SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934

Date of Report (date of earliest event reported):
April 11, 2007

GALES INDUSTRIES INCORPORATED

(Exact Name of Registrant as Specified in its Charter)

Delaware	000-29245	20-4458244
State of Incorporation	Commission File Number	IRS Employer I.D. Number

1479 North Clinton Avenue, Bay Shore, NY 11706
Address of principal executive offices

Registrant's telephone number: (631) 968-5000

(Former Name or Former Address, if Changed Since Last Report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

|_| Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
|_| Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
|_| Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
|_| Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Introduction.

On April 16, 2007, Gales Industries Incorporated, a Delaware corporation ("we" or the "Company"), purchased (the "Sigma Acquisition") all of the issued and outstanding capital stock of Sigma Metals, Inc. ("Sigma"), pursuant to that certain Stock Purchase Agreement (the "Stock Purchase Agreement"), dated as of January 2, 2007, by and among the Company, as purchaser thereunder, and each of Carole Tate, George Elkins, and Joseph Coonan, the shareholders of Sigma and sellers thereunder (the "Sellers"). A more detailed description of the Sigma Acquisition is set forth below under the heading "Item 2.01--Completion of Acquisition or Disposition of Assets." The Stock Purchase Agreement was attached as Exhibit 10.1 to our Current Report on Form 8-K, previously filed with the Securities and Exchange Commission on January 3, 2007.

In consideration for the Sigma stock, we agreed to pay the Sellers approximately $5.0 million plus an amount equal to Sigma's earnings from January 1, 2006, to the Closing Date, and up to $150,000 of the legal and accounting fees incurred by the Sellers (as further described below). The purchase price was paid in a combination of cash and by our issuance to the Sellers of Promissory Notes (as defined below under the heading "Item 1.01--Entry into a Material Definitive Agreement") and restricted shares of our common stock. The cash portion of the purchase price was raised through a private equity offering to qualified investors (as further described below under the heading "Item 1.01--Entry into a Material Definitive Agreement") of our Series B Preferred Stock (as defined below under the heading "Item 1.01--Entry into a Material Definitive Agreement").

Also in connection with the acquisition, Gales Industries entered into employment agreements with the principals of Sigma (as further described below under the headings "Item 1.01--Entry into a Material Definitive Agreement").

Item 1.01 Entry into a Material Definitive Agreement.

Private Equity Financing -- Series B Convertible Preferred Stock.

In connection with the Sigma Acquisition, we raised gross proceeds of approximately $5 million in a private offering through the issuance of our Series B Convertible Preferred Stock, par value $0.001 per share ("Series B Preferred Stock") to "accredited investors," as that term is defined in Rule 501 under Regulation D (the "Investors"). The Series B Preferred Stock was subscribed to in accordance with the terms of a Securities Purchase Agreement, a copy of which was entered into by and between us and each of the Investors (the "Subscription Agreement"). A copy of the form of the Subscription Agreement is attached hereto as EXHIBIT 10.1. In addition to containing customary representations and warranties made by both the Company and the Investors, the Subscription Agreement provides for the Company to prepare and file a registration statement with the Securities Exchange Commission on the appropriate form under the Securities Act of 1933, as amended, to register the initial issuance or resale of the shares of our common stock issued or issuable upon conversion of the Series B Preferred Stock, as well as the shares of Common Stock issuable upon the exercise of the Placement Agent Warrants (as defined below) within 90 days of the final closing date of the private placement. The Company will use its best efforts to have the registration statement become effective, and to keep it effective for a period of three (3) years following the final closing date. If the registration statement is not filed within such 90-day period, the Company will pay a cash amount of three percent (3.0%) of the purchase price for each thirty (30) day period, or any part thereof, beyond such period, until the registration statement is filed. In addition, if the registration statement is not declared effective within 180 days of the final closing date, the Company will pay a cash amount of two percent (2.0%) of the purchase price for each thirty (30) day period, or any part thereof, beyond such 180 day period, until it is declared effective, up to an aggregate maximum amount payable of 24.0%.

Pursuant to the Subscription Agreements, in consideration of $10.00 per share of Series B Preferred Stock, we issued to the Investors an aggregate of 495,500 shares of our Series B Preferred Stock. Initially, the Series B Preferred Stock is convertible into such number of shares of common stock as is determined by dividing the Original Issue Price by the conversion price in effect at the time of conversion. The conversion Price shall initially be the Average VWAP for the twenty (20) consecutive trading days prior to the original issue date. The rights and privileges of the Series B Preferred Stock are as set forth in that certain Certificate of Designation of the Relative Rights, Powers and Preferences of the Series B Convertible Preferred Stock (the "Certificate of Designation"), a copy of which is filed as EXHIBIT 4.1 hereto. A summary of our Series B Preferred Stock and the related Certificate of Designation are set forth below under the headings "Item 3.02--Unregistered Sales of Equity Securities" and "Item 3.03--Material Modification to Rights of Security Holders," and such summary is qualified in its entirety by reference to the Certificate of Designation.

Private Debt Financing -- Promissory Notes.

In partial consideration of the Sigma capital stock, we also issued promissory notes to the Sellers as follows: a promissory note in favor of George Elkins in principal amount of $528,533; a promissory note in favor of Carole Tate in principal amount of $528,533; and a promissory note in favor of Joseph Coonan in principal amount of $27,107 (collectively, the "Promissory Notes"). In addition to other customary provisions, each of the Promissory Notes incurs interest at an annual rate of 7% and matures on April 1, 2010. This summary of the Promissory Notes is qualified in its entirety by reference to the form of Promissory Note filed herewith as EXHIBIT 10.2.

Employment Agreements.

Also in connection with the Sigma Acquisition, we entered into employment agreements with each of the Sellers (the "Employment Agreements") to serve as executive officers of Sigma (the "Executives"). Pursuant to the Employment Agreements, George Elkins will serve Sigma as its Chief Executive Officer, Carole Tate will serve as Sigma's President and Joseph Coonan will serve as Sigma's Vice President. Under their respective Employment Agreements, Mr. Elkins and Ms. Tate each shall receive an annual base salary of $225,000, and Mr. Coonan shall receive a base salary of $150,000. In addition to other customary perquisites and benefits, under each Employment Agreement, each Executive is also entitled to an annual bonus equal to fifteen (15%) percent of the applicable base salary with respect to each fiscal year in which Sigma achieves an increase of at least five (5%) percent in operating profits over the preceding fiscal year period (the "Threshold Profits Increase"). In addition to the cash bonus, no later than 90 days after the end of each applicable fiscal year commencing with the year ended December 31, 2007, we shall grant to each executive options to purchase 100,000 shares of our common stock for each fiscal year in which we achieve the Threshold Profits Increase. The exercise price of such options will equal the average closing price of our common stock on the OTC Bulletin Board during the twenty (20) trading days immediately preceding the date as of which such options are issued. This summary is qualified in its entirety by reference to the Employment Agreements filed herewith as EXHIBIT 10.3, EXHIBIT 10.4 and EXHIBIT 10.5.

Item 2.01 Completion of Acquisition or Disposition of Assets.

On April 16, 2007 (the "Closing Date"), pursuant to the Stock Purchase Agreement, we closed (the "Closing") the Sigma Acquisition, by which we acquired all of the issued and outstanding capital stock of Sigma. At Closing we paid $3,988,501 in cash, and issued three Promissory Notes, one in favor of each Seller, in total principal amount of $1,084,173, and shall issue to the Sellers the number of shares of our restricted common stock equal to $1,900,00 divided by 90% of the average closing price of our common stock for the 20 trading days preceding the Closing Date as quoted by the OTC Bulletin Board. At the time of the Sigma Acquisition, Sigma had approximately $1,164,000 in debt, including approximately $250,000 owed by the Company to the Sellers, which we agreed to cause Sigma to repay and we agreed to cause to be discharged all personal guarantees of the Sellers made in connection with approximately $900,000 of such assumed debt. Upon execution of the Sigma Purchase Agreement, we paid a $150,000 performance deposit to the Seller (the "Deposit"), which was credited against the fees and expenses of the Sellers incurred by them at the closing of the Sigma Acquisition.

Item 3.02 Unregistered Sale of Equity Securities.

The information required by this Item 3.02 is set forth above under the headings "Item 1.01--Entry into a Material Definitive Agreement" and in this Item 3.02. All issuances of securities described therein were issued pursuant to exemptions from registration provided by Section 4(2) of the Securities Act and Regulation D promulgated thereunder.

Our board of directors authorized a series of preferred stock designated as the "Series B Convertible Preferred Stock," having a par value of $0.001 per share in an amount up to 2,000,000 shares, which shall not be subject to increase without the written consent of all of the holders of such stock. Each share of Series B Preferred Stock has an original issue price of $10.00. As of the closing of the Sigma Acquisition, we had 495,500 shares of Series B Preferred Stock issued and outstanding and 53 shareholders of record of the Series B Preferred Stock.

The proceeds of the issuance of the Series B Preferred Stock is to be used for the Sigma Acquisition and general working capital purposes of the Company.

Each holder of our Series B Preferred Stock has the rights, preferences and duties set forth in that the Certificate of Designation filed with the Secretary of State of the State of Delaware on April 11, 2007. The following is a summary of certain material provisions of such certificate, which summary is qualified in its entirety by reference to the Certificate of Designation filed herewith as EXHIBIT 10.2.

Voting Rights. Generally, the holders of the Series B Preferred Stock shall be entitled to vote, on all matters in which holders of our common stock are entitled to vote, voting together with the Common Stock as a single class. The holders of the Series B Preferred Stock shall have the number of votes that they would have assuming conversion of the Series B Preferred Stock into our common stock as of the record date for the meeting of the Company's shareholders, with fractional shares being disregarded. The holders of the Series B Preferred Stock shall be entitled to receive all communications sent by the Company to the holders of our common stock. The holders of the Series B Preferred Stock shall be entitled to vote as a separate class on the issuance of any class of equity securities which ranks equal to or senior to the Series B Preferred Stock, or to change or repeal any of the express terms of the Series B Preferred Stock.

Dividends. Holders of the Series B Preferred Stock are entitled to cumulative preferential dividends payable quarterly, on April 1, July 1, October 1 and January 2 of each year, at the rate of 7.0% per annum, with the first dividend payable, on a pro rata basis, after the first full quarterly period following the final closing date of the offering of the Series B Preferred Stock. Dividends can be paid in cash or Series B Preferred Stock at the option of the Company. The Series B Preferred Stock payable as dividends is to be valued at the lesser of the conversion price thereof or the average of the daily "volume weighted average price for Common Stock" (the "Average VWAP") for ten (10) consecutive trading days prior to the end of the quarter. If the average closing price for our common stock during any sixty (60) day period commencing May 1, 2010 is equal to the conversion price or less, holders of a majority of outstanding Series B Preferred Stock can elect to have dividends paid in cash for the balance of the life of the Series B Preferred Stock (the "Cash Election"). If the Company fails to honor the Cash Election, the Company must pay dividends in shares of Series B Preferred Stock (valued at the lesser of conversion price or the Average VWAP for ten (10) consecutive trading days prior to the end of the quarter) and a majority of holders of Series B Preferred Stock shall have the right to designate one (1) board member and the Company shall immediately appoint a designee and use its best efforts to cause the election of the designee for so long as twenty-five (25%) percent of the Series B Preferred Stock remains outstanding. In the further event the average closing price during the last thirty (30) day period of any quarter commencing with the first quarter three years after the end of the quarter in which the initial closing of the private offering occurs is the conversion price or less, annual dividends on Series B Preferred Stock will be automatically readjusted to ten (10.0%) percent per annum for dividends paid in cash or twelve (12.0%) percent per annum for dividends paid in Series B Preferred Stock for the balance of the period that any Series B Preferred Stock is outstanding.

Liquidation Preference. In the event of a liquidation, dissolution or winding up of the Company, the holders of Series B Preferred Stock shall be entitled to receive cash in an amount equal to the greater of (i) (a) $10.00 per share (subject to adjustment as provided in the Certificate of Designation) plus (b) until the date fixed for payment, any declared and accrued but unpaid dividends, or (ii) such amount per share as would have been payable had each such share been converted into common stock immediately prior to the liquidation event; in each case before any distribution is made to the holders of common stock and any other junior stock, but after distribution is made to holders of senior stock (if any). If upon any such liquidation event the remaining assets of the Company available for distribution to its stockholders shall be insufficient to pay the holders of shares of Series B Preferred Stock the full amount to which they shall be entitled, the holders of shares of Series B Preferred Stock and any other class or series of stock ranking on liquidation on a parity with the Series B Preferred Stock shall share ratably in any distribution of the remaining assets and legally available funds of the Company in proportion to their respective amounts that would otherwise be payable in respect of the shares held by them upon such distribution of the entire liquidation amount and such pari passu payments on such other class or series of stock were paid in full.

Voluntary Conversion. Each share of Series B Preferred Stock is convertible at each holder's option into shares of Common Stock, at any time prior to the effective date of the forced conversion or redemption at the conversion price equal to the Average VWAP for twenty (20) consecutive trading days prior to the initial closing date of the private offering, subject to adjustment (the "Conversion Price"). In the event of a merger or consolidation (in which the Company is the non-surviving entity) or in the event of a sale of all or substantially all of the assets of the Company, the holders of the Series B Preferred Stock shall have a right to convert their Series B Preferred Stock into shares of Common Stock immediately prior to any such transaction at a conversion price equal to the lesser of (a) the Conversion Price or (b) the price per share of common stock paid in the change of control transaction. The Company shall not issue fractional shares of Series B Preferred Stock, such fractional amount being payable in cash.

Forced Conversion. The Company shall have the right to force conversion of the Series B Preferred Stock into shares of its common stock at any time after issuance of the Series B Preferred Stock, provided that on the day that notice of forced conversion is given the following conditions are satisfied: (a) the issuance of the shares of common stock issued or issuable upon conversion of Series B Preferred Stock or the resale thereof have been registered pursuant to the Securities Act of 1933, as amended and such registration is then currently effective; and (b) the closing price of the common stock as listed on the Nasdaq Stock Market ("NASDAQ"), the New York Stock Exchange ("NYSE"), the American Stock Exchange ("ASE") or wherever the Company's Common Stock then trades, is at least 250% of the Conversion Price for twenty (20) trading days within a thirty (30) consecutive trading day period. Any notice of forced conversion must be given to all holders no less than thirty (30) days nor more than forty-five (45) days prior to the date set forth for conversion (the "Forced Conversion Date"). On the Forced Conversion Date, the Company shall pay to all registered holders of Series B Preferred Stock all accrued and unpaid dividends through and including the Forced Conversion Date.

Redemption. The Company can redeem all of the outstanding shares of Series B Preferred Stock at any time commencing three (3) years after the final closing date of the private offering upon thirty (30) days notice at a redemption price equal to the par value plus accrued and unpaid dividends to the date of redemption (collectively, the "Redemption Price"). Holders of Series B Preferred Stock called for redemption may exercise their right to convert any or all of their shares of Series B Preferred Stock into common stock at any time prior to the close of business on the date set for redemption. After the redemption date, such holders' right to convert their shares of Series B Preferred Stock called for redemption shall cease and such holders will be entitled only to the Redemption Price for their shares of Series B Preferred Stock.

Item 3.03 Material Modification to Rights of Security Holders.

The filing of our Certificate of Designation and the issuance of Series B Preferred Stock affect the holders of the our common stock to the extent provide for in the Certificate of Designation, filed as an amendment to our certificate of incorporation with the Secretary of State of the State of Delaware on April 11, 2007. The summary of the Certificate of Designation, included above under "Item 3.02 -- Unregistered Sale of Equity Securities," is qualified in its entirety by reference to the Certificate of Designation filed herewith as Exhibit 10.2 The additional information required to be provided in this "Item 3.03 -- Material Modification to Rights of Security Holders," is included above under such Item 3.02 and below under "Item 5.03 -- Amendments to Articles of Incorporation or Bylaws."

Item 5.03 Amendments to Articles of Incorporation or Bylaws.

Effective as of April 11, 2007, the date of filing, we amended our certificate of incorporation by filing with the Secretary of State of the State of Delaware our Certificate of Designation, providing for the relative rights, powers and preferences of our Series B Preferred Stock. The summary of the Certificate of Designation, included above under "Item 3.02 -- Unregistered Sale of Equity Securities," is qualified in its entirety by reference to the Certificate of Designation filed herewith as Exhibit 10.2 The additional information required to be provided in this "Item 5.03 -- Amendments to Articles of Incorporation or Bylaws," is included above under such Item 3.02.

Item 9.01 Financial Statements and Exhibits.

Financial Statements.

To be filed by amendment.

Exhibits.

Exhibit No.	Description
4.1	Certificate of Designation
10.1	Form of Subscription Agreement
10.2	Form of Promissory Note
10.3	Employment Agreement by and between Gales Industries Incorporated and George Elkins, dated as of April 12, 2007.
10.4	Employment Agreement by and between Gales Industries Incorporated and Carole Tate, dated as of April 12, 2007.
10.5	Employment Agreement by and between Gales Industries Incorporated and Joseph Coonan, dated as of April 12, 2007.

SIGNATURES

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

Dated: April 16, 2007

GALES INDUSTRIES INCORPORATED

By: /s/ Peter Rettaliata

Peter Rettaliata
Chief Executive Officer

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GALES INDUSTRIES INCORPORATED

CERTIFICATE OF DESIGNATION
OF THE RELATIVE RIGHTS, POWERS AND PREFERENCE
OF THE SERIES B CONVERTIBLE PREFERRED STOCK

Pursuant to the authority granted in the Certificate of Incorporation of Gales Industries Incorporated, a Delaware corporation (the "Corporation"), the Corporation is authorized to establish and issue in series 8,003,716 shares of preferred stock and to designate the terms, preferences, limitations and relative rights of each series thereof.

By resolution, the Board of Directors of the Corporation has established, designated and fixed the terms, preferences, limitations and relative rights of two million (2,000,000) shares of the authorized and unissued preferred stock of the Corporation, par value $.001 per share, as "Series B Convertible Preferred Stock" (the "Series B Preferred Stock") with the following rights, preferences, powers, privileges and restrictions, qualifications and limitations:

1. Dividends.

(a) Dividends. (i) Except as otherwise provided herein, the holders of shares of Series B Preferred Stock shall be entitled to receive, out of funds legally available therefor, dividends at the rate per annum of seven percent (7%) (the "Dividend Rate") of the Series B Original Issue Price (as defined below) on each outstanding share of Series B Preferred Stock (subject to appropriate adjustment in the event of any stock dividend, stock split, combination or other similar recapitalization affecting such shares);

(ii) Dividends shall accrue and be payable (A) quarterly on January 2, April 1, July 1 and October 1 of each year (a "Dividend Payment Date") commencing on July 1, 2007, (B) on the Mandatory Conversion Date (as defined below), (C) on the Repurchase Date (as defined below) and (D) in the event of the exercise of by a holder of shares of Series B Preferred Stock of its conversion rights under Section 4, as to the shares to be converted the applicable Conversion Date (as defined below). Dividends shall be payable in cash or, subject to subsection (iv) below, at the election of the Corporation (the "PIK Election") by delivery of additional shares of Series B Preferred Stock ("PIK Shares"); provided that dividends payable on the Mandatory Conversion Date, the Repurchase Date or a Conversion Date shall be payable in cash.

(iii) If the Corporation shall make the PIK Election with respect to the dividend payable on the Series B Preferred Stock as of any Dividend Payment Date, it shall deliver to each holder of shares of Series B Preferred Stock within ten (10) business days following such Dividend Payment Date a number of shares of Series B Preferred Stock equal to (A) the aggregate dividend payable to such holder with respect to the shares of Series B Preferred Stock held by such holder as of the end of the quarter preceding such dividend Payment Date divided by (B) the lesser of (x) the then effective Series B Conversion Price or (y) the Average VWAP for the ten (10) consecutive trading days prior to such Dividend Payment Date. For purposes of determining the dividends payable on PIK Shares, PIK Shares shall be deemed to have been issued as of the applicable Dividend Payment Date, except with respect to a Dividend Payment Date of January 2, with respect to which PIK shares shall be deemed issued as of January 1 of the applicable year.

(iv) In the event that during any sixty (60) trading day period commencing on or after May 1, 2010, the average Closing Price shall be less than or equal to the Series B Conversion Price as of the end of such period, the holders of a majority of the then outstanding shares of Series B Preferred Stock may elect by written notice to the Corporation that all future dividends on the shares of Series B Preferred Stock shall be payable only in cash (the "Cash Election"); provided that if, notwithstanding such Cash Election, the Corporation is prohibited by applicable law from paying dividends in cash or the Board of the Corporation shall not authorize the payment of any dividend on the Series B Preferred Stock in cash; the Corporation may pay dividends by delivery of PIK Shares in accordance with Subsections 1(a)(ii) and (iii).

(v) In the event the average Closing Price for the last thirty (30) trading days of any calendar quarter commencing with the calendar quarter beginning July 1, 2010 shall be less than or equal to the then effective Series B Conversion Price as of the end of such quarter; the Dividend Rate applicable during such quarter and for each quarter thereafter shall be increased to:

A. Ten percent (10%) per annum to the extent dividends

shall be paid in cash; and

B. Twelve percent (12%) per annum to the extent dividends shall be paid by delivery of PIK Shares

(vi) For purposes hereof:

A. "Average VWAP" shall mean with respect to any period of trading days, the average of the VWAP for the trading days during such period.

B. "Closing Price" shall mean (i) if the Common Stock is listed on a Principal Market, the closing price for the Common Stock on any particular trading day, as reported by Bloomberg or (ii) if the foregoing does not apply, the closing price for the Common Stock on any particular trading day in the over-the-counter market on the electronic bulletin board for Common Stock, as reported by Bloomberg, or (iii) if no closing price is reported for the Common Stock by Bloomberg for a trading day, the average of the highest closing bid price and the lowest closing ask price of any of the market makers for the Common Stock, as reported in the "pink sheets" by the National Quotation Bureau, Inc, for such trading day. If the closing price cannot be calculated for the Common Stock on such date on any of the foregoing bases, the closing price of Common Stock on such date shall be the fair market value as mutually determined by the Corporation and the holders of at least a majority of the shares of Series B Preferred Stock then outstanding. All such determinations of the Closing Price shall to be appropriately and equitably adjusted in accordance with the provisions set forth herein for any stock dividend, stock split, stock combination or other similar transaction occurring during any period used to determine the Closing Price.

C. "Principal Market" shall mean, for purposes of determining Average VWAP or the Closing Price, if the Common Stock is listed for trading on one or more markets, the market on which the Common Stock principally trades based on the average daily share trading volume during the applicable period with respect to which Average VWAP or the Closing Price is to be determined; provided that the holders of a majority of the shares of Series B Preferred Stock may designate in writing to the Corporation the market that shall be the Principal Market if the Common Stock is listed on more than one market.

D. The "Series B Original Issue Price" shall be $10.00 per share (subject to appropriate adjustment in the event of any stock dividend, stock split, combination or other similar recapitalization affecting such shares).

E. "Series B Offering" means the sale and issuance of Series B Preferred Stock pursuant to the Confidential Private Placement Memorandum of the Corporation dated April 4, 2007.

F. "VWAP" shall mean(i) if the Common Stock is listed on a Principal Market, the daily dollar volume-weighted average sale price for the Common Stock on the Principal Market on any particular trading day during the period beginning at 9:30 a.m., New York City Time (or such other time as the Principal Market publicly announces is the official open of trading), and ending at 4:00 p.m., New York City Time (or such other time as the Principal Market publicly announces is the official close of trading), as reported by Bloomberg through its "Volume at Price" functions or (ii) if the foregoing does not apply, the dollar volume-weighted average price of the Common Stock in the over-the-counter market on the electronic bulletin board for Common Stock for such trading day during the period beginning at 9:30 a.m., New York City Time (or such other time as the Principal Market publicly announces is the official open of trading), and ending at 4:00 p.m., New York City Time (or such other time as the Principal Market publicly announces is the official close of trading), as reported by Bloomberg, or (iii) if no dollar volume-weighted average price is reported for the Common Stock by Bloomberg for such hours or trading day, the average of the highest closing bid price and the lowest closing ask price of any of the market makers for the Common Stock, as reported in the "pink sheets" by the National Quotation Bureau, Inc., for such trading day. If the VWAP cannot be calculated for the Common Stock on such trading day on any of the foregoing bases, the VWAP of Common Stock on such date shall be the fair market value as mutually determined by the Corporation and the holders of at least a majority of the shares of Series B Preferred Stock then outstanding. All such determinations of VWAP shall to be appropriately and equitably adjusted in accordance with the provisions set forth herein for any stock dividend, stock split, stock combination or other similar transaction occurring during any period used to determine VWAP.

