or thirty (30) days' notice to quit required by the Act of April 6, 1951, P.L. 69, as amended, and agrees that five (5) days' notice shall be sufficient in either or any such case.

TENANT HAS READ AND FULLY UNDERSTANDS THE RIGHTS AND REMEDIES GIVEN TO LANDLORD UNDER THE CONFESSION OF JUDGMENT CLAUSES IN PARAGRAPHS 13 (b) (7) and 13 (b)(8) OF THE LEASE, AND HAS CONSULTED WITH COUNSEL OF ITS CHOICE IF IT WISHED TO DO SO; AND HAS AGREED TO THESE CONFESSION OF JUDGMENT CLAUSES WITH FULL AND COMPLETE KNOWLEDGE OF THESE CONFESSION OF JUDGMENT CLAUSES, THEIR EFFECTS AND THE REMEDIES AVAILABLE TO LANDLORD UNDER THEM; AND WITH FULL AND COMPLETE KNOWLEDGE AND UNDERSTANDING OF THE CONFESSION OF JUDGMENT CLAUSES WAIVES ANY AND ALL RIGHTS TO ANY DUE PROCESS HEARINGS OR OTHER HEARINGS TO WHICH IT MAY BE ENTITLED BEFORE THE ENTRY OF ANY JUDGMENT AGAINST IT PURSUANT TO SUCH CONFESSION OF JUDGMENT CLAUSES, OR BEFORE OR DURING THE ISSUANCE OF, OR BEFORE OR DURING ANY PROCEEDINGS PURSUANT TO ANY WRIT OF EXECUTION TO SEIZE, ATTACH, GARNISH AND SELL ANY ASSETS OF TENANT INCLUDING WITHOUT LIMITATION ANY BANK OR SAVINGS AND LOAN ASSOCIATION ACCOUNTS OR ASSETS DEPOSITED WITH ANY BANK OR SAVINGS AND LOAN ASSOCIATION; OR ANY PROCEEDINGS TO OBTAIN POSSESSION OR PURSUANT TO A JUDGMENT OF CONFESSION IN EJECTMENT TO OBTAIN POSSESSION PURSUANT TO A WRIT OF POSSESSION.

Authorized Signature of Tenant

(9) The right to enter default judgment against Tenant by confession and to enforce all other provisions of the Lease may at the option of any assignee of the Lease, be exercised by any assignee of the Landlord's right, title and interest in the Lease in his, her, or their own name, any statute, rule of court, custom, or practice to the contrary notwithstanding.

(10) If Landlord terminates the Lease as provided for in subsection (4) hereof or as permitted by law, or notifies Tenant of its intent to take possession under subsection (3) hereof, Tenant shall peaceably quit and surrender the Leased Premises to Landlord, and Landlord may, without further notice, enter upon, reenter, possess, repossess, take possession or repossession by summary proceedings, ejectment or other legal proceedings, and again have, possess and enjoy the Leased Premises as though the Lease had not been made, and neither Tenant nor anyone claiming by or through Tenant by virtue of any law or order of any court shall be entitled to possession of the Leased Premises.

(11) Landlord shall have right, in addition to all other remedies, to enter upon the Leased Premises without notice to Tenant by force or otherwise and take possession of any and all goods, wares, equipment, fixtures, furniture, improvements and other personal property of Tenant situated on the Leased premises, without liability for trespass or conversion, and sell the same at public or private sale, with or without having such property at the sale, after giving Tenant five (5) days written notice of the time and place of any public or private sale or of the date after which any private sale is to be made, at which sale Landlord or its assigns may purchase unless otherwise prohibited by law. Unless otherwise provided by law, and without intending to exclude any other manner of giving written notice that Landlord may select, Landlord shall give notice of any such sale to Tenant in the manner prescribed in Section 9 of the Lease at least five (5) days before the date of sale. The proceeds from any such sale, less any and all expenses connected with the taking of such possession, holding and selling of the aforesaid

property (including reasonable attorneys' fees and other expenses) shall be applied against the indebtedness of Tenant. Tenant shall promptly pay any deficiency.

(12) Landlord shall have no duty to mitigate damages.

14. Tenant agrees to pay as additional rent all reasonable attorneys' fees and other costs incurred by Landlord in enforcing any of Tenant's obligations under the Lease, including without limitation all reasonable attorney's fees and other costs incurred prior to, during or after any legal or equitable action brought by Landlord or defended by Landlord or in which Landlord is a party, such sum to be fixed by the court in the legal or equitable action or where necessary in a separate action brought by Landlord; and this covenant shall survive the expiration or termination or extinquishment of the Lease. In the event of any bankruptcy proceedings brought by or againstTenant, Landlord shall be entitled to receive and shall receive from Tenant all reasonable attorney's fees and other costs incurred by Landlord in enforcing any of Tenant's obligations under the Lease or any of Landlord's rights in the bankruptcy, or incurred by Landlord in connection with the bankruptcy and the bankruptcy proceedings, such sums to be paid by Tenant whether or not Landlord is successful in any particular action in the bankruptcy proceeding; such sums to be fixed by the court in such action or the bankruptcy proceeding, as the court shall determine; and this covenant shall survive the expiration or termination or extinquishment of the Lease.

15. All of the remedies hereinbefore given to Landlord and all rights and remedies given to it by law and equity shall be cumulative and concurrent. No termination of the Lease or the taking or recovering possession of the Leased Premises shall deprive Landlord of any of its remedies or actions against the Tenant for rent, additional rent, charges, payments, costs, expenses or interest due at the time or which, under the terms of the Lease would in the future become due as if there had been no termination; nor shall the bringing of any action for rent, additional rent,

charges, payments, costs, expenses, interest or breach of any provision or covenant of Tenant under the Lease or otherwise, or the resort to any other remedy provided for in the Lease or otherwise for the recovery of rent, additional rent, charges, payments, costs, expenses or interest be construed as a waiver of the right to obtain possession of the premises.

16. If all or part of the Leased Premises are taken for any public or quasi-public use under any statute or by right of eminent domain, or by private purchase in lieu thereof, so as to prevent the practical use of the Leased Premises, then Tenant may terminate the Lease by written notice to Landlord within thirty (30) days of receiving written notice of such taking.

If any part of the Leased Premises is so taken and the Lease is not terminated under the provisions of the preceding paragraph, the rent shall be apportioned according to the space so taken, and Landlord shall, to the extent possible with any award of damages from such taking, unless denied the right to do so by Landlord's mortgagee or mortgagees, repair and restore the remaining portion of the Leased Premises and the building and improvements related thereto to the extent necessary to render the Leased Premises reasonably suitable for the purposes for which it is leased, and to constitute the building and Leased Premises a complete, functional property.

All compensation awarded or paid upon such a total or partial taking of the Leased Premises shall belong to and be the sole property of the Landlord without participation by Tenant or assignees or subtenants of Tenant, except for any award for Tenant's or assignees or subtenants of Tenant's loss of business, or of the value of stock, trade fixtures, furniture and other property belonging to Tenant or assignees or subtenants of Tenant, if any.

17. The Lease and all its terms, covenants and provisions are and each of them is subject and subordinate to any lease or other arrangement or right to possession, under which the Landlord is in control of the Leased Premises, to the rights of the owner or owners of the Leased

Premises and building or buildings and of the real property of which the Leased Premises are a part, to all right of the Landlord's landlord and to any and all mortgages and other encumbrances now or hereafter placed upon the Leased Premises and/or the building or buildings and real property containing the Leased Premises; with the proviso that so long as Tenant performs all its obligations under the Lease, Tenant shall be entitled to the peaceful and quiet enjoyment of the Leased Premises; subject, however, to the written approval from time to time of Landlord's then current mortgagee or mortgagees.

18. (a) It is hereby mutually agreed that either party to the Lease may terminate the Lease at the end of the current term by giving to the other party written notice thereof at least six (6) months before the end of the term, but in default of such notice, the Lease shall continue from year to year upon the same terms and conditions in force immediately before the expiration of the term, until terminated by either party hereto giving the other six (6) months written notice of termination before the expiration of the then current term; provided, however, that should the Lease be continued for a further period under the terms hereinabove mentioned, any allowances given Tenant on the rent during the original term or a prior term shall not extend beyond such original term or prior term.

(b) If Landlord shall have given six (6) months written notice before the expiration of any term of the Lease of changes by Landlord to the terms and conditions of the Lease, and Tenant shall not within thirty (30) days from the date of such notice notify Landlord in writing of Tenant's termination of the lease at the end of the current term, the Lease shall renew at the end of the then current term as modified by the terms and conditions set forth in the aforesaid written notice from Landlord. If such changed terms and conditions are not accepted by Tenant by

written notice to Landlord within the thirty (30) day time period set forth above, the Lease shall automatically terminate at the end of the current term.

(c) In the event Tenant shall give written notice, as stipulated in the Lease, of its termination of the Lease and shall fail or refuse to vacate the Leased Premises on the date it is required to have vacated the Leased Premises, then it is expressly agreed that Landlord shall have the option either to (1) disregard the notice given as having no effect, in which case all the terms and conditions of the Lease (including all changes to the terms and conditions, if any, by Landlord contained in Landlord's written notice under subsection (b) hereof) shall continue thereafter with full force precisely as if such notice by Tenant had not been given, or (2) Landlord may at any time give Tenant ten (10) days' written notice of Landlord's termination of the Lease; whereupon Tenant expressly agrees to vacate the Leased Premises at the expiration of the ten (10) day period specified in the notice. All powers granted to Landlord by the Lease may be exercised and all obligation imposed upon Tenant by the Lease shall be performed by Tenant as well during any extension of the original term of the Lease as during the original term, and during any period during which Tenant has failed and refused to vacate.

19. All notices shall be given by certified mail, return receipt requested, as follows:

(a) To the Tenant at the Leased Premises.

(b) To the Landlord at the address set forth in paragraph 7 of the Lease or to such other address as Landlord shall designate in writing.

20. It is expressly understood and agreed by and between the parties hereto that the Lease and the Exhibits and Addenda attached hereto, if any, and forming a part of the Lease set forth all the promises, agreements, conditions and understandings between Landlord and Tenant relative to the Leased Premises, and that there are no promises, agreements, conditions or

understandings, either oral or written, between them other than as set forth in the Lease. It is further understood and agreed that no subsequent alteration, amendment, change or addition to the Lease shall be binding upon Landlord or Tenant unless reduced to writing and signed by both of them.

21. All rights and liabilities herein given to, or imposed upon, the respective parties hereto shall extend to and bind the several respective heirs, executors, administrators, successors and assigns of the parties; and if there shall be more than one Tenant, they shall all be bound jointly and severally by the terms, covenants and agreements herein, and the word "Tenant" shall be deemed and taken to mean each and every person or party mentioned as a Tenant herein, be the same one or more; and if there shall be more than one Tenant, any notice required or permitted by the terms of Lease may be given by or to any one thereof, and shall have the same force and effect as if given by or to all thereof. The words "his" and "him" and "it" wherever stated herein, shall be deemed to refer to the "Landlord" or the "Tenant", as appropriate, whether such Landlord or Tenant be singular or plural and irrespective of gender. No rights, however, shall inure to the benefit of any assignee of Tenant unless the assignment to such assignee has been approved by Landlord in writing.

22. Landlord acknowledges existing security deposit in the amount of Twenty Three Thousand, Two Hundred Fifty One and 11/100 Dollars ($23,251.11), which deposits will be returned to Tenant within Thirty (30) days after expiration of the lease term, subject to a satisfactory physical inspection of the Leased Premises by Landlord, and provided that all rentals, additional rent, charges, payments, costs, expenses and interest have been paid in full.

23. Any headings preceding the text of the several paragraphs and sub-paragraphs of the Lease, if any, are inserted solely for convenience of reference and shall not constitute a part of the Lease nor shall they affect its meaning, construction or effect.

24. Tenant shall be responsible only for ice and snow removal on the sidewalks and entryways of the Leased Premises. Landlord shall be responsible for maintenance of the common areas, including the landscaping, snow and ice removal from the roads and parking areas.

25. Tenant shall be responsible for replacing all light bulbs in a timely fashion, so as not to cause damage to ballasts, starters, or fixtures. Tenant shall be responsible for all costs incurred due to failure to do so.

26. Tenant shall pay for all utilities, including without limitation sewer and water, which is metered for the Leased Premises, interior cleaning, window cleaning and pest control.

27. ~~Landlord shall provide dumpsters on site at various locations to be used only for the disposal of waste paper, incidental/minor packaging materials (e.g., cardboard), cellophane, plastic wrap, expanded styrene foam beads, excelsior, polyethylene, and containers related to normal office use and warehouse personnel.~~

Disposal of the following in dumpsters is specifically prohibited: chemicals, metals, process waste, wood, machinery, construction by-products/construction waste, earthern materials/plants, and hazardous waste of any kind.

Food and drink containers should be placed in tightly closed plastic trash bags before being placed in the dumpsters.

Dumpsters shall be kept closed at all times in order to avoid Township fines.

28. Landlord shall install and maintain the exterior sign provided by Landlord in accordance with all applicable Township ordinances. This shall be the only exterior sign.

29. **Landlord's Rules and Regulations.**

1. Parking lot speed limit is fifteen (15) miles per hour.

2. No vehicles of any kind shall be left in parking area over weekends.

No outside storage of vehicles is permitted.

3. Tenant, its officers, agents, servants, employees, contractors, customers, guests, visitors and invitees shall not place upon the grounds outside the building or the parking area any trash, garbage and debris, including without limitation boxes, skids, containers, fluids or any materials or items of any kind. In addition to all other remedies, Landlord shall be reimbursed for the cost of removing and cleaning up the same.

4. There shall be no loitering outside the building or in vehicles.

5. There shall be no drinking or partying outside the building.

6. No automobile repairs or equipment installations shall be performed in the parking area.

7. Music and noise shall be kept at such a level as not to be heard inside the spaces occupied by other tenants, businesses or occupants, or outside the Leased Premises.

