

**MODIFICATION OF AGREEMENT BETWEEN THE CITY OF HARKER HEIGHTS,
TEXAS AND EDUCATIONAL OUTFITTERS, LTD.**

THE STATE OF TEXAS §
 § KNOW ALL PERSONS BY THESE PRESENTS:
COUNTY OF BELL §

THIS MODIFICATION AGREEMENT ("Agreement") is made and entered into on January 10, 2002, to be effective as of June 8, 2000, by and between the City of Harker Heights, Texas ("City,") and Educational Outfitters of Texas, Inc. ("Outfitters.")

WHEREAS, the City and Educational Outfitters, Ltd. entered into the an Agreement ("TDED Agreement") concerning an economic development project on or about June 8, 2000; and

WHEREAS, the TDED Agreement is intended to set forth the rights and duties required of the parties under one certain Texas Capital Fund Contract #719072 between the Texas Department of Economic Development and the City, which contract was amended on December 19, 2000; and

WHEREAS, subsequent to the execution of the TDED Agreement Educational Outfitters, Ltd. formed a new corporate entity, being Educational Outfitters of Texas, Inc., and assigned its rights and obligations under the TDED Agreement to the said corporate entity; and

WHEREAS, the parties have agreed to modify certain provisions of the TDED Agreement, as hereinafter provided;

NOW, THEREFORE, for and in consideration of good and valuable consideration paid by each of the parties to the other, the receipt and sufficiency of which is hereby acknowledged and confessed, Outfitters and City agree as follows:

1. Subparagraphs (a) and (b) of Paragraph 3.02 of the TDED Agreement are hereby amended to read as follows:

- (a) Purchase by OUTFITTERS of engineering of building, an 8,300 square foot building, machinery, equipment, equity and the provision for working capital.
- (b) Construction by CITY of infrastructure improvements in the form of street construction and land equity, more specifically detailed in ARTICLE V.

2. Subparagraph (b) of Paragraph 3.03 of the TDED Agreement is hereby amended to read as follows:

(b) Outfitters is participating in this grant primarily to obtain economic assistance in the construction of infrastructure and the acquisition of property.

3. Paragraph 3.04 of the TDED Agreement is hereby amended to read as follows:

3.04 It is not the intention of either party hereto to proceed with the project described herein if the purposes and intentions set forth above cannot be substantially and materially accomplished. Accordingly:

(a) Outfitters shall obtain financing for construction of the building and its other obligations hereunder by means of a third party first lien note.

(b) Conditioned on Outfitters' faithful performance of its obligations, the City must convey the property described herein to Outfitters.

4. Paragraph 4.01 of the TDED Agreement is hereby amended to read as follows:

4.01 OUTFITTERS shall contribute Four Hundred Ninety-Eight Thousand Six Hundred Forty-six and No/100 Dollars (\$498,646.00) in cash, loan, equity and working capital for this PROJECT as follows:

4.01.01 Sixty-eight Thousand Seven Hundred Nineteen and No/100 Dollars (\$68,719.00) in cash for the working capital as specified in the amended contract performance statement of the TDED contract;

4.01.02 Four Thousand Twenty-five and No/100 Dollars (\$4,025.00) loan for engineering services related to the construction of an approximately eight thousand three hundred square foot (8,300 sq. ft.) building to include HVAC, electrical and plumbing; paved driveway and parking area.

4.01.03 Three Hundred Thirteen Thousand Six Hundred Dollars (\$313,600.00) in loan for building construction;

4.01.04 Fifty-nine Thousand Nine Hundred and No/100 Dollars (\$59,900.00) in loan for acquisition of machinery and equipment; and

4.01.05 Fifty-two Thousand Four Hundred Two and No/100 Dollars (\$52,402.00) in equity for machinery and equipment as described in application for these Capital Funds.