(b) Priority in Payment of Dividends. The Corporation shall not declare, pay or set aside any distributions (as defined below) on any shares of Common Stock or on any other Junior Stock without the vote or written consent of the holders of a majority of the then outstanding shares of Series B Preferred Stock. Subject to such approval of the holders of Series B Preferred Stock, the Corporation shall not declare, pay or set aside any distributions on shares of Common Stock or on any other Junior Stock unless the holders of Series B Preferred Stock then outstanding shall have first received, or shall simultaneously receive, a distribution in cash in respect of each outstanding share of Series B Preferred Stock in an amount at least equal to the amount specified in Subsection 1(a) plus the product obtained by multiplying (i) the per share amount of the distributions to be declared, paid or set aside for the Common Stock by (ii) the number of shares of Common Stock into which such shares of Series B Preferred Stock are then convertible in accordance with Subsections 4 and 5. Notwithstanding the foregoing provisions of this Subsection 1(b), the Corporation may declare and pay cash dividends upon the Common Stock; provided that the Average VWAP for the ten (10) trading days preceding the declaration of such dividend shall equal or exceed the then effective Series B Conversion Price and the Corporation shall have given the holders of the Series B Preferred Stock thirty (30) days written notice of the establishment of the record date for the payment of such dividend.

(c) Definition of Distribution. For purposes of this Subsection 1, unless the context requires otherwise, "distribution" shall mean the transfer of cash or property without consideration, whether by way of dividend or otherwise, payable other than in Common Stock or other securities of the Corporation, or the purchase or redemption of shares of the Corporation for cash or property, including any such transfer, purchase or redemption by a subsidiary of the Corporation, but excluding repurchases or redemptions of Common Stock (i) held prior to the Series B Original Issue Date (as defined below) by employees or directors of, or consultants to, the Corporation upon termination of their employment or services pursuant to restricted stock agreements approved by the Board of Directors providing for such repurchase by the Corporation or any subsidiary; (ii) issued after the Effective Time to employees or directors of, or consultants to, the Corporation upon termination of their employment or services pursuant to restricted stock agreements approved by the Board of Directors providing for such repurchase by the Corporation or any subsidiary at cost; (iii) in liquidation or dissolution of the Corporation; and (iii) pursuant to any agreements containing a right of first refusal provision in favor of the Corporation.

2. Liquidation Rights.

(a) Liquidation Preference. Upon any liquidation, dissolution, or winding up of the Corporation, whether voluntary or involuntary, including any transaction which is deemed to be a liquidation, dissolution, or winding up of the Corporation pursuant to Subsection 2(c) below (a "Liquidation Event"), the holders of shares of Series B Preferred Stock then outstanding shall be entitled to be paid out of the assets and funds of the Corporation available for distribution to its stockholders before any distribution or payment shall be made to any holders of Common Stock or any other class or series of stock of the Corporation ranking on liquidation junior to the Series B Preferred Stock (such Common Stock and other stock being collectively referred to as "Junior Stock"), an amount equal to the greater of (i) $10.00 per share (subject to appropriate adjustment in the event of any stock dividend, stock split, combination or other similar recapitalization affecting such shares), plus, until the date fixed for payment, all declared and all accrued but unpaid dividends on such share of Series B Preferred Stock, or (ii) such amount per share as would have been payable had each such share been converted into Common Stock pursuant to Section 4 immediately prior to such Liquidation Event (the greater of (i) or (ii) is hereinafter referred to as the "Series B Liquidation Amount"). If upon any such Liquidation Event the remaining assets of the Corporation available for distribution to its stockholders shall be insufficient to pay the holders of shares of Series B Preferred Stock the full amount to which they shall be entitled, the holders of shares of Series B Preferred Stock and any other class or series of stock ranking on liquidation on a parity with the Series B Preferred Stock shall share ratably in any distribution of the remaining assets and legally available funds of the Corporation in proportion to their respective amounts that would otherwise be payable in respect of the shares held by them upon such distribution if the entire Series B Liquidation Amount and such pari passu payments on such other class or series of stock were paid in full.

(b) Payments to Holders of Junior Stock. After the payment of all preferential amounts required to be paid to the holders of Series B Preferred Stock and any other class or series of stock of the Corporation ranking on liquidation senior to or on a parity with the Series B Preferred Stock, upon a Liquidation Event, the holders of shares of Junior Stock then outstanding shall be entitled to receive the remaining assets and funds of the Corporation available for distribution to its stockholders.

(c) Deemed Liquidation Events.

(i) Unless the holders of a majority of the then outstanding shares of Series B Preferred Stock otherwise elect by giving written notice thereof to the Corporation at least ten (10) days before the effective date of a Company Sale (as defined below), such Company Sale shall be deemed to be a Liquidation Event for purposes of this Subsection 2, and all consideration payable to the stockholders of the Corporation (in the case of an acquisition or disposition as set forth in subclauses (A) and (B)), and all consideration payable to the Corporation, together with all other available assets of the Corporation (in the case of an asset sale as set forth in subclauses (C) and (D)), net of all corporate taxes, fees and costs associated with such Company Sale and all costs of winding up the Corporation's business, shall be distributed to the holders of capital stock of the Corporation in accordance with Subsections 2(a) and 2(b) above. A "Company Sale" means:

(A) a merger or consolidation in which

(1) the Corporation is a constituent party, or

(2) a subsidiary of the Corporation is a constituent party and either (x) the Corporation issues shares of its capital stock pursuant to such merger or consolidation, or (y) as a result of such merger or consolidation of a subsidiary, the Corporation's ownership interest in the surviving entity is reduced; provided that neither Subsection 2(c)(i)(A)(1) nor subsection 2(c)(i)(A)(2) above shall include any such merger or consolidation involving the Corporation or a subsidiary in which the holders of capital stock of the Corporation immediately prior to such merger or consolidation continue to hold immediately following such merger or consolidation at least a majority of the voting power of (xx) the surviving or resulting entity or (yy) if the surviving or resulting entity is a wholly-owned subsidiary of another entity immediately following such merger or consolidation, the parent entity of such surviving or resulting entity;

(B) the disposition by holders of the Corporation's then outstanding capital stock of at least a majority of the then outstanding equity voting power of the Corporation in a single or a series of related transactions;

(C) the sale, lease or other disposition of all or substantially all of the assets of the Corporation in a single transaction or series of related transactions (except any such sale to a wholly-owned subsidiary of the Corporation unless such sale, lease or other disposition is followed by a subsequent disposition or transfer of at least a majority of the then outstanding equity voting power of the Corporation or such subsidiary in a single or a series of related transactions); or

(D) the disposition by exclusive license, sale, assignment or otherwise of all, substantially all or a significant portion of the intellectual property rights of the Corporation, except for non-exclusive licenses granted under such intellectual property rights in the ordinary course of business.

(ii) The Corporation shall deliver written notice to the holders of shares of Series B Preferred Stock at least twenty (20) days prior to the effective date of a Company Sale, which notice shall contain all the material terms and conditions of such Company Sale, and any additional information concerning the terms of the Company Sale and the value of the assets of the Corporation as may reasonably be requested by the holders of Series B Preferred Stock in order to assist them in determining whether to treat such event as a Liquidation Event; provided that the requirement that such notice be delivered may be waived at any time by the holders of a majority of the then outstanding shares of Series B Preferred Stock. The Corporation shall not effect any Company Sale pursuant to Subsection 2(c)(i)(A) above unless (A) the agreement or plan of merger or consolidation provides that the consideration payable to the stockholders of the Corporation shall be allocated among the holders of capital stock of the Corporation in accordance with Subsections 2(a) and 2(b) above or (B) the holders of a majority of the then outstanding shares of Series B Preferred Stock specifically consent in writing to the allocation of such consideration in a manner different from that provided in Subsections 2(a) and 2(b) above.

(iii) In the event of a Company Sale pursuant to Subsection 2(c)(i)(B), 2(c)(i)(C) or 2(c)(i)(D) above, if the Corporation does not effect a dissolution of the Corporation under the Delaware General Corporation Law within sixty (60) days after such Company Sale, then (A) the Corporation shall deliver a written notice to each holder of Series B Preferred Stock no later than the 60th day after the Company Sale advising such holders of their right (and the requirements to be met to secure such right) pursuant to the terms of the following clause (B) to require the redemption of such shares of Series B Preferred Stock, and (B) if the holders of a majority of the then outstanding shares of Series B Preferred Stock so request in a written instrument delivered to the Corporation not later than the later of 75 days after such Company Sale or thirty (30) days after receipt of such notice by the holders of Series B Preferred Stock, the Corporation shall use the consideration received by the Corporation for such Company Sale (net of any liabilities associated with the assets sold or technology licensed, as determined in good faith by the Board of Directors of the Corporation), to the extent legally available therefor (the "Net Proceeds"), to redeem, on the later of the 90th day after such Company Sale or fifteen (15) days after receipt of such request (the "Liquidation Redemption Date"), all outstanding shares of Series B Preferred Stock at a price per share equal to the Series B Liquidation Amount. In the event of a redemption pursuant to the preceding sentence, if the Net Proceeds are not sufficient to redeem all outstanding shares of Series B Preferred Stock, the Corporation shall redeem a pro rata portion of each holder's shares of Series B Preferred Stock. The following provisions shall apply to the redemption of the Series B Preferred Stock pursuant to this Subsection 2(c)(iii):

(A) From and after the Liquidation Redemption Date, unless there shall be a default in payment of the Series B Liquidation Amount, all rights of each holder with respect to shares of Series B Preferred Stock redeemed on the Liquidation Redemption Date shall cease (except the right to receive the Series B Liquidation Amount without interest upon surrender of the certificate or certificates therefor), and such shares shall not be deemed to be outstanding for any purpose whatsoever.

(B) Prior to the distribution or redemption provided for in this Subsection 2(c)(iii), the Corporation shall not expend or dissipate the consideration received for such Company Sale, except to discharge all corporate taxes, fees, costs and expenses incurred in connection with such Company Sale or winding up of the Corporation's business.

(iv) The amount deemed paid or distributed to the holders of Series B Preferred Stock upon any such Company Sale shall be the cash or the value of the property, rights or securities distributed to such holders by the Corporation or by the acquiring person, firm or other entity. The value of such property, rights or other securities ("Property Valuations") shall be determined on the basis of a valuation of the Corporation as a going concern, without attributing any discount for lack of liquidity or lack of control and shall be agreed upon by the Corporation and the holders of a majority of the then outstanding shares of Series B Preferred Stock or, if no such agreement is reached, by a mutually acceptable third-party appraiser. Whenever a determination with respect to a Property Valuation or the Net Proceeds is made the Corporation shall provide prompt notice of the determination of such valuation, and all underlying assumptions and calculations, to all holders of Series B Preferred Stock. If the holders of a majority of the then outstanding Series B Preferred Stock elect not to have such event treated as a Company Sale, the provisions of Subsection 4(h) shall instead apply.

3. Voting.

(a) General Rights. Each holder of outstanding shares of Series B Preferred Stock shall be entitled to the number of votes equal to the number of whole shares of Common Stock into which the shares of Series B Preferred Stock held by such holder are then convertible (as adjusted from time to time pursuant to Subsection 4 hereof), at each meeting of stockholders of the Corporation (or by written action of stockholders in lieu of meeting) with respect to all matters presented to the stockholders of the Corporation for their action or consideration. Except as provided by law or by the provisions of Subsection 3(b) or (c) below, the holders of Series B Preferred Stock shall vote together with the holders of Common Stock as a single class.

(b) Election of Directors.

(i) (A) If, following a Cash Election, the Corporation in accordance with Subsection 1(a)(iv) or for any other reason shall pay dividends on the Series B Preferred Stock by delivery of PIK Shares and (B) the number of shares of Series B Preferred Stock then outstanding is at least equal to twenty-five percent (25%) of the shares of Series B Preferred Stock issued pursuant to the Series B Offering (as defined below) (the "25% Outstanding Condition"), the holders of a majority of the shares of Series B Preferred Stock shall be entitled to appoint a member of the Board of Directors of the Corporation (the "Board") by written notice to the Corporation designating a person to serve as a director. Upon the designation of such a director (the "Series B Director"), the Board shall be deemed increased by one member and such designee shall be deemed appointed to fill the vacancy created by such increase and the Board shall take all action necessary to effect such increase and appoint and elect such designee and thereafter to cause the reelection of such designee at each meeting of the stockholders of the Corporation. A Series B Director may only be removed or replaced by vote or written consent of holders of a majority of the Shares of Series B Preferred Stock, unless the 25% Outstanding Condition shall no longer be satisfied in which event such designee may be removed by vote of the other members of the Board.

(ii) At any meeting held for the purpose of electing the Series B Director, the presence in person or by proxy of the holders of a majority of the shares of Series B Preferred Stock then outstanding shall constitute a quorum of the Series B Preferred Stock for the purpose of electing directors by holders of the Series B Preferred Stock. A vacancy in any directorship filled by the holders of Series B Preferred Stock shall be filled only by vote or written consent in lieu of a meeting of the holders of a majority of the Series B Preferred Stock or (B) pending any vote or written consent of the holders of the Series B Preferred Stock.

(c) Protective Provisions. In addition to any other rights provided by law, the Corporation shall not, by merger, consolidation, recapitalization, reclassification or otherwise, take any of the following actions without first obtaining the affirmative vote or written consent of the holders of a majority of the then outstanding shares of Series B Preferred Stock consenting or voting (as the case may be) separately as a class:

(i) alter or change the rights, preferences or privileges of the Series B Preferred Stock; or

(ii) create or authorize the creation of or issue any security, or any security convertible into or exercisable for any security, having rights, preferences or privileges senior to or on parity with the Series B Preferred Stock, or increase the authorized number of shares of Series B Preferred Stock.

4. Optional Conversion and Adjustments to Series B Conversion Price. The holders of the Series B Preferred Stock shall have conversion rights as follows (the "Conversion Rights"):

(a) Right to Convert. Each share of Series B Preferred Stock shall be convertible, at the option of the holder thereof, at any time and from time to time, and without the payment of additional consideration by the holder thereof, into such number of fully paid and nonassessable shares of Common Stock as is determined by dividing (i) the Series B Original Issue Price by (ii) the Series B Conversion Price (as defined below) in effect at the time of conversion. The "Series B Conversion Price" shall initially be the Average VWAP for the twenty (20) consecutive trading days prior to the Series B Original Issue Date. Such initial Series B Conversion Price, and the rate at which shares of Series B Preferred Stock may be converted into shares of Common Stock, shall be subject to adjustment as provided below.

(b) Fractional Shares. No fractional shares of Common Stock shall be issued upon conversion of the Series B Preferred Stock. In lieu of any fractional shares to which the holder would otherwise be entitled, the Corporation shall pay cash equal to such fraction multiplied by the then effective Series B Conversion Price.

(c) Mechanics of Conversion.

(i) In order for a holder of Series B Preferred Stock to convert shares of Series B Preferred Stock into shares of Common Stock, such holder shall surrender the certificate or certificates for such shares of Series B Preferred Stock, at the office of the transfer agent for the Series B Preferred Stock (or at the principal office of the Corporation if the Corporation serves as its own transfer agent), together with written notice that such holder elects to convert all or any number of the shares of the Series B Preferred Stock represented by such certificate or certificates. Such notice shall state such holder's name or the names of the nominees in which such holder wishes the certificate or certificates for shares of Common Stock to be issued. If required by the Corporation, certificates surrendered for conversion shall be endorsed or accompanied by a written instrument or instruments of transfer, in form satisfactory to the Corporation, duly executed by the registered holder or his, her or its attorney duly authorized in writing. The date of receipt of such certificates and the conversion notice by the transfer agent (or by the Corporation if the Corporation serves as its own transfer agent) shall be the conversion date ("Conversion Date"). The Corporation shall, as soon as practicable after the Conversion Date, issue and deliver at such office to such holder of Series B Preferred Stock, or to his, her or its nominees, a certificate or certificates for the number of shares of Common Stock to which such holder shall be entitled, together with cash in lieu of any fraction of a share. The shares of Common Stock issuable upon conversion of any shares of Series B Preferred Stock shall be deemed outstanding of record as of the applicable Conversion Date.

(ii) The Corporation shall at all times when the Series B Preferred Stock shall be outstanding, reserve and keep available out of its authorized but unissued stock, for the purpose of effecting the conversion of the Series B Preferred Stock, such number of its duly authorized shares of Common Stock as shall from time to time be sufficient to effect the conversion of all outstanding Series B Preferred Stock. Before taking any action that would cause an adjustment reducing the Series B Conversion Price below the then par value of the shares of Common Stock issuable upon conversion of the Series B Preferred Stock, the Corporation will take any corporate action that may, in the opinion of its counsel, be necessary in order that the Corporation may validly and legally issue fully paid and nonassessable shares of Common Stock at such adjusted Series B Conversion Price.

(iii) All shares of Series B Preferred Stock that shall have been surrendered for conversion as herein provided shall no longer be deemed to be outstanding and all rights with respect to such shares, including the rights, if any, to receive notices and to vote, shall immediately cease and terminate on the Conversion Date, except only the right of the holders thereof to receive shares of Common Stock in exchange for such shares of Series B Preferred Stock and payment of any declared but unpaid dividends thereon. Any shares of Series B Preferred Stock so converted shall be retired and cancelled and shall not be reissued, and the Corporation (without the need for stockholder action) may from time to time take such appropriate action as may be necessary to reduce the number of authorized shares of Series B Preferred Stock accordingly.

(iv) The Corporation shall pay any and all issue, stamp, transfer and other taxes that may be payable in respect of any issuance or delivery of shares of Common Stock upon conversion of shares of Series B Preferred Stock pursuant to this Subsection 4. The Corporation shall not, however, be required to pay any tax that may be payable in respect of any transfer involved in the issuance and delivery of shares of Common Stock in a name other than that in which the shares of Series B Preferred Stock so converted were registered, and no such issuance or delivery shall be made unless and until the person or entity requesting such issuance has paid to the Corporation the amount of any such tax or has established, to the satisfaction of the Corporation, that such tax has been paid.

(d) Adjustments to Series B Conversion Price for Diluting Issues:

(i) Special Definitions. For purposes of this Subsection 4, the following definitions shall apply:

(A) "Option" shall mean rights, options or warrants to subscribe for, purchase or otherwise acquire Common Stock or Convertible Securities.

(B) "Series B Original Issue Date" shall mean the date on which a share of Series B Preferred Stock was first issued pursuant to the Series B Offering.

(C) "Convertible Securities" shall mean any evidences of indebtedness, shares or other securities directly or indirectly convertible into or exchangeable for Common Stock, but excluding Options.

(D) "Additional Shares of Common Stock" shall mean all shares of Common Stock issued (or, pursuant to Subsection 4(d)(iii) below, deemed to be issued) by the Corporation after the Series B Original Issue Date, other than:

(1) shares of Common Stock issued or issuable upon conversion of outstanding shares of Series B Preferred Stock;

(2) shares of Common Stock issued or deemed issued as a dividend or distribution on Series B Preferred Stock;

(3) shares of Common Stock issued or deemed issued by reason of a dividend, stock split, split-up or other distribution on shares of Common Stock that is covered by Subsection 4(e) or 4(f) below;

(4) shares of Common Stock issued or deemed issued upon the conversion of any Option or Convertible Security outstanding as of March 12, 2007 (provided that if such Convertible Security is amended following such date, Subsection 4(d)(iii)(C) hereof shall apply);

(5) Options or Convertible Securities issued pursuant to a license agreement or an agreement pursuant to which the Corporation acquires the assets, equity or business of another person, which acquisition shall not constitute a Company Sale, provided that no party to any such agreement shall be an officer, director, holder of Common Stock or other affiliate of the Company or affiliate of any such officer, director or holder of Common Stock; and

(6) Other Options or Convertible Securities pursuant to which in the aggregate no more than 1,000,000 shares of Common Stock are issuable upon exercise or conversion thereof.

(ii) No Adjustment of Series B Conversion Price. No adjustment in the Series B Conversion Price shall be made as the result of the issuance of Additional Shares of Common Stock if: (a) the consideration per share (determined pursuant to Subsection 4(d)(v)) for such Additional Shares of Common Stock issued or deemed to be issued by the Corporation is equal to or greater than the Series B Conversion Price in effect immediately prior to the issuance or deemed issuance of such Additional Shares of Common Stock, or (b) the Corporation receives written notice from the holders of a majority of the then outstanding shares of Series B Preferred Stock agreeing that no such adjustment shall be made as the result of the issuance or deemed issuance of Additional Shares of Common Stock.

(iii) Issue of Securities Deemed Issue of Additional Shares of Common Stock.

(A) If the Corporation at any time or from time to time after the Series B Original Issue Date shall issue any Options or Convertible Securities (excluding Options or Convertible Securities which, upon exercise, conversion or exchange thereof, would entitle the holder thereof to receive shares of Common Stock which are specifically excepted from the definition of Additional Shares of Common Stock by Subsection 4(d)(i)(D) above) or shall fix a record date for the determination of holders of any class of securities entitled to receive any such Options or Convertible Securities, then the maximum number of shares of Common Stock (as set forth in the instrument relating thereto without regard to any provision contained therein for a subsequent adjustment of such number) issuable upon the exercise of such Options or, in the case of Convertible Securities and Options therefor, the conversion or exchange of such Convertible Securities, shall be deemed to be Additional Shares of Common Stock issued as of the time of such issue or, in case such a record date shall have been fixed, as of the close of business on such record date.

(B) If the terms of any Option or Convertible Security, the issuance of which resulted in an adjustment to the Series B Conversion Price pursuant to the terms of Subsection 4(d)(iv) below, are revised (either automatically pursuant to the provisions contained therein or as a result of an amendment to such terms) to provide for either (1) any increase in the number of shares of Common Stock issuable upon the exercise, conversion or exchange of any such Option or Convertible Security or (2) any decrease in the consideration payable to the Corporation upon such exercise, conversion or exchange, then, effective upon such increase or decrease becoming effective, the Series B Conversion Price computed upon the original issue of such Option or Convertible Security (or upon the occurrence of a record date with respect thereto) shall be readjusted to such Series B Conversion Price as would have obtained had such revised terms been in effect upon the original date of issuance of such Option or Convertible Security. Notwithstanding the foregoing, no adjustment pursuant to this clause (B) shall have the effect of increasing the Series B Conversion Price to an amount which exceeds the lower of (i) the Series B Conversion Price on the original adjustment date, or (ii) the Series B Conversion Price that would have resulted from any issuances of Additional Shares of Common Stock between the original adjustment date and such readjustment date.

(C) If the terms of any Option or Convertible Security (excluding Options or Convertible Securities which, upon exercise, conversion or exchange thereof, would entitle the holder thereof to receive shares of Common Stock which are specifically excepted from the definition of Additional Shares of Common Stock by Subsection 4(d)(i)(D) above), the issuance of which did not result in an adjustment to the Series B Conversion Price pursuant to the terms of Subsection 4(d)(iv) below (either because the consideration per share (determined pursuant to Subsection 4(d)(v) hereof) of the Additional Shares of Common Stock subject thereto was equal to or greater than the applicable Series B Conversion Price then in effect, or because such Option or Convertible Security was issued before the Series B Original Issue Date), are revised after the Series B Original Issue Date (either automatically pursuant the provisions contained therein or as a result of an amendment to such terms) to provide for either (1) any increase in the number of shares of Common Stock issuable upon the exercise, conversion or exchange of any such Option or Convertible Security or (2) any decrease in the consideration payable to the Corporation upon such exercise, conversion or exchange, then such Option or Convertible Security, as so amended, and the Additional Shares of Common Stock subject thereto (determined in the manner provided in Subsection 4(d)(iii)(A) above) shall be deemed to have been issued effective upon such increase or decrease becoming effective.

(D) Upon the expiration or termination of any unexercised Options or unconverted or unexchanged Convertible Securities, the Series B Conversion Price computed upon the original issue thereof (or upon the occurrence of a record date with respect thereto) and any subsequent adjustments based thereon shall, upon such expiration or termination, be recomputed as if:

(1) in the case of Convertible Securities or Options for Common Stock, the only Additional Shares of Common Stock issued were the shares of Common Stock, if any, actually issued upon the exercise of such Options or the conversion or exchange of such Convertible Securities and the consideration received therefor was the consideration actually received by the Corporation for the issue of all such Options, whether or not exercised, plus the consideration actually received by the Corporation upon such exercise, or for the issue of all such Convertible Securities which were actually converted or exchanged, plus the additional consideration, if any, actually received by the Corporation upon such conversion or exchange, and

(2) in the case of Options for Convertible Securities, only the Convertible Securities, if any, actually issued upon the exercise thereof were issued at the time of issue of such Options, and the consideration received by the Corporation for the Additional Shares of Common Stock deemed to have been then issued was the consideration actually received by the Corporation for the issue of all such Options, whether or not exercised, plus the consideration deemed to have been received by the Corporation (determined pursuant to Subsection 4(d)(v)) upon the issue of the Convertible Securities with respect to which such Options were actually exercised.

(E) No further adjustment in the Series B Conversion Price shall be made upon the subsequent issue of Convertible Securities or shares of Common Stock upon the exercise of such Options or conversion or exchange of such Convertible Securities.

(F) In the case of any Options which expire by their terms not more than thirty (30) days after the date of issue thereof, no adjustment of the Series B Conversion Price shall be made until the expiration or exercise of all such Options, whereupon such adjustment shall be made in the same manner provided in clause (D) above.