30. Tenant, if a corporation, or if Tenant has a corporate general partner, will provide Landlord at the execution of the lease with the following corporate resolution authorizing Tenant to enter into the Lease:

RESOLVED, that **Wireless Xcessories, Inc.** enter into the attached Lease with **1830 Business Complex, LLC** for the rental of premises **(1830 County Line Road** , **Huntingdon Valley, PA 19006)** , which Lease is incorporated into this Resolution by reference; and the officers of the corporation are hereby authorized to execute such documents and take all steps necessary to complete such transaction.

I hereby certify that the above Resolution is a true and correct copy of the Resolution adopted by the Board of Directors of the Corporation

on _____.
Date

(Corporate Seal)

Signature of Corporation Secretary
Corporation Secretary

Name of Corporation Secretary

Tenant will attach to the Lease a true and correct copy of the Corporate Minutes or Unanimous Consent of the Board of Directors adopting the aforesaid Resolution, duly certified as a true and correct copy thereof by the Secretary of the Corporation.

31. The validity, construction and performance of the Lease shall be determined by the laws of the Commonwealth of Pennsylvania, without regard to principles of conflict of laws. The parties to the Lease consent to the exclusive jurisdiction of the District Justice of Montgomery County serving the area where the Leased Premises is located, the Court of Common Pleas of Montgomery County, Pennsylvania or the United States District Court for the Eastern District of Pennsylvania, in any and all actions or proceedings arising under the Lease.

32. Tenant agrees that its agents, servants and employees will not litter.

33. Tenant shall at all times conduct its business in compliance with applicable statutes, local ordinances and governmental regulations.

34. Hazardous Materials

A. Tenant agrees that it will not generate, use, store or dispose of any Hazardous Materials on the Leased Premises, or in any vehicles kept on the Leased Premises or in the parking areas, except in material compliance with applicable Environmental Laws, statutes, ordinances, regulations, Executive Orders and industry standards. Tenant shall, at its sole cost and expense,

immediately after written notice from Landlord of any breach of this Section A, cease and desist from any violation of applicable Environmental Laws, statutes, ordinances, regulations, Executive Orders and industry standards, and immediately cure any breach of the same and of this Section A by Tenant, or any assignees or subtenants of Tenant, if any, and in any event will cure such breach in full compliance with all applicable Environmental Laws, statutes, ordinances, regulations, Executive Orders and industry standards.

B. Tenant agrees to indemnify, defend and hold harmless Landlord, its officers, agents, servants and employees from and against all demands, claims, causes of action, fines, penalties, damages (including without limitation consequential damages), losses, liabilities, judgments and expenses (including without limitation reasonable attorneys' fees and court costs, and reasonable consultant and reasonable expert witness fees) arising out of any breach by Tenant, its assignees or subtenants, if any, of their obligations with respect to Hazardous Materials set forth in Section A of this paragraph, or any violation of Environmental Laws, statutes, ordinances, regulations, Executive Orders and industry standards by them.

C. The term "Hazardous Materials" shall include petroleum and petroleum products and wastes, substances, chemicals or materials designated as toxic or hazardous under the federal Resource Conservation and Recovery Act (RCRA), the federal Comprehensive Environmental Response Compensation and Liability Act (CERCLA), the Pennsylvania Hazardous Sites Cleanup Act (HSCA), or any other federal, state or local statute, rule or regulation pertaining to environmental regulation, contamination or clean-up. “Environmental Laws” shall include RCRA, CERCLA, HSCA, and any other federal, state or local statute, rule or regulation pertaining to environmental regulation, contamination or clean-up.

35. Tenant agrees to do nothing to contaminate the Leased Premises or the building or buildings or property of which the Leased Premises is a part; or do anything that will

adversely affect the fair market value or marketability or use of the Leased Premises or the building or buildings or property of which the leased Premises is a part; and Tenant will immediately at its sole cost and expense take all necessary steps to eliminate any such condition; and in taking any remedial steps will comply with any applicable federal, state or local statute, rule or regulation; and shall compensate Landlord for any losses or expense incurred by Landlord.

36. Lessor agrees to inspect and service HVAC on a quarterly basis. Lessee shall reimburse Lessor for air filters and associated labor only.

37. Upon receipt of the 1st monthly installment of $37,928.35, due on May 1, 2009, Lessor shall on the following day, submit a check to Lessee in the amount of $37,500.00.

Upon receipt of the 13th monthly installment of $37,928.35, due on May 1, 2010, Lessor shall on the following day, submit a check to Lessee in the amount of $12,500.00.

Upon receipt of the 25th monthly installment of $37,928.35, due on May 1, 2011, Lessor shall on the following day, submit a check to Lessee in the amount of $25,000.00.

Upon receipt of the 36th monthly installment of $37,928.35, due on May 1, 2012, Lessor shall on the following day, submit a check to Lessee in the amount of $25,000.00.

38. Lessee shall reserve the right to vacate demised 15,000 square foot area at rear of building, as depicted on attached PLAN A, provided Lessee gives Lessor written notice thereof at least 6 months in advance. Upon receipt of said notice by Lessee, Landlord shall be released from all obligations beyond said date of notification as stipulated in paragraph 37 above, and Lessee shall be entitled to a corresponding reduction in monthly rent, as referenced in paragraph 4a, 4c, and 6c, based upon the then determined market value of the space relinquished.

39. Tenant further agrees to pay Landlord Common Area Maintenance (CAM) charge, payable in monthly installments of $2,708.83 per month on the first day of the month.

IN WITNESS WHEREOF, the parties hereto have executed these presents the day and year first written above, and intend to legally bound thereby.

TENANT'S SIGNATURE

CORPORATION TENANT

Name of Corporation

(SEAL)

Pennsylvania
State of Incorporation

By

Secretary

Authorized Signature

ROLAND E. DUDLIK CHIEF SECRETARY
Name and Title of Officer

LANDLORD'S SIGNATURE

1830 BUSINESS COMPLEX, LLC
A Pennsylvania Limited Liability Company

By

Witness

Edward R. Dudlik Jr
Sole Member





REVOLVING TERM NOTE

January 15, 2013

$2,000,000.00

For value received, the undersigned **Wireless Xcessories Group, Inc., a Delaware corporation** , with an address of **1840 County Line Road, Suite 301, Huntingdon, Pennsylvania 19006** (the "Borrower"), promises to pay to the order of TD Bank, N.A., a National Association with an address of 2005 Market Street, 2nd Floor, Philadelphia, Pennsylvania 19103 (together with its successors and assigns, the "Bank"), the principal amount of **Two Million Dollars and Zero Cents ($2,000,000.00)** , or, if less, such amount as may be the aggregate unpaid principal amount of all loans or advances made by the Bank to the Borrower pursuant hereto, on or before **January 15, 2014** (the "Maturity Date") unless extended in writing by the Bank in its sole and absolute discretion, together with interest from the date hereof on the unpaid principal balance from time to time outstanding until paid in full. The aggregate principal balance outstanding shall bear interest thereon at a per annum rate equal to **Two and One-Half Percent (2.50%)** above the LIBOR Rate (as hereinafter defined) for any Interest Period (as hereinafter defined). All accrued and unpaid interest shall be payable monthly in arrears on the 15th day of each month following the end of an Interest Period.

Interest Period means initially, the period commencing on the date of this Note (the "Start Date") and ending on the numerically corresponding date one month later, and thereafter each one month period ending on the day of such month that numerically corresponds to the Start Date. If an Interest Period is to end in a month for which there is no day which numerically corresponds to the Start Date, the Interest Period will end on the last day of such month.

LIBOR Rate means the rate of Interest (rounded upwards, at the Bank's option, to the next 100th of one percent) equal to the British Bankers' Association LIBOR ("BBA LIBOR") for the equivalent Interest Period as published by Bloomberg (or such other commercially available source providing quotations of BBA LIBOR as designated by Bank from time to time) at approximately 11:00 A.M. (London time) 2 London Banking Days prior to the interest rate reset date; provided however, if more than one BBA LIBOR is specified, the applicable rate shall be the arithmetic mean of all such rates. London Banking Days means any day on which commercial banks are open for general business (including dealings in foreign exchange and foreign currency deposits) in London, England. If, for any reason, such rate is not available, the term LIBOR shall mean, with respect to any Interest Period, the rate of interest per annum determined by Bank to be the average rate per annum at which deposits in dollars are offered for such Interest Period by major banks in the London, England at approximately 11:00 A.M. (London time) 2 London Banking Days prior to the interest rate reset date.

Principal and interest shall be payable at the Bank's main office or at such other place as the Bank may designate in writing in immediately available funds in lawful money of the United States of America without set-off, deduction or counterclaim. Interest shall be calculated on the basis of actual number of days elapsed and a 360-day year.

This Note is a revolving note and, subject to the foregoing and in accordance with the provisions hereof and of any and all other agreements between the Borrower and the Bank related hereto, the Borrower may, at its option, borrow, pay, prepay and reborrow hereunder at any time prior to the Maturity Date or such earlier date as the obligations of the Borrower to the Bank under this Note, and any other agreements between the Bank and the Borrower related hereto, shall become due and payable, or the obligation of the Bank to extend financial accommodations to the Borrower shall terminate; provided, however, that in any event the principal balance outstanding hereunder shall at no time exceed the face

amount of this Note. This Note shall continue in full force and effect until all obligations and liabilities evidenced by this Note are paid in full and the Bank is no longer obligated to extend financial accommodations to the Borrower, even if, from time to time, there are no amounts outstanding respecting this Note.

At the option of the Bank, this Note shall become immediately due and payable without notice or demand upon the occurrence at any time of any of the following events of default (each, an "Event of Default"): (1) default of any liability, obligation, covenant or undertaking of the Borrower, any endorser or any guarantor hereof to the Bank, hereunder or otherwise, including, without limitation, failure to pay in full and when due any installment of principal or interest or default of the Borrower, any endorser or any guarantor hereof under any other loan document delivered by the Borrower, any endorser or any guarantor, or in connection with the loan evidenced by this Note or any other agreement by the Borrower, any endorser or any guarantor with the Bank continuing for 15 days with respect to any default (other than with respect to the payment of money for which there is no grace period); (2) failure of the Borrower, any endorser or any guarantor hereof to maintain aggregate collateral security value satisfactory to the Bank continuing for 15 days; (3) default of any material liability, obligation or undertaking of the Borrower, any endorser or any guarantor hereof to any other party continuing for 15 days; (4) if any statement, representation or warranty heretofore, now or hereafter made by the Borrower, any endorser or any guarantor hereof in connection with the loan evidenced by this Note or in any supporting financial statement of the Borrower, any endorser or any guarantor hereof shall be determined by the Bank to have been false or misleading in any material respect when made; (5) if the Borrower, any endorser or any guarantor hereof is a corporation, trust, partnership or limited liability company, the liquidation, termination or dissolution of any such organization, or the merger or consolidation of such organization into another entity, or its ceasing to carry on actively its present business or the appointment of a receiver for its property; (6) the death of the Borrower, any endorser or any guarantor hereof and, if the Borrower, any endorser or any guarantor hereof is a partnership or limited liability company, the death of any partner or member; (7) the institution by or against the Borrower, any endorser or any guarantor hereof of any proceedings under the Bankruptcy Code 11 USC §101 *et seq* . or any other law in which the Borrower, any endorser or any guarantor hereof is alleged to be insolvent or unable to pay its debts as they mature, or the making by the Borrower, any endorser or any guarantor hereof of an assignment for the benefit of creditors or the granting by the Borrower, any endorser or any guarantor hereof of a trust mortgage for the benefit of creditors; (8) the service upon the Bank of a writ in which the Bank is named as trustee of the Borrower, any endorser or any guarantor hereof; (9) a judgment or judgments for the payment of money shall be rendered against the Borrower, any endorser or any guarantor hereof, and any such judgment shall remain unsatisfied and in effect for any period of thirty (30) consecutive days without a stay of execution; (10) any levy, lien (including mechanics lien) except as permitted under any of the other loan documents between the Bank and the Borrower, seizure, attachment, execution or similar process shall be issued or levied on any of the property of the Borrower, any endorser or any guarantor hereof; (11) the termination or revocation of any guaranty hereof; or (12) the occurrence of such a change in the condition or affairs (financial or otherwise) of the Borrower, any endorser or any guarantor hereof, or the occurrence of any other event or circumstance, such that the Bank, in its sole discretion, deems that it is insecure or that the prospects for timely or full payment or performance of any obligation of the Borrower, any endorser or any guarantor hereof to the Bank has been or may be impaired.

BORROWER HEREBY AUTHORIZES AND EMPOWERS ANY ATTORNEY OR ATTORNEYS OR THE PROTHONOTARY OR CLERK OF ANY COURT OF RECORD IN THE COMMONWEALTH OF PENNSYLVANIA OR IN ANY OTHER JURISDICTION, UPON THE OCCURRENCE OF AN EVENT OF DEFAULT, 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 BANK FOR ALL SUMS DUE OR TO BECOME DUE BY BORROWER TO THE BANK UNDER THIS NOTE, WITH COSTS OF SUIT AND RELEASE OF ERRORS AND WITH THE GREATER OF FIVE PERCENT (5%) OF SUCH SUMS OR $10,000 ADDED AS A REASONABLE 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 THEREOF, AND JUDGMENT MAY BE CONFESSED AS AFORESAID FROM TIME TO TIME AS OFTEN AS THERE IS

OCCASION THEREFOR.

BORROWER ACKNOWLEDGES THAT IT HAS BEEN OR HAS HAD THE OPPORTUNITY TO BE REPRESENTED BY COUNSEL IN CONNECTION WITH THE EXECUTION AND DELIVERY OF THIS NOTE AND THAT IT KNOWINGLY WAIVES ITS RIGHT TO BE HEARD PRIOR TO THE ENTRY OF SUCH JUDGMENT AND UNDERSTANDS THAT, UPON SUCH ENTRY, SUCH JUDGMENT SHALL BECOME A LIEN ON ALL REAL PROPERTY OF BORROWER IN THE COUNTY WHERE SUCH JUDGMENT IS ENTERED.