5. Paragraph 4.02 of the TDED Agreement is hereby deleted in its entirety.

6. Paragraph 4.03 of the TDED Agreement is hereby amended to read as follows:

4.03 OUTFITTERS shall create a minimum of fourteen (14) permanent jobs at this proposed project site, of which at least fifty-one (51%) percent, or eight (8), shall be provided to low-to-moderate income persons on or before the expiration date of this AGREEMENT. The types of positions, number, wage scales and minimum skill levels of all permanent positions shall be set forth in Exhibit B attached hereto. In the event that more than fourteen permanent jobs are created, at least fifty-one (51) percent of all jobs created during the AGREEMENT period shall be filled by low-to-moderate income persons. "Low-to-moderate income persons" is defined in the TCDP Project Implementation Manual.

7. Paragraph 4.05 of the TDED Agreement is hereby deleted in its entirety.

8. Paragraph 4.06 of the TDED Agreement is hereby amended to read as follows:

4.06 OUTFITTERS shall perform activities as specified in the "Amended Exhibit A Performance Statement" of the TDED contract attached hereto as Exhibit A.

9. Paragraph 4.07 of the TDED Agreement is hereby amended to read as follows:

4.07 In addition to its other obligations specified herein, OUTFITTERS promises to pay CITY an amount not to exceed DEPARTMENT'S maximum obligation under the TDED contract (\$338,500.00), and OUTFITTERS shall be required to repay CITY for contract funds expended in the event OUTFITTERS does not fulfill its responsibilities under this AGREEMENT within 60 days of demand.

10. Exhibit A, entitled "Performance Statement," is deleted in its entirety and the Performance Statement attached hereto as Exhibit A is substituted therefor.

11. Paragraph 4.10 of the TDED Agreement is hereby amended to read as follows:

4.10 OUTFITTERS hereby certifies that all taxes are current; future taxes will be paid when due; proof of payment will be sent to CITY within 30 days of payment; and Outfitters will promptly provide proof of timely payment to City at any time upon request.

12. Exhibit E, entitled "Employee Summary Report," is deleted in its entirety and the Employee Certification Report (ECR) attached hereto as Exhibit B is substituted therefor.

13. Paragraph 4.12 of the TDED Agreement is hereby amended to read as follows:

4.12 OUTFITTERS shall provide CITY with a copy of the executed loan agreement of Three Hundred Seventy-seven Thousand Five Hundred Twenty-five (377,525.00) from the bank to be utilized in conjunction with the project funded under this contract.

14. Paragraph 4.15 of the TDED Agreement is hereby deleted in its entirety.

15. Paragraph 4.16 of the TDED Agreement is hereby amended to read as follows:

4.16 OUTFITTERS shall provide CITY with: a copy of a compiled Balance Sheet and Income Statement on OUTFITTERS (due ninety (90) days after each fiscal year end) OR an audited Balance Sheet and an audited Income Statement on OUTFITTERS (due ninety (90) days after each fiscal year end) on an annual basis during the term of this contract.

16. Paragraph 4.17 of the TDED Agreement is hereby amended to read as follows:

4.17 OUTFITTERS shall comply with any other relevant details or special conditions placed on the contract between DEPARTMENT, CITY and OUTFITTERS.

17. Paragraphs 4.18 and 4.19 of the TDED Agreement are hereby deleted in their entirety.

18. Paragraph 4.21 of the TDED Agreement is hereby amended to read as follows:

4.21 OUTFITTERS shall submit to CITY support documentation to include copies of invoices and proof of payment (i.e. paid receipts, canceled checks, wire transfer receipt) documenting match expenditures in the minimum amount of

Three Hundred Thirteen Thousand Six Hundred Dollars (\$313,600.00) for building construction.

19. Paragraph 4.24 of the TDED Agreement is hereby amended to read as follows:

4.24 OUTFITTERS shall provide CITY with a copy of an appraisal completed by a State Certified General Appraiser on the land specifically described in the Performance Statement, and reflecting a minimum value of Four Hundred Thousand Dollars (\$400,000.00). If the appraisal is less than the minimum value, the CITY and TDED may elect to exercise the rights as describe in Sections Seventeen (17) and Eighteen (18) of the CITY/TDED contract.