(iv) Adjustment of Series B Conversion Price Upon Issuance of Additional Shares of Common Stock. In the event the Corporation shall at any time after the Series B Original Issue Date issue Additional Shares of Common Stock (including Additional Shares of Common Stock deemed to be issued pursuant to Subsection 4(d)(iii)), without consideration or for a consideration per share less than the applicable Series B Conversion Price in effect immediately prior to such issue, then the Series B Conversion Price shall be reduced, concurrently with such issue, to a price (calculated to the nearest cent) determined by multiplying such Series B Conversion Price by a fraction, (A) the numerator of which shall be (1) the number of shares of Common Stock outstanding immediately prior to such issue plus (2) the number of shares of Common Stock which the aggregate consideration received or to be received by the Corporation for the total number of Additional Shares of Common Stock so issued would purchase at such Series B Conversion Price; and (B) the denominator of which shall be the number of shares of Common Stock outstanding immediately prior to such issue plus the number of such Additional Shares of Common Stock so issued; provided that (i) for the purpose of this Subsection 4(d)(iv), all shares of Common Stock issuable upon conversion of all shares of Series B Preferred Stock outstanding immediately prior to such issue shall be deemed to be outstanding, and (ii) the number of shares of Common Stock deemed issuable upon conversion of such outstanding Series B Preferred Stock shall be determined without giving effect to any adjustments to the Series B Conversion Price resulting from the issuance of Additional Shares of Common Stock that is the subject of this calculation.

(v) Determination of Consideration. For purposes of this Subsection 4(d), the consideration received by the Corporation for the issue of any Additional Shares of Common Stock shall be computed as follows:

(A) Cash and Property: Such consideration shall:

(1) insofar as it consists of cash, be computed at the aggregate amount of cash received by the Corporation, excluding amounts paid or payable for accrued interest or accrued dividends;

(2) insofar as it consists of property other than cash, be computed at the fair market value thereof at the time of such issue, as determined in good faith by the Board of Directors; and

(3) in the event Additional Shares of Common Stock are issued together with other shares or securities or other assets of the Corporation for consideration that covers both, be the proportion of such consideration so received, computed as provided in clauses (1) and (2) above, as determined in good faith by the Board of Directors.

(B) Options and Convertible Securities. Except as otherwise provided in Subsection 4(d)(iii)(D), the consideration per share received by the Corporation for Additional Shares of Common Stock deemed to have been issued pursuant to Subsection 4(d)(iii), relating to Options and Convertible Securities, shall be determined by dividing:

(1) the total amount, if any, received or receivable by the Corporation as consideration for the issue of such Options or Convertible Securities, plus the minimum aggregate amount of additional consideration (as set forth in the instruments relating thereto, without regard to any provision contained therein for a subsequent adjustment of such consideration until such subsequent adjustment occurs) payable to the Corporation upon the exercise of such Options or the conversion or exchange of such Convertible Securities, or in the case of Options for Convertible Securities, the exercise of such Options for Convertible Securities and the conversion or exchange of such Convertible Securities, by

(2) the maximum number of shares of Common Stock (as set forth in the instruments relating thereto, without regard to any provision contained therein for a subsequent adjustment of such number until such subsequent adjustment occurs) issuable upon the exercise of such Options or the conversion or exchange of such Convertible Securities.

(vi) Multiple Closing Dates. In the event the Corporation shall issue on more than one date Additional Shares of Common Stock that are comprised of shares of the same series or class of Preferred Stock, and such issuance dates occur within a period of no more than ninety (90) days, then the Series B Conversion Price shall be adjusted only once on account of such issuances, with such adjustment to occur upon the final such issuance and to give effect to all such issuances as if they occurred on the date of the final such issuance (and without giving effect to any adjustments as a result of such prior issuances within such period).

(e) Adjustments to Series B Conversion Price for Stock Splits and Combinations. If the Corporation shall at any time or from time to time after the Series B Original Issue Date effect a subdivision of the outstanding Common Stock or combine the outstanding shares of Series B Preferred Stock, the Series B Conversion Price then in effect immediately before that subdivision or combination shall be proportionately decreased. If the Corporation shall at any time or from time to time after the Series B Original Issue Date combine the outstanding shares of Common Stock or effect a subdivision of the outstanding shares of Series B Preferred Stock, the Series B Conversion Price then in effect immediately before the combination or subdivision shall be proportionately increased. Any adjustment under this paragraph shall become effective at the close of business on the date the subdivision or combination becomes effective.

(f) Adjustments to Series B Conversion Price for Certain Dividends and Distributions. In the event the Corporation at any time or from time to time after the Series B Original Issue Date shall make or issue, or fix a record date for the determination of holders of Common Stock entitled to receive, a dividend or other distribution payable in additional shares of Common Stock, then and in each such event the Series B Conversion Price then in effect immediately before such event shall be decreased as of the time of such issuance or, in the event such a record date shall have been fixed, as of the close of business on such record date, by multiplying the Series B Conversion Price then in effect by a fraction:

(i) the numerator of which shall be the total number of shares of Common Stock issued and outstanding immediately prior to the time of such issuance or the close of business on such record date; and

(ii) the denominator of which shall be the total number of shares of Common Stock issued and outstanding immediately prior to the time of such issuance or the close of business on such record date plus the number of shares of Common Stock issuable in payment of such dividend or distribution;

provided, however, if such record date shall have been fixed and such dividend is not fully paid or if such distribution is not fully made on the date fixed therefor, the Series B Conversion Price shall be recomputed accordingly as of the close of business on such record date and thereafter the Series B Conversion Price shall be adjusted pursuant to this paragraph as of the time of actual payment of such dividends or distributions; and provided further, however, that no such adjustment shall be made if the holders of Series B Preferred Stock simultaneously receive (A) a dividend or other distribution of shares of Common Stock in a number equal to the number of shares of Common Stock as they would have received if all outstanding shares of Series B Preferred Stock had been converted into Common Stock on the date of such event or (B) a dividend or other distribution of shares of Series B Preferred Stock which are convertible, as of the date of such event, into such number of shares of Common Stock as is equal to the number of shares of Common Stock as they would have received if all outstanding shares of Series B Preferred Stock had been converted into Common Stock on the date of such event.

(g) Adjustments to Series B Conversion Price for Other Dividends and Distributions. In the event the Corporation at any time or from time to time after the Series B Original Issue Date shall make or issue, or fix a record date for the determination of holders of Common Stock entitled to receive, a dividend or other distribution payable in securities of the Corporation (other than shares of Common Stock) or in cash or other property (other than regular cash dividends paid out of earnings or earned surplus, determined in accordance with generally accepted accounting principles), then and in each such event provision shall be made so that the holders of the Series B Preferred Stock shall receive upon conversion thereof in addition to the number of shares of Common Stock receivable thereupon, the kind and amount of securities of the Corporation, cash or other property which they would have been entitled to receive had the Series B Preferred Stock been converted into Common Stock on the date of such event and had they thereafter, during the period from the date of such event to and including the conversion date, retained such securities receivable by them as aforesaid during such period, giving application to all adjustments called for during such period under this paragraph with respect to the rights of the holders of the Series B Preferred Stock; and provided that, no such adjustment shall be made if the holders of Series B Preferred Stock simultaneously receive a dividend or other distribution of such securities, cash, or other property in an amount equal to the amount of such securities, cash, or other property as they would have received if all outstanding shares of Series B Preferred Stock had been converted into Common Stock on the date of such event.

(h) Adjustments to Series B Conversion Price for Merger or Reorganization, etc. (i) Subject to the provisions of Subsection 2(c), if there shall occur any reorganization, recapitalization, reclassification, consolidation or merger involving the Corporation in which the Common Stock is converted into or exchanged for securities, cash or other property (other than a transaction covered by paragraphs (e), (f) or (g) of this Subsection 4), then, following any such reorganization, recapitalization, reclassification, consolidation or merger, each share of Series B Preferred Stock shall be convertible into the kind and amount of securities, cash or other property which a holder of the number of shares of Common Stock of the Corporation issuable upon conversion of one share of Series B Preferred Stock immediately prior to such reorganization, recapitalization, reclassification, consolidation or merger would have been entitled to receive pursuant to such transaction; and, in such case, appropriate adjustment (as determined in good faith by the Board of Directors of the Corporation) shall be made in the application of the provisions in this Subsection 4 with respect to the rights and interests thereafter of the holders of the Series B Preferred Stock, to the end that the provisions set forth in this Subsection 4 (including provisions with respect to changes in and other adjustments of the Series B Conversion Price) shall thereafter be applicable, as nearly as reasonably may be, in relation to any securities or other property thereafter deliverable upon the conversion of the Series B Preferred Stock.

(i) If pursuant to a transaction subject to Subsection 4(h)(i), the Common Stock is convertible into the right to receive cash, securities or and/or other property or consideration having an aggregate value per share as determined pursuant to Subsection 4(d)(v), less than the effective Series B Conversion Price, the Series B Conversion Price shall be reduced to such value.

(i) Certificate as to Adjustments. Upon the occurrence of each adjustment or readjustment of the Series B Conversion Price pursuant to this Subsection 4, the Corporation at its expense shall, as promptly as reasonably practicable, but in any event not later than ten (10) days thereafter, compute such adjustment or readjustment in accordance with the terms hereof and furnish to each holder of Series B Preferred Stock so adjusted or readjusted a certificate setting forth such adjustment or readjustment (including the kind and amount of securities, cash or other property into which the Series B Preferred Stock is convertible) and showing in detail the facts upon which such adjustment or readjustment is based. The Corporation shall, as promptly as reasonably practicable after the written request at any time of any holder of Series B Preferred Stock (but in any event not later than ten (10) days thereafter), furnish or cause to be furnished to such holder a similar certificate setting forth (i) such adjustments and readjustments, (ii) the Series B Conversion Price then in effect, and (iii) the number of shares of Common Stock and the amount, if any, of other property that then would be received upon the conversion of Series B Preferred Stock.

(j) Notices. In the event:

(i) that the Corporation declares a dividend (or any other distribution) on its Common Stock payable in Common Stock, cash, property or other securities of the Corporation;

(ii) that the Corporation subdivides or combines its outstanding shares of Common Stock;

(iii) of any capital reorganization, recapitalization or reclassification of the capital stock of the Corporation; or

(iv) of a Company Sale or other Liquidation Event of the Corporation;

then the Corporation shall cause to be filed at its principal office or at the office of the transfer agent of the Series B Preferred Stock, and shall cause to be mailed to the holders of the Series B Preferred Stock at their last addresses as shown on the records of the Corporation or such transfer agent, at least ten (10) days prior to the date specified in (A) below or twenty (20) days before the earlier of the dates specified in (B) below, a notice stating:

(A) the record date of such dividend, distribution, subdivision or combination and the amount and character of such dividend, distribution, subdivision or combination, or, if a record is not to be taken, the date as of which the holders of Common Stock of record to be entitled to such dividend, distribution, subdivision or combination are to be determined, or

(B) the date on which such reorganization, recapitalization, reclassification, Company Sale or Liquidation Event is expected to become effective, and the date as of which it is expected that holders of Common Stock of record shall be entitled to exchange their shares of Common Stock for securities or other property deliverable upon such reorganization, recapitalization, reclassification, Company Sale or Liquidation Event.

Notwithstanding the foregoing, no such notice need be provided in the event that such requirement is waived by the holders of at least a sixty percent (60%) of the then outstanding shares of Series B Preferred Stock.

(k) If, following exercise by a holder (an "Exercising Holder") of its option to convert Series B Preferred Shares in accordance with this Subsection 4, the Corporation fails to deliver to such Exercising Holder a certificate or certificates representing all of the Common Stock issuable pursuant to such conversion by the close of business on the fifth trading day after the date of exercise (a "Certificate Delivery Failure"), such Exercising Holder shall have the right by written notice to the Corporation to rescind such exercise. In addition, if following a Certificate Delivery Failure, the applicable Exercising Holder is required by its broker to purchase (in an open market transaction or otherwise) shares of Common Stock to deliver in satisfaction of a sale by such Exercising Holder of the Common Stock which such Exercising Holder anticipated receiving upon exercise of its option to convert Series B Preferred Stock (a "Buy-In"), the Corporation shall (i) pay in cash to such Exercising Holder the amount by which (x) the Exercising Holder's total purchase price (including brokerage commissions, if any) for the shares of Common Stock so purchased pursuant to a Buy-in exceeds (y) the amount obtained by multiplying (A) the number of shares of Common Stock acquired pursuant to the Buy-in times (B) the price at which the sell order giving rise to such purchase obligation was executed, and (ii) at the option of such Exercising Holder, either rescind such conversion of Series B Preferred Stock relating to such Certificate Delivery Failure or deliver to such Exercising Holder the number of shares of Common Stock that would have been issued had the Corporation timely complied with its conversion and delivery obligations hereunder. For example, if an Exercising Holder purchases Common Stock having a total purchase price of $11,000 to cover a Buy-In with respect to an attempted conversion of Series B Preferred Stock with an aggregate sale price giving rise to such purchase obligation of $10,000, under clause (i) of the immediately preceding sentence the Corporation shall be required to pay such Exercising Holder $1,000. An Exercising Holder shall provide the Corporation written notice indicating the amounts payable to such Exercising Holder in respect of a Buy-In, together with applicable confirmations and other evidence reasonably requested by the Corporation. Nothing herein shall limit an Exercising Holder's right to pursue any other remedies available to it hereunder, at law or in equity including, without limitation, a decree of specific performance and/or injunctive relief with respect to the Corporation's failure to timely deliver certificates representing Common Stock upon conversion of Series B Preferred Stock.

5. Mandatory Conversion.

(a) Upon the date (the "Mandatory Conversion Date") specified by at least thirty (30) and no more than forty-five (45) days written notice by the Corporation to the holders of Series B Preferred Stock (so long as (A) as of the Mandatory Conversion Date shares of Common Stock issuable upon conversion of the Series B Preferred Stock shall have been registered pursuant to an effective registration statement under the Securities Act of 1933, as amended, and shall be eligible for sale and listed on the New York Stock Exchange, National Association of Securities Dealers Automated Quotation System, the American Stock Exchange or on whichever exchange the Common Stock then trades (the "Applicable Exchange") and (B) the Closing Price on the Applicable Exchange for at least twenty (20) trading days during the period of thirty (30) trading days prior to the date of such notice, shall be at least 250% of Series B Conversion Price as of the date of such notice), all outstanding shares of Series B Preferred Stock shall automatically be converted into such number of fully paid and nonassessable shares of Common Stock as is determined by dividing (x) the Series B Original Issue Price by (y) the Series B Conversion Price in effect at the time of conversion. Upon such mandatory conversion, the number of authorized shares of Preferred Stock shall be automatically reduced by the number of shares of Preferred Stock that had been designated as Series B Preferred Stock, and all references to the Series B Preferred Stock shall be deleted herefrom and shall be of no further force or effect.

(b) Any notice with respect to the Mandatory Conversion Date shall be sent by first class or registered mail, postage prepaid, to each record holder of Series B Preferred Stock at such holder's address last shown on the records of the transfer agent for the Series B Preferred Stock (or the records of the Corporation, if it serves as its own transfer agent). Upon receipt of any such notice, each holder of shares of Series B Preferred Stock shall surrender his, her or its certificate or certificates for all such shares to the Corporation at the place designated in such notice, and shall thereafter receive certificates for the number of shares of Common Stock to which such holder is entitled pursuant to this Subsection 5. On the Mandatory Conversion Date, all outstanding shares of Series B Preferred Stock shall be deemed to have been converted into shares of Common Stock, which shall be deemed to be outstanding of record, and all rights with respect to the Series B Preferred Stock so converted, including the rights, if any, to receive notices and vote (other than as a holder of Common Stock) will terminate, except only the right of the holders thereof, upon surrender of their certificate or certificates therefor, to receive certificates for the number of shares of Common Stock into which such Series B Preferred Stock has been converted. If so required by the Corporation, certificates surrendered for conversion shall be endorsed or accompanied by written instrument or instruments of transfer, in form satisfactory to the Corporation, duly executed by the registered holder or by his, her or its attorney duly authorized in writing. As soon as practicable after the Mandatory Conversion Date and the surrender of the certificate or certificates for Series B Preferred Stock, the Corporation shall cause to be issued and delivered to such holder, or on his, her or its written order, a certificate or certificates for the number of full shares of Common Stock issuable on such conversion in accordance with the provisions hereof and cash as provided in Subsection 4(b) in respect of any fraction of a share of Common Stock otherwise issuable upon such conversion.

(c) All certificates evidencing shares of Series B Preferred Stock required to be surrendered for conversion in accordance with the provisions hereof shall, from and after the Mandatory Conversion Date, be deemed to have been retired and cancelled and the shares of Series B Preferred Stock represented thereby converted into Common Stock for all purposes, notwithstanding the failure of the holder or holders thereof to surrender such certificates on or prior to such date. The Corporation may thereafter take such appropriate action (without the need for stockholder action) as may be necessary to reduce the number of authorized shares of Series B Preferred Stock accordingly.

6. Repurchase. Following May 1, 2010 upon not less than thirty (30) days written notice by the Corporation to the holders of Series B Preferred Stock, the Corporation may repurchase all but not less than all of the then outstanding shares of Series B Preferred Stock for a price per share equal to the amount determined for each share pursuant to Subsection 2(a)(i) as of the date set for repurchase in such notice (the "Repurchase Date"). Notwithstanding the delivery of such notice, the holders of Shares of Series B Preferred Stock shall be entitled to exercise their respective conversion rights pursuant to Subsection 4 at any time prior to the Repurchase Date.

7. No Impairment. The Corporation will not, by amendment of Certificate of Incorporation of the Corporation or through any reorganization, recapitalization, reclassification, transfer of assets, consolidation, merger, dissolution, issue or sale of securities or any other voluntary action, avoid or seek to avoid the observance or performance of any of the terms to be observed or performed hereunder by the Corporation, but will at all times in good faith assist in the carrying out of all the provisions of the terms and provisions of Series B Preferred Stock as set forth herein and in the taking of all such action as may be necessary or appropriate in order to protect the rights of the holders of the Series B Preferred Stock against impairment.

8. Waiver. Except as otherwise provided herein, any of the rights of the holders of Series B Preferred Stock set forth herein may be waived on behalf of all holders of shares of Series B Preferred Stock by the affirmative vote of the holders of a majority of the shares of Series B Preferred Stock then outstanding.

Signed on April 11, 2007

By: /s/ Peter D. Rettaliata

Peter D. Rettaliata, President

SECURITIES PURCHASE AGREEMENT (as amended or supplemented from time to time, this "Agreement") made as of _____, 2007, between GALES INDUSTRIES INCORPORATED, a Delaware corporation, with its principal offices at 1479 N Clinton Avenue, Bay Shore, New York 11706 (the "Company") and the undersigned (the "Subscriber").

W I T N E S S E T H :

WHEREAS, the Company desires to issue, in a private placement, shares of Series B Convertible Preferred Stock, (the "Preferred Stock") (as defined in the Memorandum), with a minimum aggregate purchase price of $3,500,000 (the "Minimum Amount") of Preferred Stock and a maximum aggregate purchase price of $7,000,000 (the "Maximum Amount") of Preferred Stock;

WHEREAS, Subscriber desires to acquire the number of shares of Preferred Stock (the "Shares") having an aggregate purchase price set forth on the signature page hereof (the "Purchase Price").

NOW, THEREFORE, for and in consideration of the premises and the mutual covenants hereinafter set forth, the parties hereto do hereby agree as follows:

1. SUBSCRIPTION FOR SECURITIES AND REPRESENTATIONS BY SUBSCRIBER.

1.1. Subject to the terms and conditions hereinafter set forth, the Subscriber hereby subscribes for and agrees to purchase from the Company the Shares of Preferred Stock for the Purchase Price and the Company agrees to sell such Shares to the Subscriber for the Purchase Price, subject to the Company's right to sell to the Subscriber such lesser number of Shares as it may, in its sole discretion, deem necessary or desirable. As the Company will not issue fractional Shares, each Subscriber will be issued that number of whole Shares which the Purchase Price will purchase (to the extent accepted), rounded down to the next whole Share. Any portion of the Purchase Price not applied to the purchase of Shares will be returned to the Subscriber, without interest. The Purchase Price is payable, at or prior to the closing of this Agreement, by wire transfer, subject to collection, as set forth in the "INSTRUCTIONS TO SUBSCRIBERS" contained in the Subscription Documents Booklet of which this Agreement is a part.

1.2. The Subscriber recognizes that the purchase of the Shares involves a high degree of risk in that (i) the Shares have not been registered under the Securities Act of 1933, as amended ("1933 Act"), and the Company has no obligation to register the Shares, except as set forth in Section 3 of this Agreement; (ii) an investment in the Shares is highly speculative and only investors who can afford the loss of their entire investment should consider investing in the Company and the Shares; (iii) the Subscriber may not be able to liquidate the Subscriber's investment; and (iv) the Subscriber could sustain the loss of Subscriber's entire investment. Such risks are more fully set forth in the Company's Confidential Private Placement Memorandum dated May 30, 2006, including the Exhibits thereto (as amended or supplemented from time to time, collectively, the "Memorandum").

1.3. The private placement of the Shares by the Company (the "Private Placement Offering") pursuant to the Memorandum shall continue for a period commencing on the date of the Memorandum and ending on the date set forth in the Memorandum.

1.4. Treasury Department Circular 230 Disclosure. To ensure compliance with Treasury Department Circular 230, the Subscriber is hereby notified that: (i) any discussion of U.S. Federal tax issues in this Agreement or the Memorandum is not intended or written to be relied upon, and cannot be relied upon, by the Subscriber for the purpose of avoiding penalties that may be imposed on the Subscriber under the Internal Revenue Code of 1986, as amended (the "Code"); (ii) such discussion is included herein by the Company in connection with the promotion or marketing (within the meaning of Circular 230) by the Company of the transactions or matters addressed herein or therein; and (iii) the Subscriber should seek advice based on its particular circumstances from an independent tax advisor.

1.5. The Subscriber represents as follows:

(a) The Subscriber represents that the Subscriber is an Accredited Investor (as defined in Rule 501 of Regulation D promulgated under the 1933 Act) as indicated by the Subscriber's responses to the Confidential Investor Questionnaire, a copy of which is included in the Subscription Documents Booklet, and that the Subscriber is able to bear the economic risk of

investment in the Shares. The Subscriber is not an officer, director or "affiliate" (as defined in Rule 403 under the 1933 Act) of the Company.

(b) The Subscriber acknowledges that the Subscriber has significant prior investment experience, including investment in non-listed and non-registered securities. The Subscriber recognizes the highly speculative nature of this investment. The Subscriber acknowledges that the Subscriber has carefully read the Memorandum, including but not limited to, the Company's Annual Report on Form 10KSB for the year ended December 31, 2006, and the Company's Forms 8-K, dated January 3, 2007, January 30, 2007, February 16, 2007 , March 7, 2007, March 15, 2007 and March 20, 2007 and fully understands the contents thereof, and the Subscriber has not received any other offering literature or prospectus and no representations or warranties have been made to the Subscriber by the Company or its employees, affiliates or agents, other than the representations set forth in the Memorandum.

(c) The Subscriber acknowledges that the Shares were not offered to the Subscriber by any means of general solicitation or general advertising. In that regard, the Subscriber is not subscribing for the Shares: (i) as a result of, or subsequent to, becoming aware of any advertisement, article, notice or other communication published in any newspaper, magazine or similar medium, generally available electronic communication, broadcast over television or radio or generally available to the public on the internet or worldwide web; (ii) as a result of, or subsequent to, attendance at a seminar or meeting called by any of the means set forth in (i) above; or (iii) as a result of, or subsequent to, any solicitations by a person not previously known to the Subscriber in connection with investment in securities generally.

(d) The Subscriber hereby acknowledges that the Private Placement Offering and the Memorandum have not been reviewed by the Securities and Exchange Commission (the "SEC") or by a state securities regulator because it is intended to be a nonpublic offering pursuant to Sections 4(2) and 4(6) of the 1933 Act and Regulation D promulgated thereunder. The Subscriber represents and warrants that the Shares are being purchased for the Subscriber's own account, for investment purposes only and not for distribution or resale to others. The Subscriber agrees that the Subscriber will not sell or otherwise transfer the Shares unless they are registered under the 1933 Act or unless an exemption from such registration is available.

(e) The Subscriber understands that the Shares have not been registered under the 1933 Act by reason of a claimed exemption under the provisions of the 1933 Act which depends, in part, upon the Subscriber's investment intention. In this connection, the Subscriber understands that it is the position of the SEC that the statutory basis for such exemption would not be present if the Subscriber's representation merely meant that the Subscriber's present intention was to hold the Shares for a short period, such as the capital gains period of tax statutes, for a deferred sale, for a market rise, assuming that a market develops, or for any other fixed period. The Subscriber realizes that, in the view of the SEC, a purchase now with an intent to resell after a pre-determined amount of time would represent a purchase with an intent inconsistent with the Subscriber's representations and warranties to the Company, and the SEC might regard such a sale or disposition as a deferred sale to which such exemptions are not available.