Any payments received by the Bank on account of this Note shall, at the Bank's option, be applied to any accrued unpaid interest, then to outstanding and due amounts of principal; then to any required escrow payment if applicable; then to any debt protection insurance premium if applicable; and then to any fees including late charges and then to any costs. Notwithstanding the foregoing, any payments received after the occurrence and during the continuance of an Event of Default shall be applied in such manner as the Bank may determine. The Borrower hereby authorizes the Bank to charge any deposit account which the Borrower may maintain with the Bank for any payment required hereunder without prior notice to the Borrower.

The Borrower hereby authorizes Bank to charge checking account number 373006618 at Bank (or such other account maintained by the Borrower at Bank as the Borrower shall designate by written notice to the Bank) (the "Deposit Account") to satisfy the monthly payments due and payable to Bank hereunder. Bank is hereby authorized to charge the Deposit Account on each charge date or, if any charge date shall fall on a Saturday, Sunday or legal holiday, then either on the first (1st) business day immediately preceding or the first (1st) business day immediately following any such charge date until the Note shall be paid in full.

The Borrower agrees to maintain sufficient funds in the Deposit Account to satisfy the payment due Bank under the Note on each charge date during the term of the loan. If sufficient funds are not available in the Deposit Account on any charge date to pay the amounts then due and payable under this Note, Bank, in its sole discretion, is authorized to: (a) charge the Deposit Account for such lesser amount as shall then be available; and/or (b) charge the Deposit Account on such later date or dates that funds shall be available in the Deposit Account to satisfy the payment then due (or balance of such payment then due). Notwithstanding the foregoing, the Borrower shall only be entitled to receive credit in respect of any payments of principal and interest due under this Note for funds actually received by Bank as a result of any such charges to the Deposit Account. The Borrower shall be liable to Bank for any late fees or interest at the default rate on any payments not made on a timely basis by the Borrower because of insufficient funds in the Deposit Account on any charge date. In the event the Deposit Account continues to contain insufficient funds to fully satisfy the payments due Bank under this Note, the Borrower shall be responsible for making all such payments from another source and in no event shall the obligations of the Borrower under this Note be affected or diminished as a result of any shortages in the Deposit Account, it being understood and agreed that the Borrower shall at all times remain liable for payment in full of all Indebtedness under the Note.

Bank may, at Bank's sole discretion, discontinue charging the Deposit Account at any time on not less than ten (10) days' written notice to the Borrower, in which event, the Borrower shall thereafter be responsible for making all payments hereunder to Bank at the address set forth in Bank's notice or if no such address is given; then to Bank at P.O. Box 5600, Lewiston, Maine 04243-5600.

If pursuant to the terms of this Note, the Borrower is at any time obligated to pay interest on the principal balance at a rate in excess of the maximum interest rate permitted by applicable law for the loan evidenced by this Note, the applicable interest rate shall be immediately reduced to such maximum rate and all previous payments in excess of the maximum rate shall be deemed to have been payments in reduction of principal and not on account of the interest due hereunder.

The Borrower represents to the Bank that the proceeds of this Note will not be used for

personal, family or household purposes or for the purpose of purchasing or carrying margin stock or margin securities within the meaning of Regulations U and X of the Board of Governors of the Federal Reserve System, 12 C.F.R. Parts 221 and 224.

The Borrower and each endorser and guarantor hereof grant to the Bank a continuing lien on and security interest in any and all deposits or other sums at any time credited by or due from the Bank or any Bank Affiliate (as hereinafter defined) to the Borrower and/or each endorser or guarantor hereof and any cash, securities, instruments or other property of the Borrower and each endorser and guarantor hereof in the possession of the Bank or any Bank Affiliate, whether for safekeeping or otherwise, or in transit to or from the Bank or any Bank Affiliate (regardless of the reason the Bank or Bank Affiliate had received the same or whether the Bank or Bank Affiliate has conditionally released the same) as security for the full and punctual payment and performance of all of the liabilities and obligations of the Borrower and/or any endorser or guarantor hereof to the Bank or any Bank Affiliate and such deposits and other sums may be applied or set off against such liabilities and obligations of the Borrower or any endorser or guarantor hereof to the Bank or any Bank Affiliate at any time, whether or not such are then due, whether or not demand has been made and whether or not other collateral is then available to the Bank or any Bank Affiliate.

No delay or omission on the part of the Bank in exercising any right hereunder shall operate as a waiver of such right or of any other right of the Bank, nor shall any delay, omission or waiver on any one occasion be deemed a bar to or waiver of the same or any other right on any future occasion. The Borrower and every endorser or guarantor of this Note, regardless of the time, order or place of signing, waives presentment, demand, protest, notice of intent to accelerate, notice of acceleration and all other notices of every kind in connection with the delivery, acceptance, performance or enforcement of this Note and assents to any extension or postponement of the time of payment or any other indulgence, to any substitution, exchange or release of collateral, and to the addition or release of any other party or person primarily or secondarily liable and waives all recourse to suretyship and guarantor defenses generally, including any defense based on impairment of collateral. To the maximum extent permitted by law, the Borrower and each endorser and guarantor of this Note waive and terminate any homestead rights and/or exemptions respecting any premises under the provisions of any applicable homestead laws, including without limitation, Title 42, Section 8123, of the Pennsylvania Consolidated Statutes Annotated.

Borrower hereby waives and releases all errors, defects and imperfections in any proceedings instituted by the Bank under the terms of this Note or any other loan documents, as well as all benefits that might accrue to the Borrower by virtue of any present or future laws exempting any property, real or personal, or any part of the proceeds arising from any sale of such property, from attachment, levy or sale under execution or providing for any stay of execution, exemption from civil process or extension of time for payment, as well as the right of inquisition on any real estate that may be levied upon under a judgment obtained by virtue hereof, and Borrower hereby voluntarily condemns the same and authorizes the entry of such voluntary condemnation on any writ of execution issued thereon, and agrees that such real estate may be sold upon any such writ in whole or in part in any order desired by the Bank.

The Borrower and each endorser and guarantor of this Note shall indemnify, defend and hold the Bank and the Bank Affiliates and their directors, officers, employees, agents and attorneys (each an "Indemnitee") harmless against any claim brought or threatened against any Indemnitee by the Borrower, by any endorser or guarantor, or by any other person (as well as from attorneys' reasonable fees and expenses in connection therewith) on account of the Bank's relationship with the Borrower or any endorser or guarantor hereof (each of which may be defended, compromised, settled or pursued by the Bank with counsel of the Bank's selection, but at the expense of the Borrower and any endorser and/or guarantor), except for any claim arising out of the gross negligence or willful misconduct of the Bank.

The Borrower and each endorser and guarantor of this Note agree to pay, upon demand, costs of collection of all amounts under this Note including, without limitation, principal and interest, or in connection with the enforcement of, or realization on, any security for this Note, including, without limitation, to the extent permitted by applicable law, reasonable attorneys' fees and expenses. Upon the

occurrence and during the continuance of an Event of Default, interest shall accrue at a rate per annum equal to the aggregate of 4.0% plus the rate provided for herein. If any payment due under this Note is unpaid for 15 days or more, the Borrower shall pay, in addition to any other sums due under this Note (and without limiting the Bank's other remedies on account thereof), a late charge equal to 6.0% of such unpaid amount.

This Note shall be binding upon the Borrower and each endorser and guarantor hereof and upon their respective heirs, successors, assigns and legal representatives, and shall inure to the benefit of the Bank and its successors, endorsees and assigns.

The liabilities of the Borrower and any endorser or guarantor of this Note are joint and several; provided, however, the release by the Bank of the Borrower or any one or more endorsers or guarantors shall not release any other person obligated on account of this Note. Any and all present and future debts of the Borrower to any endorser or guarantor of this Note are subordinated to the full payment and performance of all present and future debts and obligations of the Borrower to the Bank. Each reference in this Note to the Borrower, any endorser, and any guarantor, is to such person individually and also to all such persons jointly. No person obligated on account of this Note may seek contribution from any other person also obligated, unless and until all liabilities, obligations and indebtedness to the Bank of the person from whom contribution is sought have been irrevocably satisfied in full. The release or compromise by the Bank of any collateral shall not release any person obligated on account of this Note.

The Borrower and each endorser and guarantor hereof each authorizes the Bank to complete this Note if delivered incomplete in any respect. A photographic or other reproduction of this Note may be made by the Bank, and any such reproduction shall be admissible in evidence with the same effect as the original itself in any judicial or administrative proceeding, whether or not the original is in existence.

The Borrower will from time to time execute and deliver to the Bank such documents, and take or cause to be taken, all such other further action, as the Bank may request in order to effect and confirm or vest more securely in the Bank all rights contemplated by this Note or any other loan documents related thereto (including, without limitation, to correct clerical errors) or to vest more fully in or assure to the Bank the security interest in any collateral securing this Note or to comply with applicable statute or law.

The Borrower agrees to execute, re-execute, cause any Guarantor(s) or other third party(ies) involved in the loan transaction to execute and/or re-execute and to deliver to Bank or its legal counsel, as may be deemed appropriate, any document or instrument signed in connection with the Loan which was incorrectly drafted and/or signed, as well as any document or instrument which should have been signed at or prior to the closing of the Loan, but which was not so signed and delivered. Borrower agrees to comply with any written request by Bank within ten (10) days after receipt by Borrower of such request. Failure by Borrower to so comply shall, at the option of Bank, upon notice to Borrower, constitute an event of default under the Loan. The Borrower authorizes the Bank to make any credit inquiries Bank deems necessary and authorizes any person or credit reporting agency to give Bank a copy of the Borrower's credit report and any other financial information it may have.

This Note is delivered to the Bank at one of its offices, shall take effect as a sealed instrument and shall be governed by the laws of the Commonwealth of Pennsylvania without giving effect to the conflicts of laws principles thereof.

Any notices under or pursuant to this Note shall be deemed duly received and effective if delivered in hand to any officer of agent of the Borrower or Bank, or if mailed by registered or certified mail, return receipt requested, addressed to the Borrower or Bank at the address set forth in this Note or as any party may from time to time designate by written notice to the other party; notwithstanding the foregoing notices to the Bank with respect to accounting and collateral release and notices to the Trustee pursuant to a Deed of Trust shall be sent to the Bank as follows: Attention: VP Loan Servicing, Loan Services, 6000 Atrium Way, Mt. Laurel NJ 08054.

The term “Bank Affiliate” as used in this Note shall mean any “Affiliate” of the Bank. The term “Affiliate” shall mean with respect to any person, (a) any person which, directly or indirectly through one or more intermediaries controls, or is controlled by, or is under common control with, such person, or (b) any person who is a director or officer (i) of such person, (ii) of any subsidiary of such person, or (iii) any person described in clause (a) above. For purposes of this definition, control of a person shall mean the power, direct or indirect, (x) to vote 5% or more of the Capital Stock having ordinary voting power for the election of directors (or comparable equivalent) of such person, or (y) to direct or cause the direction of the management and policies of such person whether by contract or otherwise. Control may be by ownership, contract, or otherwise.

The Borrower and each endorser and guarantor of this Note each irrevocably submits to the nonexclusive jurisdiction of any Federal or state court sitting in Pennsylvania, over any suit, action or proceeding arising out of or relating to this Note. Each of the Borrower and each endorser and guarantor irrevocably waives, to the fullest extent it may effectively do so under applicable law, any objection it may now or hereafter have to the laying of the venue of any such suit, action or proceeding brought in any such court and any claim that the same has been brought in an inconvenient forum. Each of the Borrower and each endorser and guarantor hereby consents to any and all process which may be served in any such suit, action or proceeding, (i) by mailing a copy thereof by registered and certified mail, postage prepaid, return receipt requested, to the Borrower’s, endorser’s or guarantor’s address shown below or as notified to the Bank and (ii) by serving the same upon the Borrower(s), endorser(s) or guarantor(s) in any other manner otherwise permitted by law, and agrees that such service shall in every respect be deemed effective service upon the Borrower or such endorser or guarantor.

THE BORROWER, EACH ENDORSER AND GUARANTOR AND THE BANK EACH HEREBY KNOWINGLY, VOLUNTARILY AND INTENTIONALLY, AND AFTER AN OPPORTUNITY TO CONSULT WITH LEGAL COUNSEL, (A) WAIVES ANY AND ALL RIGHTS TO A TRIAL BY JURY IN ANY ACTION OR PROCEEDING IN CONNECTION WITH THIS NOTE, ANY OF THE OBLIGATIONS OF THE BORROWER, EACH ENDORSER AND GUARANTOR TO THE BANK, AND ALL MATTERS CONTEMPLATED HEREBY AND DOCUMENTS EXECUTED IN CONNECTION HEREWITH AND (B) AGREES NOT TO SEEK TO CONSOLIDATE ANY SUCH ACTION WITH ANY OTHER ACTION IN WHICH A JURY TRIAL CAN NOT BE, OR HAS NOT BEEN, WAIVED, THE BORROWER, EACH ENDORSER AND GUARANTOR AND THE BANK EACH CERTIFIES THAT NEITHER THE BANK NOR ANY OF ITS REPRESENTATIVES, AGENTS OR COUNSEL HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT THE BANK WOULD NOT IN THE EVENT OF ANY SUCH PROCEEDING SEEK TO ENFORCE THIS WAIVER OF RIGHT TO TRIAL BY JURY.

CONFESSION OF JUDGMENT

THE TERMS OF THIS NOTE INCLUDE A WARRANT OF ATTORNEY TO CONFESS JUDGMENT AND HAVE BEEN NEGOTIATED AND AGREED UPON IN A COMMERCIAL CONTEXT. BORROWER HAS FULLY REVIEWED THE WARRANT OF ATTORNEY TO CONFESS JUDGMENT WITH ITS OWN COUNSEL, AND IS KNOWINGLY AND VOLUNTARILY WAIVING CERTAIN RIGHTS IT WOULD OTHERWISE POSSESS, INCLUDING, BUT NOT LIMITED TO, THE RIGHT TO ANY NOTICE OF A HEARING PRIOR TO THE ENTRY OF JUDGMENT BY THE BANK PURSUANT TO THE FOREGOING WARRANT.

Executed as an instrument under seal as of **January 15, 2013.**

Borrower:

Wireless Xcessories Group, Inc.