20. Paragraphs 4.25, 4.27, 4.28, and 4.30 of the TDED Agreement are hereby deleted in their entirety.

21. Paragraph 5.01 of the TDED Agreement is hereby amended to read as follows:

5.01 CITY shall ensure a total of Three Hundred Thirty-eight Thousand Five Hundred Dollars (\$338,500.00) of TDED contract funds is expended for construction of road improvements, sewer line, engineering and administration as specified in the attached "Amended Performance Statement" - Exhibit A of this contract.

22. Paragraph 5.03 of the TDED Agreement is hereby amended to read as follows:

5.03 CITY shall submit to DEPARTMENT a copy of OUTFITTERS' starting payroll verifying the number of persons employed as described in Section 4.04.

23. Paragraph 5.05 of the TDED Agreement is hereby amended to read as follows:

5.05 CITY shall submit to DEPARTMENT a copy of OUTFITTERS' executed loan agreement of Three Hundred Seventy-seven Thousand Five Hundred Twenty-five (377,525.00) from the bank to be utilized in conjunction with the project funded under this contract.

24. Paragraph 5.07 of the TDED Agreement is hereby deleted in its entirety.

25. Paragraph 5.08 of the TDED Agreement is hereby amended to read as follows:

5.08 CITY shall provide DEPARTMENT with a copy of a "certificate of insurance" verifying flood insurance which covers the property specified in Special Condition B.6. of the TDED contract or an original signed statement from CITY'S chief elected official, which indicates said property does not require flood insurance.

26. Paragraph 5.09 of the TDED Agreement is hereby deleted in its entirety.

27. Paragraph 5.10 of the TDED Agreement is hereby amended to read as follows:

5.10 CITY shall ensure that DEPARTMENT is provided with a copy of an appraisal, completed by a State Certified General Appraiser, on the land specifically described in the Performance Statement, and reflecting a minimum value of Four Hundred Thousand Dollars (\$400,000.00). If the appraisal is less than the minimum value, DEPARTMENT may elect to exercise its rights as described in Sections Seventeen (17) and Eighteen (18) of the CITY / TDED contract.

28. Paragraphs 5.15 and 5.16 of the TDED Agreement are hereby deleted in their entirety.

29. Paragraph 5.18 of the TDED Agreement is hereby amended to read as follows:

5.18 CITY shall provide DEPARTMENT a copy of the site survey for the completed infrastructure improvements identified in the Performance Statement, Exhibit A of the TDED contract, upon completion of construction. Such survey(s) shall depict the dimensions of the public infrastructure, easements, encroachments, ingress and egress, including the location of the company's facilities, flatwork, driveways and the connections to the public infrastructure.

30. Paragraph 5.19 of the TDED Agreement is hereby deleted in its entirety.

31. Paragraph 5.20 of the TDED Agreement is hereby amended to read as follows:

5.20 CITY shall ensure that DEPARTMENT is provided with: a copy of a compiled Balance Sheet and Income Statement on OUTFITTERS (due ninety (90) days after each

fiscal year end) OR an audited Balance Sheet and an audited Income Statement on OUTFITTERS (due ninety (90) days after each fiscal year end) on an annual basis during the term of this contract.

32. Paragraph 5.24 of the TDED Agreement is hereby deleted in its entirety.

33. Paragraph 5.25 of the TDED Agreement is hereby amended to read as follows:

5.25 CITY shall submit to DEPARTMENT a ledger with support documentation to include copies of invoices and proof of payment (i.e. paid receipts, canceled checks, wire transfer receipt) documenting match expenditures in the minimum amount of Three Hundred Thirteen Thousand Six Hundred Dollars (\$313,600.00) from OUTFITTERS and or financing for building construction.