(f) The Subscriber understands that Rule 144 (the "Rule") promulgated by the SEC under the 1933 Act requires, among other conditions, a one (1) year holding period prior to the resale (in limited amounts) of securities acquired in a non-public offering without having to satisfy the registration requirements under the 1933 Act. The Subscriber understands that the Company makes no representation or warranty regarding its fulfillment in the future of any reporting requirements under the Securities Exchange Act of 1934, as amended, or its dissemination to the public of any current financial or other information concerning the Company, as is required by the Rule as one of the conditions of its availability. The Subscriber understands and hereby acknowledges that the Company is the only entity that can register the Shares under the 1933 Act and that the Company is under no obligation to register the Shares under the 1933 Act, with the exception of certain registration rights set forth in Section 3 of this Agreement. The Subscriber acknowledges that the Company may, if it desires, permit the transfer of the Shares out of the Subscriber's name only when the Subscriber's request for transfer is accompanied by an opinion of counsel reasonably satisfactory to the Company that neither the sale nor the proposed transfer results in a violation of the 1933 Act or any applicable state "blue sky" laws and subject to the provisions of Section 1.4(g) of this Agreement.

(g) The Subscriber consents to the placement of a legend on any certificate or other document evidencing the Shares stating that the Shares are "restricted securities" (as defined in the Rule) and may only be publicly offered and sold pursuant to an effective registration statement filed with the SEC or pursuant to an exemption from the registration requirements.

(h) The Subscriber understands that the Company will review this Agreement and the Confidential Investor Questionnaire; and it is further agreed that the Company reserves the unrestricted right to reject or limit any subscription for any reason or for no reason and to close the Private Placement Offering at any time.

(i) The Subscriber hereby represents that the address of the Subscriber furnished by the Subscriber at the end of this Agreement is the Subscriber's principal residence, if the Subscriber is an individual, or its principal business address, if the Subscriber is a corporation or other entity.

(j) The Subscriber has had a reasonable opportunity to ask questions of and receive answers from the Company concerning the Company and the Private Placement Offering, and all such questions, if any, have been answered to the full satisfaction of the Subscriber; and the Company shall provide the Subscriber with the opportunity to ask additional questions of and receive answers (all of which information shall be limited to information in the public realm) from the Company concerning the Company during the period which the Subscriber owns the Shares.

(k) The Subscriber is not relying on the Placement Agent, the Company or any information in the Memorandum with respect to any legal, investment or tax considerations involved in the purchase, ownership and disposition of the Shares. The Subscriber has relied solely upon the advice of, or has consulted with, in regard to the legal, investment and tax considerations involved in the purchase, ownership and disposition of the Shares, the Subscriber's legal counsel, business and/or investment adviser, accountant and tax advisor.

(l) The Subscriber has such knowledge and expertise in financial and business matters that the Subscriber is capable of evaluating the merits and risks involved in an investment in the Shares. All information that the Subscriber has provided concerning the Subscriber and the Subscriber's financial position (including, without limitation, information in this Agreement or in the Confidential Investor Questionnaire included in the Subscription Documents Booklet) is true, correct and complete.

(m) The Subscriber has full power and authority to execute and deliver this Agreement and to perform its obligations hereunder; and this Agreement is a legally binding obligation of the Subscriber in accordance with its terms.

(n) Except as set forth in the Memorandum no representations or warranties have been made to the Subscriber by the Company, the Placement Agent (as defined in the Memorandum) or any of their respective agents, employees or affiliates and in entering into this transaction, the Subscriber is not relying on any information, other than that contained in the Memorandum or the results of an independent investigation by the Subscriber.

(o) The Subscriber agrees that the Subscriber will not sell or otherwise transfer the Shares unless they are registered under the 1933 Act and applicable state "blue sky" laws or unless an exemption from such registration is available. The Subscriber represents and warrants that (i) the Subscriber has adequate means of providing for the Subscriber's current needs and possible personal contingencies; (ii) the Subscriber has no need for liquidity in this investment; (iii) the Subscriber is able to bear the substantial economic risk of an investment in the Shares for an indefinite period; and (iv) at the present time the Subscriber could afford a complete loss of such investment.

(p) It is understood that all documents, records and books pertaining to this investment have been made available for the inspection by the Subscriber's attorney and/or accountant and the Subscriber, and that the books and records of the Company will be available upon reasonable notice during business hours at its principal place of business.

(q) The Subscriber acknowledges and agrees that any changes made by the Subscriber to any of the documents delivered to the Subscriber in connection with the Private Placement Offering shall not be effective unless the Company consents in writing to such changes.

(r) The Subscriber understands that it and its representative(s) could be subject to fines, penalties and other liabilities under applicable securities laws if the Subscriber or its representative(s), while in possession of any material, non-public information that may be contained in the Memorandum, trade in the Common Stock or other securities of the Company or communicate such information to any other person under circumstances in which it is reasonably foreseeable that such person is likely to trade in such Common Stock or other securities. The Subscriber agrees that it and its representative(s) will refrain from trading in the Common Stock or other securities of the Company until such time as they are no longer prohibited from trading in such Common Stock or other securities under all applicable securities laws (whether because the Company has publicly disclosed all material information in the Memorandum, the Memorandum no longer containing material non-public information or otherwise).

(s) In the event that the Subscriber is acting as agent, representative or nominee for another party (each, a "Beneficial Owner"), the Subscriber understands and acknowledges that the representations, warranties and agreements made herein are made by the Subscriber: (i) with respect to the Subscriber; and (ii) with respect to each Beneficial Owner of the Shares subscribed for hereby. The Subscriber represents and warrants that he, she or it has all requisite power and authority from said Beneficial Owner(s) to execute and perform the obligations under this Agreement and has anti-money laundering policies and procedures in place reasonably designed to verify the identity of each Beneficial Owner and the sources of each Beneficial Owner's funds. Such policies and procedures are properly enforced and are consistent with anti-money laundering/OFAC laws (as defined below) such that the Company may rely on this representation. The Subscriber agrees, except to the extent specifically prohibited by applicable law, to indemnify the Company, the Placement Agent and their respective officers and agents for any and all costs, fees and expenses (including reasonable legal fees and disbursements) in connection with any damages resulting from the Subscriber's or any Beneficial Owner's misrepresentation or misstatement contained herein, or the assertion of the Subscriber's lack of proper authorization from each Beneficial Owner of the Shares subscribed for hereby to enter into this Agreement or perform the obligations thereof.

(t) Prospective Subscribers should check the Treasury Department's Office of Foreign Assets Control ("OFAC") website at http://www.treas.gov/ofac before making the following representations.

The Subscriber represents that the Purchase Price was not directly or indirectly derived from activities that may contravene U.S. Federal, state and international laws and regulations, including anti-money laundering laws.

OFAC prohibits, among other things, the engagement in transactions with, and the provisions of services to, certain foreign countries, territories, entities and individuals. The lists of OFAC prohibited countries, territories, persons and entities can be found on the OFAC website.

The Subscriber hereby represents and warrants, to the best of its knowledge, that none of:

(i) the Subscriber;

(ii) any person controlling, controlled by or under common control with, the Subscriber;

(iii) if the Subscriber is a privately held entity, any person having a beneficial interest in the Subscriber; or

(iv) any person for whom the Subscriber is acting as agent or nominee in connection with this investment

(A) is a country, territory, individual or entity named on an OFAC list, or is an individual or entity that resides or has a place of business in a country or territory named on such lists;

(B) is a senior foreign political figure(1), or any immediate family member(2) or close associate(3) of a senior foreign political figure within the meaning of the Department of Treasury's Guidance on Enhanced Scrutiny for Transactions That May Involve the Proceeds of Foreign Official Corruption(4) and as referenced in the USA PATRIOT Act of 2001, as amended (the "Patriot Act");(5) or

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(1) A "senior foreign political figure" is defined as a current or former senior official in the executive, legislative, administrative, military or judicial branches of a non-U.S. government (whether elected or not), a senior official of a major non-U.S. political party, or a senior executive of a non-U.S. government-owned corporation. In addition, a "senior foreign political figure" includes any corporation, business or other entity that has been formed by, or for the benefit of, a senior foreign political figure.

(2) "Immediate family" of a senior foreign political figure typically includes the figure's parents, siblings, spouse, children and in-laws.

(3) A "close associate" of a senior foreign political figure is a person who is widely and publicly known to maintain an unusually close relationship with the senior foreign political figure, and includes a person who is in a position to conduct substantial domestic and international financial transactions on behalf of the senior foreign political figure.

(C) is a "foreign shell bank"(6) and does not transact business with a "foreign shell bank".

The Subscriber agrees to promptly notify the Company should the Subscriber become aware of any change in the information set forth in these representations.

The Subscriber understands that the Company may not accept any portion of the Purchase Price if the Subscriber cannot make the representation set forth above or if the information provided to the Company is incomplete or is deemed suspicious.

If the Subscriber is an investment entity, then the Subscriber hereby represents and warrants to the Company that the Subscriber is aware of the requirements of the Patriot Act, the regulations administered by OFAC and other applicable U.S. Federal, state or non-U.S. anti-money laundering laws and regulations (as amended, collectively, the "anti-money laundering/OFAC laws"). The Subscriber further warrants and represents that it has anti-money laundering policies and procedures in place reasonably designed to verify the identity of its beneficial owners and/or underlying investors (as applicable) and their sources of funds. Such policies and procedures are properly enforced and are consistent with the anti-money laundering/OFAC laws. The Subscriber hereby warrants to the Company that, to the best of its knowledge, the Subscriber's beneficial owners and/or underlying investors (as applicable) are not individuals, entities or countries that may subject the Company to criminal or civil violations of any anti-money laundering/OFAC laws. The Subscriber hereby acknowledges and agrees that the Company, or any other party on behalf of the Company, may be required and shall be entitled to reveal any information regarding the Company and the Subscriber's investment in the Company, including details of the Subscriber's identity, to their regulators and/or any other government agency within their jurisdiction, as they shall, in their sole and absolute discretion, consider appropriate.

2. TERMS OF SUBSCRIPTION.

The Private Placement Offering of the Shares is being made on a "best efforts" basis as more particularly set forth in the Memorandum.

3. REGISTRATION RIGHTS.

3.1. Within 90 days after the Final Closing Date (regardless of whether the Maximum Amount of Preferred Stock shall have been sold), the Company shall, at its sole cost and expense, file a registration statement (as amended or supplemented from time to time, the "Registration Statement") on the appropriate form under the 1933 Act with the SEC covering all of the shares of Common Stock issuable upon conversion of the Preferred Stock, including any such shares issueable upon conversion on dividends paid in the form of Preferred Stock ("Conversion Shares") and shares of Common Stock issuable upon exercise of the Placement Agent's Warrants (the "Warrant Shares" and, together with the Conversion Shares, the "Registrable Securities"). The Company will use best

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(4) For a more extensive discussion of the preceding terms and definitions, see http://www.federalreserve.gov/boarddocs/srletters/2001/sr0103a1.pdf.

(5) The Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001, Pub. L. No. 107-56 (2001).

(6) A "foreign shell bank" is a foreign bank that does not have a physical presence in any country.

efforts to have the Registration Statement declared effective, and to keep the Registration Statement effective, until the earlier of (x) three years after the Final Closing Date, (y) the date when all the Registrable Securities have been sold or (z) the date on which the Registrable Securities may be sold without any restriction pursuant to the Rule 144. If the Registration Statement is not filed within 90 days after the Final Closing Date, the Company will pay to each Investor an amount in cash, as partial liquidated damages and not as a penalty, equal to three percent (3%) of the Purchase Price for each thirty (30) day period, or any part thereof, beyond such 90 day period, until the Registration Statement is filed. In addition, if the Registration Statement is not declared effective within 180 days after the filing date, the Company will pay to each Investor an amount in cash, as partial liquidated damages and not as a penalty, equal to two percent (2%) of the Purchase Price for each thirty (30) day period, or any part thereof, beyond such 180 day period, until the Registration Statement is declared effective. The maximum cash payments to each Investor pursuant to these provisions are twenty-four percent (24%) of such Investor's Purchase Price, as the case may be. No such amounts shall be payable in relation to the Warrant Shares.

3.2. In the event the Company effects any registration under the 1933 Act of any Registrable Securities pursuant to Section 3.1 or 3.7 of this Agreement, the Company shall indemnify, to the extent permitted by law, and hold harmless each Investor whose Shares are included in such registration statement (each, a "Seller"), any underwriter, any officer, director, employee or agent of any Seller or underwriter, and each other person, if any, who controls any Seller or underwriter within the meaning of Section 15 of the 1933 Act, against any losses, claims, damages, liabilities, judgment, fines, penalties, costs and expenses, joint or several, or actions in respect thereof (collectively, the "Claims"), to which each such indemnified party becomes subject, under the 1933 Act or otherwise, insofar as such Claims arise out of or are based upon any untrue statement or alleged untrue statement of any material fact contained in the registration statement or prospectus or any amendment or supplement thereto or any document filed under a state securities or blue sky law (as amended or supplemented from time to time, collectively, the "Registration Documents") or insofar as such Claims arise out of or are based upon the omission or alleged omission to state in any Registration Document a material fact required to be stated therein or necessary to make the statements made therein not misleading, and will reimburse any such indemnified party for any legal or other expenses or disbursements reasonably incurred by such indemnified party in investigating or defending any such Claim; provided that the Company shall not be liable in any such case to a particular indemnified party to the extent such Claim is based upon an untrue statement or alleged untrue statement of a material fact or omission or alleged omission of a material fact made in any Registration Document in reliance upon and in conformity with written information furnished to the Company by or on behalf of such indemnified party specifically for use in the preparation of such Registration Document.

3.3. In connection with any registration statement in which a Seller is participating, such Seller, severally and not jointly, shall indemnify, to the extent permitted by law, and hold harmless the Company, each of its directors, each of its officers who have signed such registration statement, each other person, if any, who controls the Company within the meaning of

Section 15 of the 1933 Act, each other Seller and each underwriter, any officer, director, employee or agent of any such other Seller or underwriter and each other person, if any, who controls such other Seller or underwriter within the meaning of Section 15 of the 1933 Act against any Claims to which each such indemnified party may become subject under the 1933 Act or otherwise, insofar as such Claims (or actions in respect thereof) are based upon any untrue statement or alleged untrue statement of any material fact contained in any Registration Document, or insofar as any Claims are based upon the omission or alleged omission to state in any Registration Document a material fact required to be stated therein or necessary to make the statements made therein not misleading, and will reimburse any such indemnified party for any legal or other expenses or disbursements reasonably incurred by such indemnified party in investigating or defending any such claim; provided, however, that such indemnification or reimbursement shall be payable only if, and to the extent that, any such Claim arises out of or is based upon an untrue statement or alleged untrue statement or omission or alleged omission made in any Registration Document in reliance upon and in conformity with written information furnished to the Company by such Seller specifically for use in the preparation thereof.

3.4. Any person entitled to indemnification under Section 3.2 or 3.3 of this Agreement shall notify promptly the indemnifying party in writing of the commencement of any Claim if a claim for indemnification in respect thereof is to be made against an indemnifying party under this Section 3.4, but the omission of such notice shall not relieve the indemnifying party from any liability which it may have to any indemnified party otherwise than under Section 3.2 or 3.3 of this Agreement, except to the extent that such failure shall materially adversely affect any indemnifying party or its rights hereunder. In case any action is brought against the indemnified party and it shall notify the indemnifying party of the commencement thereof, the indemnifying party shall be entitled to participate in, and, to the extent that it chooses, to assume the defense thereof with counsel reasonably satisfactory to the indemnified party; and, after notice from the indemnifying party to the indemnified party that it so chooses, the indemnifying party shall not be liable for any legal or other expenses or disbursements subsequently incurred by the indemnified party in connection with the defense thereof other than reasonable costs of investigation; provided, however, that (i) if the indemnifying party fails to take reasonable steps necessary to defend diligently the Claim within twenty (20) days after receiving notice from the indemnified party that the indemnified party believes it has failed to do so; (ii) if the indemnified party who is a defendant in any action or proceeding which is also brought against the indemnifying party reasonably shall have concluded that there are legal defenses available to the indemnified party which are not available to the indemnifying party; or (iii) if representation of both parties by the same counsel is otherwise inappropriate under applicable standards of professional conduct, the indemnified party shall have the right to assume or continue its own defense as set forth above (but with no more than one firm of counsel for all indemnified parties in each jurisdiction, except to the extent any indemnified party or parties reasonably shall have concluded that there are legal defenses available to such party or parties which are not available to the other indemnified parties or to the extent representation of all indemnified parties by the same counsel is otherwise inappropriate under applicable standards of professional conduct) and the indemnifying party shall be liable for any reasonable expenses therefor; provided, that no indemnifying party shall be subject to any liability for any settlement of a Claim made without its consent (which may not be unreasonably withheld, delayed or conditioned). If the indemnifying party assumes the defense of any Claim hereunder, such indemnifying party shall not enter into any settlement without the consent of the indemnified party if such settlement attributes liability to the indemnified party.

3.5. If for any reason the indemnity provided in Section 3.2 or 3.3 of this Agreement is unavailable, or is insufficient to hold harmless, an indemnified party, then the indemnifying party shall contribute to the amount paid or payable by the indemnified party as a result of any Claim in such proportion as is appropriate to reflect the relative benefits received by the indemnifying party on the one hand and the indemnified party on the other from the transactions contemplated by this Agreement. If, however, the allocation provided in the immediately preceding sentence is not permitted by applicable law, or if the indemnified party failed to give the notice required by Section 3.4 of this Agreement, then each indemnifying party shall contribute to the amount paid or payable by such indemnified party in such proportion as is appropriate to reflect not only such relative benefits but also the relative fault of the indemnifying party and the indemnified party, as well as any other relevant equitable considerations. The relative fault shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission or alleged omission to state a material fact relates to information supplied by the indemnifying party or by the indemnified party and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission. The amount paid or payable in respect of any Claim shall be deemed to include any legal or other expenses or disbursements reasonably incurred by such indemnified party in connection with investigating or defending any such Claim. Notwithstanding the foregoing, no underwriter or controlling person thereof, if any, shall be required to contribute, in respect of such underwriter's participation as an underwriter in the Private Placement Offering, any amount in excess of the amount by which the total price at which the Registrable Securities underwritten by it and distributed to the public were offered to the public exceeds the amount of any damages which such underwriter has otherwise been required to pay by reason of such untrue or alleged untrue statement or omission or alleged omission. No person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the 1933 Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation. The obligation of any underwriters to contribute pursuant to this Section 3.5 shall be several in proportion to their respective underwriting commitments and not joint.

3.6. The provisions of Section 3.2 through 3.5 of this Agreement shall be in addition to any other rights to indemnification or contribution which any indemnified party may have pursuant to law or contract and shall remain operative and in full force and effect regardless of any investigation made or omitted by or on behalf of any indemnified party and shall survive the transfer of the Registrable Securities by any such party.

3.7. If and whenever the Company is required by the provisions of this Section 3 to use its best efforts to register any Registrable Securities under the 1933 Act, the Company shall, as expeditiously as possible under the circumstances:

(a) Prepare and file with the SEC a registration statement with respect to such Registrable Securities and use its best efforts to cause such registration statement to become effective as soon as possible after filing and remain effective.

(b) Subject to Section 3.1 of this Agreement, prepare and file with the SEC such amendments and supplements to such registration statement and the prospectus used in connection therewith as may be necessary to keep such registration statement current and effective and to comply with the provisions of the 1933 Act, and any regulations promulgated thereunder, with respect to the sale or disposition of all Registrable Securities covered by the registration statement required to effect the distribution of the securities, but in no event shall the Company be required to do so for a period of more than three (3) years following the effective date of the registration statement.

(c) Furnish to the Sellers participating in the offering, applicable copies (in reasonable quantities) of summary, preliminary, final, amended or supplemented prospectuses, in conformity with the requirements of the 1933 Act and any regulations promulgated thereunder, and other documents as reasonably may be required in order to facilitate the disposition of the securities, but only while the Company is required under the provisions hereof to keep the registration statement current.

(d) Use its best efforts to register or qualify the Registrable Securities covered by such registration statement under such other securities or blue sky laws of such jurisdictions of the United States as the Sellers participating in the offering shall reasonably request, and do any and all other acts and things which may be reasonably necessary to enable each participating Seller to consummate the disposition of the Registrable Securities in such jurisdictions.

(e) Notify each Seller selling Registrable Securities, at any time when a prospectus relating to any such Registrable Securities covered by such registration statement is required to be delivered under the 1933 Act, of the Company's becoming aware that the prospectus included in such registration statement, as then in effect, includes an untrue statement of a material fact or omits to state any material fact required to be stated therein or necessary to make the statements therein not misleading in the light of the circumstances then existing, and promptly prepare and furnish to each such Seller selling Registrable Securities a reasonable number of copies of a prospectus supplemented or amended so that, as thereafter delivered to the purchasers of such Registrable Securities, such prospectus shall not include an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading in the light of the circumstances then existing.

(f) As soon as practicable after the effective date of the registration statement, and in any event within eighteen (18) months thereafter, make generally available to the Sellers participating in the offering an earnings statement (which need not be audited) covering a period of at least twelve (12) consecutive months beginning after the effective date of the registration statement, which earnings statement shall satisfy the provisions of Section 11(a) of the 1933 Act, including, at the Company's option, Rule 158 thereunder. To the extent that the Company files such information with the SEC in satisfaction of the foregoing, the Company need not deliver the above referenced earnings statement to the Seller.

(g) Upon request, deliver promptly to counsel of each Seller participating in the offering copies of all correspondence between the SEC and the Company, its counsel or auditors and all memoranda relating to discussions with the SEC or its staff with respect to the registration statement and permit each such Seller to do such investigation at such Seller's sole cost and expense, upon reasonable advance notice, with respect to information contained in or omitted from the registration statement as it deems reasonably necessary. Each Seller agrees that it will use its best efforts not to interfere unreasonably with the Company's business when conducting any such investigation and each Seller shall keep any such information received pursuant to this Section 3 confidential.

(h) Provide a transfer agent and registrar located in the United States for all such Shares covered by such registration statement not later than the effective date of such registration statement.

(i) List the Shares covered by such registration statement on such exchanges and/or on the NASDAQ as the Common Stock is then currently listed upon.

(j) Pay all Registration Expenses (as defined below) incurred in connection with a registration of Registrable Securities, whether or not such registration statement shall become effective; provided that each Seller shall pay all underwriting discounts, commissions and transfer taxes, and their own counsel and accounting fees, if any, relating to the sale or disposition of such Seller's Registrable Securities pursuant to such registration statement. As used herein, "Registration Expenses" means any and all reasonable and customary expenses incident to performance of or compliance with the registration rights set forth herein, including, without limitation, (i) all SEC and stock exchange or National Association of Securities Dealers, Inc. registration and filing fees, (ii) all fees and expenses of complying with state securities or blue sky laws (including reasonable fees and disbursements of counsel for the underwriters in connection with blue sky qualifications of the Registrable Securities but no other expenses of or disbursements by the underwriters or their counsel), (iii) all printing, messenger and delivery expenses, and (iv) the reasonable fees and disbursements of counsel for the Company and the Company's independent public accountants.

3.8. The Company acknowledges that there is no adequate remedy at law for failure by it to comply with the provisions of this Section 3 and that such failure would not be adequately compensable in damages, and therefore agrees that its obligations and agreements contained in this Section 3 may be specifically enforced. In the event that the Company shall fail to file such registration statement when required pursuant to Section 3.1 of this Agreement or to keep any registration statement effective as provided in this Section 3 or otherwise fails to comply with its obligations and agreements in this Section 3, then, in addition to any other rights or remedies the Registered Holders may have at law or in equity, including, without limitation, the right of rescission, the Company shall indemnify and hold harmless the Registered Holders from and against any and all manner or loss which they may incur as a result of such failure. In addition, the Company shall also reimburse the Registered Holders for any and all reasonable legal fees, expenses and disbursements incurred by them in enforcing their rights pursuant to this Section 3, regardless of whether any litigation was commenced; provided, however, that the Company shall not be liable for the fees and expenses of more than one law firm, which firm shall be designated by the Placement Agent.

4. MISCELLANEOUS.

4.1. All notices, consents and other communications under this Agreement shall be in writing and shall be deemed to have been duly given (a) when delivered by hand, (b) one (1) business day after the business day of transmission if sent by telecopier (with receipt confirmed), provided that a copy is mailed by certified mail, return receipt requested, or (c) one (1) business day after the business day of deposit with the carrier, if sent for next business day delivery by Express Mail, Federal Express or other recognized express delivery service (receipt requested), in each case addressed to the Company at the address indicated on the first page of this Agreement marked "Attention: Louis Guisto and to the Subscriber at the Subscriber's address indicated on the last page of this Agreement (or to such other addresses and/or telecopier numbers as a party may designate as to itself by notice to the other parties).

4.2. This Agreement shall not be changed, modified or amended except by a writing signed by the parties, and this Agreement may not be discharged except by performance in accordance with its terms or by a writing signed by the parties.

4.3. This Agreement shall be binding upon and inure to the benefit of the parties hereto and to their respective heirs, legal representatives, successors and assigns. This Agreement sets forth the entire agreement and understanding between the parties as to the subject matter hereof and merges and supersedes all prior discussions, agreements and understandings of any and every nature among them.