By: 

Stephen Rade, President

1840 County Line Road, Suite 301
Huntingdon, Pennsylvania
19006





LOAN AND SECURITY AGREEMENT

This LOAN AND SECURITY AGREEMENT (this ‘‘Agreement”) is entered into as of **January 15, 2013** , between **Wireless Xcessories Group, Inc., a Delaware corporation,** with its chief executive office located at **1840 County Line Road, Suite 301, Huntingdon, Pennsylvania 19006** (the “Borrower”) and TD Bank, N.A., a National Association, with an address of 2005 Market Street, 2nd Floor, Philadelphia, Pennsylvania 19103 (the “Bank”).

FOR VALUE RECEIVED, and in consideration of the granting by the Bank of financial accommodations to or for the benefit of the Borrower, including without limitation respecting the Obligations (as hereinafter defined), the Borrower represents and agrees with the Bank, as of the date hereof and as of the date of each loan, credit and/or other financial accommodation, as follows:

1. THE LOAN

1.1 Revolving Loans . Bank agrees, in its sole discretion, to make revolving loans (the “Revolving Loans”) to or for the account of Borrower, upon Borrower’s request therefor, in an aggregate amount of up to **Two Million Dollars and Zero Cents ($2,000,000.00)** (the “Revolving Loan Amount”), provided there is no continuing uncured Event of Default (as hereinafter defined) and subject to the terms and conditions set forth herein. The Revolving Loans shall be evidenced by that certain Revolving Term Note, of even date herewith (the “Revolving Note”), by Wireless Xcessories Group, Inc. in favor of the Bank in the face amount of the Revolving Loan Amount. The Bank’s agreement to make any advances pursuant to this Agreement and evidenced by the Revolving Note shall expire on **January 15, 2014** . This Agreement, the Revolving Note, and any and all other documents, amendments or renewals executed and delivered in connection with any of the foregoing are collectively hereinafter referred to as the “Loan Documents”.

1.2 Revolving Loan Account . An account shall be opened on the books of Bank in which account a record will be kept of all Revolving Loans, and all payments thereon and other appropriate debits and credits as provided by this Agreement.

1.3 Interest . Interest respecting the Revolving Loans will be charged to Borrower on the principal amount from time to time outstanding at the interest rate specified in the Revolving Note in accordance with the terms of the Revolving Note. If not specified in the Revolving Note, interest will be charged at the highest rate per annum charged by Bank to Borrower on any other Obligation based on a 360-day year and the actual number of days elapsed.

1.4 Repayment . All loans and advances made respecting the Revolving Loans shall be payable to Bank on or before the maturity date of the Revolving Note.

1.5 Clean-Up . The Borrower shall fully repay to the Bank all amounts outstanding respecting the Revolving Loans for a period of **30** consecutive days in each year.

1.6 Overadvances . Any Revolving Loans that may be made, at the Bank’s sole discretion, in excess of the Revolving Loan Amount shall not limit the obligations of Borrower or any of the Bank’s rights or remedies hereunder or under the Loan Documents or otherwise; all such Revolving Loans shall

be secured by the Collateral, as hereinafter defined, and shall be due and payable to the Bank in accordance with the terms of the Revolving Note, and shall bear Interest at the rate set forth in the Revolving Note. All checks or other items paid by Bank which cause an overdraft in any deposit account maintained by Borrower with Bank shall, at the option of the Bank, constitute an advance to Borrower pursuant to this Agreement respecting the Revolving Loans, repayable on demand, and shall be secured by all Collateral.

1.7 Authorized Persons; Advances . Any person duly authorized by a general borrowing resolution of the Borrower, or in the absence of such a resolution, the President, Treasurer or any Vice President of the Borrower, or any person otherwise authorized in this paragraph, may request discretionary loans hereunder, either orally or otherwise, but the Bank at its option may require that all requests for loans hereunder shall be in writing. The Bank shall incur no liability to Borrower in acting upon any request referred to herein which the Bank believes in good faith to have been made by an authorized person or persons. Each loan hereunder may be credited by Bank to any deposit account of Borrower with Bank or with any other Bank with which Borrower maintains a deposit account, or may be paid to Borrower (or as Borrower instructs) or may be applied to any Obligations, as Bank may in each instance elect. The following persons currently are authorized to request advances and authorize payments respecting Revolving Loans until the Bank receives from Borrower, at the Bank's address, written notice of revocation of their authority: Stephen Rade, President.

1.8 Monthly Statement . At the option of the Bank, after the end of each month, Bank will render to Borrower a statement of the Revolving Loan account, showing all applicable credits and debits. Each statement shall be considered correct and to have been accepted by Borrower and shall be conclusively binding upon Borrower in respect of all charges, debits and credits of whatsoever nature contained therein respecting the Revolving Loans, and the closing balance shown therein, unless Borrower notifies Bank in writing of any discrepancy within twenty (20) days from the mailing by Bank to Borrower of any such monthly statement.

2. GRANT OF SECURITY INTEREST

2.1 Grant of Security Interest . In consideration of the Bank's extending credit and other financial accommodations to or for the benefit of the Borrower, the Borrower hereby grants to the Bank a security interest in, a lien on and pledge and assignment of the Collateral (as hereinafter defined). The security interest granted by this Agreement is given to and shall be held by the Bank as security for the payment and performance of all Obligations, including, without limitation, all amounts outstanding pursuant to the Loan Documents.

2.2 Definitions . The following definitions shall apply;

(a) "Code" shall mean the Pennsylvania Uniform Commercial Code, Title 13 PaCSA as amended from time to time.

(b) "Collateral" shall mean all of the Borrower's present and future right, title and interest in and to any and all of the personal property of the Borrower whether such property is now existing or hereafter created, acquired or arising and wherever located from time to time, including without limitation;

(i) accounts;

(ii) chattel paper;

(iii) goods;

(iv) inventory;

(v) equipment;

(vi) fixtures

(vii) farm products;

(viii) instruments;

(ix) investment property;

(x) documents;

(xi) commercial tort claims;

(xii) deposit accounts;

(xiii) letter-of-credit rights;

(xiv) general intangibles;

(xv) supporting obligations; and

(xvi) records of, accession to and proceeds and products of the foregoing.

(c) ‘‘Debtors” shall mean the Borrower’s customers who are indebted to the Borrower.

(d) “Bank Affiliate” shall mean any “Affiliate” of the Bank. The term ‘‘Affiliate” shall mean with respect to any Person, (a) any Person which, directly or indirectly through one or more intermediaries controls, or is controlled by, or is under common control with, such Person, or (b) any Person who is a director or officer (i) of such Person, (ii) of any subsidiary of such Person, or (iii) any person described in clause (a) above. For purposes of this definition, control of a Person shall mean the power, direct or indirect, (x) to vote 5% or more of the Capital Stock having ordinary voting power for the election of directors (or comparable equivalent) of such Person, or (y) to direct or cause the direction of the management and policies of such Person whether by contract or otherwise. Control may be by ownership, contract, or otherwise.

(e) “Obligation(s)” shall mean, without limitation, all loans, advances, indebtedness, notes, liabilities, rate swap transactions, basis swaps, forward rate transactions, commodity swaps, commodity options, equity or equity index swaps, equity or equity index options, bond options, interest rate options, foreign exchange transactions, cap transactions, floor transactions, collar transactions, forward transactions, currency swap transactions, cross-currency rate swap transactions, currency options and amounts, liquidated or unliquidated, owing by the Borrower to the Bank or any Bank Affiliate at any time, of each and every kind, nature and description, whether arising under this Agreement or otherwise, and whether secured or unsecured, direct or indirect (that is, whether the same are due directly by the Borrower to the Bank or any Bank Affiliate; or are due indirectly by the Borrower to the Bank or any Bank Affiliate as endorser, guarantor or other surety, or as borrower of obligations due third persons which have been endorsed or assigned to the Bank or any Bank Affiliate, or otherwise), absolute or contingent, due or to become due, now existing or hereafter arising or contracted, including, without limitation, payment when due of all amounts outstanding respecting any of the Loan Documents. Said term shall also include all interest and other charges chargeable to the Borrower or due from the Borrower to the Bank or any Bank Affiliate from time to time and all costs and expenses referred to in this Agreement, as well as any other debts, liabilities or obligations owing to Bank or any Bank Affiliate in connection with any lockbox, cash

management, or other services (including electronic funds transfers or automated clearing house transactions).

(f) ‘‘Person” or “party” shall mean individuals, partnerships, corporations, limited liability companies and all other entities.

All words and terms used in this Agreement other than those specifically defined herein shall have the meanings accorded to them in the Code.

2.3 Ordinary Course of Business . The Bank hereby authorizes and permits the Borrower to hold, process, sell, use or consume in the manufacture or processing of finished goods, or otherwise dispose of inventory for fair consideration, all in the ordinary course of the Borrower’s business, excluding, without limitation, sales to creditors or in bulk or sales or other dispositions occurring under circumstances which would or could create any lien or interest adverse to the Bank’s security interest or other right hereunder in the proceeds resulting there from. The Bank also hereby authorizes and permits the Borrower to receive from the Debtors all amounts due as proceeds of the Collateral at the Borrower’s own cost and expense, and also liability, if any, subject to the direction and control of the Bank at all times; and the Bank may at any time, without cause or notice, and whether or not an Event of Default has occurred or demand has been made, terminate all or any part of the authority and permission herein or elsewhere in this Agreement granted to the Borrower with reference to the Collateral, and notify Debtors to make all payments due as proceeds of the Collateral to the Bank. Until Bank shall otherwise notify Borrower, all proceeds of and collections of Collateral shall be retained by Borrower and used solely for the ordinary and usual operation of Borrower’s business. From and after notice by Bank to Borrower, all proceeds of and collections of the Collateral shall be held in trust by Borrower for Bank and shall not be commingled with Borrower’s other funds or deposited in any Bank account of Borrower; and Borrower agrees to deliver to Bank on the dates of receipt thereof by Borrower, duly endorsed to Bank or to bearer, or assigned to Bank, as may be appropriate, all proceeds of the Collateral in the identical form received by Borrower.

2.4 Allowances . Absent an Event of Default the Borrower may grant such allowances or other adjustments to Debtors (exclusive of extending the time for payment of any item which shall not be done without first obtaining the Bank’s written consent in each instance) as the Borrower may reasonably deem to accord with sound business practice, including, without limiting the generality of the foregoing, accepting the return of all or any part of the inventory (subject to the provisions set forth in this Agreement with reference to returned inventory).

2.5 Records . The Borrower shall hold its books and records relating to the Collateral segregated from all the Borrower’s other books and records in a manner satisfactory to the Bank; and shall deliver to the Bank from time to time promptly at its request all invoices, original documents of title, contracts, chattel paper, instruments and any other writings relating thereto, and other evidence of performance of contracts, or evidence of shipment or delivery of the merchandise or of the rendering of services; and the Borrower will deliver to the Bank promptly at the Bank’s request from time to time additional copies of any or all of such papers or writings, and such other information with respect to any of the Collateral and such schedules of inventory, schedules of accounts and such other writings as the Bank may in its sole discretion deem to be necessary or effectual to evidence any loan hereunder or the Bank’s security interest in the Collateral.

2.6 Legends . The Borrower shall promptly make, stamp or record such entries or legends on the Borrower’s books and records or on any of the Collateral (including, without limitation, chattel paper) as Bank shall request from time to time, to indicate and disclose that Bank has a security interest in such Collateral.

2.7 Inspection . The Bank, or its representatives, at any time and from time to time, shall have the right at the sole cost and expense of Borrower, and the Borrower wiil permit the Bank and/or its representatives: (a) to examine, check, make copies of or extracts from any of the Borrower’s books,

records and files (including, without limitation, orders and original correspondence); (b) to perform field exams or otherwise inspect and examine the Collateral and to check, test or appraise the same as to quality, quantity, value and condition; and (c) to verify the Collateral or any portion or portions thereof or the Borrower's compliance with the provisions of this Agreement.

2.8 Purchase Money Security Interests . To the extent the Borrower uses proceeds of any loans to purchase Collateral, the repayment of such loans shall be on a "first-in-first-out" basis so that the portion of the loan used to purchase a particular item of Collateral shall be repaid in the order in which Borrower purchased such item of Collateral.

2.9 Search Reports . Bank shall receive prior to the date of this Agreement UCC search results under all names used by the Borrower during the prior five (5) years, from each jurisdiction where any Collateral is located, from the State, if any, where the Borrower is organized and registered (as such terms are used in the Code), and the State where the Borrower's chief executive office is located. The search results shall confirm that the security interest in the Collateral granted Bank hereunder is prior to all other security interests in favor of any other person.

3. REPRESENTATIONS AND WARRANTIES

3.1 Organization and Qualification . Borrower is a duly organized and validly existing corporation under the laws of the State of its incorporation with the exact legal name set forth in the first paragraph of this Agreement. Borrower is in good standing under the laws of said State, has the power to own its property and conduct its business as now conducted and as currently proposed to be conducted, and is duly qualified to do business under the laws of each state where the nature of the business done or property owned requires such qualification.

3.2 Subsidiaries . Borrower has no subsidiaries other than as previously specifically consented to in writing by the Bank, if any, and the Borrower has never consolidated, merged or acquired substantially all of the assets of any other entity or person other than as previously specifically consented to in writing by the Bank, if any.

3.3 Corporate Records . Borrower's corporate charter, articles or certificate of organization or incorporation and all amendments thereto have been duly filed and are in proper order. All outstanding capital stock issued by the Borrower was and is properly issued and all books and records of the Borrower, including but not limited to its minute books, bylaws and books of account, are accurate and up to date and will be so maintained.

3.4 Title to Properties: Absence of Liens . Borrower has good and clear record and marketable title to all of its properties and assets, and all of its properties and assets including the Collateral are free and clear of all mortgages, liens, pledges, charges, encumbrances and setoffs, other than the security interest therein granted to the Bank and those mortgages, deeds of trust, leases of personal property and security interests previously specifically consented to in writing by the Bank.