34. Paragraphs 5.26, 5.31, and 5.33 of the TDED Agreement are hereby deleted in their entirety.

35. Subject to change as provided in Article XVIII of the TDED Agreement, Outfitters' address for purposes of any notices required by the TDED Agreement shall be as follows: 585 Pan American Drive, Harker Heights, Bell County, Texas.

36. Exhibit F of the TDED Agreement, entitled "Guarantee," is deleted in its entirety and Exhibit F hereto is substituted therefor.

37. As modified hereby, the provisions of the TDED Agreement shall continue in full force and effect, and Outfitters acknowledges and reaffirms its liability to City thereunder. In the event of an inconsistency between this Agreement and the terms of the TDED Agreement, this Agreement shall govern.

38. Any default by Outfitters in the performance of its obligations herein contained shall constitute a default under the TDED Agreement, and shall allow City to exercise all of its remedies set forth in said TDED Agreement.

39. City does not, by its execution of this Agreement, waive any rights it may have against any person not a party hereto.

40. This Agreement may be executed in multiple counterparts, each of which shall constitute an original instrument, but all of which shall constitute one and the same agreement.

 City of Harker Heights, Texas

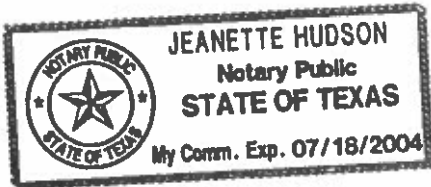
Educational Outfitters of Texas, Inc.

by: 
Steve Carpenter, City Manager

by: 
Cindy Schoel, President

State of Texas
County of Bell

This instrument was acknowledged before me on January 10th, 2002, by Steve Carpenter, as City Manager of the City of Harker Heights, a Texas home rule municipal corporation, on behalf of said corporation.



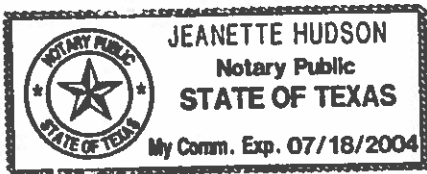
Jeanette Hudson
Notary Public, State Of Texas
Printed Name Of Notary:

Jeanette Hudson

My Commission Expires: 07/18/2004

State of Texas
County of Bell

This instrument was acknowledged before me on January 10th, 2002, by Cindy Schoel, as President of Educational Outfitters of Texas, Inc., a Texas corporation, on behalf of said corporation.



Jeanette Hudson
Notary Public, State Of Texas
Printed Name Of Notary:

Jeanette Hudson

My Commission Expires: 07/18/2004

EXHIBIT A

AMENDED PERFORMANCE STATEMENT

City of Harker Heights

Contractor shall carry out the following activities in the target area(s) identified on the map in its 1999 Economic Development application:

Project Summary

The purpose of this Economic Development project is to provide infrastructure improvements in the form of public road construction in support of Educational Outfitters (hereinafter referred to as the Company). The infrastructure improvements will allow the Company to expand its operations in the City of Harker Heights. The Company is a retailer of educational supplies. The national objective of this project is to primarily benefit low to moderate income persons through job creation.

Project Activities

Contractor shall provide to Department documentation showing winning bid(s) for "minimum necessary" real estate improvements (defined as, improvements needed to adequately serve only the Company), with the alternate provisions of the winning bid(s) addressing oversizing or extra improvements. Oversizing and/or extra improvements are defined as improvements exceeding the "minimum necessary" needed by the Company and therefore, ineligible for payment with contract funds. Contractor and/or Company are responsible for payment of all oversizing improvements, extra improvements and/or cost overruns and must provide evidence of expenditure(s) prior to drawing contract funds.