4.4. Notwithstanding the place where this Agreement may be executed by any of the parties hereto, the parties expressly agree that all the terms and provisions hereof shall be construed in accordance with and governed by the laws of the State of New York without regard to New York conflict of law rules. The parties hereby agree that any dispute which may arise between them arising out of or in connection with this Agreement shall be adjudicated before a court located in New York and they hereby submit to the exclusive jurisdiction of the courts of the State of New York and of the Federal courts in New York with respect to any action or legal proceeding commenced by any party, and irrevocably waive any objection they now or hereafter may have respecting the venue of any such action or proceeding brought in such a court or respecting the fact that such court is an inconvenient forum, relating to or arising out of this Agreement or any acts or omissions relating to the sale of the Shares hereunder, and consent to the service of process in any such action or legal proceeding by means of registered or certified mail, return receipt requested, in case of the address set forth below or such other address as a party shall furnish in writing to the other parties.

4.5. This Agreement may be executed in counterparts. Upon the execution and delivery of this Agreement by the Subscriber, this Agreement shall become a binding obligation of the Subscriber with respect to the purchase of the Shares as herein provided; subject, however, to the right hereby reserved to the Company to enter into the same agreements with other subscribers and to add and/or to delete other persons as subscribers.

4.6. The holding of any provision of this Agreement to be invalid or unenforceable by a court of competent jurisdiction shall not affect any other provision of this Agreement, which shall remain in full force and effect.

4.7. It is agreed that a waiver by either party of a breach of any provision of this Agreement shall not operate, or be construed, as a waiver of any subsequent breach by that same party.

4.8. The parties agree to execute and deliver all such further documents, agreements and instruments and take such other and further action as may be necessary or appropriate to carry out the purposes and intent of this Agreement.

*** THE REMAINDER OF THIS PAGE HAS BEEN INTENTIONALLY LEFT BLANK ***

ALL INVESTORS MUST COMPLETE THIS PAGE

IN WITNESS WHEREOF, the parties have executed this Agreement on _____, 2006.

_____ Shares of Series B Preferred Stock x $10.00 per Share =$_____
(minimum subscription = $10,000)

_____
Exact Name in Which Title is to be Held

_____
(Authorized Signature)

_____
Print Name of Signatory and Capacity in which Signed if an Entity

_____
Signature (if Joint Tenants or Tenants in Common)

_____
Print Name of above Signatory

SUBSCRIPTION ACCEPTED:

GALES INDUSTRIES INCORPORATED

By: _____

Name:

Title:

Date:_____

_____

Aggregate Purchase Price Accepted

PROMISSORY NOTE

$_____ April 12, 2007
New York, New York

For good and valuable consideration, the receipt of which is hereby acknowledged, Gales Industries Incorporated, a Delaware corporation (the "Company"), promises to pay to the order of _____, or her/his registered assigns (the "Holder"), the principal sum of _____ dollars ($_____), as such amount may be increased pursuant to Section 1(a) of this Note, together with interest thereon as provided for herein. The principal amount of this Note shall be payable (i) on the first day of each month in thirty six equal monthly installments of principal in the amount of _____ dollars ($_____), as such amount may be increased pursuant to Section 1(a) of this Note. In addition to principal there shall be paid to Holder the accrued interest on the outstanding principal amount of this Note from the date of original issuance of this Note, through and including the date of payment of such interest, payable on the first business day of each month commencing May 1, 2007, and continuing through and including April 1, 2010, or, if earlier, (ii) when, upon or after the occurrence of an Event of Default (as defined below), such amount is declared due and payable by the Holder or made automatically due and payable in accordance with the terms hereof (the "Maturity Date").

The Company further agrees to pay interest on the unpaid principal sum of this Note at the rate of seven (7%) percent per annum. In no event shall the Holder hereof, or any permitted successor or assign, be entitled to receive, collect or retain any amount of interest paid hereon in excess of that permitted by applicable law.

This Note may be prepaid in whole or in part at any time. All payments made pursuant to this Note shall be applied first to reimbursable expenses, interest accrued, if any, and then principal.

This Note is issued pursuant to that certain Stock Purchase Agreement, dated as of January 2, 2007 (the "Stock Purchase Agreement"), entered into between the Company and Sigma Metals, Inc ("Sigma").

The following is a statement of rights of the Holder and the conditions to which this Note is subject, and to which the Holder, by acceptance of this Note, agrees:

1. Increase in Principal. (a) The original principal amount of this Note represents the proportionate amount due Holder in respect of the "06 Earnings" of Sigma as defined in Section 2.3A of the Stock Purchase Agreement. Upon determination of the "07 Earnings" as defined in Section 2.3A, the principal amount of this Note shall be deemed to have been increased as of the issuance date of this Note by Holder's proportionate share of the 07 Earnings (the " 07 Principal") and there shall be paid to Holder, together with the payment due on the 1st day of the month following the date of determination of the 07 earnings, all additional interest that would have accrued thereon had the principal amount of this Note reflected the '07 Earnings as of the date of issuance.

(b) Commencing on the first day of the month following the date of determination of the 07 Principal, and continuing on the first day of each month thereafter until April 1, 2010, there shall be paid to Holder in addition to the principal amount and interest provided above, equal monthly payments of the 07 Principal together with the interest accrued from the date thereon and not previously paid on the 07 Principal amortized over the balance of the term of the Note through and including April 1, 2010,.

Holder may accelerate this Note in order to pay income taxes on the 06 and 07 Earnings in accordance with Section 2.3(a) of the Stock Purchase Agreement referenced herein.

2. Events of Default. If any of the events specified in this Section shall occur (herein individually referred to as an "Event of Default"), the Holder may, so long as such condition exists, in addition to any other right, power or remedy granted to the Holder under this Note, the Stock Purchase Agreement, the Security Agreement (as hereinafter defined), or applicable law, either by suit in equity or by action at law, or both, declare the entire principal amount (and accrued interest thereon) and all other amounts immediately due and payable, without presentment, demand or notice of any kind, all of which are expressly waived, provided, however, that upon the occurrence of any Event of Default described in Section 2(c) or 2(d) hereof, the entire principal amount (and accrued interest thereon) and all other amounts shall automatically become due and payable:

(a) Payment of any portion of the principal of this Note or interest accrued thereon shall be delinquent for a period of 10 days or more after the due date thereof;

(b) If the Company shall fail to observe any covenant or other provision contained in this Note (other than with respect to payment), the Stock Purchase Agreement or the Security Agreement and such failure of observance shall be continuing for 10 days after the Holder has given written notice thereof;

(c) The institution by the Company of proceedings to be adjudicated as bankrupt or insolvent, or the consent by it to institution of bankruptcy or insolvency proceedings against it or the filing by it of a petition or answer or consent seeking reorganization or release under the federal Bankruptcy Act, or any other applicable federal or state law, or the consent by it to the filing of any such petition or the appointment of a receiver, liquidator, assignee, trustee or other similar official of the Company, or of any substantial part of its property, or the making by it of an assignment for the benefit of creditors, or the taking of corporate action by the Company in furtherance of any such action;

(d) If, within 45 days after the commencement of an action against the Company (and service of process in connection therewith on the Company) seeking any bankruptcy, insolvency, reorganization, liquidation, dissolution or similar relief under any present or future statute, law or regulation, such action shall not have been resolved in favor of the Company or all orders or proceedings thereunder affecting the operations or the business of the Company stayed, or if the stay of any such order or proceeding shall thereafter be set aside, or if, within 45 days after the appointment without the consent or acquiescence of the Company of any trustee, receiver or liquidator of the Company or of all or any substantial part of the properties of the Company, such appointment shall not have been vacated;

(e) Any declared default of the Company under any Senior Indebtedness whether now existing or hereafter created that gives the holder thereof the right to accelerate such Senior Indebtedness, and such Senior Indebtedness is in fact accelerated by the holder.

(f) One or more judgments for the payment of money in an amount in excess of $100,000 in the aggregate shall be rendered against the Company or any of its subsidiaries (or any combination thereof) and shall remain undischarged for a period of ten consecutive days during which execution shall not be effectively stayed, or any action is legally taken by a judgment creditor to levy upon any such judgment; or

(g) Any representation or warranty made by the Company in the Security Agreement is false or incorrect in any material respect when made.

4. Pledge Agreement. This Note is secured by a security interest in all shares of outstanding capital stock of Sigma Metals, Inc. ("Sigma") owned by the Company pursuant to the Pledge Agreement dated as of April 12, 2007 (as amended from time to time, the "Pledge Agreement") by and between the Company and the Holder.

5. Miscellaneous.

(a) Waiver and Amendment. The rights and remedies herein reserved to any party shall be cumulative and in addition to any other or further rights and remedies available at law or in equity. The waiver by any party hereto of any breach of any provision of this Note shall not be deemed to be a waiver of the breach of any other provision or any subsequent breach of the same provision. This Note and its terms may be changed, waived or amended only by the written consent of the Company and the Holder and, if any such change, waiver, or amendment is with respect to the subordination provisions, the holders of at least a majority in the then-outstanding principal amount of the Senior Indebtedness.

(b) Governing Law. This Note shall be governed by and construed in accordance with the law of the State of New York without regard to conflict of law provisions. Any legal suit, action or proceeding arising out of or based upon this Note shall be instituted in any federal or state court only in the City and County of New York, State of New York. The aforementioned choice of venue is intended to be mandatory and not permissive in nature, thereby precluding the possibility of litigation arising out of this Note in any jurisdiction other than that specified in this Section. The Holder and the Company each waive, to the fullest extent permitted by applicable law, any right it may have to assert the doctrine of forum non conveniens or similar doctrine or to object to venue with respect to any proceeding brought in accordance with this Section, and stipulates that the state and federal courts located in the City and County of New York, State of New York, shall have in personam jurisdiction and venue over them for the purpose of litigation any dispute, controversy or proceeding arising out of or related to this Note.

(c) Successors and Assigns. All of the terms and provisions of this Note shall be binding upon and inure to the benefit of the parties hereto and their respective successors, heirs and permitted assigns.

(d) Headings. The section headings contained in this Note are intended solely for convenience of reference and do not themselves constitute a part of this Note.

(e) Severability. In case any provision contained herein (or part thereof) shall for any reason be held to be invalid, illegal, or unenforceable in any respect, such invalidity, illegality, or other unenforceability shall not affect any other provision (or the remaining part of the affected provision) hereof; but this Note shall be construed as if such invalid, illegal, or unenforceable provision (or part thereof) had never been contained herein, but only to the extent that such provision is invalid, illegal, or unenforceable.

(f) Costs of Collection. The Company shall reimburse Holder for all reasonable costs and expenses, including without limitation, reasonable attorneys' fees and expenses, incurred in connection with (i) drafting, negotiating, executing and delivering any amendment, modification or waiver of, or consent with respect to, any matter relating to the rights of Holder hereunder; (ii) creating, perfecting and maintaining perfection of the Liens (as defined in the Security Agreement) and security interests in the Collateral (as defined in the Security Agreement) in favor of the Holder and (iii) enforcing any provisions of this Note or the Security Agreement and/or collecting any amounts due under this Note.

(g) Notices. All notices, requests, demands or other communications which are required to be or may be given or permitted hereunder shall be in writing and shall be deemed to have been duly given when delivered in person or after dispatch by a recognized overnight courier to the appropriate party to whom the same is so given or made:

To Holder at:

To Company at: Gales Industries Incorporated
1479 North Clinton Avenue
Bay Shore, NY 11706

or to such other address as a party has designated by notice in writing to the other party in the manner provided by this Section. All such notices, requests, demands or other communications shall be deemed to have been received on the date of delivery thereof (if delivered by hand) and on the next day after sending thereof (if by overnight courier).

(h) Assignment by the Company. Neither this Note nor any of the rights, interests or obligations hereunder may be assigned, by operation of law or otherwise, in whole or in part, by the Company, without the prior written consent of the Holder.

(i) No Set-Off. All payments by the Company under this Note shall be made free and clear of and without any deduction for or on account of any set-off or counterclaim.

(j) Waiver of Presentment, Demand, Etc. To the fullest extent permitted by applicable law, the Company expressly waives presentment, demand, protest, notice of dishonor, notice of non-payment, notice of maturity, notice of protest, presentment for the purpose of accelerating maturity of the obligations under this Note, diligence in collection, and the benefit of any exemption or insolvency laws.

IN WITNESS WHEREOF, the Company has caused this Note to be duly executed and issued as of the date first written above.

GALES INDUSTRIES INCORPORATED

By:

Name: Peter D. Retaliatta
Title: President

EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT (this "Agreement") is entered into as of the 12th day of April, 2007, between Gales Industries Incorporated, a Delaware corporation (the "Company" or "Employer") and GEORGE ELKINS, a resident of the State of New York ("Executive").

WHEREAS, the Employer wishes to employ Executive on the terms and conditions set forth in this Agreement, and Executive wishes to be retained and employed by the Employer on such terms and conditions.

NOW, THEREFORE, in consideration of the premises and the respective undertakings of the Employer and Executive set forth below, the Employer and Executive hereby agree as follows:

1. Employment. The Employer hereby employs Executive, and Executive hereby accepts such employment and agrees to perform services for the Employer, for the period and on the other terms and subject to the conditions set forth in this Agreement.

2. Term. Unless terminated at an earlier date in accordance with the provisions of Section 6 of this Agreement, the term of Executive's employment hereunder shall be a period of five (5) years commencing the date (the "Effective Date") on which the shares of Sigma Metals, Inc., a New York corporation ("Sigma") are acquired by the Company or a subsidiary thereof and ending on the fifth anniversary of such date (the "Term").

3. Position and Duties.

3.01 Service with the Employer. During the term of this Agreement the Executive shall serve in an executive position with Sigma. The Employer hereby employs Executive in an executive capacity with the title of Chief Executive Officer of Sigma and Executive hereby accepts such employment and undertakes and agrees to serve in such capacity during the Term. In such capacity, Executive shall have such powers, perform such duties and fulfill such responsibilities as are typically associated with such position in comparable companies.

3.02 Performance of Duties. Executive agrees to serve Employer to the best of his ability and to devote his full time, attention and efforts to the business and affairs of the Employer and, upon request, to the business and affairs of Sigma and affiliates thereof. Notwithstanding the foregoing, Executive shall not be precluded from accepting service as a director of other businesses or community organizations or from the management of his investments, provided, however, that any such activities shall not be competitive with the Company and such service shall not detract from Executive's performance or time commitment hereunder. Executive shall report directly to the Board of Directors of the Employer.

3.03 Key-person Life Insurance. Should the Company determine to obtain key-person life insurance payable to the Company in the event of the death of Executive, Executive agrees to cooperate with such effort.

4. Compensation.

4.01 Base Salary. As base compensation for all services to be rendered by Executive under this Agreement, the Employer shall pay to Executive an annual base salary of $225,000 per year (the "Base Salary"). The Base Salary shall be paid on a weekly or bi-weekly basis in accordance with the Employer's normal payroll procedures and policies, subject to applicable deductions as required by law.

"Operating Profits" as used below means the net income before taxes of Sigma during the applicable period, as indicated in Sigma's financial statements, less noncash expenses related to any employee stock ownership or option plan established by the Company to the extent benefiting employees of Sigma, but without adjustment for any noncash income or noncash charges which are classified as such under generally accepted accounting principles in the United States.

4.02 Annual Bonus. In addition to the Base Salary, the Employer shall pay to Executive an annual bonus ("Bonus") equal to fifteen (15%) percent of the Base Salary with respect to each fiscal year during the Term in which Sigma achieves an increase of at least five (5%) percent in the Operating Profits over the preceding fiscal year period (the "Threshold Profits Increase").The initial fiscal year in respect of which Executive shall be eligible for a bonus shall be the year ended December 31, 2007, and the operating Profits for such year shall be compared with the Operating Profits for

the year ended December 31, 2006. Notwithstanding that this agreement shall begin after January 1, 2007, the operating Profits to be used for purposes of determining whether Executive receives the Bonus shall be the operating Profits for the entire 2007 year. The amount of the annual bonus to be paid to Executive with respect to any fiscal year and any other period of employment which is not a full fiscal year shall be a pro-rated amount of any Bonus which would have been due had the Executive been employed under this Agreement for the full fiscal year, based upon the number of days during which Executive is employed during such year. The Bonus shall be paid by Employer to the Executive within thirty (30) days after the computation of Sigma's Operating Profits for each fiscal year but in no event more than 90 days after the end of each fiscal year of the Term

4.03 Participation in Benefit Plans. (a) Executive shall be entitled to participate in all employee benefit plans or programs offered to senior employees of Employer (to the extent that Executive meets the requirements for each such plan or program), including without limitation participation in any health, disability, dental, eye care, 401(k), deferred compensation and other similar plans (together with the life insurance and disability policies, "Benefits"), as such plans and programs may be or have been adopted from time to time.

4.04 Automobile and Other Expenses. The Company will pay to Executive $1,200 per month during the Term as reimbursement for operating expenses and for the payment of the Executive's automobile and insurance in the ordinary course. Employer will also pay the deductible and any other repairs and maintenance expenses. During the term, the Employer will provide a cell phone, laptop computer and other reasonable communication device for the Executive and reimburse the Employee for the monthly expenses relating to cell phone service, laptop and other reasonable communication device. In addition, the Company shall provide Employee with a corporate AMEX card and gas card and the Employer will pay directly for Executive or reimburse Executive for all reasonable out-of-pocket expenses incurred by her in the performance of her duties under this Agreement, subject to the presentment and approval of appropriate itemized expense statements, receipts, vouchers or other supporting documentation in accordance with the Employer's normal policies.

4.05 Vacation. Executive shall be entitled to four (4) weeks of paid vacation during each twelve (12) month period of employment during the Term.

4.06 Stock Options and Other Incentive Compensation. In addition to the cash bonus provided in Section 4.2, no later than 90 days after the end of each applicable fiscal year commencing with the year ended December 31, 2007, the Employer shall cause the Company to grant to the Executive stock options in the form attached hereto as Exhibit A to purchase 100,000 shares of Common Stock of the Company ("Common Stock") for each fiscal year during the Term in which the Employer achieves the Threshold Profits Increase. The exercise price of such options will equal the average closing price of the Common Stock on the OTC Bulletin Board during the twenty (20) trading days immediately preceding the date as of which such options are issued. For purposes of any Common Stock options or other similar programs to be granted hereunder, such Common Stock and rights shall be defined to include the Common Stock of any successor corporation or other entity into which the Company is merged, or which acquires substantially all the assets of the Company. The number of options to be granted to Executive with respect to any other period of employment which is not a full fiscal year shall be pro-rated based upon the number of days Executive is employed during such year.

5. Additional Covenants.

5.01 Acknowledgments and Stipulations. Executive acknowledges that he is agreeing to the covenants set forth in this Section 5: (a) in consideration of the substantial economic benefits derived by Executive under the terms of this Agreement, (b) in recognition that the services rendered by Executive to Employer will be unique, as are Executive's abilities, skills and experience, (c) in recognition that, as a result of his employment, Executive will acquire and participate in the creation of knowledge and information of a confidential and/or proprietary nature relating to the business of the Company and its affiliates, which is valuable to the Company because the Company will expend substantial time, effort and money to develop such knowledge and information, (d) to induce Employer to employ Executive and disclose certain of such information to Executive, and (e) to induce Employer to enter into this Agreement.

5.02 Nonsolicitation of Customers and Executives. At all times during the term of Executive's employment with the Employer and for a period of twelve (12) months following the termination of such employment pursuant to Section 6.01(a) or Section 6.01(f) hereto, (a) Executive shall not, directly or indirectly, for himself or on behalf of or in conjunction with any other person, solicit or attempt to solicit the business or patronage of, or interfere with the business relationship of the Company and its subsidiaries (collectively, the "Corporation") with any customer of the Corporation, and (b) Executive shall not directly or indirectly cause any other person to employ, solicit, disturb, entice away, or in any other manner persuade any employee of the Corporation to discontinue or alter his or his relationship with the Corporation.

5.03 Noncompetition. At all times during the term of Executive's employment with the Employer and for a period of twelve (12) months following the termination of such employment for any reason other than a termination of this Agreement by the Employer without cause, Executive whether individually, as a director, manager, member, stockholder, partner, owner, employee, consultant or agent of any business, or in any other capacity, shall not engage, directly or indirectly through any other person, in any business, enterprise or employment which competes with the business of the Corporation. Executive acknowledges and agrees that the business of the Corporation is of a worldwide nature and that any geographic limitation on the foregoing covenant would be ineffective to adequately protect the interests of the Corporation. Executive further acknowledges and agrees that the foregoing covenant is an integral part of his agreement to be employed hereunder, is fair and reasonable in light of all of the facts and circumstances of the relationship between Executive, the Employer and the Corporation. In the event any court of competent jurisdiction determines that, notwithstanding the foregoing acknowledgments, the scope of the restricted activities of the foregoing covenant is excessive or not enforceable, or that the foregoing covenant is not enforceable unless it is subject to a geographic limitation, this Agreement shall be deemed amended to reflect the maximum restrictions on activities and geographic scope allowable pursuant to such court's determination. Nothing contained in this Section 5.03 shall be construed as limiting the scope of this Section 5.

5.04 Limitation on Covenant not to Compete. Ownership by Executive, as a passive investment, of less than two percent (2.00%) of the outstanding shares of capital stock of any corporation, with a cost basis to Executive of less than $250,000, listed on a national securities exchange or publicly traded in the over-the-counter market shall not constitute a breach of this Section 5. A breach of this agreement by the Employer giving the Executive the right to terminate (as defined below) shall cancel the restrictive covenant against the Executive and the enforceability of Section 5 herein.

5.05 Confidential Information. Executive agrees that during and after the period of his employment, he will not, without the authorization of the Company, divulge, disclose or otherwise communicate to any person, other than as necessary or desirable for the business of the Employer pursuant to his responsibilities to the Employer during the Term, any information of a confidential nature pertaining in any way to the Corporation's business, products, practices, techniques, customers, suppliers, functions or operations (the "Confidential Information"), except to the extent that such Confidential Information (a) was disclosed to Executive by a third party who did not obtain the same directly or indirectly from the Corporation, (b) was known prior to disclosure to Executive by the Corporation, (c) at or after the time of disclosure, is or becomes generally available to the public (other than as a result of its disclosure by Executive), (d) is required to be disclosed by Executive pursuant to applicable law or an order of a governing authority applicable to Executive.

6. Termination.

6.01 Grounds for Termination. This Agreement shall terminate prior to the expiration of the Term upon the occurrence of any of the following events at any time during the Term:

(a) The effective date of Executive's voluntary resignation, for which Executive agrees to give at least 30 days' prior written notice to the Employer;

(b) Executive's death;

(c) Executive's Disability (as hereinafter defined);

(d) Executive elects to terminate his employment 30 or more days after Executive gives the Employer written notice of his intent to terminate his employment ("Notice of Good Reason").

(e) Executive's termination by Employer without Cause (as hereinafter defined);

(f) Executive's termination by Employer for Cause. For the purposes of this Agreement, "Cause" means, as determined by the Board (or its designee), with respect to conduct during the Executive's employment or service relationship with the Employer, whether or not committed during the Term, (i) indictment of Executive for a felony that has a material adverse effect on the performance of their duties hereunder; (ii) acts of dishonesty by Executive that has a material adverse effect and causes damage to the Employer; (iii) conduct by Executive in connection with his duties hereunder that is fraudulent, unlawful or grossly negligent, including, but not limited to, acts of discrimination; (iv) engaging in personal conduct by Executive (including but not limited to employee harassment or discrimination, the use or possession at work of any illegal controlled substance) which seriously discredits or damages the Employer; and (v) breach of the Executive's covenants set forth in Section 5 before termination of employment; provided, that, the Executive shall have ten (10) days after notice from the Employer to cure the deficiency leading to the Cause determination (except with respect to (i) above), if curable. A termination for "Cause" shall be effective immediately or on such later date set forth by the Employer in the notice of termination.

6.02 Severance. If Executive's employment is terminated:

(a) as a result of Section 6.01(b) or (c), then the Employer shall pay to Executive his full Base Salary, bonuses for the calendar year (or employment period) prior to the year (or employment period) in which such termination occurs and Benefits prorated through the effective date of such termination, and Executive shall be reimbursed for any expenses incurred by his pursuant to Section 4.04 through the termination date; or

(b) Executive's termination by Employer without Cause under Section 6.01(e) or Section 6.01(d) and hereunder shall be the Employer's breach of this Agreement and shall entitle Executive to accelerate all such payments due under this Agreement from the date of termination to the expiration of the Term, including costs of any litigation and reasonable attorneys fees to enforce this provision.

6.03 "Disability" Defined. As used in this Agreement, the term "Disability" or "disabled" shall mean absence from work due to a physical or mental illness or incapacity, injury or condition which prevents the person from normally performing the essential functions of his duties, which continues for a period of at least ninety (90) days. The Executive shall be deemed to have a Disability at the end of such ninety (90) day period if the condition giving rise to the Disability continues. For purposes of this Agreement, the disability shall be deemed to have ceased upon a Shareholder's return to work and resumption of normal duties within two (2) years of the commencement of such disability.