3.5 Places of Business . Borrower's chief executive office is correctly stated in the preamble to this Agreement, and Borrower shall, during the term of this Agreement, keep the Bank currently and accurately informed in writing of each of its other places of business, and shall not change the location of such chief executive office or open or close, move or change any existing or new place of business without giving the Bank at least thirty (30) days prior written notice thereof.

3.6 Valid Obligations . The execution, delivery and performance of the Loan Documents have been duly authorized by all necessary corporate action and each represents a legal, valid and binding obligation of Borrower and is fully enforceable according to its terms, except as limited by laws relating to the enforcement of creditors' rights.

3.7 Conflicts . There is no provision in Borrower's organizational or charter documents, if any, or in any indenture, contract or agreement to which Borrower is a party which prohibits, limits or restricts the execution, delivery or performance of the Loan Documents.

3.8 Governmental Approvals . The execution, delivery and performance of the Loan Documents does not require any approval of or filing with any governmental agency or authority.

3.9 Litigation, etc . There are no actions, claims or proceedings pending or to the knowledge of Borrower threatened against Borrower which might materially adversely affect the ability of Borrower to conduct its business or to pay or perform the Obligations.

3.10 Financial Statements . The Borrower has furnished to the Bank the following Financial Statements (the "Financial Statements"): balance sheet as of **December 31, 2011** , and statement of profit and loss for the period ending **December 31, 2011** . The balance sheet fairly presents the condition of the Borrower at the date thereof and the statement of profit and loss fairly presents the results of the operations of the Borrower for the period indicated, all in conformity with generally accepted accounting principles, consistently applied.

3.11 Accounts and Contract Rights . All accounts arise out of legally enforceable and existing contracts, and represent unconditional and undisputed bona fide indebtedness by a Debtor, and are not and will not be subject to any discount (except such cash or trade discount as may be shown on any invoice, contract or other writing delivered to the Bank). No contract right, account, general intangible or chattel paper is or will be represented by any note or other instrument, and no contract right, account or general intangible is, or will be represented by any conditional or installment sales obligation or other chattel paper, except such instruments or chattel paper as have been or immediately upon receipt by the Borrower will be delivered to the Bank (duly endorsed or assigned), such delivery, in the case of chattel paper, to include all executed copies except those in the possession of the installment buyer and any security for or guaranty of any of the Collateral shall be delivered to the Bank immediately upon receipt thereof by the Borrower, with such assignments and endorsements thereof as the Bank may request.

3.12 Title to Collateral . At the date hereof the Borrower is (and as to Collateral that the Borrower may acquire after the date hereof, will be) the lawful owner of the Collateral, and the Collateral and each item thereof is, will be and shall continue to be free of all restrictions, liens, encumbrances or other rights, title or interests (other than the security interest therein granted to the Bank), credits, defenses, recoupments, set-offs or counterclaims whatsoever. The Borrower has and will have full power and authority to grant to the Bank a security interest in the Collateral and the Borrower has not transferred, assigned, sold, pledged, encumbered, subjected to lien or granted any security interest in, and will not transfer, assign, sell (except sales or other dispositions in the ordinary course of business in respect to inventory as expressly permitted in this Agreement), pledge, encumber, subject to lien or grant any security interest in any of the Collateral (or any of the Borrower's right, title or interest therein), to any person other than the Bank. The Collateral is and will be valid and genuine in all respects. The Borrower will warrant and defend the Bank's right to and interest in the Collateral against all claims and demands of all persons whatsoever.

3.13 Location of Collateral . Except for sale, processing, use, consumption or other disposition in the ordinary course of business, the Borrower will keep all inventory and equipment only at locations specified in this Agreement or specified to the Bank in writing. The Borrower shall, during the term of this Agreement, keep the Bank currently and accurately informed in writing of each location where the Borrower's records relating to its accounts and contract rights, respectively, are kept, and shall not remove such records or any of them to another location without giving the Bank at least thirty (30) days prior written notice thereof.

3.14 Third Parties . The Bank shall not be deemed to have assumed any liability or responsibility to the Borrower or any third person for the correctness, validity or genuineness of any instruments or documents that may be released or endorsed to the Borrower by the Bank (which shall automatically be

deemed to be without recourse to the Bank in any event) or for the existence, character, quantity, quality, condition, value or delivery of any goods purporting to be represented by any such documents; and the Bank, by accepting such security interest in the Collateral, or by releasing any Collateral to the Borrower, shall not be deemed to have assumed any obligation or liability to any supplier or Debtor or to any other third party, and the Borrower agrees to indemnify and defend the Bank and hold it harmless in respect to any claim or proceeding arising out of any matter referred to in this paragraph.

3.15 Payment of Accounts . Each account or other item of Collateral, other than inventory and equipment, will be paid in full on or before the date shown as its due date in the schedule of Collateral, in the copy of the invoice(s) relating to the account or other Collateral or in contracts relating thereto. Upon any suspension of business, assignment or trust mortgage for the benefit of creditors, dissolution, petition in receivership or under any chapter of the Bankruptcy Code as amended from time to time by or against any Debtor, any Debtor becoming insolvent or unable to pay its debts as they mature or any other act of the same or different nature amounting to a business failure, the Borrower will immediately notify the Bank thereof.

3.16 Changes . Since the date of the Financial Statements, there have been no changes in the assets, liabilities, financial condition or business of the Borrower, other than changes in the ordinary course of business, the effect of which have, in the aggregate, been materially adverse.

3.17 Taxes . The Borrower has filed all Federal, state and other tax returns required to be filed (except for such returns for which current and valid extensions have been filed), and all taxes, assessments and other governmental charges due from the Borrower have been fully paid. The Borrower has established on its books reserves adequate for the payment of all Federal, state and other tax liabilities (if any).

3.18 Use of Proceeds . No portion of any loan is to be used for (i) the purpose of purchasing or carrying any “margin security” or “margin stock” as such terms are used in Regulations U and X of the Board of Governors of the Federal Reserve System, 12 C.F.R. 221 and 224 or (ii) primarily personal, family or household purposes. The Collateral is not used or acquired primarily for personal, family or household purposes.

3.19 Anti-Terrorism Laws . (a) Neither Borrower nor any Affiliate of Borrower is in violation of any statute, treaty, law (including common law), ordinance, regulation, rule, order, opinion, release, injunction, writ, decree or award of any Governmental Authority relating to terrorism or money laundering, including Executive Order No. 13224 and the USA Patriot Act (collectively, “Anti-Terrorism Law”) or engages in or conspires to engage in any transaction that evades or avoids, or has the purpose of evading or avoiding, or attempts to violate, any of the prohibitions set forth in any Anti-Terrorism Law. (b) Neither Borrower nor any Affiliate of Borrower, or to Borrower’s knowledge, any of its respective agents acting or benefiting in any capacity in connection with the Loans, Letters of Credit or other transactions hereunder, is any of the following (each a “Blocked Person”): (i) a Person that is listed in the annex to, or is otherwise subject to the provisions of, the Executive Order No. 13224; (ii) a Person owned or controlled by, or acting for or on behalf of, any Person that is listed in the annex to, or is otherwise subject to the provisions of, the Executive Order No. 13224; (iii) a Person with which Bank is prohibited from dealing or otherwise engaging in any transaction by any Anti-Terrorism Law; (iv) a Person that commits, threatens or conspires to commit or supports “terrorism” as defined in the Executive Order No. 13224; (v) a Person that is named as a “specially designated national” on the most current list published by the U.S. Treasury Department Office of Foreign Asset Control at its official website or any replacement website or other replacement official publication of such list; or (vi) a Person who is affiliated with a Person listed above.

3.20 Environmental . As of the date hereof neither the Borrower nor any of Borrower’s agents, employees or Independent contractors (1) have caused or are aware of a release or threat of release of Hazardous Materials (as defined herein) on any of the premises or personal property owned or controlled by Borrower (“Controlled Property”) or any property abutting Controlled Property (“Abutting Property”), which could give rise to liability under any Environmental Law (as defined herein) or any other Federal,

state or local law, rule or regulation; (2) have arranged for the transport of or transported any Hazardous Materials in a manner as to violate, or result in potential liabilities under, any Environmental Law; (3) have received any notice, order or demand from the Environmental Protection Agency or any other Federal, state or local agency under any Environmental Law; (4) have incurred any liability under any Environmental Law in connection with the mismanagement, improper disposal or release of Hazardous Materials; or (5) are aware of any inspection or investigation of any Controlled Property or Abutting Property by any Federal, state or local agency for possible violations of any Environmental Law.

To the best of Borrower's knowledge, neither Borrower, nor any prior, owner or tenant of any Controlled Property, committed or omitted any act which caused the release of Hazardous Materials on such Controlled Property which could give rise to a lien thereon by any Federal, state or local government. No notice or statement of claim or lien affecting any Controlled Property has been recorded or filed in any public records by any Federal, state or local government for costs, penalties, fines or other charges as to such property. All notices, permits, licenses or similar authorizations, if any, required to be obtained or filed in connection with the ownership, operation, or use of the Controlled Property, including without limitation, the past or present generation, treatment, storage, disposal or release of any Hazardous Materials into the environment, have been duly obtained or filed.

Borrower agrees to indemnify and hold the Bank harmless from all liability, loss, cost, damage and expense, including attorney fees and costs of litigation, arising from any and all of its violations of any Environmental Law (including those arising from any lien by any Federal, state or local government arising from the presence of Hazardous Materials) or from the presence of Hazardous Materials located on or emanating from any Controlled Property or Abutting Property whether existing or not existing and whether known or unknown at the time of the execution hereof and regardless of whether or not caused by, or within the control of Borrower. Borrower further agrees to reimburse Bank upon demand for any costs incurred by Bank in connection with the foregoing. Borrower agrees that its obligations hereunder shall be continuous and shall survive the repayment of all debts to Bank and shall continue so long as a valid claim may be lawfully asserted against the Bank.

The term "Hazardous Materials" includes but is not limited to any and all substances (whether solid, liquid or gas) defined, listed, or otherwise classified as pollutants, hazardous wastes, hazardous substances, hazardous materials, extremely hazardous wastes, or words of similar meaning or regulatory effect under any present or future Environmental Law or that may have a negative impact on human health or the environment, including but not limited to petroleum and petroleum products, asbestos and asbestos- containing materials, polychlorinated biphenyls, lead, radon, radioactive materials, flammables and explosives.

The term "Environmental Law" means any present and future Federal, state and local laws, statutes, ordinances, rules, regulations and the like, as well as common law, relating to protection of human health or the environment, relating to Hazardous Materials, relating to liability for or costs of remediation or prevention of releases of Hazardous Materials or relating to liability for or costs of other actual or threatened danger to human health or the environment. The term "Environmental Law" includes, but is not limited to, the following statutes, as amended, any successor thereto, and any regulations promulgated pursuant thereto, and any state or local statutes, ordinances, rules, regulations and the like addressing similar issues: the Comprehensive Environmental Response, Compensation and Liability Act; the Emergency Planning and Community Right-to-Know Act; the Hazardous Materials Transportation Act; the Resource Conservation and Recovery Act (including but not limited to Subtitle I relating to underground storage tanks); the Solid Waste Disposal Act; the Clean Water Act; the Clean Air Act; the Toxic Substances Control Act; the Safe Drinking Water Act; the Occupational Safety and Health Act; the Federal Water Pollution Control Act; the Federal Insecticide, Fungicide and Rodenticide Act; the Endangered Species Act; the National Environmental Policy Act; the River and Harbors Appropriation Act; and 35 PaCSA Chapter 29J.

4. AFFIRMATIVE COVENANTS

4.1 Payments and Performance . Borrower will duly and punctually pay all Obligations becoming due to the Bank and will duly and punctually perform all Obligations on its part to be done or performed under this Agreement.

4.2 Books and Records; Inspection . Borrower will at all times keep proper books of account in which full, true and correct entries will be made of its transactions in accordance with generally accepted accounting principles, consistently applied and which are, in the opinion of a Certified Public Accountant acceptable to Bank, adequate to determine fairly the financial condition and the results of operations of Borrower. Borrower will at all reasonable times make its books and records available in its offices for inspection, examination and duplication by the Bank and the Bank's representatives and will permit inspection of the Collateral and all of its properties by the Bank and the Bank's representatives. Borrower will from time to time furnish the Bank with such information and statements as the Bank may request in its sole discretion with respect to the Obligations or the Bank's security interest in the Collateral. Borrower shall, during the term of this Agreement, keep the Bank currently and accurately informed in writing of each location where Borrower's records relating to its accounts and contract rights are kept, and shall not remove such records to another location without giving the Bank at least thirty (30) days prior written notice thereof.

4.3 Financial Statements . Borrower will furnish to Bank:

(a) as soon as available to Borrower, but in any event within 45 days after the close of each quarterly period of its fiscal year, a full and complete signed copy of financial statements, which shall include a balance sheet of the Borrower, as at the end of such quarter, and statement of profit and loss of the Borrower reflecting the results of its operations during such quarter and shall be prepared by the Borrower and certified by Borrower's chief financial officer as to correctness in accordance with generally accepted accounting principles, consistently applied, subject to year-end adjustments;

(b) as soon as available to Borrower, but in any event within 150 days after the close of each fiscal year, a full and complete signed copy of financial statements, prepared by certified public accountants acceptable to Bank, which shall include a balance sheet of the Borrower, as at the end of such year, statement of cash flows and statement of profit and loss of the Borrower reflecting the results of its operations during such year, bearing the opinion of such certified public accountants and prepared on an audited basis in accordance with generally accepted accounting principles, consistently applied together with any so-called management letter;

(c) within 30 days after the close of each quarterly fiscal period of Borrower, an Accounts Receivable aging report in form satisfactory to Bank showing the total amount due from each account debtor, the month in which each Account Receivable was created, as well as an Accounts Payable aging report and such other information as Bank shall request;

(d) within 30 days after the close of each quarter, an inventory report in form satisfactory to Bank showing a list of the Borrower's inventory, location of such inventory and such other information as Bank shall request;

(e) Borrower's filed Federal tax returns, including all schedules thereto, for the prior year within 150 days of the end of Borrower's Fiscal Year each such year or by such other date approved by the Bank;

(f) from time to time, such financial data and information about Borrower as Bank may reasonably request; and

(g) any financial data and information about any guarantors of the Obligations as Bank may reasonably request.