The "minimum necessary" improvements were established in the application process to be improvements identified below. Contractor shall expend a total of Three Hundred Thirty-eight Thousand Five Hundred and No/100 Dollars (\$338,500.00), of contract funds, for the following activities:

Road Improvements in the amount of Two Hundred Fifty Thousand Two Hundred and No/100 Dollars (\$250,200.00). The "minimum necessary" improvements were established in the application process to be construction of anew asphalt roadway two thousand five hundred fifty linear feet (2,550 l.f.) Long and thirty-six feet (36 ft.) Wide, with curb and gutter to include subgrade stabilization, limestone base, box culverts, curb inlets, a storm drain culvert, traffic signs and striping. Improvements will be in the following location:

<u>Street</u>	<u>From</u>	<u>To</u>	<u>Distance</u>
proposed roadway	U.S. 190 frontage road	intersection	350 l.f.
proposed roadway	intersection east	the EO project site	650 l.f.
proposed roadway	intersection west	the city's new roadway	1,550 l.f.

Sewer Improvements in the amount of Nineteen Thousand and No/100 Dollars (\$19,000.00). The "minimum necessary" improvements are approximately six hundred eleven linear feet (611 l.f.) Of six inch (6 in.) sewer line and two (2) manholes. Improvements will be at the following location.

<u>Location</u>	<u>From</u>	<u>To</u>	<u>Distance</u>
South of Millers Crossing	Current 8" line	the project site	Approx. 611 l.f.

Engineering in the amount of Thirty-four Thousand Three Hundred and No/100 Dollars (34,300.00) of contract funds for eligible project related infrastructure engineering services, including preliminary and final design plans and specifications, interim and final inspections.

Administration in the amount of Thirty-five Thousand and No/100 Dollars (\$35,000.00) of contract funds to carry out project administration activities, including the cost associated with the required program fiscal and compliance audit as required in Section 19 of this contract.

Contractor shall ensure Company expends Sixty-eight Thousand Seven Hundred Nineteen and No/100 Dollars (\$68,719.00) of Company funds for working capital and Three Hundred Seventy-seven Thousand Five Hundred Twenty-five and No/100 Dollars (\$377,525.00) from Company and/or loan funds as follows: Three Hundred Thirteen Thousand Six Hundred and No/100 Dollars (\$313,600.00) for building construction; Fifty-nine Thousand Nine Hundred and No/100 Dollars (\$59,900.00) for machinery and equipment acquisition; and Four Thousand Twenty-five and No/100 (\$4,025.00) for engineering services related to the construction of the building. Additionally, the Company has previously, in the application, documented the net equity value, in the amount of Fifty-two Thousand Four Hundred Two and No/100 Dollars (\$52,402.00), in furniture, fixtures, machinery and equipment that will be used in the new facility. No further documentation is required. Company's construction funds shall be injected prior to Department's release of funds budgeted for construction.

Contractor is providing the land, identified above, for the proposed building and previously, in the application, documented the net equity value, in the amount of Four Hundred Thousand and No/100 Dollars (\$400,000.00), in the project site. No further documentation is required, but this value must be supported by the appraisal required in Special Condition 22.B.18.

Contractor shall ensure that all acquisition of needed real property, easements and/or rights -of-way is in compliance with the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970 (42 U.S.C. Sec. 4601 *et seq.*) And HUD implementing regulations (49 CFR Part 24).

Contractor shall provide to Department, upon request, evidence that project funds, both private and contract, were expended in this EXHIBIT A and in EXHIBIT B of this contract.

Project Objective

As a result of this project, Contractor shall ensure that the Company creates Fourteen (14) permanent jobs of which fifty-one percent (51%), or eight (8) shall be held by LMI persons prior to the expiration date of this contract. In the event more than fourteen (14) permanent jobs are created, Contractor shall ensure that at least fifty-one percent (51%) of all permanent jobs created, during the contract period, are held by LMI persons. Any employee transferring from another Company location or related business operation must be identified and may not be considered as a created permanent job.