6.04 Surrender of Records and Property. Upon termination of Executive's employment by Executive or by the Employer, for any reason or for no reason, Executive shall deliver promptly to the Employer all records, manuals, books, blank forms, documents, letters, memoranda, notes, notebooks, reports, data, tables, and calculations, and copies thereof, in whatever medium, which are the property of the Corporation or which relate in any way to the business, products, practices, techniques, customers, suppliers, functions or operations of the Corporation, and all other property and Confidential Information of the Corporation, including, but not limited to, all documents which in whole or in part contain any Confidential Information of the Corporation, which in any of these cases are in his possession or under his control.

6.05 Resignation. If the Executive's employment is terminated for any reason under the terms of this Agreement, he shall also be deemed to have resigned from any of the following positions: (i) if a member, from the Board of Directors of the Employer, the Company and any subsidiary of the Company or any other board to which he has been appointed or nominated by or on behalf of the Employer, and (ii) from any position with the Employer, the Company or any subsidiary of the Company, including, but not limited to, as an officer of the Employer, the Company or any of its subsidiaries.

6.06 Successor. The Employer, or any Person which controls the Employer, shall require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business or assets of the Employer to assume and agree to perform this Agreement in the same manner and to the same extent as the Employer would be required to perform if no such succession had occurred. Failure of the Employer or a controlling entity to obtain such written agreement prior to the effective date of any such succession followed by the failure of the successor to honor this Agreement shall be a breach of this Agreement and shall entitle Executive to the rights and benefits hereunder as though he had terminated his employment with Employer for Good Reason, whether or not he terminates his employment with Employer.

7. Injunctive Relief; Arbitration.

7.01 Injunctive Relief. Executive agrees that (i) any breach or threatened breach of Sections 5 or 6.04 shall be a material breach of this Agreement, (ii) such breach will cause substantial harm to Employer and/or its customers, the amount of which will be difficult to determine and compute, (iii) the remedies of Employer at law for such breach would be inadequate to fully compensate Employer for the harm caused thereby and (iv) in addition to, but not to the exclusion of any other available remedy, Employer shall have the right to enforce the provisions of Sections 5 and 6.04 by applying for and obtaining temporary and permanent restraining orders, injunctions, decrees of specific performance and other equitable relief from any court of competent jurisdiction without the necessity of filing a bond therefore or proving irreparable harm.

7.02 Arbitration. Except as set forth in Section 7.01, any claim or dispute of any nature between the parties to this Agreement arising directly or indirectly from the relationship created by this Agreement shall be resolved exclusively by arbitration in New York, New York, in accordance with the applicable rules of the American Arbitration Association. The fees of the arbitrator(s) and other costs (not including attorneys' fees and expenses) incurred by the parties in connection with such arbitration shall be paid by the party which is unsuccessful in such arbitration. The decision of the arbitrator(s) shall be final and binding upon all parties. Judgment of the award rendered by the arbitrator(s) may be entered in any court having jurisdiction thereof. If any dispute is submitted to arbitration, each party shall, not later than 30 days before the date set for hearing, provide to the other parties and to the arbitrator(s) a copy of all exhibits upon which the party intends to rely at the hearing and a list of all Persons each party intends to call at the hearing.

8. Finder's Fee.

8.01 The Employer acknowledges that the Executive may introduce the Company to third party companies (the "Target Companies") which may be interested in being merged into or being acquired by the Company. Such Target Companies are listed on Schedule 8.01(a) and the Executive shall be entitled to add additional Target Companies to such schedule provided that the Employer agrees to allow such addition. The Employer agrees that if the Company completes such a merger with, or acquisition of, a Target Company listed on Schedule 8.01(a) that was introduced to the Company by the Executive, the Employer shall pay to the Executive a fee (the "Finder's Fee") equal to a percentage of the total purchase price paid for such Target Company (the "Acquisition Price") in accordance with the following schedule:

5% of the first $1,000,000 of the Acquisition Price;
4% of the second $1,000,000 of the Acquisition Price;
3% of the third $1,000,000 of the Acquisition Price;
2% of the fourth $1,000,000 of the Acquisition Price; and
1% of the Acquisition Price in excess of $4,000,000.

The Finder's Fee will be paid in cash or certified funds within thirty (30) days of the closing of said acquisition.

The parties acknowledge that the entities listed on Schedule 8.01(a) are Target Companies which are deemed to have been introduced by the Executive to the Company and the Company's closing of a merger or acquisition transaction with any entity not identified on such schedule will not entitle any Executive to a Finder's Fee. In order for the Executive to add names to the Schedule 8.01(a), the Employer's consent shall be required. In the event that the Employer or the Company has a similar finder's fee arrangement with any other of its employees with respect to the same Target Company, and the allocation of the Finder's Fee among the Executive and such other employees is not specified in writing, the Finder's Fee will be divided equally among the Executive and such other employees.

9. Miscellaneous.

9.01 Governing Law. This Agreement is made under and shall be governed by and construed in accordance with the laws of the State of New York, without giving effect to conflict of laws issues.

9.02 Entire Agreement. This Agreement contains the entire agreement of the parties relating to the employment of Executive by Employer and supersedes all prior agreements and understandings with respect to such matters, and the parties hereto have made no agreements, representations or warranties relating to such employment which are not set forth herein; provided, however, that the benefits conferred under this Agreement are in addition to, and not in lieu of, any and all benefits conferred to Executive under plans and arrangements of Employer.

9.03 Withholding Taxes. The Employer may withhold from any compensation and benefits payable under this Agreement all federal, state, city or other taxes as shall be required pursuant to any law or governmental regulation or ruling.

9.04 Amendments. No amendment or modification of the terms of this Agreement shall be valid unless made in writing and signed by all parties hereto.

9.05 Severability. Whenever possible, each provision of this Agreement shall be interpreted in such a manner as to be effective and valid under applicable law but if any provision of this Agreement is held to be invalid, illegal or unenforceable under any applicable law or rule, the validity, legality and enforceability of the other provisions of this Agreement will not be affected or impaired thereby.

9.06 No Waiver. No waiver of any provision of this Agreement shall in any event be effective unless the same shall be in writing and signed by the party against whom such waiver is sought to be enforced and any such waiver shall be effective only in the specific instance and for the specific purpose for which given.

9.07 Assignment. This Agreement is a personal service contract and, subject to Section 6.06, shall not be assignable by any party without the written consent of the other parties.

9.08 Counterparts; Facsimile Signatures. This Agreement may be executed in separate counterparts, each of which will be an original and all of which taken together shall constitute one and the same agreement, and any party hereto may execute this Agreement by signing any such counterpart. A facsimile signature by any party on a counterpart of this Agreement shall be binding and effective for all purposes. Such party shall subsequently deliver to each other party an original, executed copy of this Agreement; provided, however, that a failure of such party to delivery an original, executed copy shall not invalidate its signature.

9.09 Notices. All notices and other communications relating to this Agreement will be in writing and will be deemed to have been given when personally delivered, or one Business Day following delivery to a reliable overnight courier or following transmission by electronic facsimile. All notices to the Company or the Subsidiary shall be addressed to the following address and facsimile number:

1479 North Clinton Avenue
Bay Shore, NY 11706
Attn: The President
Facsimile No.: 631-968-5377

With a copy to:

Eaton & Van Winkle
3 Park Avenue
New York, New York 10016
Attn: Vincent J. McGill
Facsimile: 212-779-9928

or at such other address as the Company may have advised the Executive in writing;

All notices to Executive shall be addressed to the Executive at the following address:

45 Jefryn Boulevard
Deer Park, New York 11729
Fax: _____

With a copy to:

1140 Franklin Avenue, Suite 214
Garden City, NY 11530
Attn: William B. Ife
Fax: _____

or at such other address as the Executive may have advised the Company in writing.

9.10 Interpretation. The headings contained in this Agreement are for reference purposes only and shall not in any way affect the meaning or

interpretation of this Agreement.

[The remainder of this page has been intentionally left blank]

IN WITNESS WHEREOF, Executive and the Subsidiary have executed this Employment Agreement as of the date set forth in the first paragraph.

GALES INDUSTRIES INCORPORATED

By:_____
Name: Peter Rettaliata
Title: Chief Executive Officer

_____
GEORGE ELKINS

EXHIBIT A

FORM OF OPTION AGREEMENT

GALES INDUSTRIES INCORPORATED

STOCK OPTION AGREEMENT

THIS AGREEMENT, made as of this ___ day of _____, 20076, by GALES INDUSTRIES INCORPORATED, a Delaware corporation (hereinafter called the "Company"), with GEORGE ELKINS (hereinafter call the "Holder"):

The Company has adopted a 2005 Incentive Plan (the "Plan"). Said Plan, as it may hereafter be amended and continued, is incorporated herein by reference and made part of this Agreement. Terms not otherwise defined herein shall have the meaning ascribed to them in the Plan.

The Board, which in the absence of a Committee is charged with the administration of the Plan pursuant to Section 4 of the Plan, has determined that it would be to the advantage and interest of the Company to grant the option provided for herein to the Holder as an inducement to remain in the service of the Company or one of its subsidiaries, and as an incentive for increased efforts during such service.

NOW, THEREFORE, pursuant to the Plan, the Company hereby grants to the Holder as of the date hereof an option (the "Option") to purchase all or any part of _____ shares of Common Stock of the Company, par value $.001 per share ("Common Stock"), upon the following terms and conditions:

1. The Option shall continue in force through the fifth anniversary of the date of this Agreement (_____, 20__) (the "Expiration Date"), unless sooner terminated as provided herein and in the Plan. Subject to the provisions of the Plan, the right to exercise the options shall be fully vested as of the date hereof and shall have an exercise price per share of $_____, which is the average of the closing prices of the Common Stock, quoted on the OTC Bulletin Board, for the 20 trading days immediately preceding the date hereof.

(a) Except as provided hereinbelow, the Option may not be exercised unless the Holder is then an employee (including officers and directors who are employees), non-employee director, consultant, advisor, agent or independent representative of the Company or any subsidiary of the Company or any combination thereof and unless the Holder has remained in the continuous employ or service thereof from the date of the grant.

(b) This option shall not qualify for favorable tax treatment as an Incentive Stock Option if (and to the extent) the aggregate Fair Market Value of the Common Stock for which this option is exercisable hereunder would, when added to the aggregate value of the Common Stock or other securities for which any other Incentive Stock options granted to Holder prior to the date hereof (whether under the Plan or any other option plan of the Company or any Parent of or Subsidiary) first become exercisable during the same calendar year, exceed One Hundred Thousand Dollars ($100,000) in the aggregate. Should such One Hundred Thousand Dollars ($100,000) limitation be exceeded in any calendar year, this option shall nevertheless become exercisable for the excess shares in such calendar year as a Non-Qualified Stock Option.

2. In the event that the employment or service of the Holder shall be terminated prior to the Expiration Date (otherwise than by reason of death or disability), the Option may, subject to the provisions of the Plan, be exercised (to the extent that the Holder was entitled to do so at the termination of this employment or service) at any time within three months after such termination, but not after the Expiration Date, provided, however, that if such termination shall have been for cause or voluntarily by the Holder and without the consent of the Company or any subsidiary corporation thereof, as the case may be (which consent shall be presumed in the case of normal retirement) or voluntarily by the Holder and Holder accepts employment with a competitor of the Company, the Option and all rights of the Holder hereunder, to the extent not theretofore exercised, shall forthwith terminate immediately upon such termination. Nothing in this Agreement shall confer upon the Holder any right to continue in the employ or service of the Company or any subsidiary of the Company or affect the right of the Company or any subsidiary to terminate his employment or service at any time.

3. If the Holder shall (a) die while he is employed by or serving the Company or a corporation which is a subsidiary thereof or within three months after the termination of such position (other than termination for cause, or voluntarily on his part and without the Consent of the Company or subsidiary corporation thereof, as the case may be, which consent shall be presumed in the case of normal retirement or voluntarily by the Holder and Holder accepts employment with a competitor of the Company), or (b) become permanently and totally disabled within the meaning of Section 22 (e) (3) of the Internal Revenue Code of 1986, as amended (the "Code"), while employed by or serving any such company, and if the Option was otherwise exercisable, immediately prior to the occurrence of such event, then such Option may be exercised as set forth herein by the Holder or by the person or persons to whom the Holder's rights under the Option pass by will or applicable law, or if no such person has such right, by his executors or administrators, at any time within one year after the date of death of the original Holder, or one year after the date of permanent or total disability, but in either case, not later than the Expiration Date.

4. (a) The Holder may exercise the Option with respect to all or any part of the shares then purchasable hereunder by giving the Company written notice in the form annexed, as provided in paragraph 8 hereof, of such exercise. Such notice shall specify the number of shares as to which the Option is being exercised and shall be accompanied by payment in full in cash of an amount equal to the exercise price of such shares multiplied by the number of shares as to which the Option is being exercised; provided that, if permitted by the Board, the purchase price may be paid, in whole or in part, by surrender or delivery to the Company of securities of the Company having a fair market value on the date of the exercise equal to the portion of the purchase price being so paid. In such event fair market value should be determined pursuant to the Plan.

(b) The Holder shall, upon notification of the amount due, pay promptly any amount necessary to satisfy applicable feder

al, state or local tax requirements. In the event such amount is not paid promptly, the Company shall have the right to apply from the purchase price paid any taxes required by law to be withheld by the Company with respect to such payment and the number of shares to be issued by the Company will be reduced accordingly.

5. Notwithstanding any other provision of the Plan, in the event of a change in the outstanding shares of the Company by reason of a stock dividend, split-up, split-down, reverse split, recapitalization, merger, consolidation, combination or exchange of shares, spin-off, reorganization, liquidation or the like, then the aggregate number of shares and price per unit subject to the Option shall be appropriately adjusted by the Board, whose determination shall be conclusive.

6.

7. This Option shall be nontransferable and shall not be assignable, alienable, saleable or otherwise transferable by the Holder other than by will or the laws of descent and distribution except pursuant to a domestic relations order entered by a court of competent jurisdiction. During the life of the Holder, this Option shall be exercisable only by him. Notwithstanding the foregoing, to the extent the Option is deemed a Non-Qualified Stock Option, the Holder shall be permitted to transfer such Option to family members or family trusts established by the Holder. Except as otherwise provided for herein, in the event that the Holder terminates employment with the Company to assume a position with a governmental, charitable, educational or similar non-profit institution, the Holder may nominate a third party, including but not limited to a "blind" trust, to act on behalf or and for the benefit of the Holder with respect to the Option. In addition, the Holder may designate a beneficiary or beneficiaries to exercise the rights of the Holder and receive any distributions upon the death of the Holder.

8. Neither the Holder nor in the event of his death, any person entitled to exercise his rights, shall have any of the rights of a member with respect to the shares subject to the Option until shares have been registered in the name of the Holder or his estate, as the case may be.

9. Any notice to the Company provided for in this Agreement shall be addressed to the Company in care of its Chairman, Michael Gales, and any notice to the Holder shall be addressed to his at his address now on file with the Company, or to such other address as either may last have designated to the other by notice as provided herein. Any notice so addressed shall be deemed to be given on the second business day after mailing, by registered or certified mail, at a post office or branch post office within the United States.

10. In the event that any question or controversy shall arise with respect to the nature, scope or extent of any one or more rights conferred by this Option, the determination by the Board, or if one had been appointed, the Committee (as constituted at the time of such determination) of the rights of the Holder shall be conclusive, final and binding upon the Holder and upon any other person who shall assert any right pursuant to this Option.

GALES INDUSTRIES INCORPORATED

By:_____
Name: Peter Rettaliata
Title: Chief Executive Officer

ACCEPTED AND AGREED:

_____
GEORGE ELKINS

FORM OF NOTICE OF EXERCISE

TO: GALES INDUSTIRES INCORPORATED

The undersigned hereby exercises his option to purchase _____ shares of Common Stock of Gales Industries Incorporated (the "Company") as provided in the Stock Option Agreement dated as of _____, ___ at $_____ per share, a total of $_____ and makes payment therefor as follows:

10.1 To the extent of $_____ of the purchase price, the undersigned hereby surrenders to the Company certificates for shares of its Common Stock which, valued at $_____ per share, the fair market value thereof, equals such portion of the purchase price.

10.2 To the extent of the balance of the purchase price, the undersigned has enclosed a check payable to the order of the Company for $_____.

A stock certificate or certificate for the shares should be delivered in person or mailed to the undersigned at the address shown below.

The undersigned hereby represents and warrants that it is his present intention to acquire and hold the aforesaid shares of Common Stock of the Company for his own account for investment, and not with a view to the distribution of any thereof, and agrees that he will make no sale, thereof, except in compliance with the applicable provisions of the Securities Act of 1933, as amended.

Signature:
Address:

Dated: _____

EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT (this "Agreement") is entered into as of the 12th day of April, 2007, between Gales Industries Incorporated, a Delaware corporation (the "Company" or "Employer") and CAROLE TATE, a resident of the State of New York ("Executive").

WHEREAS, the Employer wishes to employ Executive on the terms and conditions set forth in this Agreement, and Executive wishes to be retained and employed by the Employer on such terms and conditions.

NOW, THEREFORE, in consideration of the premises and the respective undertakings of the Employer and Executive set forth below, the Employer and Executive hereby agree as follows:

1. Employment. The Employer hereby employs Executive, and Executive hereby accepts such employment and agrees to perform services for the Employer, for the period and on the other terms and subject to the conditions set forth in this Agreement.

2. Term. Unless terminated at an earlier date in accordance with the provisions of Section 6 of this Agreement, the term of Executive's employment hereunder shall be a period of five (5) years commencing the date (the "Effective Date") on which the shares of Sigma Metals, Inc., a New York corporation ("Sigma") are acquired by the Company or a subsidiary thereof and ending on the fifth anniversary of such date (the "Term").

3. Position and Duties.

3.01 Service with the Employer. During the term of this Agreement the Executive shall serve in an executive position with Sigma. The Employer hereby employs Executive in an executive capacity with the title of President of Sigma and Executive hereby accepts such employment and undertakes and agrees to serve in such capacity during the Term. In such capacity, Executive shall have such powers, perform such duties and fulfill such responsibilities as are typically associated with such position in comparable companies.

3.02 Performance of Duties. Executive agrees to serve Employer to the best of her ability and to devote her full time, attention and efforts to the business and affairs of the Employer and, upon request, to the business and affairs of Sigma and affiliates thereof. Notwithstanding the foregoing, Executive shall not be precluded from accepting service as a director of other businesses or community organizations or from the management of her investments, provided, however, that any such activities shall not be competitive with the Company and such service shall not detract from Executive's performance or time commitment hereunder. Executive shall report directly to the Board of Directors of the Employer.

3.03 Key-person Life Insurance. Should the Company determine to obtain key-person life insurance payable to the Company in the event of the death of Executive, Executive agrees to cooperate with such effort.

4. Compensation.

4.01 Base Salary. As base compensation for all services to be rendered by Executive under this Agreement, the Employer shall pay to Executive an annual base salary of $225,000 per year (the "Base Salary"). The Base Salary shall be paid on a weekly or bi-weekly basis in accordance with the Employer's normal payroll procedures and policies, subject to applicable deductions as required by law.

"Operating Profits" as used below means the net income before taxes of Sigma during the applicable period, as indicated in Sigma's financial statements, less noncash expenses related to any employee stock ownership or option plan established by the Company to the extent benefiting employees of Sigma, but without adjustment for any noncash income or noncash charges which are classified as such under generally accepted accounting principles in the United States.

4.02 Annual Bonus. In addition to the Base Salary, the Employer shall pay to Executive an annual bonus ("Bonus") equal to fifteen (15%) percent of the Base Salary with respect to each fiscal year during the Term in which Sigma achieves an increase of at least five (5%) percent in the Operating Profits over the preceding fiscal year period (the "Threshold Profits Increase").The initial fiscal year in respect of which Executive shall be eligible for a bonus shall be the year ended December 31, 2007, and the operating Profits for such year shall be compared with the Operating Profits for

the year ended December 31, 2006. Notwithstanding that this agreement shall begin after January 1, 2007, the operating Profits to be used for purposes of determining whether Executive receives the Bonus shall be the operating Profits for the entire 2007 year. The amount of the annual bonus to be paid to Executive with respect to any fiscal year and any other period of employment which is not a full fiscal year shall be a pro-rated amount of any Bonus which would have been due had the Executive been employed under this Agreement for the full fiscal year, based upon the number of days during which Executive is employed during such year. The Bonus shall be paid by Employer to the Executive within thirty (30) days after the computation of Sigma's Operating Profits for each fiscal year but in no event more than 90 days after the end of each fiscal year of the Term

4.03 Participation in Benefit Plans. (a) Executive shall be entitled to participate in all employee benefit plans or programs offered to senior employees of Employer (to the extent that Executive meets the requirements for each such plan or program), including without limitation participation in any health, disability, dental, eye care, 401(k), deferred compensation and other similar plans (together with the life insurance and disability policies, "Benefits"), as such plans and programs may be or have been adopted from time to time.

4.04 Automobile and Other Expenses. The Company will pay to Executive $1,200 per month during the Term as reimbursement for operating expenses and for the payment of the Executive's automobile and insurance in the ordinary course. Employer will also pay the deductible and any other repairs and maintenance expenses. During the term, the Employer will provide a cell phone, laptop computer and other reasonable communication device for the Executive and reimburse the Employee for the monthly expenses relating to cell phone service, laptop and other reasonable communication device. In addition, the Company shall provide Employee with a corporate AMEX card and gas card and the Employer will pay directly for Executive or reimburse Executive for all reasonable out-of-pocket expenses incurred by her in the performance of her duties under this Agreement, subject to the presentment and approval of appropriate itemized expense statements, receipts, vouchers or other supporting documentation in accordance with the Employer's normal policies.

4.05 Vacation. Executive shall be entitled to four (4) weeks of paid vacation during each twelve (12) month period of employment during the Term.

4.06 Stock Options and Other Incentive Compensation. In addition to the cash bonus provided in Section 4.2, no later than 90 days after the end of each applicable fiscal year commencing with the year ended December 31, 2007, the Employer shall cause the Company to grant to the Executive stock options in the form attached hereto as Exhibit A to purchase 100,000 shares of Common Stock of the Company ("Common Stock") for each fiscal year during the Term in which the Employer achieves the Threshold Profits Increase. The exercise price of such options will equal the average closing price of the Common Stock on the OTC Bulletin Board during the twenty (20) trading days immediately preceding the date as of which such options are issued. For purposes of any Common Stock options or other similar programs to be granted hereunder, such Common Stock and rights shall be defined to include the Common Stock of any successor corporation or other entity into which the Company is merged, or which acquires substantially all the assets of the Company. The number of options to be granted to Executive with respect to any other period of employment which is not a full fiscal year shall be pro-rated based upon the number of days Executive is employed during such year.

5. Additional Covenants.

5.01 Acknowledgments and Stipulations. Executive acknowledges that she is agreeing to the covenants set forth in this Section 5: (a) in consideration of the substantial economic benefits derived by Executive under the terms of this Agreement, (b) in recognition that the services rendered by Executive to Employer will be unique, as are Executive's abilities, skills and experience, (c) in recognition that, as a result of her employment, Executive will acquire and participate in the creation of knowledge and information of a confidential and/or proprietary nature relating to the business of the Company and its affiliates, which is valuable to the Company because the Company will expend substantial time, effort and money to develop such knowledge and information, (d) to induce Employer to employ Executive and disclose certain of such information to Executive, and (e) to induce Employer to enter into this Agreement.

5.02 Nonsolicitation of Customers and Executives. At all times during the term of Executive's employment with the Employer and for a period of twelve (12) months following the termination of such employment pursuant to Section 6.01(a) or Section 6.01(f) hereto, (a) Executive shall not, directly or indirectly, for herself or on behalf of or in conjunction with any other person, solicit or attempt to solicit the business or patronage of, or interfere with the business relationship of the Company and its subsidiaries (collectively, the "Corporation") with any customer of the Corporation, and (b) Executive shall not directly or indirectly cause any other person to employ, solicit, disturb, entice away, or in any other manner persuade any employee of the Corporation to discontinue or alter her or her relationship with the Corporation.

5.03 Noncompetition. At all times during the term of Executive's employment with the Employer and for a period of twelve (12) months following the termination of such employment for any reason other than a termination of this Agreement by the Employer without cause, Executive whether individually, as a director, manager, member, stockholder, partner, owner, employee, consultant or agent of any business, or in any other capacity, shall not engage, directly or indirectly through any other person, in any business, enterprise or employment which competes with the business of the Corporation. Executive acknowledges and agrees that the business of the Corporation is of a worldwide nature and that any geographic limitation on the foregoing covenant would be ineffective to adequately protect the interests of the Corporation. Executive further acknowledges and agrees that the foregoing covenant is an integral part of her agreement to be employed hereunder, is fair and reasonable in light of all of the facts and circumstances of the relationship between Executive, the Employer and the Corporation. In the event any court of competent jurisdiction determines that, notwithstanding the foregoing acknowledgments, the scope of the restricted activities of the foregoing covenant is excessive or not enforceable, or that the foregoing covenant is not enforceable unless it is subject to a geographic limitation, this Agreement shall be deemed amended to reflect the maximum restrictions on activities and geographic scope allowable pursuant to such court's determination. Nothing contained in this Section 5.03 shall be construed as limiting the scope of this Section 5.