4.4 Conduct of Business . The Borrower will maintain its existence in good standing and comply with all laws and regulations of the United States and of any state or states thereof and of any political subdivision thereof, and of any governmental authority which may be applicable to it or to its business; provided that this covenant shall not apply to any tax, assessment or charge which is being contested in good faith and with respect to which reserves have been established and are being maintained.

4.5 Notice to Account Debtors . The Borrower agrees, at the request of the Bank, to notify all or any of the Debtors in writing of the Bank's security interest in the Collateral in whatever manner the Bank requests and, hereby authorizes the Bank to notify all or any of the Debtors of the Bank's security interest in the Borrower's accounts at the Borrower's expense.

4.6 Contact with Accountant . The Borrower hereby authorizes the Bank to directly contact and communicate with any accountant employed by Borrower in connection with the review and/or maintenance of Borrower's books and records or preparation of any financial reports delivered by or at the request of Borrower to Bank.

4.7 Operating and Deposit Accounts . The Borrower agrees to maintain with the Bank its primary operating and/or deposit accounts.

4.8 Taxes . Borrower will promptly pay all real and personal property taxes, assessments and charges and all franchise, income, unemployment, retirement benefits, withholding, sales and other taxes assessed against it or payable by it before delinquent; provided that this covenant shall not apply to any tax assessment or charge which is being contested in good faith and with respect to which reserves have been established and are being maintained. The Bank may, at its option, from time to time, discharge any taxes, liens or encumbrances of any of the Collateral, and the Borrower will pay to the Bank on demand or the Bank in its sole discretion may charge to the Borrower all amounts so paid or incurred by it.

4.9 Maintenance . Borrower will keep and maintain the Collateral and its other properties, if any, in good repair, working order and condition. Borrower will immediately notify the Bank of any loss or damage to or any occurrence which would adversely affect the value of any Collateral. The Bank may, at its option, from time to time, take any other action that the Bank may deem proper to repair, maintain or preserve any of the Collateral, and the Borrower will pay to the Bank on demand or the Bank in its sole discretion may charge to the Borrower all amounts so paid or incurred by it.

4.10 Insurance . Borrower will maintain in force property and casualty insurance on all Collateral and any other property of the Borrower, if any, against risks customarily insured against by companies engaged in businesses similar to that of the Borrower containing such terms and written by such companies as may be satisfactory to the Bank, such insurance to be payable to the Bank as its interest may appear in the event of loss and to name the Bank as insured pursuant to a standard loss payee clause; no loss shall be adjusted thereunder without the Bank's approval; and all such policies shall provide that they may not be canceled without first giving at least Thirty (30) days written notice of cancellation to the Bank. In the event that the Borrower fails to provide evidence of such insurance, the Bank may, at its option, secure such insurance and charge the cost thereof to the Borrower. At the option of the Bank, all insurance proceeds received from any loss or damage to any of the Collateral shall be applied either to the replacement or repair thereof or as a payment on account of the Obligations. From and after the occurrence of an Event of Default, the Bank is authorized to cancel any insurance maintained hereunder and apply any returned or unearned premiums, all of which are hereby assigned to the Bank, as a payment on account of the Obligations.

4.11 Notification of Default . Immediately upon becoming aware of the existence of any condition or event which constitutes an Event of Default, or any condition or event which would upon notice or

lapse of time, or both, constitute an Event of Default, Borrower shall give Bank written notice thereof specifying the nature and duration thereof and the action being or proposed to be taken with respect thereto.

4.12 Notification of Material Litigation. Borrower will immediately notify the Bank in writing of any litigation or of any investigative proceedings of a governmental agency or authority commenced or threatened against it which would or might be materially adverse to the financial condition of Borrower or any guarantor of the Obligations.

4.13 Pension Plans. With respect to any pension or benefit plan maintained by Borrower, or to which Borrower contributes ("Plan"), the benefits under which are guarantied, in whole or in part, by the Pension Benefit Guaranty Corporation created by the Employee Retirement Income Security Act of 1974, P.L. 93-406, as amended ("ERISA") or any governmental authority succeeding to any or all of the functions of the Pension Benefit Guaranty Corporation ("Pension Benefit Guaranty Corporation"), Borrower will (a) fund each Plan as required by the provisions of Section 412 of the Internal Revenue Code of 1986, as amended; (b) cause each Plan to pay all benefits when due; (c) furnish Bank (i) promptly with a copy of any notice of each Plan's termination sent to the Pension Benefit Guaranty Corporation (ii) no later than the date of submission to the Department of Labor or to the Internal Revenue Service, as the case may be, a copy of any request for waiver from the funding standards or extension of the amortization periods required by Section 412 of the Internal Revenue Code of 1986, as amended and (iii) notice of any Reportable Event as such term is defined in ERISA; and (d) subscribe to any contingent liability insurance provided by the Pension Benefit Guaranty Corporation to protect against employer liability upon termination of a guarantied pension plan, if available to Borrower.

5. NEGATIVE COVENANTS

5.1 Financial Covenants. The Borrower will not at any time or during any fiscal period (as applicable) fail to be in compliance with any of the financial covenants in this section.

(a) Definitions. The following definitions shall apply to this Section:

(i) "GAAP" shall mean Generally Accepted Accounting Principles in effect from time to time in the United States.

(ii) "Current Liabilities" shall mean current liabilities as defined under GAAP.

(iii) "Marketable Securities" shall mean stocks, bonds and mutual fund shares that can be readily sold for cash on stock exchanges or over-the-counter markets."

(iv) "Net Worth" shall mean, as of the date of determination thereof, total assets minus total liabilities.

(b) Quick Ratio. The Borrower shall not permit the ratio of its cash on hand, plus the value of its Marketable Securities, plus accounts receivable (minus an amount reserved in accordance with GAAP for doubtful collections on such accounts receivable), to Current Liabilities to be less than 1.5 to 1.0 at the end of each fiscal quarter.

(c) Net Worth. The Borrower shall not permit its Net Worth to be less than $3,500,000.00 at the end of each fiscal quarter.

(d) Dividends. No dividends shall be paid without Bank approval.

5.2 Limitations on Indebtedness. Borrower shall not issue any evidence of indebtedness or create, assume, guarantee, become contingently liable for, or suffer to exist indebtedness in addition to

indebtedness to the Bank, except indebtedness or liabilities of Borrower, other than for money borrowed, incurred or arising in the ordinary course of business.

5.3 Sale of interest . There shall not be any sale or transfer of ownership of any interest in the Borrower without the Bank's prior written consent unless such transfer shall not result in change in control of Borrower.

5.4 Loans or Advances . Borrower shall not make any loans or advances to any individual, partnership, corporation, limited liability company, trust, or other organization or person, including without limitation its officers and employees; provided, however, that Borrower may make advances to its employees, including its officers, with respect to expenses incurred or to be incurred by such employees in the ordinary course of business which expenses are reimbursable by Borrower; and provided further, however, that Borrower may extend credit in the ordinary course of business in accordance with customary trade practices.

5.5 Dividends and Distributions . Borrower shall not, without prior written consent of the Bank, pay any dividends on or make any distribution on account of any class of Borrower's capital stock in cash or in property (other than additional shares of such stock), or redeem, purchase or otherwise acquire, directly or indirectly, any of such stock, except, so long as Borrower is not in default hereunder, if Borrower is a Subchapter S corporation, under the regulations of the Internal Revenue Service of the United States, distributions to the Shareholders of Borrower in such amounts as are necessary to pay the tax liability of such Shareholders due as a result of such Shareholders' interest in the Borrower.

5.6 Investments . The Borrower shall not make investments in, or advances to, any individual, partnership, corporation, limited liability company, trust or other organization or person other than as previously specifically consented to in writing by the Bank. The Borrower will not purchase or otherwise invest in or hold securities, nonoperating real estate or other nonoperating assets or purchase all or substantially all the assets of any entity other than as previously specifically consented to in writing by the Bank.

5.7 Merger . Borrower will not merge or consolidate or be merged or consolidated with or into any other entity.

5.8 Capital Expenditures . The Borrower shall not, directly or indirectly, make or commit to make capital expenditures by lease, purchase, or otherwise, except in the ordinary and usual course of business for the purpose of replacing machinery, equipment or other personal property which, as a consequence of wear, duplication or obsolescence, is no longer used or necessary in the Borrower's business.

5.9 Sale of Assets . Borrower shall not sell, lease or otherwise dispose of any of its assets, except in the ordinary and usual course of business and except for the purpose of replacing machinery, equipment or other personal property which, as a consequence of wear, duplication or obsolescence, is no longer used or necessary in the Borrower's business, provided that fair consideration is received therefor; provided, however, in no event shall the Borrower sell, lease or otherwise dispose of any equipment purchased with the proceeds of any loans made by the Bank.

5.10 Restriction on Liens . Borrower shall not grant any security interest in, or mortgage of, any of its properties or assets including the Collateral. Borrower shall not enter into any agreement with any person other than the Bank that prohibits the Borrower from granting any security interest in, or mortgage of, any of its properties or assets including the Collateral.

5.11 Other Business . Borrower shall not engage in any business other than the business in which it is currently engaged or a business reasonably allied thereto.

5.12 Change of Name, etc . Borrower shall not change its legal name or the State or the type of its

organization, without giving the Bank at least 30 days prior written notice thereof.

6. DEFAULT

6.1 Default . "Event of Default" shall mean the occurrence of one or more of any of the following events:

(a) default of any liability, obligation, covenant or undertaking of the Borrower or any guarantor of the Obligations to the Bank, hereunder or otherwise, including, without limitation, failure to pay in full and when due any installment of principal or interest or default of the Borrower or any guarantor of the Obligations under any other Loan Document or any other agreement with the Bank continuing for 15 days with respect to any default (other than with respect to the payment of money for which there is no grace period);

(b) failure of the Borrower or any guarantor of the Obligations to maintain aggregate collateral security value satisfactory to the Bank continuing for 15 days;

(c) default of any material liability, obligation or undertaking of the Borrower or any guarantor of the Obligations to any other party continuing for 15 days;

(d) if any statement, representation or warranty heretofore, now or hereafter made by the Borrower or any guarantor of the Obligations in connection with this Agreement or in any supporting financial statement of the Borrower or any guarantor of the Obligations shall be determined by the Bank to have been false or misleading in any material respect when made;

(e) if the Borrower or any guarantor of the Obligations is a corporation, trust, partnership or limited liability company, the liquidation, termination or dissolution of any such organization, or the merger or consolidation of such organization into another entity, or its ceasing to carry on actively its present business or the appointment of a receiver for its property;

(f) the death of the Borrower or any guarantor of the Obligations and, if the Borrower or any guarantor of the Obligations is a partnership or limited liability company, the death of any partner or member;

(g) the institution by or against the Borrower or any guarantor of the Obligations of any proceedings under the Bankruptcy Code 11 USC §101 *et seq.* or any other law in which the Borrower or any guarantor of the Obligations is alleged to be insolvent or unable to pay its debts as they mature, or the making by the Borrower or any guarantor of the Obligations of an assignment for the benefit of creditors or the granting by the Borrower or any guarantor of the Obligations of a trust mortgage for the benefit of creditors;

(h) the service upon the Bank of a writ in which the Bank is named as trustee of the Borrower or any guarantor of the Obligations;

(i) a judgment or judgments for the payment of money shall be rendered against the Borrower or any guarantor of the Obligations, and any such judgment shall remain unsatisfied and in effect for any period of thirty (30) consecutive days without a stay of execution;

(j) any levy, lien (including mechanics lien), seizure, attachment, execution or similar process shall be issued or levied on any of the property of the Borrower or any guarantor of the Obligations;

(k) the termination or revocation of any guaranty of the Obligations; or

(l) the occurrence of such a change in the condition or affairs (financial or otherwise) of the Borrower or any guarantor of the Obligations, or the occurrence of any other event or circumstance, such that the Bank, in its sole discretion, deems that it is insecure or that the prospects for timely or full payment or performance of any obligation of the Borrower or any guarantor of the Obligations to the Bank has been or may be impaired.

6.2 Acceleration . If an Event of Default shall occur, at the election of the Bank, all Obligations shall become immediately due and payable without notice or demand, except with respect to Obligations payable on DEMAND, which shall be due and payable on DEMAND, whether or not an Event of Default has occurred.

The Bank is hereby authorized, at its election, after an Event of Default or after Demand, without any further demand or notice except to such extent as notice may be required by applicable law, to take possession and/or sell or otherwise dispose of all or any of the Collateral at public or private sale; and the Bank may also exercise any and all other rights and remedies of a secured party under the Code or which are otherwise accorded to it in equity or at law, all as Bank may determine, and such exercise of rights in compliance with the requirements of law will not be considered adversely to affect the commercial reasonableness of any sale or other disposition of the Collateral. If notice of a sale or other action by the Bank is required by applicable law, unless the Collateral is perishable or threatens to decline speedily in value or is of a type customarily sold on a recognized market, the Borrower agrees that ten (10) days written notice to the Borrower, or the shortest period of written notice permitted by such law, whichever is smaller, shall be sufficient notice; and that to the extent permitted by law, the Bank, its officers, attorneys and agents may bid and become purchasers at any such sale, if public, and may purchase at any private sale any of the Collateral that is of a type customarily sold on a recognized market or which is the subject of widely distributed standard price quotations. Any sale (public or private) shall be without warranty and free from any right of redemption, which the Borrower shall waive and release after default upon the Bank's request therefor, and may be free of any warranties as to the Collateral if Bank shall so decide. No purchaser at any sale (public or private) shall be responsible for the application of the purchase money. Any balance of the net proceeds of sale remaining after paying all Obligations of the Borrower to the Bank shall be returned to such other party as may be legally entitled thereto; and if there is a deficiency, the Borrower shall be responsible for repayment of the same, with interest. Upon demand by the Bank, the Borrower shall assemble the Collateral and make it available to the Bank at a place designated by the Bank which is reasonably convenient to the Bank and the Borrower. The Borrower hereby acknowledges that the Bank has extended credit and other financial accommodations to the Borrower upon reliance of the Borrower's granting the Bank the rights and remedies contained in this Agreement including without limitation the right to take immediate possession of the Collateral upon the occurrence of an Event of Default or after DEMAND with respect to Obligations payable on DEMAND and the Borrower hereby acknowledges that the Bank is entitled to equitable and injunctive relief to enforce any of its rights and remedies hereunder or under the Code and the Borrower hereby waives any defense to such equitable or injunctive relief based upon any allegation of the absence of irreparable harm to the Bank.