EXHIBIT F

GUARANTEE

FOR OR VALUE RECEIVED, I, whose name is hereinafter subscribed to this instrument, and hereinafter called Guarantor, have jointly, severally and unconditionally guaranteed to the CITY OF HARKER HEIGHTS, of the State of Texas, hereinafter called City, and its successors and assigns, to the extent of Three Hundred Thirty-eight Thousand Five Hundred and No/100 (\$338,500.00) Dollars, but no further, that punctual payment will be made, when the same will become due and owing, to each and every claim, demand, right, or cause of action of every nature whatsoever that the said City will have against Educational Outfitters, Ltd., hereinafter called Debtor, now existing or which may hereinafter arise, so long as this guarantee will remain in effect.

It is expressly agreed and understood that this is a continuing guarantee to the extent of the sum shown above, as evidenced by an AGREEMENT between the City of Harker Heights, Texas and Educational Outfitters, Ltd. (hereafter called "DEBTOR") dated June 8, 2000, payable at the office of the Director of Finance of the City of Harker Heights, Texas (hereafter called the "OBLIGATIONS"), and will as to each Guarantor remain in full force and effect until such agreement is performed in full by Guarantor, and will extend to and cover any and all renewal of any and all claims or demands guaranteed hereunder, as well as extensions of time of payment thereof, and will not be affected or impaired by the taking of any additional security or securities, or guarantee or guarantees, nor of any release by or demand or demands guaranteed hereunder. Notice of default by the Debtor is hereby expressly waived, and it is expressly stipulated that no delay or omission on the part of the City in enforcing the collection of its claims or demands against the Debtor will be held to in any wise impair or affect the liability of the Guarantor hereunder.

This guaranty is an absolute, complete and continuing one. Guarantor hereby expressly waives presentment, demand, protest, notice of intention to accelerate, notice of acceleration, and notice of protest and dishonor on any and all forms of such Obligations, and also notice of acceptance of this guaranty, acceptance on the part of City being conclusively presumed by its request for this guaranty and delivery of the same to it.

Guarantor authorizes City, without notice or demand and without affecting Guarantor's liability hereunder, to take and hold security for the payment of this guaranty and/or the Obligations guaranteed, and exchange, enforce, waive, release and impair any such security or release other parties liable on the Obligations; and to apply such security and direct the order or manner of sale thereof as City at its discretion may determine; and to obtain a guaranty of the Obligations from any one or more other persons, corporations or entities whomsoever and at any time or times to enforce, waive, rearrange, modify, limit, impair or release such other persons, corporations or entities from their obligations under such guaranties.

Guarantor waives any right to require City to (a) proceed against Debtor or join Debtor in any lawsuit filed against Guarantor, (b) proceed against or exhaust any security held from Debtor, or (c) pursue any other remedy in City's power whatsoever. Guarantor waives any defense arising by reason of any disability, lack of corporate authority or power or other defense of Debtor or any other guarantor of the Obligations, and shall remain liable hereon regardless of whether Debtor or any other guarantor be found not liable thereon for any reason. Until all the Obligations shall have been performed in full, Guarantor shall have no right of subrogation, and waives any right to enforce any remedy which City now has or may hereafter have against Debtor, and waives any benefit of and any right to participate in any security now or hereafter held by City. Guarantor agrees to provide promptly to City all information reasonably requested by City concerning the Obligations, any security for the Obligations and the financial status of Guarantor and of any other parties obligated on the Obligations.

Guarantor will, immediately upon notice from City of Debtor's failure to pay any of the Obligations at maturity, pay to City in Harker Heights, Bell County, Texas, the amount due and unpaid by said Debtor. The failure of City to give this notice shall not in any way release Guarantor hereunder. Guarantor agrees that if the maturity of the Obligations hereby guaranteed is accelerated by bankruptcy or otherwise, such maturity shall also be deemed accelerated for the purpose of this guaranty without demand or notice to Guarantor.

It is expressly agreed that the liability of Guarantor for the payment of the Obligations secured hereby shall be primary and not secondary.