5.04 Limitation on Covenant not to Compete. Ownership by Executive, as a passive investment, of less than two percent (2.00%) of the outstanding shares of capital stock of any corporation, with a cost basis to Executive of less than $250,000, listed on a national securities exchange or publicly traded in the over-the-counter market shall not constitute a breach of this Section 5. A breach of this agreement by the Employer giving the Executive the right to terminate (as defined below) shall cancel the restrictive covenant against the Executive and the enforceability of Section 5 herein.

5.05 Confidential Information. Executive agrees that during and after the period of her employment, she will not, without the authorization of the Company, divulge, disclose or otherwise communicate to any person, other than as necessary or desirable for the business of the Employer pursuant to her responsibilities to the Employer during the Term, any information of a confidential nature pertaining in any way to the Corporation's business, products, practices, techniques, customers, suppliers, functions or operations (the "Confidential Information"), except to the extent that such Confidential Information (a) was disclosed to Executive by a third party who did not obtain the same directly or indirectly from the Corporation, (b) was known prior to disclosure to Executive by the Corporation, (c) at or after the time of disclosure, is or becomes generally available to the public (other than as a result of its disclosure by Executive), (d) is required to be disclosed by Executive pursuant to applicable law or an order of a governing authority applicable to Executive.

6. Termination.

6.01 Grounds for Termination. This Agreement shall terminate prior to the expiration of the Term upon the occurrence of any of the following events at any time during the Term:

(a) The effective date of Executive's voluntary resignation, for which Executive agrees to give at least 30 days' prior written notice to the Employer;

(b) Executive's death;

(c) Executive's Disability (as hereinafter defined);

(d) Executive elects to terminate her employment 30 or more days after Executive gives the Employer written notice of her intent to terminate her employment ("Notice of Good Reason").

(e) Executive's termination by Employer without Cause (as hereinafter defined);

(f) Executive's termination by Employer for Cause. For the purposes of this Agreement, "Cause" means, as determined by the Board (or its designee), with respect to conduct during the Executive's employment or service relationship with the Employer, whether or not committed during the Term, (i) indictment of Executive for a felony that has a material adverse effect on the performance of their duties hereunder; (ii) acts of dishonesty by Executive that has a material adverse effect and causes damage to the Employer; (iii) conduct by Executive in connection with her duties hereunder that is fraudulent, unlawful or grossly negligent, including, but not limited to, acts of discrimination; (iv) engaging in personal conduct by Executive (including but not limited to employee harassment or discrimination, the use or possession at work of any illegal controlled substance) which seriously discredits or damages the Employer; and (v) breach of the Executive's covenants set forth in Section 5 before termination of employment; provided, that, the Executive shall have ten (10) days after notice from the Employer to cure the deficiency leading to the Cause determination (except with respect to (i) above), if curable. A termination for "Cause" shall be effective immediately or on such later date set forth by the Employer in the notice of termination.

6.02 Severance. If Executive's employment is terminated:

(a) as a result of Section 6.01(b) or (c), then the Employer shall pay to Executive her full Base Salary, bonuses for the calendar year (or employment period) prior to the year (or employment period) in which such termination occurs and Benefits prorated through the effective date of such termination, and Executive shall be reimbursed for any expenses incurred by her pursuant to Section 4.04 through the termination date; or

(b) Executive's termination by Employer without Cause under Section 6.01(e) or Section 6.01(d) and hereunder shall be the Employer's breach of this Agreement and shall entitle Executive to accelerate all such payments due under this Agreement from the date of termination to the expiration of the Term, including costs of any litigation and reasonable attorneys fees to enforce this provision.

6.03 "Disability" Defined. As used in this Agreement, the term "Disability" or "disabled" shall mean absence from work due to a physical or mental illness or incapacity, injury or condition which prevents the person from normally performing the essential functions of his duties, which continues for a period of at least ninety (90) days. The Executive shall be deemed to have a Disability at the end of such ninety (90) day period if the condition giving rise to the Disability continues. For purposes of this Agreement, the disability shall be deemed to have ceased upon a Shareholder's return to work and resumption of normal duties within two (2) years of the commencement of such disability.

6.04 Surrender of Records and Property. Upon termination of Executive's employment by Executive or by the Employer, for any reason or for no reason, Executive shall deliver promptly to the Employer all records, manuals, books, blank forms, documents, letters, memoranda, notes, notebooks, reports, data, tables, and calculations, and copies thereof, in whatever medium, which are the property of the Corporation or which relate in any way to the business, products, practices, techniques, customers, suppliers, functions or operations of the Corporation, and all other property and Confidential Information of the Corporation, including, but not limited to, all documents which in whole or in part contain any Confidential Information of the Corporation, which in any of these cases are in her possession or under her control.

6.05 Resignation. If the Executive's employment is terminated for any reason under the terms of this Agreement, she shall also be deemed to have resigned from any of the following positions: (i) if a member, from the Board of Directors of the Employer, the Company and any subsidiary of the Company or any other board to which she has been appointed or nominated by or on behalf of the Employer, and (ii) from any position with the Employer, the Company or any subsidiary of the Company, including, but not limited to, as an officer of the Employer, the Company or any of its subsidiaries.

6.06 Successor. The Employer, or any Person which controls the Employer, shall require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business or assets of the Employer to assume and agree to perform this Agreement in the same manner and to the same extent as the Employer would be required to perform if no such succession had occurred. Failure of the Employer or a controlling entity to obtain such written agreement prior to the effective date of any such succession followed by the failure of the successor to honor this Agreement shall be a breach of this Agreement and shall entitle Executive to the rights and benefits hereunder as though she had terminated her employment with Employer for Good Reason, whether or not she terminates her employment with Employer.

7. Injunctive Relief; Arbitration.

7.01 Injunctive Relief. Executive agrees that (i) any breach or threatened breach of Sections 5 or 6.04 shall be a material breach of this Agreement, (ii) such breach will cause substantial harm to Employer and/or its customers, the amount of which will be difficult to determine and compute, (iii) the remedies of Employer at law for such breach would be inadequate to fully compensate Employer for the harm caused thereby and (iv) in addition to, but not to the exclusion of any other available remedy, Employer shall have the right to enforce the provisions of Sections 5 and 6.04 by applying for and obtaining temporary and permanent restraining orders, injunctions, decrees of specific performance and other equitable relief from any court of competent jurisdiction without the necessity of filing a bond therefore or proving irreparable harm.

7.02 Arbitration. Except as set forth in Section 7.01, any claim or dispute of any nature between the parties to this Agreement arising directly or indirectly from the relationship created by this Agreement shall be resolved exclusively by arbitration in New York, New York, in accordance with the applicable rules of the American Arbitration Association. The fees of the arbitrator(s) and other costs (not including attorneys' fees and expenses) incurred by the parties in connection with such arbitration shall be paid by the party which is unsuccessful in such arbitration. The decision of the arbitrator(s) shall be final and binding upon all parties. Judgment of the award rendered by the arbitrator(s) may be entered in any court having jurisdiction thereof. If any dispute is submitted to arbitration, each party shall, not later than 30 days before the date set for hearing, provide to the other parties and to the arbitrator(s) a copy of all exhibits upon which the party intends to rely at the hearing and a list of all Persons each party intends to call at the hearing.

8. Finder's Fee.

8.01 The Employer acknowledges that the Executive may introduce the Company to third party companies (the "Target Companies") which may be interested in being merged into or being acquired by the Company. Such Target Companies are listed on Schedule 8.01(a) and the Executive shall be entitled to add additional Target Companies to such schedule provided that the Employer agrees to allow such addition. The Employer agrees that if the Company completes such a merger with, or acquisition of, a Target Company listed on Schedule 8.01(a) that was introduced to the Company by the Executive, the Employer shall pay to the Executive a fee (the "Finder's Fee") equal to a percentage of the total purchase price paid for such Target Company (the "Acquisition Price") in accordance with the following schedule:

5% of the first $1,000,000 of the Acquisition Price;

4% of the second $1,000,000 of the Acquisition Price;

3% of the third $1,000,000 of the Acquisition Price;

2% of the fourth $1,000,000 of the Acquisition Price; and

1% of the Acquisition Price in excess of $4,000,000.

The Finder's Fee will be paid in cash or certified funds within thirty (30) days of the closing of said acquisition.

The parties acknowledge that the entities listed on Schedule 8.01(a) are Target Companies which are deemed to have been introduced by the Executive to the Company and the Company's closing of a merger or acquisition transaction with any entity not identified on such schedule will not entitle any Executive to a Finder's Fee. In order for the Executive to add names to the Schedule 8.01(a), the Employer's consent shall be required. In the event that the Employer or the Company has a similar finder's fee arrangement with any other of its employees with respect to the same Target Company, and the allocation of the Finder's Fee among the Executive and such other employees is not specified in writing, the Finder's Fee will be divided equally among the Executive and such other employees.

9. Miscellaneous.

9.01 Governing Law. This Agreement is made under and shall be governed by and construed in accordance with the laws of the State of New York, without giving effect to conflict of laws issues.

9.02 Entire Agreement. This Agreement contains the entire agreement of the parties relating to the employment of Executive by Employer and supersedes all prior agreements and understandings with respect to such matters, and the parties hereto have made no agreements, representations or warranties relating to such employment which are not set forth herein; provided, however, that the benefits conferred under this Agreement are in addition to, and not in lieu of, any and all benefits conferred to Executive under plans and arrangements of Employer.

9.03 Withholding Taxes. The Employer may withhold from any compensation and benefits payable under this Agreement all federal, state, city or other taxes as shall be required pursuant to any law or governmental regulation or ruling.

9.04 Amendments. No amendment or modification of the terms of this Agreement shall be valid unless made in writing and signed by all parties hereto.

9.05 Severability. Whenever possible, each provision of this Agreement shall be interpreted in such a manner as to be effective and valid under applicable law but if any provision of this Agreement is held to be invalid, illegal or unenforceable under any applicable law or rule, the validity, legality and enforceability of the other provisions of this Agreement will not be affected or impaired thereby.

9.06 No Waiver. No waiver of any provision of this Agreement shall in any event be effective unless the same shall be in writing and signed by the party against whom such waiver is sought to be enforced and any such waiver shall be effective only in the specific instance and for the specific purpose for which given.

9.07 Assignment. This Agreement is a personal service contract and, subject to Section 6.06, shall not be assignable by any party without the written consent of the other parties.

9.08 Counterparts; Facsimile Signatures. This Agreement may be executed in separate counterparts, each of which will be an original and all of which taken together shall constitute one and the same agreement, and any party hereto may execute this Agreement by signing any such counterpart. A facsimile signature by any party on a counterpart of this Agreement shall be binding and effective for all purposes. Such party shall subsequently deliver to each other party an original, executed copy of this Agreement; provided, however, that a failure of such party to delivery an original, executed copy shall not invalidate its signature.

9.09 Notices. All notices and other communications relating to this Agreement will be in writing and will be deemed to have been given when personally delivered, or one Business Day following delivery to a reliable overnight courier or following transmission by electronic facsimile. All notices to the Company or the Subsidiary shall be addressed to the following address and facsimile number:

1479 North Clinton Avenue
Bay Shore, NY 11706
Attn: The President
Facsimile No.: 631-968-5377

With a copy to:

Eaton & Van Winkle
3 Park Avenue
New York, New York 10016
Attn: Vincent J. McGill
Facsimile: 212-779-9928

or at such other address as the Company may have advised the Executive in writing;

All notices to Executive shall be addressed to the Executive at the following address:

45 Jefryn Boulevard
Deer Park, New York 11729

Fax:

With a copy to:

1140 Franklin Avenue, Suite 214
Garden City, NY 11530
Attn: William B. Ife

Fax:
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or at such other address as the Executive may have advised the Company in writing.

9.10 Interpretation. The headings contained in this Agreement are for reference purposes only and shall not in any way affect the meaning or interpretation of this Agreement.

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IN WITNESS WHEREOF, Executive and the Subsidiary have executed this Employment Agreement as of the date set forth in the first paragraph.

GALES INDUSTRIES INCORPORATED

By:

Name: Peter Rettaliata
Title: Chief Executive Officer

CAROLE TATE

EXHIBIT A

FORM OF OPTION AGREEMENT

GALES INDUSTRIES INCORPORATED

STOCK OPTION AGREEMENT

THIS AGREEMENT, made as of this ___ day of _____, 20076, by GALES INDUSTRIES INCORPORATED, a Delaware corporation (hereinafter called the "Company"), with CAROLE TATE (hereinafter call the "Holder"):

The Company has adopted a 2005 Incentive Plan (the "Plan"). Said Plan, as it may hereafter be amended and continued, is incorporated herein by reference and made part of this Agreement. Terms not otherwise defined herein shall have the meaning ascribed to them in the Plan.

The Board, which in the absence of a Committee is charged with the administration of the Plan pursuant to Section 4 of the Plan, has determined that it would be to the advantage and interest of the Company to grant the option provided for herein to the Holder as an inducement to remain in the service of the Company or one of its subsidiaries, and as an incentive for increased efforts during such service.

NOW, THEREFORE, pursuant to the Plan, the Company hereby grants to the Holder as of the date hereof an option (the "Option") to purchase all or any part of _____ shares of Common Stock of the Company, par value $.001 per share ("Common Stock"), upon the following terms and conditions:

1. The Option shall continue in force through the fifth anniversary of the date of this Agreement (_____, 20__) (the "Expiration Date"), unless sooner terminated as provided herein and in the Plan. Subject to the provisions of the Plan, the right to exercise the options shall be fully vested as of the date hereof and shall have an exercise price per share of $_____, which is the average of the closing prices of the Common Stock, quoted on the OTC Bulletin Board, for the 20 trading days immediately preceding the date hereof.

(a) Except as provided hereinbelow, the Option may not be exercised unless the Holder is then an employee (including officers and directors who are employees), non-employee director, consultant, advisor, agent or independent representative of the Company or any subsidiary of the Company or any combination thereof and unless the Holder has remained in the continuous employ or service thereof from the date of the grant.

(b) This option shall not qualify for favorable tax treatment as an Incentive Stock Option if (and to the extent) the aggregate Fair Market Value of the Common Stock for which this option is exercisable hereunder would, when added to the aggregate value of the Common Stock or other securities for which any other Incentive Stock options granted to Holder prior to the date hereof (whether under the Plan or any other option plan of the Company or any Parent of or Subsidiary) first become exercisable during the same calendar year, exceed One Hundred Thousand Dollars ($100,000) in the aggregate. Should such One Hundred Thousand Dollars ($100,000) limitation be exceeded in any calendar year, this option shall nevertheless become exercisable for the excess shares in such calendar year as a Non-Qualified Stock Option.

2. In the event that the employment or service of the Holder shall be terminated prior to the Expiration Date (otherwise than by reason of death or disability), the Option may, subject to the provisions of the Plan, be exercised (to the extent that the Holder was entitled to do so at the termination of this employment or service) at any time within three months after such termination, but not after the Expiration Date, provided, however, that if such termination shall have been for cause or voluntarily by the Holder and without the consent of the Company or any subsidiary corporation thereof, as the case may be (which consent shall be presumed in the case of normal retirement) or voluntarily by the Holder and Holder accepts employment with a competitor of the Company, the Option and all rights of the Holder hereunder, to the extent not theretofore exercised, shall forthwith terminate immediately upon such termination. Nothing in this Agreement shall confer upon the Holder any right to continue in the employ or service of the Company or any subsidiary of the Company or affect the right of the Company or any subsidiary to terminate her employment or service at any time.

3. If the Holder shall (a) die while she is employed by or serving the Company or a corporation which is a subsidiary thereof or within three months after the termination of such position (other than termination for cause, or voluntarily on her part and without the Consent of the Company or subsidiary corporation thereof, as the case may be, which consent shall be presumed in the case of normal retirement or voluntarily by the Holder and Holder accepts employment with a competitor of the Company), or (b) become permanently and totally disabled within the meaning of Section 22 (e) (3) of the Internal Revenue Code of 1986, as amended (the "Code"), while employed by or serving any such company, and if the Option was otherwise exercisable, immediately prior to the occurrence of such event, then such Option may be exercised as set forth herein by the Holder or by the person or persons to whom the Holder's rights under the Option pass by will or applicable law, or if no such person has such right, by her executors or administrators, at any time within one year after the date of death of the original Holder, or one year after the date of permanent or total disability, but in either case, not later than the Expiration Date.

4. (a) The Holder may exercise the Option with respect to all or any part of the shares then purchasable hereunder by giving the Company written notice in the form annexed, as provided in paragraph 8 hereof, of such exercise. Such notice shall specify the number of shares as to which the Option is being exercised and shall be accompanied by payment in full in cash of an amount equal to the exercise price of such shares multiplied by the number of shares as to which the Option is being exercised; provided that, if permitted by the Board, the purchase price may be paid, in whole or in part, by surrender or delivery to the Company of securities of the Company having a fair market value on the date of the exercise equal to the portion of the purchase price being so paid. In such event fair market value should be determined pursuant to the Plan.

(b) The Holder shall, upon notification of the amount due, pay promptly any amount necessary to satisfy applicable federal, state or local tax requirements. In the event such amount is not paid promptly, the Company shall have the right to apply from the purchase price paid any taxes required by law to be withheld by the Company with respect to such payment and the number of shares to be issued by the Company will be reduced accordingly.

5. Notwithstanding any other provision of the Plan, in the event of a change in the outstanding shares of the Company by reason of a stock dividend, split-up, split-down, reverse split, recapitalization, merger, consolidation, combination or exchange of shares, spin-off, reorganization, liquidation or the like, then the aggregate number of shares and price per unit subject to the Option shall be appropriately adjusted by the Board, whose determination shall be conclusive.

6.

7. This Option shall be nontransferable and shall not be assignable, alienable, saleable or otherwise transferable by the Holder other than by will or the laws of descent and distribution except pursuant to a domestic relations order entered by a court of competent jurisdiction. During the life of the Holder, this Option shall be exercisable only by her. Notwithstanding the foregoing, to the extent the Option is deemed a Non-Qualified Stock Option, the Holder shall be permitted to transfer such Option to family members or family trusts established by the Holder. Except as otherwise provided for herein, in the event that the Holder terminates employment with the Company to assume a position with a governmental, charitable, educational or similar non-profit institution, the Holder may nominate a third party, including but not limited to a "blind" trust, to act on behalf or and for the benefit of the Holder with respect to the Option. In addition, the Holder may designate a beneficiary or beneficiaries to exercise the rights of the Holder and receive any distributions upon the death of the Holder.

8. Neither the Holder nor in the event of her death, any person entitled to exercise her rights, shall have any of the rights of a member with respect to the shares subject to the Option until shares have been registered in the name of the Holder or her estate, as the case may be.

9. Any notice to the Company provided for in this Agreement shall be addressed to the Company in care of its Chairman, Michael Gales, and any notice to the Holder shall be addressed to her at her address now on file with the Company, or to such other address as either may last have designated to the other by notice as provided herein. Any notice so addressed shall be deemed to be given on the second business day after mailing, by registered or certified mail, at a post office or branch post office within the United States.

10. In the event that any question or controversy shall arise with respect to the nature, scope or extent of any one or more rights conferred by this Option, the determination by the Board, or if one had been appointed, the Committee (as constituted at the time of such determination) of the rights of the Holder shall be conclusive, final and binding upon the Holder and upon any other person who shall assert any right pursuant to this Option.

GALES INDUSTRIES INCORPORATED

By:

    Name: Peter Rettaliata
    Title: Chief Executive Officer

ACCEPTED AND AGREED:

- ---
CAROLE TATE

FORM OF NOTICE OF EXERCISE

TO: GALES INDUSTIRES INCORPORATED

The undersigned hereby exercises her option to purchase _____ shares of Common Stock of Gales Industries Incorporated (the "Company") as provided in the Stock Option Agreement dated as of _____, ___ at $_____ per share, a total of $_____ and makes payment therefor as follows:

10.1 To the extent of $_____ of the purchase price, the undersigned hereby surrenders to the Company certificates for shares of its Common Stock which, valued at $_____ per share, the fair market value thereof, equals such portion of the purchase price.

10.2 To the extent of the balance of the purchase price, the undersigned has enclosed a check payable to the order of the Company for $_____.

A stock certificate or certificate for the shares should be delivered in person or mailed to the undersigned at the address shown below.

The undersigned hereby represents and warrants that it is her present intention to acquire and hold the aforesaid shares of Common Stock of the Company for her own account for investment, and not with a view to the distribution of any thereof, and agrees that she will make no sale, thereof, except in compliance with the applicable provisions of the Securities Act of 1933, as amended.

Signature:
Address:

Dated:

EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT (this "Agreement") is entered into as of the 12th day of April, 2007, between Gales Industries Incorporated, a Delaware corporation (the "Company" or "Employer") and JOSEPH COONAN, a resident of the State of New York ("Executive").

WHEREAS, the Employer wishes to employ Executive on the terms and conditions set forth in this Agreement, and Executive wishes to be retained and employed by the Employer on such terms and conditions.

NOW, THEREFORE, in consideration of the premises and the respective undertakings of the Employer and Executive set forth below, the Employer and Executive hereby agree as follows:

1. Employment. The Employer hereby employs Executive, and Executive hereby accepts such employment and agrees to perform services for the Employer, for the period and on the other terms and subject to the conditions set forth in this Agreement.

2. Term. Unless terminated at an earlier date in accordance with the provisions of Section 6 of this Agreement, the term of Executive's employment hereunder shall be a period of five (5) years commencing the date (the "Effective Date") on which the shares of Sigma Metals, Inc., a New York corporation ("Sigma") are acquired by the Company or a subsidiary thereof and ending on the fifth anniversary of such date (the "Term"). The Executive shall have the right ninety (90) days before termination of this Agreement to renew this Agreement for an additional five (5) year term upon the same terms and conditions provided herein, provided that the compensation shall not be less than the compensation in effect at the end of the initial five-year Term.

3. Position and Duties.

3.01 Service with the Employer. During the term of this Agreement the Executive shall serve in an executive position with Sigma. The Employer hereby employs Executive in an executive capacity with the title of Vice President of Sigma and Executive hereby accepts such employment and undertakes and agrees to serve in such capacity during the Term. In such capacity, Executive shall have such powers, perform such duties and fulfill such responsibilities as are typically associated with such position in comparable companies.

3.02 Performance of Duties. Executive agrees to serve Employer to the best of his ability and to devote his full time, attention and efforts to the business and affairs of the Employer and, upon request, to the business and affairs of Sigma and affiliates thereof. Notwithstanding the foregoing, Executive shall not be precluded from accepting service as a director of other businesses or community organizations or from the management of his investments, provided, however, that any such activities shall not be competitive with the Company and such service shall not detract from Executive's performance or time commitment hereunder. Executive shall report directly to the Board of Directors of the Employer.

3.03 Key-person Life Insurance. Should the Company determine to obtain key-person life insurance payable to the Company in the event of the death of Executive, Executive agrees to cooperate with such effort.

4. Compensation.

4.01 Base Salary. As base compensation for all services to be rendered by Executive under this Agreement, the Employer shall pay to Executive an annual base salary of $150,000 per year (the "Base Salary"). The Base Salary shall be paid on a weekly or bi-weekly basis in accordance with the Employer's normal payroll procedures and policies, subject to applicable deductions as required by law. In the event that George Elkins shall at any time during the Term cease to be Chief Executive Officer of Sigma or his employment with the Company shall terminate for any reason, the Executive's Base Salary shall be increased to the same base Salary in effect for George Elkins immediately prior to the date he cease being Sigma's Chief Executive Officer.

"Operating Profits" as used below means the net income before taxes of Sigma during the applicable period, as indicated in Sigma's financial statements, less noncash expenses related to any employee stock ownership or option plan established by the Company to the extent benefiting employees of Sigma, but without adjustment for any noncash income or noncash charges which are classified as such under generally accepted accounting principles in the United States.

4.02 Annual Bonus. In addition to the Base Salary, the Employer shall pay to Executive an annual bonus ("Bonus") equal to fifteen (15%) percent of the Base Salary with respect to each fiscal year during the Term in which Sigma achieves an increase of at least five (5%) percent in the Operating Profits over the preceding fiscal year period (the "Threshold Profits Increase").The initial fiscal year in respect of which Executive shall be eligible for a bonus shall be the year ended December 31, 2007, and the operating Profits for such year shall be compared with the Operating Profits for the year ended December 31, 2006. Notwithstanding that this agreement shall begin after January 1, 2007, the operating Profits to be used for purposes of determining whether Executive receives the Bonus shall be the operating Profits for the entire 2007 year. The amount of the annual bonus to be paid to Executive with respect to any fiscal year and any other period of employment which is not a full fiscal year shall be a pro-rated amount of any Bonus which would have been due had the Executive been employed under this Agreement for the full fiscal year, based upon the number of days during which Executive is employed during such year. The Bonus shall be paid by Employer to the Executive within thirty (30) days after the computation of Sigma's Operating Profits for each fiscal year but in no event more than 90 days after the end of each fiscal year of the Term

4.03 Participation in Benefit Plans. (a) Executive shall be entitled to participate in all employee benefit plans or programs offered to senior employees of Employer (to the extent that Executive meets the requirements for each such plan or program), including without limitation participation in any health, disability, dental, eye care, 401(k), deferred compensation and other similar plans (together with the life insurance and disability policies, "Benefits"), as such plans and programs may be or have been adopted from time to time.