The Bank shall not be required to marshal any present or future security for (including but not limited to this Agreement and the Collateral subject to the security interest created hereby), or guarantees of, the Obligations or any of them, or to resort to such security or guarantees in any particular order; and all of its rights hereunder and in respect of such securities and guaranties shall be cumulative and in addition to all other rights, however existing or arising. To the extent that it lawfully may do so, the Borrower hereby agrees that it will not invoke and irrevocably waives the benefits of any law relating to the marshaling of collateral which might cause delay in or impede the enforcement of the Bank's rights under this Agreement or under any other instrument evidencing any of the Obligations or under which any of the Obligations is outstanding or by which any of the Obligations is secured or guaranteed. Except as required by applicable law, the Bank shall have no duty as to the collection or protection of the Collateral or any income thereon, nor as to the preservation of rights against prior parties, nor as to the preservation of any rights pertaining thereto beyond the safe custody thereof.

6.3 Power of Attorney . The Borrower hereby irrevocably constitutes and appoints the Bank as the Borrower's true and lawful attorney, with full power of substitution, at the sole cost and expense of the Borrower but for the sole benefit of the Bank, upon the occurrence of an Event of Default or after DEMAND with respect to Obligations payable on DEMAND, to convert the Collateral into cash, including, without limitation, completing the manufacture or processing of work in process, and the sale (either public or private) of all or any portion or portions of the inventory and other Collateral; to enforce collection of the Collateral, either in its own name or in the name of the Borrower, including, without limitation, executing releases or waivers, compromising or settling with any Debtors and prosecuting, defending, compromising or releasing any action relating to the Collateral; to receive, open and dispose of all mail addressed to the Borrower and to take therefrom any remittances or proceeds of Collateral in which the Bank has a security interest; to notify Post Office authorities to change the address for delivery of mail addressed to the Borrower to such address as the Bank shall designate; to endorse the name of the Borrower in favor of the Bank upon any and all checks, drafts, money orders, notes, acceptances or other instruments of the same or different nature; to sign and endorse the name of the Borrower on and to receive as secured party any of the Collateral, any invoices, freight or express receipts, or bills of lading, storage receipts, warehouse receipts, or other documents of title of the same or different nature relating to the Collateral; to sign the name of the Borrower on any notice of the Debtors or on verification of the Collateral; and to sign, if necessary, and file or record on behalf of the Borrower any financing or other statement in order to perfect or protect the Bank's security interest. The Bank shall not be obliged to do any of the acts or exercise any of the powers hereinabove authorized, but if the Bank elects to do any such act or exercise any such power, it shall not be accountable for more than it actually receives as a result of such exercise of power, and it shall not be responsible to the Borrower except for its own gross negligence or willful misconduct. All powers conferred upon the Bank by this Agreement, being coupled with an interest, shall be irrevocable so long as any Obligation of the Borrower or any guarantor or surely to the Bank shall remain unpaid or the Bank is obligated under this Agreement to extend any credit to the Borrower.

6.4 Nonexclusive Remedies . All of the Bank's rights and remedies not only under the provisions of this Agreement but also under any other agreement or transaction shall be cumulative and not alternative or exclusive, and may be exercised by the Bank at such time or times and in such order of preference as the Bank in its sole discretion may determine.

6.5 Reassignment to Borrower . Whenever the Bank deems it desirable that any legal action be instituted with respect to any Collateral or that any other action be taken in any attempt to effectuate collection of any Collateral, the Bank may reassign the item in question to the Borrower (and if the Bank shall execute any such reassignment, it shall automatically be deemed to be without recourse to the Bank in any event) and require the Borrower to proceed with such legal or other action at the Borrower's sole liability, cost and expense, in which event all amounts collected by the Borrower on such item shall nevertheless be subject to the Bank's security interest.

7. MISCELLANEOUS

7.1 Waivers . The Borrower waives notice of intent to accelerate, notice of acceleration, notice of nonpayment, demand, presentment, protest or notice of protest of the Obligations, and all other notices, consents to any renewals or extensions of time of payment thereof, and generally waives any and all suretyship defenses and defenses in the nature thereof.

7.2 Waiver of Homestead . To the maximum extent permitted under applicable law, the Borrower hereby waives and terminates any homestead rights and/or exemptions respecting any of its property under the provisions of any applicable homestead laws, including without limitation, Title 42, Section 8123, of the Pennsylvania Consolidated Statutes Annotated.

7.3 Severability . If any provision of this Agreement or portion of such provision or the application thereof to any person or circumstance shall to any extent be held invalid or unenforceable, the remainder

of this Agreement (or the remainder of such provision) and the application thereof to other persons or circumstances shall not be affected thereby.

7.4 Deposit Collateral . The Borrower hereby grants to the Bank a continuing lien and security interest in any and all deposits or other sums at any time credited by or due from the Bank or any Bank Affiliate to the Borrower and any cash, securities, instruments or other property of the Borrower in the possession of the Bank or any Bank Affiliate, whether for safekeeping or otherwise, or in transit to or from the Bank or any Bank Affiliate (regardless of the reason the Bank or Bank Affiliate had received the same or whether the Bank or Bank Affiliate has conditionally released the same) as security for the full and punctual payment and performance of all of the liabilities and obligations of the Borrower to the Bank or any Bank Affiliate and such deposits and other sums may be applied or set off against such liabilities and obligations of the Borrower to the Bank or any Bank Affiliate at any time, whether or not such are then due, whether or not demand has been made and whether or not other collateral is then available to the Bank or any Bank Affiliate.

7.5 Indemnification . The Borrower shall indemnify, defend and hold the Bank and its directors, officers, employees, agents and attorneys (each an ‘‘Indemnitee”) harmless of and from any claim brought or threatened against any indemnitee by the Borrower, any guarantor or endorser of the Obligations, or any other person (as well as from reasonable attorneys’ fees and expenses in connection therewith) on account of the Bank’s relationship with the Borrower, or any guarantor or endorser of the Obligations (each of which may be defended, compromised, settled or pursued by the Bank with counsel of the Bank’s election, but at the expense of the Borrower), except for any claim arising out of the gross negligence or willful misconduct of the Bank. The within indemnification shall survive payment of the Obligations, and/or any termination, release or discharge executed by the Bank in favor of the Borrower.

7.6 Costs and Expenses . The Borrower shall pay to the Bank on demand any and all costs and expenses (Including, without limitation, reasonable attorneys’ fees and disbursements, court costs, litigation and other expenses) incurred or paid by the Bank in establishing, maintaining, protecting or enforcing any of the Bank’s rights or the Obligations, including, without limitation, any and all such costs and expenses incurred or paid by the Bank in defending the Bank’s security interest in, title or right to the Collateral or in collecting or attempting to collect or enforcing or attempting to enforce payment of the Obligations.

7.7 Counterparts . This Agreement may be executed in two or more counterparts, each of which shall be an original, but all of which shall constitute but one agreement.

7.8 Complete Agreement . This Agreement and the other Loan Documents constitute the entire agreement and understanding between and among the parties hereto relating to the subject matter hereof, and supersedes all prior proposals, negotiations, agreements and understandings among the parties hereto with respect to such subject matter.

7.9 Binding Effect of Agreement . This Agreement shall be binding upon and inure to the benefit of the respective heirs, executors, administrators, legal representatives, successors and assigns of the parties hereto, and shall remain in full force and effect (and the Bank shall be entitled to rely thereon) until released in writing by the Bank. The Bank may transfer and assign this Agreement and deliver the Collateral to the assignee, who shall thereupon have all of the rights of the Bank; and the Bank shall then be relieved and discharged of any responsibility or liability with respect to this Agreement and the Collateral. The Borrower may not assign or transfer any of its rights or obligations under this Agreement. Except as expressly provided herein or in the other Loan Documents, nothing, expressed or implied, is intended to confer upon any party, other than the parties hereto, any rights, remedies, obligations or liabilities under or by reason of this Agreement or the other Loan Documents.

7.10 Further Assurances . Borrower will from time to time execute and deliver to Bank such documents, and take or cause to be taken, all such other or further action, as Bank may request in order to effect and confirm or vest more securely in Bank all rights contemplated by this Agreement and the

other Loan Documents (including, without limitation, to correct clerical errors) or to vest more fully in or assure to the Bank the security interest in the Collateral granted to the Bank by this Agreement or to comply with applicable statute or law and to facilitate the collection of the Collateral (including, without limitation, the execution of stock transfer orders and stock powers, endorsement of promissory notes and instruments and notifications to obligors on the Collateral). To the extent permitted by applicable law, Borrower authorizes the Bank to file financing statements, continuation statements or amendments, and any such financing statements, continuation statements or amendments may be filed at any time in any jurisdiction. Bank may at any time and from time to time file financing statements, continuation statements and amendments thereto which contain any information required by the Code for the sufficiency or filing office acceptance of any financing statement, continuation statement or amendment, including whether Borrower is an organization, the type of organization and any organization identification number issued to Borrower. Borrower agrees to furnish any such information to Bank promptly upon request. In addition, Borrower shall at any time and from time to time take such steps as Bank may reasonably request for Bank (i) to obtain an acknowledgment, in form and substance satisfactory to Bank, of any bailee having possession of any of the Collateral that the bailee holds such Collateral for Bank, (ii) to obtain "control" (as defined in the Code) of any Collateral comprised of deposit accounts, electronic chattel paper, letter of credit rights or investment property, with any agreements establishing control to be in form and substance satisfactory to Bank, and (ill) otherwise to insure the continued perfection and priority of Bank's security interest in any of the Collateral and the preservation of its rights therein. Borrower hereby constitutes Bank its attorney-in-fact to execute, if necessary, and file all filings required or so requested for the foregoing purposes, all acts of such attorney being hereby ratified and confirmed; and such power, being coupled with an interest, shall be irrevocable until this Agreement terminates in accordance with its terms, all Obligations are irrevocably paid in full and the Collateral is released.

The Borrower agrees to execute, re-execute, cause any Guarantor(s) or other third party(ies) involved in the loan transaction to execute and/or re-execute and to deliver to Bank or its legal counsel, as may be deemed appropriate, any document or instrument signed in connection with the Loan(s) which was incorrectly drafted and/or signed, as well as any document or instrument which should have been signed at or prior to the closing of the Loan(s), but which was not so signed and delivered. Borrower agrees to comply with any written request by Bank within ten (10) days after receipt by Borrower of such request. Failure by Borrower to so comply shall, at the option of Bank, upon notice to Borrower, constitute an event of default under the Loan(s). The Borrower authorizes the Bank to make any credit inquiries Bank deems necessary and authorizes any person or credit reporting agency to give Bank a copy of the Borrower's credit report and any other financial information it may have.

7.11 Amendments and Waivers . This Agreement may be amended and Borrower may take any action herein prohibited, or omit to perform any act herein required to be performed by it, if Borrower shall obtain the Bank's prior written consent to each such amendment, action or omission to act. No course of dealing and no delay or omission on the part of Bank in exercising any right hereunder shall operate as a waiver of such right or any other right and waiver on any one or more occasions shall not be construed as a bar to or waiver of any right or remedy of Bank on any future occasion.

7.12 Terms of Agreement . This Agreement shall continue in full force and effect so long as any Obligations or obligation of Borrower to Bank shall be outstanding, or the Bank shall have any obligation to extend any financial accommodation hereunder, and is supplementary to each and every other agreement between Borrower and Bank and shall not be so construed as to limit or otherwise derogate from any of the rights or remedies of Bank or any of the liabilities, obligations or undertakings of Borrower under any such agreement, nor shall any contemporaneous or subsequent agreement between Borrower and the Bank be construed to limit or otherwise derogate from any of the rights or remedies of Bank or any of the liabilities, obligations or undertakings of Borrower hereunder, unless such other agreement specifically refers to this Agreement and expressly so provides.

7.13 Notices . Any notice under or pursuant to this Agreement shall be a signed writing or other authenticated record (within the meaning of Article 9 of the Code). Any notices under or pursuant to this Agreement shall be deemed duly received and effective if delivered in hand to any officer of agent of the Borrower or Bank, or if mailed by registered or certified mail, return receipt requested, addressed to the

Borrower or Bank at the address set forth in this Agreement or as any party may from time to time designate by written notice to the other party; notwithstanding the foregoing notices to the Bank with respect to accounting and collateral release and notices to the Trustee pursuant to a Deed of Trust shall be sent to the Bank as follows: Attention: VP Loan Servicing, Loan Services, 6000 Atrium Way Mt. Laurel NJ 08054.

7.14 Governing Law . This Agreement shall take effect as a sealed instrument and has been executed or completed and/or is to be performed in Pennsylvania, and it and all transactions thereunder or pursuant thereto shall be governed as to interpretation, validity, effect, rights, duties and remedies of the parties thereunder and in all other respects by the laws of Pennsylvania without giving effect to the conflicts of laws principles thereof.

7.15 Reproductions . This Agreement and all documents which have been or may be hereinafter furnished by Borrower to the Bank may be reproduced by the Bank by any photographic, photostatic, microfilm, xerographic or similar process, and any such reproduction shall be admissible in evidence as the original itself in any judicial or administrative proceeding (whether or not the original is in existence and whether or not such reproduction was made in the regular course of business).

7.16 Publicity and Signage . The Bank, in Its sole discretion, shall have the right to announce and publicize the source of financing made pursuant to this Agreement, as it deems appropriate, by means and media selected by the Bank. Such publication shall include all pertinent information relating to such financing, including without limitation, the term, purpose, pricing, loan amount, name of borrowing entity and location of property. The Bank shall also have the right to display a sign at any real property respecting which the Bank has a security interest which indicates that the Bank is providing the financing. If such sign is provided, the Borrower shall cause the sign to be displayed as requested by the Bank and shall maintain such display during the period requested by the Bank. The form and content of the sign and/or published information shall be in the sole discretion of the Bank and shall be considered the sole and exclusive property of the Bank. All expenses related to publicizing the financing shall be the sole responsibility of the Bank.

7.17 Cancellation Fees . All fees required to cancel, satisfy or terminate the collateral documents securing this Loan shall be paid by Borrower at the time of payoff of the Loan.

7.18 Jurisdiction and Venue . Borrower irrevocably submits to the nonexclusive jurisdiction of any Federal or state court sitting in Pennsylvania, over any suit, action or proceeding arising out of or relating to this Agreement. Borrower irrevocably waives, to the fullest extent It may effectively do so under applicable law, any objection it may now or hereafter have to the laying of the venue of any such suit, action or proceeding brought in any such court and any claim that the same has been brought in an inconvenient forum. Borrower hereby consents to any and all process which may be served in any such suit, action or proceeding, (i) by mailing a copy thereof by registered and certified mail, postage prepaid, return receipt requested, to the Borrower's address shown in this Agreement or as notified to the Bank and (ii) by serving the same upon the Borrower in any other manner otherwise permitted by law, and agrees that such service shall in every respect be deemed effective service upon Borrower.

7.19 **JURY WAIVER . THE BORROWER AND BANK EACH HEREBY KNOWINGLY, VOLUNTARILY AND INTENTIONALLY, AND AFTER AN OPPORTUNITY TO CONSULT WITH LEGAL COUNSEL, (A) WAIVE ANY AND ALL RIGHTS TO A TRIAL BY JURY IN ANY ACTION OR PROCEEDING IN CONNECTION WITH THIS AGREEMENT, THE OBLIGATIONS, ALL MATTERS CONTEMPLATED HEREBY AND DOCUMENTS EXECUTED IN CONNECTION HEREWITH AND (B) AGREE NOT TO SEEK TO CONSOLIDATE ANY SUCH ACTION WITH ANY OTHER ACTION IN WHICH A JURY TRIAL CANNOT BE, OR HAS NOT BEEN, WAIVED. THE BORROWER CERTIFIES THAT NEITHER THE BANK NOR ANY OF ITS REPRESENTATIVES, AGENTS OR COUNSEL HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT THE BANK WOULD NOT IN THE EVENT OF ANY SUCH PROCEEDING SEEK TO ENFORCE THIS WAIVER OF RIGHT TO TRIAL BY JURY.**

Executed as an instrument under seal as of **January 15, 2013** .

Borrower:

Wireless Xcessories Group, Inc.

By: 

Stephen Rade, President

Accepted: TD Bank, N.A.

By:
Name: David R. Ohman
Title: Duly Authorized Representative



WIRELESS XCESSORIES GROUP CONFIDENTIALITY AND NON-SOLICITATION AGREEMENT

This Confidentiality and Non-Solicitation Agreement (the "Agreement") is entered into as of this day, month ,year , by and between Wireless Xcessories Group, Inc. (hereinafter, the "Company") with its principal offices at 1840 County Line Road, Huntingdon Valley, PA 19006 and ("Employee"). Each of the Company and the Employee are hereinafter sometimes referred to as a "Party" and collectively, the "Parties".

WHEREAS, the Company is in the business of distributing and selling wireless phones and related accessories to resellers, dealers, distributors and Network Airtime carriers and selling websites and E-Commerce stores to wireless related dealers.

WHEREAS, the Company wishes to retain Employee and the Employee wishes to be or remain employed by the Company in accordance with the terms of this Agreement;

WHEREAS, the company will be acquiring, making use of or adding to the Confidential Information (as defined below), which Confidential Information is of a special and unique nature to the Company and extremely valuable to the Company in the operations of its business: and

WHEREAS, in consideration of the Company's new or continuing employment of the Employee and the compensation structure agreed between the Parties concurrently herewith, the Parties hereto desire to keep confidential Information confidential and restrict the Employee's ability to use the Confidential information or knowledge and training gained as an Employee of the Company to sell or solicit, or assist others in selling or soliciting, business from Company's Customers or potential Customers, or to damage or interfere with the Company's Business;

NOW THEREFORE, in consideration of the mutual premises contained herein, and of good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, and intending to be legally bound, the Parties hereby agree as follows:

1. DEFINITIONS.

a. The term "Customer" means any Person to which the Company (i) has provided services or sold products to (A) at any time prior to or during the course of the Employee's employment with the Company or (B), if Employee's employment with the Company is less than 12 months, within the 12- month period prior to Employee's termination date: or (ii) within the 12 month period prior to Employee's termination date (X) is or has marketed to or solicited sales of products or services (Y) has negotiated or is negotiating the terms of a business arrangement or sale of products or services, or; (Z) has submitted or has initiated the process of submitting a bid or otherwise communicated with in an effort to obtain an engagement to provide services or products sold by the Company.

b. The term "Confidential Information means, collectively, the Company's trade secrets, as they may exist from time to time, including the identity of the Company's current Customers, former Customers and potential Customers (in each case including the Company's contact person at the Customer location), identity of the Company's and its affiliates' employees, information concerning the Company's products, inventory, programs, technical information, procurement and sales activities and

procedures, business plans, practices and strategies, marketing plans and strategies, promotion, selling prices and pricing techniques, and credit and financial data.

c. The term "Person" means any individual, trust, partnership, corporation, Limited-liability Company, association, or other entity.

2. NON-COMPETITION:

a. During the term of Employee's employment and for a period of 12 months after the termination thereof (the "Restricted Period"), Employee agrees that neither Employee nor any person acting on Employee's behalf shall either directly or indirectly, whether as principal, agent, partner, officer, director, employee, joint venturer, corporate shareholder, or otherwise for the benefit of any person, including, but not limited to, any competitor listed on Schedule A (as such may be amended from time to time by the Company without the consent of the Employee; provided the Company give the Employee a copy of such amendment within a reasonable time following each such amendment) except for its activities performed on behalf of the Company:

i. Call on or solicit, make contact with, deal with or otherwise become involved in any transaction with, Customers or any successor to a Customer (the "Client Entities"), for the purpose of selling or distributing to any of the Client Entities, any product or service comparable to or in any way competitive with products or services developed, sold and/or distributed by the Company or in any way, directly or indirectly, for itself or on behalf of any other Person solicit, divert or take away any business of any of the Client Entities from the Company.

ii. Either directly or indirectly: (A) compete with the Business of the Company or its Affiliates anywhere within the 48 contiguous states of the United States and the District of Columbia; (B) solicit or attempt to solicit, sell or attempt to sell or otherwise market or attempt to market products or services either sold or marketed by the Company or which compete with the products or services of the Company as a distributor or wholesaler (but not as a retailer) within the 48 contiguous states of the United States and the District of Columbia to any Person; (C) solicit or attempt to solicit any business in competition with the products or services offered by the Company to any Customer of the Company or (D) hire or engage any employee of the Company or solicit any such employee to terminate his/her employment or business relationship with the Company.

iii. Either for his own accounts or on behalf of any other Person, without prior written approval from the Company, directly or indirectly, own, share in the earnings of, or invest in the stock, bonds, or other securities of any Person, which shall do or attempt to do any of the prohibited activities described in Section 2.a (I) and (ii) above, except investment in stocks, bonds or other securities which meets all of the following criteria: (A) such stock, bonds or other securities are listed on any national or regional securities exchange or have been registered under Section 12(g) of the Exchange Act or are securities of open end investment companies; (B) such investment does not exceed, in the case of any class of the capital stock of any one issuer, one percent (1%) of the issued and outstanding shares, or, in the case of bonds or other securities, one percent (1%) of the aggregate principal amount thereof issued and outstanding; and (C) such investment is not made in an attempt to circumvent the restrictions set forth in Section 2.a(i) and (ii) above.



b. It is understood by and between the Parties to this Agreement that the aforesaid covenants are an essential element of this Agreement and the continued employment of Employee and offering of a compensation structure, and that, but for the agreement of Employee to comply with such covenants, the Company would not have agreed to the terms of this Agreement or the continued employment and compensation structure. Such covenants by Employee shall be construed as an agreement independent of any other agreement between the Parties. The existence of any claim or cause of action by the Employee against the Company, whether predicated on this Agreement or any other agreement or otherwise, shall not constitute a defense to the enforcement by the Company of such covenants. Employee also agrees that no effort shall be made to circumvent the terms of this Agreement in an effort to gain fees, commissions, remunerations or considerations to the benefit of Employee to the exclusion of the Company.

c. In addition to all other legal remedies available to the Company for enforcement of the above covenants, the Parties agree that the Company shall be entitled to an injunction by any court of competent jurisdiction to prevent or restrain any breach or threatened breach hereof. In addition, if the Company prevails in any suit under this Agreement, Employee will reimburse the Company for its expenses incurred in connection with such a suit, including its attorneys' fees and costs.

d. The Parties to this Agreement agree that, if any arbitrators or court of competent jurisdiction determines the specified time period or the specified geographical area of application to be unreasonable, arbitrary or against public policy, then such time period and/or geographical area will be reduced only to the extent necessary to cure such unreasonableness, arbitrariness or other invalidity. The Parties to this Agreement agree and acknowledge that they are familiar with the present and proposed operations of the Company and believe that the restrictions set forth herein are reasonable with respect to its subject matter, duration and geographical application.

e. Employee agrees that if it should breach any of the covenants above, the restricted period shall be extended by the length of time during which the Employee is in breach of any such covenants.

f. The provisions of Section 2a (i) and (ii) above may be waived, in part or fully, by the Company at its option, but only if such waiver is reduced to writing and executed on behalf of the Company.

3. NON-DISCLOSURE.

Employee acknowledges that the confidential information and all of its elements are valuable, special and unique assets of the Company. In light of the highly competitive nature of the industry in which the Company's business is conducted, Employee agrees that neither Employee nor any individual acting on Employee's behalf shall either directly or indirectly, disclose any Confidential Information to any Person for any reason or purpose whatsoever, except as necessary in the performance if Employee's duties as an employee of the Company. Employee further agrees that neither Employee nor any person acting on Employee's behalf shall make use of any Confidential Information (other than information which the Company places in the public domain) for its own purposes or for the benefit of any Person other than the Company under any circumstances.

_____Initials



WIRELESS XCESSORIES GROUP CONFIDENTIALITY AND NON-SOLICITATION AGREEMENT

4. REPRESENTATIONS:

Employee represents and warrants that it has all necessary power and authority to enter into this Agreement and that the terms of this Agreement are not inconsistent with, or do not violate, any obligations, either contractual or otherwise, which Employee may have with or to any other party, and that this Agreement is enforceable against Employee in accordance with its terms. Employee further represents and warrants that it has had the opportunity to consult with legal counsel concerning the terms of this Agreement and has found the terms to be reasonable and that it understands that its continued employment with the Company and structure are each consideration for the execution of this agreement.

5. MISCELLANEOUS:

a. This Agreement when signed by the Company and Employee constitutes the entire Agreement between the Company and Employee with respect to the subject matter hereof (all prior negotiations, statements and agreements having been merged herein and therein), and neither Party shall be bound by any requirements, conditions or warranties, express or implied, not specifically stated herein or therein.

b. The Parties agree that this Agreement shall be governed by the laws of the Commonwealth of Pennsylvania, without regard to conflict of law principles.

c. Any notices to be served upon the Parties may be made by personal delivery, by a reputable overnight delivery service, by facsimile or by certified mail return receipt requested, postage prepaid at the following addresses or fax numbers:

To the Company:
Stephen Rade,
Wireless Xcessories Group, Inc.
1840 County Line Road
Huntingdon Valley, PA 19006

To the Employee:

Notices shall be deemed delivered when personally delivered or posted as set forth above.

d. If any term or provision contained herein is invalid or unenforceable to any extent, then the remainder of this Agreement shall continue in effect and be enforceable to the fullest extent provided by law.

e. Employee shall not assign this Agreement, whether by operation of law or otherwise, without the prior written consent of the Company.

_____Initials
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WIRELESS XCESSORIES GROUP CONFIDENTIALITY AND NON-SOLICITATION AGREEMENT

f. Except for the Company's ability to amend Exhibit A, no other agreement hereinafter made shall be effective to change, modify, discharge or effect an abandonment of this Agreement, in whole or in part, unless such agreement is in writing signed by the Party against whom enforcement of the change, modification, discharge or abandonment is sought.

g. If any material provision of this Agreement is declared invalid or contrary to law by any court, governmental agency, body or tribunal, the Company may terminate this Agreement upon 30 days' prior written notice to the Employee. If this Agreement is not terminated pursuant to the previous sentence, the remaining provisions of this Agreement shall remain in full force and effect.

h. Any failure by a Party hereto to exercise any of its rights hereunder shall not be construed as a waiver of such rights, nor shall any failure preclude exercise of such rights at any later time.

i. Employee agrees to deliver promptly to the Company on the termination of his or her employment, or at any time the Company may so request, all memoranda, notes, records, reports, manuals, drawings, client lists, Customer lists and other documents (and all copies there-of in whatever medium they may be recorded or stored) relating to the Company's business and all property associated therewith, which Employee may then possess or have under Employee's control.

IN WITNESS WHEREOF, the Parties hereto have caused this Agreement to be duly executed by their duly authorized representatives as of the date and year set forth above.

By:_____ Date:_____
Kathleen Garland/Human Resource Manager

Employee:_____ Date:_____
Printed Name

Employee:_____ Date:_____
Signature

By signing this agreement, you are restricting your ability to use in any way company and customer pricing and other confidential info generated by you or the company, and you are restricted from earning income or competing with WIRX directly or indirectly or from the specific competitors listed on Schedule A and all other direct competitors that may go into business while this agreement is in force.

1. Were you given advanced notice of Wireless Xcessories Group Confidentiality and Non-Solicitation Agreement prior to your start date? Y / N_____ _____Initials

2. Have all of your questions or objections been asked and answered? Y / N _____ _____Initials

_____Initials

Revised 2010-02