Guarantor waives all defenses given to sureties or guarantors at law or in equity other than actual payment of the Obligations, and performance of the actions, constituting the Obligations. Guarantor absolutely and unconditionally covenants and agrees that if all or any part of the Obligations (or any instrument or agreement made or executed in connection therewith) is for any reason found to be invalid, illegal, unenforceable, uncollectible or legally impossible, for any reason whatsoever (including, without limiting the generality of the foregoing, upon the grounds that the payment and/or performance of the Obligations is ultra vires or otherwise without authority, may violate applicable usury laws, is subject to valid defenses, claims or offsets of Debtor, or any instrument evidencing any of the Obligations is forged or otherwise irregular); then in any such case Guarantor shall pay and perform the Obligations as herein provided and that no such occurrence shall in any way diminish or otherwise affect Guarantor's obligations hereunder.

As security for its obligations hereunder, Guarantor hereby grants to City a security interest in, a general lien upon and/or right of set-off of the following (herein referred to as the "Security"): (i) the balance of every deposit account now or hereafter existing, of Guarantor, of any corporation in which Guarantor is the majority or controlling shareholder or of any partnership in which Guarantor is a partner, with City and any other claim of Guarantor, of any corporation in which Guarantor is the majority or controlling shareholder or of any partnership in which Guarantor is a partner, against City now or hereafter existing, and all monies, instruments, securities, documents,

chattel paper, credits, claims, demands and any other property, rights and interest of Guarantor, of any corporation in which Guarantor is the majority or controlling shareholder or of any partnership in which Guarantor is a partner, which at any time shall come into the possession or custody or under the control of City or any of its agents or affiliates, for any purpose; (ii) any claim of Guarantor against Debtor now or hereafter existing and all monies, instruments, securities, documents, chattel paper, credits, claims, demands and any other property, rights and interests of Debtor, which at any time shall come into the possession or custody or under the control of Guarantor, of any of Guarantor's agents, of any corporation in which Guarantor is the majority or controlling shareholder or of any partnership in which Guarantor is a partner, for any purpose; and (iii) the proceeds, products and accessions of any to any of the foregoing. City, at its option, may at any time, without notice and without any liability, retain all or any part of the Security until all of the Obligations have been performed in full or may set off all or any part of the Security against the Obligations, whether the Obligations is matured or unmatured, in any manner and in any order of preference which City, in its sole discretion, chooses. City shall be deemed to have possession of any of the Security in transit to or set apart for it or any of its agents or affiliates. The right is expressly granted to City, at its discretion, to file one or more financing statements under the Uniform Commercial Code naming Guarantor as Debtor and City as Secured Party and indicating therein the types or describing the items of Security herein specified. City shall not be required to take any steps necessary to preserve any rights against prior parties to any of the Security. In the event of default under this guaranty, City may sell or cause to be sold in the City of Harker Heights, Bell County, Texas, or elsewhere, in one or more sales or parcels, at such price as City may deem best, and for cash or on credit or for future delivery, without assumption of any credit risk, all or any of the Security at any broker's board or at public or private sale, without demand or performance or notices of intention to sell or of time or place of the sale (except such notice as is required by applicable statute and cannot be waived), and City or anyone else may be the purchaser of any or all of the Security so sold and thereafter hold the same absolutely, free from any claim or right of whatever kind, including any equity of redemption, of Guarantor, any such demand, notice or right and equity being hereby expressly waived and released. The grant of the above security interest and lien shall not in anywise limit or be construed as limiting City to collect payment of any liability of Guarantor incurred hereby only out of the Security, but it is expressly understood and provided that all such liability shall constitute the absolute, unconditional and continuing obligation of Guarantor.

The Guaranty is intended for and shall insure to the benefit of City and each and every other person who shall from time to time be or become the owner or holder of any of the Obligations, and each and every reference herein to "City" shall also include and refer to each and every successor or assignee of City at any time holding or owing any part of or interest in any part of the Obligations. This Guaranty shall be transferable by City, it being understood and stipulated that upon the assignment or transfer by City of any of the Obligations (or any part thereof or interest therein thus transferred or assigned by City), such transferee shall also, unless provided otherwise by City in its assignment, have and may exercise all the rights granted to City under this Guaranty to the extent of the part or interest in the Obligations thus assigned or transferred to said

person. Guarantor expressly waives notice of transfer or assignment of the Obligations, or any part thereof, or of the rights of City hereunder.

Any notice or demand to Guarantor hereunder or in connection herewith may be given and shall conclusively be deemed and considered to have been given and received upon the deposit thereof, in writing, in the U.S. Mails, duly stamped and addressed to Guarantor at the address of Guarantor shown below; but actual notice, however given or received, shall always be effective. The last preceding sentence shall not be construed in anywise to affect or impair any waiver of notice or demand herein provided or to require giving of notice or demand to or upon Guarantor in any situation for any reason.

The rights of City hereunder are cumulative and shall not be exhausted by its exercise of any of its rights hereunder, under any prior guaranty or otherwise against Guarantor or by any number of successive actions until and unless all indebtedness under the Obligations has been paid, all other Obligations have been performed. The existence of this Guaranty shall not in any way diminish or discharge the rights of City under any prior guaranty agreement executed by Guarantor.

This Guaranty shall be deemed to have been made under and shall be governed by the laws of the State of Texas in all respects.

Guarantor acknowledges and agrees that this Guaranty accurately represents and contains the entire agreement between Guarantor and City with respect to the subject matter hereof, that Guarantor is not relying, in the execution of this Guaranty, on any representations (whether written or oral) made by or on behalf of City except as expressly set forth in this Guaranty, and that any and all prior statements and/or representations made by or on behalf of City to Guarantor (whether written or oral) in connection with the subject matter hereof are merged herein. This Guaranty shall not be waived, altered, modified or amended as to any of its terms or provisions except in writing duly signed by City and Guarantor.

Headings are provided as a matter of convenience only and are not to be considered in interpreting the meaning of any provision hereunder. The use of any gender herein shall include the other gender.

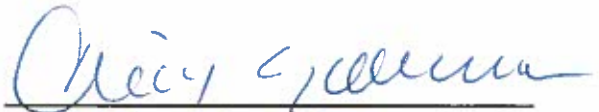
A determination that any provision of this Guaranty is unenforceable or invalid shall not affect the enforceability or validity of any other provision.

Guarantor acknowledges that Guarantor has had the opportunity to obtain of the advice of legal counsel of his own choice in connection with the preparation and negotiation of this Guaranty, and has been afforded an opportunity to review this Guaranty with such legal counsel, and that Guarantor fully understands the implications and ramifications of the agreements herein made by Guarantor.

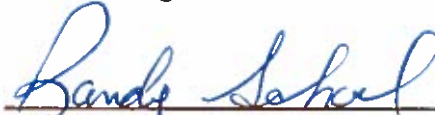
This guaranty is and shall be in every particular available to the successors and assigns of City and is and shall always be fully binding upon the heirs, representatives

and assigns of Guarantor, notwithstanding that some or all of the monies, to the repayment of which this guaranty applies, may be actually advanced after any bankruptcy, receivership, reorganization, death, legal incapacity or other event affecting Guarantor.

Witness Our Hands in Harker Heights, Texas, on 01-10-2002, to be effective the 8th day of June, 2000.



Cindy Schoel, Guarantor
585 Pan American Drive
Harker Heights, Texas 76548



Randy Schoel, Guarantor
585 Pan American Drive
Harker Heights, Texas 76548

Educational Outfitters Ltd., by
Educational Outfitters Management,
L.C., General Partner, Guarantor



By: Cindy Schoel, President
585 Pan American Drive
Harker Heights, Texas 76548