4.04 Automobile and Other Expenses. The Company will pay to Executive $1,200 per month during the Term as reimbursement for operating expenses and for the payment of the Executive's automobile and insurance in the ordinary course. Employer will also pay the deductible and any other repairs and maintenance expenses. During the term, the Employer will provide a cell phone, laptop computer and other reasonable communication device for the Executive and reimburse the Employee for the monthly expenses relating to cell phone service, laptop and other reasonable communication device. In addition, the Company shall provide Employee with a corporate AMEX card and gas card and the Employer will pay directly for Executive or reimburse Executive for all reasonable out-of-pocket expenses incurred by her in the performance of her duties under this Agreement, subject to the presentment and approval of appropriate itemized expense statements, receipts, vouchers or other supporting documentation in accordance with the Employer's normal policies.

4.05 Vacation. Executive shall be entitled to four (4) weeks of paid vacation during each twelve (12) month period of employment during the Term.

4.06 Stock Options and Other Incentive Compensation. In addition to the cash bonus provided in Section 4.2, no later than 90 days after the end of each applicable fiscal year commencing with the year ended December 31, 2007, the Employer shall cause the Company to grant to the Executive stock options in the form attached hereto as Exhibit A to purchase 100,000 shares of Common Stock of the Company ("Common Stock") for each fiscal year during the Term in which the Employer achieves the Threshold Profits Increase. The exercise price of such options will equal the average closing price of the Common Stock on the OTC Bulletin Board during the twenty (20) trading days immediately preceding the date as of which such options are issued. For purposes of any Common Stock options or other similar programs to be granted hereunder, such Common Stock and rights shall be defined to include the Common Stock of any successor corporation or other entity into which the Company is merged, or which acquires substantially all the assets of the Company. The number of options to be granted to Executive with respect to any other period of employment which is not a full fiscal year shall be pro-rated based upon the number of days Executive is employed during such year.

5. Additional Covenants.

5.01 Acknowledgments and Stipulations. Executive acknowledges that he is agreeing to the covenants set forth in this Section 5: (a) in consideration of the substantial economic benefits derived by Executive under the terms of this Agreement, (b) in recognition that the services rendered by Executive to Employer will be unique, as are Executive's abilities, skills and experience, (c) in recognition that, as a result of his employment, Executive will acquire and participate in the creation of knowledge and information of a confidential and/or proprietary nature relating to the business of the Company and its affiliates, which is valuable to the Company because the Company will expend substantial time, effort and money to develop such knowledge and information, (d) to induce Employer to employ Executive and disclose certain of such information to Executive, and (e) to induce Employer to enter into this Agreement.

5.02 Nonsolicitation of Customers and Executives. At all times during the term of Executive's employment with the Employer and for a period of twelve (12) months following the termination of such employment pursuant to Section 6.01(a) or Section 6.01(f) hereto, (a) Executive shall not, directly or indirectly, for himself or on behalf of or in conjunction with any other person, solicit or attempt to solicit the business or patronage of, or interfere with the business relationship of the Company and its subsidiaries (collectively, the "Corporation") with any customer of the Corporation, and (b) Executive shall not directly or indirectly cause any other person to employ, solicit, disturb, entice away, or in any other manner persuade any employee of the Corporation to discontinue or alter his or his relationship with the Corporation.

5.03 Noncompetition. At all times during the term of Executive's employment with the Employer and for a period of twelve (12) months following the termination of such employment for any reason other than a termination of this Agreement by the Employer without cause, Executive whether individually, as a director, manager, member, stockholder, partner, owner, employee, consultant or agent of any business, or in any other capacity, shall not engage, directly or indirectly through any other person, in any business, enterprise or employment which competes with the business of the Corporation. Executive acknowledges and agrees that the business of the Corporation is of a worldwide nature and that any geographic limitation on the foregoing covenant would be ineffective to adequately protect the interests of the Corporation. Executive further acknowledges and agrees that the foregoing covenant is an integral part of his agreement to be employed hereunder, is fair and reasonable in light of all of the facts and circumstances of the relationship between Executive, the Employer and the Corporation. In the event any court of competent jurisdiction determines that, notwithstanding the foregoing acknowledgments, the scope of the restricted activities of the foregoing covenant is excessive or not enforceable, or that the foregoing covenant is not enforceable unless it is subject to a geographic limitation, this Agreement shall be deemed amended to reflect the maximum restrictions on activities and geographic scope allowable pursuant to such court's determination. Nothing contained in this Section 5.03 shall be construed as limiting the scope of this Section 5.

5.04 Limitation on Covenant not to Compete. Ownership by Executive, as a passive investment, of less than two percent (2.00%) of the outstanding shares of capital stock of any corporation, with a cost basis to Executive of less than $250,000, listed on a national securities exchange or publicly traded in the over-the-counter market shall not constitute a breach of this Section 5. A breach of this agreement by the Employer giving the Executive the right to terminate (as defined below) shall cancel the restrictive covenant against the Executive and the enforceability of Section 5 herein.

5.05 Confidential Information. Executive agrees that during and after the period of his employment, he will not, without the authorization of the Company, divulge, disclose or otherwise communicate to any person, other than as necessary or desirable for the business of the Employer pursuant to his responsibilities to the Employer during the Term, any information of a confidential nature pertaining in any way to the Corporation's business, products, practices, techniques, customers, suppliers, functions or operations (the "Confidential Information"), except to the extent that such Confidential Information (a) was disclosed to Executive by a third party who did not obtain the same directly or indirectly from the Corporation, (b) was known prior to disclosure to Executive by the Corporation, (c) at or after the time of disclosure, is or becomes generally available to the public (other than as a result of its disclosure by Executive), (d) is required to be disclosed by Executive pursuant to applicable law or an order of a governing authority applicable to Executive.

6. Termination.

6.01 Grounds for Termination. This Agreement shall terminate prior to the expiration of the Term upon the occurrence of any of the following events at any time during the Term:

(a) The effective date of Executive's voluntary resignation, for which Executive agrees to give at least 30 days' prior written notice to the Employer;

(b) Executive's death;

(c) Executive's Disability (as hereinafter defined);

(d) Executive elects to terminate his employment 30 or more days after Executive gives the Employer written notice of his intent to terminate his employment ("Notice of Good Reason").

(e) Executive's termination by Employer without Cause (as hereinafter defined);

(f) Executive's termination by Employer for Cause. For the purposes of this Agreement, "Cause" means, as determined by the Board (or its designee), with respect to conduct during the Executive's employment or service relationship with the Employer, whether or not committed during the Term, (i) indictment of Executive for a felony that has a material adverse effect on the performance of their duties hereunder; (ii) acts of dishonesty by Executive that has a material adverse effect and causes damage to the Employer; (iii) conduct by Executive in connection with his duties hereunder that is fraudulent, unlawful or grossly negligent, including, but not limited to, acts of discrimination; (iv) engaging in personal conduct by Executive (including but not limited to employee harassment or discrimination, the use or possession at work of any illegal controlled substance) which seriously discredits or damages the Employer; and (v) breach of the Executive's covenants set forth in Section 5 before termination of employment; provided, that, the Executive shall have ten (10) days after notice from the Employer to cure the deficiency leading to the Cause determination (except with respect to (i) above), if curable. A termination for "Cause" shall be effective immediately or on such later date set forth by the Employer in the notice of termination.

6.02 Severance. If Executive's employment is terminated:

(a) as a result of Section 6.01(b) or (c), then the Employer shall pay to Executive his full Base Salary, bonuses for the calendar year (or employment period) prior to the year (or employment period) in which such termination occurs and Benefits prorated through the effective date of such termination, and Executive shall be reimbursed for any expenses incurred by his pursuant to Section 4.04 through the termination date; or

(b) Executive's termination by Employer without Cause under Section 6.01(e) or Section 6.01(d) and hereunder shall be the Employer's breach of this Agreement and shall entitle Executive to accelerate all such payments due under this Agreement from the date of termination to the expiration of the Term, including costs of any litigation and reasonable attorneys fees to enforce this provision.

6.03 "Disability" Defined. As used in this Agreement, the term "Disability" or "disabled" shall mean absence from work due to a physical or mental illness or incapacity, injury or condition which prevents the person from normally performing the essential functions of his duties, which continues for a period of at least ninety (90) days. The Executive shall be deemed to have a Disability at the end of such ninety (90) day period if the condition giving rise to the Disability continues. For purposes of this Agreement, the disability shall be deemed to have ceased upon a Shareholder's return to work and resumption of normal duties within two (2) years of the commencement of such disability.

6.04 Surrender of Records and Property. Upon termination of Executive's employment by Executive or by the Employer, for any reason or for no reason, Executive shall deliver promptly to the Employer all records, manuals, books, blank forms, documents, letters, memoranda, notes, notebooks, reports, data, tables, and calculations, and copies thereof, in whatever medium, which are the property of the Corporation or which relate in any way to the business, products, practices, techniques, customers, suppliers, functions or operations of the Corporation, and all other property and Confidential Information of the Corporation, including, but not limited to, all documents which in whole or in part contain any Confidential Information of the Corporation, which in any of these cases are in his possession or under his control.

6.05 Resignation. If the Executive's employment is terminated for any reason under the terms of this Agreement, he shall also be deemed to have resigned from any of the following positions: (i) if a member, from the Board of Directors of the Employer, the Company and any subsidiary of the Company or any other board to which he has been appointed or nominated by or on behalf of the Employer, and (ii) from any position with the Employer, the Company or any subsidiary of the Company, including, but not limited to, as an officer of the Employer, the Company or any of its subsidiaries.

6.06 Successor. The Employer, or any Person which controls the Employer, shall require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business or assets of the Employer to assume and agree to perform this Agreement in the same manner and to the same extent as the Employer would be required to perform if no such succession had occurred. Failure of the Employer or a controlling entity to obtain such written agreement prior to the effective date of any such succession followed by the failure of the successor to honor this Agreement shall be a breach of this Agreement and shall entitle Executive to the rights and benefits hereunder as though he had terminated his employment with Employer for Good Reason, whether or not he terminates his employment with Employer.

7. Injunctive Relief; Arbitration.

7.01 Injunctive Relief. Executive agrees that (i) any breach or threatened breach of Sections 5 or 6.04 shall be a material breach of this Agreement, (ii) such breach will cause substantial harm to Employer and/or its customers, the amount of which will be difficult to determine and compute, (iii) the remedies of Employer at law for such breach would be inadequate to fully compensate Employer for the harm caused thereby and (iv) in addition to, but not to the exclusion of any other available remedy, Employer shall have the right to enforce the provisions of Sections 5 and 6.04 by applying for and obtaining temporary and permanent restraining orders, injunctions, decrees of specific performance and other equitable relief from any court of competent jurisdiction without the necessity of filing a bond therefore or proving irreparable harm.

7.02 Arbitration. Except as set forth in Section 7.01, any claim or dispute of any nature between the parties to this Agreement arising directly or indirectly from the relationship created by this Agreement shall be resolved exclusively by arbitration in New York, New York, in accordance with the applicable rules of the American Arbitration Association. The fees of the arbitrator(s) and other costs (not including attorneys' fees and expenses) incurred by the parties in connection with such arbitration shall be paid by the party which is unsuccessful in such arbitration. The decision of the arbitrator(s) shall be final and binding upon all parties. Judgment of the award rendered by the arbitrator(s) may be entered in any court having jurisdiction thereof. If any dispute is submitted to arbitration, each party shall, not later than 30 days before the date set for hearing, provide to the other parties and to the arbitrator(s) a copy of all exhibits upon which the party intends to rely at the hearing and a list of all Persons each party intends to call at the hearing.

8. Finder's Fee.

8.01 The Employer acknowledges that the Executive may introduce the Company to third party companies (the "Target Companies") which may be interested in being merged into or being acquired by the Company. Such Target Companies are listed on Schedule 8.01(a) and the Executive shall be entitled to add additional Target Companies to such schedule provided that the Employer agrees to allow such addition. The Employer agrees that if the Company completes such a merger with, or acquisition of, a Target Company listed on Schedule 8.01(a) that was introduced to the Company by the Executive, the Employer shall pay to the Executive a fee (the "Finder's Fee") equal to a percentage of the total purchase price paid for such Target Company (the "Acquisition Price") in accordance with the following schedule:

5% of the first $1,000,000 of the Acquisition Price;

4% of the second $1,000,000 of the Acquisition Price;

3% of the third $1,000,000 of the Acquisition Price;

2% of the fourth $1,000,000 of the Acquisition Price; and

1% of the Acquisition Price in excess of $4,000,000.

The Finder's Fee will be paid in cash or certified funds within thirty (30) days of the closing of said acquisition.

The parties acknowledge that the entities listed on Schedule 8.01(a) are Target Companies which are deemed to have been introduced by the Executive to the Company and the Company's closing of a merger or acquisition transaction with any entity not identified on such schedule will not entitle any Executive to a Finder's Fee. In order for the Executive to add names to the Schedule 8.01(a), the Employer's consent shall be required. In the event that the Employer or the Company has a similar finder's fee arrangement with any other of its employees with respect to the same Target Company, and the allocation of the Finder's Fee among the Executive and such other employees is not specified in writing, the Finder's Fee will be divided equally among the Executive and such other employees.

9. Miscellaneous.

9.01 Governing Law. This Agreement is made under and shall be governed by and construed in accordance with the laws of the State of New York, without giving effect to conflict of laws issues.

9.02 Entire Agreement. This Agreement contains the entire agreement of the parties relating to the employment of Executive by Employer and supersedes all prior agreements and understandings with respect to such matters, and the parties hereto have made no agreements, representations or warranties relating to such employment which are not set forth herein; provided, however, that the benefits conferred under this Agreement are in addition to, and not in lieu of, any and all benefits conferred to Executive under plans and arrangements of Employer.

9.03 Withholding Taxes. The Employer may withhold from any compensation and benefits payable under this Agreement all federal, state, city or other taxes as shall be required pursuant to any law or governmental regulation or ruling.

9.04 Amendments. No amendment or modification of the terms of this Agreement shall be valid unless made in writing and signed by all parties hereto.

9.05 Severability. Whenever possible, each provision of this Agreement shall be interpreted in such a manner as to be effective and valid under applicable law but if any provision of this Agreement is held to be invalid, illegal or unenforceable under any applicable law or rule, the validity, legality and enforceability of the other provisions of this Agreement will not be affected or impaired thereby.

9.06 No Waiver. No waiver of any provision of this Agreement shall in any event be effective unless the same shall be in writing and signed by the party against whom such waiver is sought to be enforced and any such waiver shall be effective only in the specific instance and for the specific purpose for which given.

9.07 Assignment. This Agreement is a personal service contract and, subject to Section 6.06, shall not be assignable by any party without the written consent of the other parties.

9.08 Counterparts; Facsimile Signatures. This Agreement may be executed in separate counterparts, each of which will be an original and all of which taken together shall constitute one and the same agreement, and any party hereto may execute this Agreement by signing any such counterpart. A facsimile signature by any party on a counterpart of this Agreement shall be binding and effective for all purposes. Such party shall subsequently deliver to each other party an original, executed copy of this Agreement; provided, however, that a failure of such party to delivery an original, executed copy shall not invalidate its signature.

9.09 Notices. All notices and other communications relating to this Agreement will be in writing and will be deemed to have been given when personally delivered, or one Business Day following delivery to a reliable overnight courier or following transmission by electronic facsimile. All notices to the Company or the Subsidiary shall be addressed to the following address and facsimile number:

1479 North Clinton Avenue
Bay Shore, NY 11706
Attn: The President
Facsimile No.: 631-968-5377

With a copy to:

Eaton & Van Winkle
3 Park Avenue
New York, New York 10016
Attn: Vincent J. McGill
Facsimile: 212-779-9928

or at such other address as the Company may have advised the Executive in writing;

All notices to Executive shall be addressed to the Executive at the following address:

45 Jefryn Boulevard
Deer Park, New York 11729
Fax:

With a copy to:

1140 Franklin Avenue, Suite 214
Garden City, NY 11530
Attn: William B. Ife
Fax:
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or at such other address as the Executive may have advised the Company in writing.

9.10 Interpretation. The headings contained in this Agreement are for reference purposes only and shall not in any way affect the meaning or interpretation of this Agreement.

[The remainder of this page has been intentionally left blank]

IN WITNESS WHEREOF, Executive and the Subsidiary have executed this Employment Agreement as of the date set forth in the first paragraph.

GALES INDUSTRIES INCORPORATED

By:

Name: Peter Rettaliata
Title: Chief Executive Officer

JOSEPH COONAN

EXHIBIT A

FORM OF OPTION AGREEMENT

GALES INDUSTRIES INCORPORATED

STOCK OPTION AGREEMENT

THIS AGREEMENT, made as of this ___ day of _____, 20076, by GALES INDUSTRIES INCORPORATED, a Delaware corporation (hereinafter called the "Company"), with JOSEPH COONAN (hereinafter call the "Holder"):

The Company has adopted a 2005 Incentive Plan (the "Plan"). Said Plan, as it may hereafter be amended and continued, is incorporated herein by reference and made part of this Agreement. Terms not otherwise defined herein shall have the meaning ascribed to them in the Plan.

The Board, which in the absence of a Committee is charged with the administration of the Plan pursuant to Section 4 of the Plan, has determined that it would be to the advantage and interest of the Company to grant the option provided for herein to the Holder as an inducement to remain in the service of the Company or one of its subsidiaries, and as an incentive for increased efforts during such service.

NOW, THEREFORE, pursuant to the Plan, the Company hereby grants to the Holder as of the date hereof an option (the "Option") to purchase all or any part of _____ shares of Common Stock of the Company, par value $.001 per share ("Common Stock"), upon the following terms and conditions:

1. The Option shall continue in force through the fifth anniversary of the date of this Agreement (_____, 20__) (the "Expiration Date"), unless sooner terminated as provided herein and in the Plan. Subject to the provisions of the Plan, the right to exercise the options shall be fully vested as of the date hereof and shall have an exercise price per share of $_____, which is the average of the closing prices of the Common Stock, quoted on the OTC Bulletin Board, for the 20 trading days immediately preceding the date hereof.

(a) Except as provided hereinbelow, the Option may not be exercised unless the Holder is then an employee (including officers and directors who are employees), non-employee director, consultant, advisor, agent or independent representative of the Company or any subsidiary of the Company or any combination thereof and unless the Holder has remained in the continuous employ or service thereof from the date of the grant.

(b) This option shall not qualify for favorable tax treatment as an Incentive Stock Option if (and to the extent) the aggregate Fair Market Value of the Common Stock for which this option is exercisable hereunder would, when added to the aggregate value of the Common Stock or other securities for which any other Incentive Stock options granted to Holder prior to the date hereof (whether under the Plan or any other option plan of the Company or any Parent of or Subsidiary) first become exercisable during the same calendar year, exceed One Hundred Thousand Dollars ($100,000) in the aggregate. Should such One Hundred Thousand Dollars ($100,000) limitation be exceeded in any calendar year, this option shall nevertheless become exercisable for the excess shares in such calendar year as a Non-Qualified Stock Option.

2. In the event that the employment or service of the Holder shall be terminated prior to the Expiration Date (otherwise than by reason of death or disability), the Option may, subject to the provisions of the Plan, be exercised (to the extent that the Holder was entitled to do so at the termination of this employment or service) at any time within three months after such termination, but not after the Expiration Date, provided, however, that if such termination shall have been for cause or voluntarily by the Holder and without the consent of the Company or any subsidiary corporation thereof, as the case may be (which consent shall be presumed in the case of normal retirement) or voluntarily by the Holder and Holder accepts employment with a competitor of the Company, the Option and all rights of the Holder hereunder, to the extent not theretofore exercised, shall forthwith terminate immediately upon such termination. Nothing in this Agreement shall confer upon the Holder any right to continue in the employ or service of the Company or any subsidiary of the Company or affect the right of the Company or any subsidiary to terminate his employment or service at any time.

3. If the Holder shall (a) die while he is employed by or serving the Company or a corporation which is a subsidiary thereof or within three months after the termination of such position (other than termination for cause, or voluntarily on his part and without the Consent of the Company or subsidiary corporation thereof, as the case may be, which consent shall be presumed in the case of normal retirement or voluntarily by the Holder and Holder accepts employment with a competitor of the Company), or (b) become permanently and totally disabled within the meaning of Section 22 (e) (3) of the Internal Revenue Code of 1986, as amended (the "Code"), while employed by or serving any such company, and if the Option was otherwise exercisable, immediately prior to the occurrence of such event, then such Option may be exercised as set forth herein by the Holder or by the person or persons to whom the Holder's rights under the Option pass by will or applicable law, or if no such person has such right, by his executors or administrators, at any time within one year after the date of death of the original Holder, or one year after the date of permanent or total disability, but in either case, not later than the Expiration Date.

4. (a) The Holder may exercise the Option with respect to all or any part of the shares then purchasable hereunder by giving the Company written notice in the form annexed, as provided in paragraph 8 hereof, of such exercise. Such notice shall specify the number of shares as to which the Option is being exercised and shall be accompanied by payment in full in cash of an amount equal to the exercise price of such shares multiplied by the number of shares as to which the Option is being exercised; provided that, if permitted by the Board, the purchase price may be paid, in whole or in part, by surrender or delivery to the Company of securities of the Company having a fair market value on the date of the exercise equal to the portion of the purchase price being so paid. In such event fair market value should be determined pursuant to the Plan.

(b) The Holder shall, upon notification of the amount due, pay promptly any amount necessary to satisfy applicable federal, state or local tax requirements. In the event such amount

is not paid promptly, the Company shall have the right to apply from the purchase price paid any taxes required by law to be withheld by the Company with respect to such payment and the number of shares to be issued by the Company will be reduced accordingly.

5. Notwithstanding any other provision of the Plan, in the event of a change in the outstanding shares of the Company by reason of a stock dividend, split-up, split-down, reverse split, recapitalization, merger, consolidation, combination or exchange of shares, spin-off, reorganization, liquidation or the like, then the aggregate number of shares and price per unit subject to the Option shall be appropriately adjusted by the Board, whose determination shall be conclusive.

6.

7. This Option shall be nontransferable and shall not be assignable, alienable, saleable or otherwise transferable by the Holder other than by will or the laws of descent and distribution except pursuant to a domestic relations order entered by a court of competent jurisdiction. During the life of the Holder, this Option shall be exercisable only by him. Notwithstanding the foregoing, to the extent the Option is deemed a Non-Qualified Stock Option, the Holder shall be permitted to transfer such Option to family members or family trusts established by the Holder. Except as otherwise provided for herein, in the event that the Holder terminates employment with the Company to assume a position with a governmental, charitable, educational or similar non-profit institution, the Holder may nominate a third party, including but not limited to a "blind" trust, to act on behalf or and for the benefit of the Holder with respect to the Option. In addition, the Holder may designate a beneficiary or beneficiaries to exercise the rights of the Holder and receive any distributions upon the death of the Holder.

8. Neither the Holder nor in the event of his death, any person entitled to exercise his rights, shall have any of the rights of a member with respect to the shares subject to the Option until shares have been registered in the name of the Holder or his estate, as the case may be.

9. Any notice to the Company provided for in this Agreement shall be addressed to the Company in care of its Chairman, Michael Gales, and any notice to the Holder shall be addressed to his at his address now on file with the Company, or to such other address as either may last have designated to the other by notice as provided herein. Any notice so addressed shall be deemed to be given on the second business day after mailing, by registered or certified mail, at a post office or branch post office within the United States.

10. In the event that any question or controversy shall arise with respect to the nature, scope or extent of any one or more rights conferred by this Option, the determination by the Board, or if one had been appointed, the Committee (as constituted at the time of such determination) of the rights of the Holder shall be conclusive, final and binding upon the Holder and upon any other person who shall assert any right pursuant to this Option.

GALES INDUSTRIES INCORPORATED

By:

Name: Peter Rettaliata
Title: Chief Executive Officer

ACCEPTED AND AGREED:

- --------------------
JOSEPH COONAN

FORM OF NOTICE OF EXERCISE

TO: GALES INDUSTIRES INCORPORATED

The undersigned hereby exercises his option to purchase _____ shares of Common Stock of Gales Industries Incorporated (the "Company") as provided in the Stock Option Agreement dated as of _____, ___ at $_____ per share, a total of $_____ and makes payment therefor as follows:

10.1 To the extent of $_____ of the purchase price, the undersigned hereby surrenders to the Company certificates for shares of its Common Stock which, valued at $_____ per share, the fair market value thereof, equals such portion of the purchase price.

10.2 To the extent of the balance of the purchase price, the undersigned has enclosed a check payable to the order of the Company for $_____.

A stock certificate or certificate for the shares should be delivered in person or mailed to the undersigned at the address shown below.

The undersigned hereby represents and warrants that it is his present intention to acquire and hold the aforesaid shares of Common Stock of the Company for his own account for investment, and not with a view to the distribution of any thereof, and agrees that he will make no sale, thereof, except in compliance with the applicable provisions of the Securities Act of 1933, as amended.

Signature:
Address:

Dated:
