

07-22-1999



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RECORDATION FORM COVER SHEET  
TRADEMARKS ONLY

TO: The Commissioner of Patents and Trademarks: Please record the attached original document(s) or copy(ies).

Submission Type

- ☒ New
- ☐ Resubmission (Non-Recordation)  
Document ID #
- ☐ Correction of PTO Error  
Reel #  Frame #
- ☐ Corrective Document  
Reel #  Frame #

Conveyance Type

- ☐ Assignment ☐ License
- ☒ Security Agreement ☐ Nunc Pro Tunc Assignment
- ☐ Merger
- ☐ Change of Name
- ☐ Other
- Effective Date  
Month Day Year  
 06 24 99

Conveying Party

☐ Mark if additional names of conveying parties attached

Execution Date  
Month Day Year

Name  Stonewall Kitchen, Ltd.

06 24 99

Formerly

- ☐ Individual ☐ General Partnership ☐ Limited Partnership ☒ Corporation ☐ Association
- ☐ Other
- ☐ Citizenship/State of Incorporation/Organization  Maine

Receiving Party

☐ Mark if additional names of receiving parties attached

Name  Citizens Bank New Hampshire

DBA/AKA/TA

Composed of

Address (line 1)  134 Pleasant Street

Address (line 2)

Address (line 3)  Portsmouth

City

New Hampshire

State/Country

03801

Zip Code

- ☐ Individual ☐ General Partnership ☐ Limited Partnership
- ☐ Corporation ☐ Association
- ☒ Other  Financial Institution

☐ Citizenship/State of Incorporation/Organization

If document to be recorded is an assignment and the receiving party is not domiciled in the United States, an appointment of a domestic representative should be attached. (Designation must be a separate document from Assignment.)

FOR OFFICE USE ONLY

07/21/1999 MTHA11 00000190 74536405

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40.00 DP

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Mail documents to be recorded with required cover sheet(s) information to:  
Commissioner of Patents and Trademarks, Box Assignments, Washington, D.C. 20231

TRADEMARK  
REEL: 001932 FRAME: 0061

**Domestic Representative Name and Address**

Enter for the first Receiving Party only.

Name

Address (line 1)

Address (line 2)

Address (line 3)

Address (line 4)

**Correspondent Name and Address**

Area Code and Telephone Number (603)-430-5569

Name Gary J. Barr, Vice President

Address (line 1) Citizens Bank New Hampshire

Address (line 2) 134 Pleasant Street

Address (line 3) Portsmouth, NH 03801

Address (line 4)

**Pages**

Enter the total number of pages of the attached conveyance document including any attachments.

# 47

**Trademark Application Number(s) or Registration Number(s)**

☐ Mark if additional numbers attached

Enter either the Trademark Application Number or the Registration Number (DO NOT ENTER BOTH numbers for the same property).

Trademark Application Number(s)

Registration Number(s)


74/536405		

**Number of Properties**

Enter the total number of properties involved.

#

**Fee Amount**

Fee Amount for Properties Listed (37 CFR 3.41):

\$ 40.00

Method of Payment:

Enclosed ☒

Deposit Account ☐

Deposit Account

(Enter for payment by deposit account or if additional fees can be charged to the account.)

Deposit Account Number:

#

Authorization to charge additional fees:

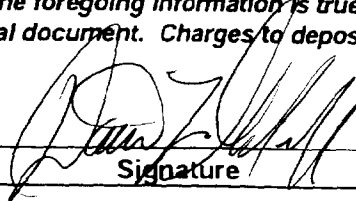
Yes ☐ No ☐

**Statement and Signature**

To the best of my knowledge and belief, the foregoing information is true and correct and any attached copy is a true copy of the original document. Charges to deposit account are authorized, as indicated herein.

DAVID L. GALGAY JR.

Name of Person Signing



Signature

7-16-89

Date Signed

AMENDED AND RESTATED MASTER LOAN AND SECURITY AGREEMENT

by and between

CITIZENS BANK NEW HAMPSHIRE

and

STONEWALL KITCHEN, LIMITED

and

STONEWALL REALTY LLC

Dated as of June 24, 1999

## TABLE OF CONTENTS

1. <u>SECURITY INTEREST</u>	1
2. <u>OBLIGATIONS SECURED</u>	2
3. <u>BORROWER'S PLACES OF BUSINESS AND INVENTORY LOCATIONS AND RETURNS POLICY</u>	3
4. <u>BORROWER'S ADDITIONAL REPRESENTATIONS AND WARRANTIES</u>	3
6. <u>EQUIPMENT LINE OF CREDIT</u>	12
7. <u>[INTENTIONALLY OMITTED]</u>	14
8. <u>BANK'S REPORTS</u>	14
9. <u>[INTENTIONALLY OMITTED]</u>	14
10. <u>COLLECTIONS; SET OFF; NOTICE OF ASSIGNMENT; EXPENSES;</u>	14
11. <u>FINANCING STATEMENTS</u>	16
12. <u>BORROWER'S REPORTS</u>	17
13. <u>GENERAL AGREEMENTS OF BORROWER</u>	19
14. <u>BORROWER'S NEGATIVE COVENANTS</u>	24
15. <u>DEFAULT</u>	27
16. <u>PROCESSING AND SALES OF INVENTORY</u>	32
17. <u>JURY TRIAL WAIVER</u>	32
18. <u>CONSENT TO JURISDICTION</u>	33
19. <u>TERMINATION AND EXPIRATION NOT TO AFFECT BANK'S RIGHTS</u>	33
20. <u>MISCELLANEOUS</u>	33

## SCHEDULES

# CITIZENS BANK NEW HAMPSHIRE

## MASTER LOAN AND SECURITY AGREEMENT

Portland, Maine

Dated as of June 24, 1999

1. SECURITY INTEREST. STONEWALL KITCHEN, LIMITED, a Maine corporation with its principal place of business in York, Maine ("SK") and STONEWALL REALTY LLC, a Maine limited liability company with its principal place of business in York, Maine ("SR") (SK and SR are collectively referred to herein, jointly and severally, as "Borrower") for valuable consideration, the receipt and sufficiency of which are hereby acknowledged, hereby assigns, transfers and sets over to CITIZENS BANK NEW HAMPSHIRE, which is organized under the laws of New Hampshire, with a place of business in Maine at One Hundred Middle Street, Portland, Maine, being the secured party hereunder (hereinafter, together with its successors and assigns hereunder, called the "Bank"), and grants a continuing security interest to Bank in, (A) Borrower's inventory, including all goods, merchandise, raw materials, goods or work in process, finished goods, all goods used or consumed or intended to be used or consumed in the course of Borrower's business, and other tangible personal property and all goods held for sale or lease or furnished or to be furnished under contracts of service or used or consumed in Borrower's business, all whether now owned or hereafter acquired or now or hereafter placed on consignment, and wherever located, (all hereinafter called the "Inventory"), (B) all accounts (as now and hereafter defined in the Uniform Commercial Code, hereinafter called "Accounts") of Borrower, and, to the extent not included within Accounts, all of Borrower's contracts, contract rights, accounts receivable, notes, bills, drafts, acceptances, deposits, deposit accounts and general intangibles (including without limitation all of Borrower's tradenames, logos, franchises and licenses, customer lists, goodwill, computer programs, computer records, computer software, computer data, service contracts, trade secrets, trademarks, servicemarks, copyrights, patents, licenses, certificates of authority, uncertified securities, ledger cards and sheets, files, records, books of account, data processing records relating to any Accounts and all tax refunds of every kind and nature to which Borrower is now or hereafter may become entitled, and all other refunds, regardless of how the same may arise), (C), to the extent not included within Accounts, all of Borrower's instruments, negotiable instruments, documents, negotiable documents, chattel paper, choses in action, and all other debts, obligations and liabilities in whatever form and of whatever nature, owing to Borrower from any person, firm or corporation or from any other legal entity, all whether now existing or hereafter arising, now or hereafter received by or belonging or owing to Borrower, for goods sold or to be sold by Borrower or for services rendered or to be rendered by Borrower, or however otherwise the same may have been established or created, and all guarantees, liens and security therefor, and all right, title and interest of Borrower in the merchandise or services which gave rise thereto, including the rights of reclamation and stoppage in transit, all rights to replevy goods, and all rights of an unpaid seller of merchandise or services, (D) all moneys, securities and other property (and the proceeds thereof) now or hereafter held or received by, or in transit to Bank, from or for Borrower, whether for safekeeping, pledge, custody, transmission, collection or otherwise and all credits and balances of Borrower with

Bank at any time existing, (E) all of Borrower's machinery, equipment furniture, furnishings, trade fixtures, motor vehicles, and other goods (as defined in Article 9 of the Uniform Commercial Code) and all of Borrower's other tangible personal property (to the extent not included within Inventory) all whether now owned or hereafter acquired, and wherever located, as well as all of Borrower's right, title and interest in and to any such goods as may be now or hereafter held or used by Borrower under any lease, lease-purchase, conditional sales, use or other agreements under which Borrower is or may become entitled to the use and possession thereof, with any and all other rights and benefits flowing from or under such agreements, all as may be used, useful or bought for use in connection with the ownership and/or operation of Borrower's business, and any operations incidental to or associated with the same, or otherwise, and all service contracts relating to any of the foregoing, all whether now owned or hereafter acquired and wherever located, together with all replacements and substitutions therefor and all additions and accessions thereto and all proceeds and products thereof, and (F) all products and proceeds of any of the foregoing, including, without limitation, all proceeds of credit, fire or other insurance, and also including, without limitation, all rents and profits resulting from the temporary use or possession of any of the foregoing (all of items A through F above, including all Inventory and Accounts, are hereinafter collectively called the "Collateral").

2. OBLIGATIONS SECURED. The security interest granted hereby is to secure payment and performance of all debts, liabilities and obligations of any Borrower to Bank under this Agreement and the documents related hereto, as the same may be amended or modified from time to time, the obligations of SR to Bank's affiliate Citizens Bank of Rhode Island under the Letter of Credit and Reimbursement Agreement dated as of June 1, 1999, as the same may be amended or modified from time to time, and also any and all other debts, liabilities and obligations of any Borrower to Bank or Citizens Bank of Rhode Island, of every kind and description, direct or indirect, absolute or contingent, primary or secondary, due or to become due, now existing or hereafter arising, whether or not such obligations are related to the transactions described in this Agreement, and whether or not such obligations are contemplated by the parties at the time of the granting of this security interest, regardless of how they arise or by what agreement or instrument they may be evidenced, and regardless of whether the same are evidenced by any agreement or instrument, including all obligations to perform acts and refrain from taking action as well as all obligations to pay money, specifically including within the obligations and liabilities secured hereby, without limitation, all obligations to pay interest, fees, charges, expenses and overdrafts, and also including, without limitation, all obligations and liabilities which Bank or Citizens Bank of Rhode Island may incur or become liable for, on account of, as a result of, or in any connection with any transactions between Bank or Citizens Bank of Rhode Island and any Borrower, including, without limitation, any which may arise out of any letter of credit, acceptance or similar instrument or obligation issued or incurred by Bank or Citizens Bank of Rhode Island for the account of any Borrower (all of the foregoing are hereinafter collectively called "Obligations").

3. BORROWER'S PLACES OF BUSINESS AND INVENTORY LOCATIONS AND RETURNS POLICY. (a) Borrower represents and warrants that Borrower has no places of business other than the place indicated at the end of this Agreement, unless other places of

business are listed on Schedule A, annexed hereto, in which event Borrower represents and warrants that it has additional places of business at those locations set forth on Schedule A and no others.

(b) Borrower represents and warrants that its only place of business (or, if Borrower has more than one, its chief executive office) and the office where Borrower keeps its records concerning its Accounts, contract rights and other property, is the place indicated by Borrower on the signature page of this Agreement. Borrower represents and warrants that all Inventory presently owned by Borrower, other than Inventory that consists of consigned items that have been so identified to Bank in writing, is stored at Borrower's place of business shown at the end of this Agreement, unless other Inventory locations are listed on Schedule A, annexed hereto, in which event Borrower represents and warrants that its Inventory is also located at the locations set forth on Schedule A and no others.

(c) Borrower will promptly notify Bank in writing of any change in the location of its chief executive office, or of any place of business or in the location of any Inventory or of the establishment of any new place of business or of any new location of Inventory or office where its records are kept.

(d) Borrower represents and warrants that it has described its returns policy to Bank and that it does now, and will continue to, apply such policy consistently in the conduct of its business and agrees that it shall notify Bank in writing before changing its policy or the application thereof in any material respect.

#### **4. BORROWER'S ADDITIONAL REPRESENTATIONS AND WARRANTIES.**

Borrower represents and warrants that:

(a) SK is a corporation duly organized, validly existing and in good standing under the laws of the State of Maine and shall hereafter remain in good standing as a corporation in that state, and SR is a limited liability company duly organized, validly existing and in good standing under the laws of the State of Maine, and shall hereafter remain in good standing as a limited liability company in that state, and each of SK and SR is duly qualified and in good standing in every other jurisdiction in which it is doing business other than any jurisdiction where the failure to so qualify will not have a material adverse effect on its financial condition, business or prospects, which other jurisdictions are listed on Schedule B, annexed hereto, and shall hereafter remain duly qualified and in good standing in every other jurisdiction in which, by reason of the nature or location of its assets or operations, such qualification may be necessary. Borrower has identified on Schedule C, annexed hereto, all of its subsidiaries and their respective jurisdictions of organization, addresses and the percentage of ownership. Each of Borrower's subsidiaries is a corporation duly organized, validly existing and in good standing under the laws of its jurisdiction of incorporation and shall hereafter remain in good standing as a corporation in that state, and is duly qualified and in good standing in every other jurisdiction in which it is doing business, which other jurisdictions are listed on Schedule B, annexed hereto, and shall hereafter remain duly qualified and in good standing in every other jurisdiction in which, by reason of the

nature or location of such subsidiary's assets or operations, such qualification may be necessary. None of Borrower's subsidiaries has any subsidiaries.

(b) Borrower's exact legal name is as set forth in this Agreement and Borrower will not undertake or commit to undertake any act which will result in a change of Borrower's legal name, without giving Bank at least thirty (30) days' prior written notice of the same. In addition to its exact legal name, SK conducts business under the name "Stonewall Kitchen". Borrower does not conduct business under any other name, and will not do so without giving Bank at least thirty (30) days' prior written notice of the same.

(c) The execution, delivery and performance of this Agreement, and of any other documents executed in connection herewith, are within Borrower's corporate or limited liability company powers, have been duly authorized, are not in contravention of law or the terms of Borrower's charter, by-laws, operating agreement or other organizational papers, or of any indenture, agreement or undertaking to which Borrower is a party or by which it or any of its properties may be bound.

(d) All Articles of Incorporation of SK, and all amendments thereto, have been duly filed and are in proper order. All capital stock, or member interests, as the case may be, issued by Borrower and outstanding was and is properly issued and all books and records of Borrower, including but not limited to its minute books, by-laws, stock registers and books of account, are all accurate and up to date and will be so maintained. The current shareholders of SK, and members of SR, showing in each case the number and type of shares or other equity interests held, are listed on Schedule D, there is no treasury stock or authorized but unissued stock of SK, except as set forth on Schedule D.

(e) Borrower owns all of the assets reflected in its most recent financial statements provided to Bank, except assets sold or otherwise disposed of in the ordinary course of business since the date thereof, and such assets together with any assets acquired since such date, including without limitation the Collateral, are free and clear of any lien, pledge, security interest, charge, mortgage or encumbrance of any nature whatsoever, except only (i) the liens, security interests and other encumbrances listed on Schedule E annexed hereto, (ii) those leases (if any) set forth on Schedule E annexed hereto, (iii) landlords', carriers', warehousemen's, mechanics' and other similar liens arising by operation of law in the ordinary course of Borrower's business; (iv) liens arising out of pledge or deposits under worker's compensation, unemployment insurance, old age pension, social security, retirement benefits or other similar legislation; (v) purchase money liens arising in the ordinary course of business (so long as the indebtedness secured thereby does not exceed the lesser of the cost or fair market value of the property subject thereto, and so long as such lien extends to no other property) and (vi) liens and security interests in favor of Bank or consented to in writing by Bank (collectively, the "Permitted Liens").

(f) Borrower has made or filed all tax returns, reports and declarations relating to any material tax liability required by any jurisdiction to which it is subject (any tax liability which may result in a lien on any Collateral being hereby deemed material); has paid all taxes shown or



determined to be due thereon except those being diligently contested in good faith and which it has, prior to the date of such contest, identified in writing to Bank as being contested; and has made adequate provision for the payment of all taxes so contested, so that no lien will encumber any Collateral, and in respect of subsequent periods.

(g) Borrower (i) is subject to no charter, corporate or other legal restriction, or any judgment, award, decree, order, governmental rule or regulation or contractual restriction which could have a material adverse effect on its financial condition, business or prospects, and (ii) is in compliance with its organizational documents and by-laws, all contractual requirements by which it or any of its properties may be bound and all applicable laws, rules and regulations (including without limitation those relating to environmental protection) other than laws, rules or regulations (i) the validity or applicability of which it is diligently contesting in good faith and which it has, prior to the date of such contest, identified in writing to Bank as being contested, or (ii) the failure to comply with which cannot reasonably be expected to materially adversely affect its financial condition, business or prospects or the value of any Collateral and which cannot result in a lien on any Collateral.

(h) There is no action, suit, proceeding or investigation pending or, to its knowledge, threatened against or affecting Borrower or any of its assets which, if determined adversely to it, would or could have a material adverse effect on its financial condition, business or prospects or the value of any Collateral or result in a lien on any Collateral, except as set forth on Schedule F.

(i) Borrower is in compliance with ERISA with respect to any Plan; no Reportable Event has occurred and is continuing with respect to any Plan; and it has no unfunded vested liability under any Plan. The word "Plan" as used in this Agreement means any employee plan subject to Title IV of the Employee Retirement Income Security Act of 1974, as amended, ("ERISA") maintained for employees of Borrower, any subsidiary of Borrower or any other trade or business under common control with Borrower within the meaning of Section 414(c) of the Internal Revenue Code of 1986, as amended, or any regulations thereunder.

(j) Borrower has taken all necessary action to assess, evaluate and correct all of the hardware, software, embedded microchips and other processing capabilities it uses, directly or indirectly, to ensure that it will be able to function accurately and without interruption or ambiguity using date information before, during and after January 1, 2000.

## 5. ASSET-BASED REVOLVER

(a) Revolving Line of Credit: Subject to the terms and provisions of this Agreement, Bank hereby establishes a revolving line of credit in SK's favor in the maximum amount set forth below, (hereafter the "Revolving Line of Credit"). Bank shall, from the date hereof until May 31, 2000, (if not sooner demanded), make advances to SK in accordance with the terms hereof, all of which advances shall be payable on demand and are and shall be secured by all Collateral and including proceeds of any thereof. SK shall pay interest monthly, in arrears, on the outstanding principal balance of the Revolving Line of Credit. Without limiting the demand feature of any

loans that Bank does make under the Revolving Line of Credit, SK agrees that the aggregate unpaid principal of all advances outstanding at any one time under the Revolving Line of Credit shall not exceed the lesser of (i) the Borrowing Base (as defined in Section 5(g)) and (ii) the Maximum Availability. The term "Maximum Availability" as used herein shall mean Two Million Five Hundred Thousand Dollars (\$2,500,000). All such advances shall bear interest upon the principal sum thereof from time to time advanced, computed at a fluctuating interest rate equal to the rate of interest published in The Wall Street Journal as the Prime Rate or the base rate on corporate loans posted by at least 75% of the nation's 30 largest banks, as it may vary (the "Base Rate"), SUBJECT TO CHANGE OF RATE in accordance with changes in the Base Rate, such adjustments in rate to be made automatically and to be effective immediately with all changes in the Base Rate. Furthermore, SK has entered into a Cash Management Agreement with Bank which makes provision for automatic advances and repayments under this Revolving Line of Credit and such agreement is currently in full force and effect and shall continue in effect in accordance with its terms and conditions.

(b) Use of Proceeds; Application to Amounts Due: SK shall use loan proceeds for general working capital purposes and for no other purposes. SK hereby authorizes and directs Bank, in Bank's sole discretion (provided, however, Bank shall have no obligation to do so), (i) to pay accrued interest as the same becomes due and payable pursuant to this Agreement or pursuant to any note or other agreement between SK and Bank, and to treat the same as an advance to SK which shall be added to SK's loan balance pursuant to this Agreement; and/or (ii) to apply any Collateral that is in the form of funds, and the proceeds of any Collateral, including without limitation, payments on Accounts, and other payments from sales or leasing of Inventory, and any other funds, to the payment of such items or to the payment of any other amounts then due from SK to Bank.

(c) Minimum Amount: SK agrees that any request for advances under this Revolving Line of Credit shall be at least \$100,000 if such advance is a LIBOR Loan.

(d) Interest Rate Option:

(i) At the option of SK and subject to the terms and conditions hereinafter set forth, SK may elect from time to time to have the interest rate applicable to one or more advances hereunder be the LIBOR Rate, or to convert any outstanding Loan to a Loan of another Type, provided that (i) with respect to any such election, or conversion of a Loan to a LIBOR Loan, SK shall give the Bank prior notice of such election (which notice must be received by Bank prior to 11:00 a.m. Portland, Maine time); and (ii) no such election of a LIBOR Loan or conversion to a LIBOR Loan may be made when any Event of Default has occurred and is continuing. All or any part of an outstanding Loan of any Type may be converted as provided herein. Each request relating to a LIBOR Loan shall be irrevocable by the SK.

(ii) Any Loans of any Type may be continued as such upon the expiration of an Interest Period with respect thereto by compliance by SK with the notice provisions contained

herein; provided that no LIBOR Loan may be continued as such when any Event of Default has occurred and is continuing, but shall be automatically converted to a Base Rate Loan on the last day of the Interest Period relating thereto.

(iii) In the event that SK does not notify the Bank of its election hereunder with respect to any Loan, such Loan shall be automatically renewed as a Loan of the same Type at the end of the applicable Interest Period.

(iv) Unless sooner demanded, all interest on LIBOR Loans shall be paid monthly.

(v) SK may provide notice of its election hereunder in writing or by telephone, provided, however, that any telephonic notice shall follow such procedures as Bank may require and Bank shall have no duty to confirm the authority of a person making a telephonic request.

(vi) If any Legal Requirement imposed after the date hereof shall make it unlawful for Bank to fund through the purchase of U.S. dollar deposits during any Interest Period, or otherwise to give effect to its obligations as contemplated hereby, including utilizing the LIBOR interest rate as an index for calculation of the interest rates or shall impose on Bank any costs based on or measured by the excess above a specified level of the amount of a category of deposits or other liabilities of Bank which includes deposits by reference to which the LIBOR Rate is in part determined as provided herein or a category of extensions of credit or other assets of Bank which include the Revolving Line of Credit, or shall impose on Bank any restrictions on the amount of such a category of liabilities or assets which Bank may hold, (a) Bank, by written notice thereof to SK, may terminate the LIBOR Rate option, (b) the Loans shall immediately bear interest thereafter at Base Rate.

(vii) The calculation of all amounts payable to Bank under this Section shall be made as though Bank actually funded the Loan through the purchase of a deposit in the London interbank market bearing interest at the LIBOR Rate in an amount equal to the Loan and having a maturity comparable to the Interest Period and through the transfer of such deposit from an offshore office of Bank to a domestic office of Bank in the United States of America; provided, however, that Bank may fund its Loan in any manner it sees fit and the foregoing assumption shall be utilized solely for the calculation of amounts payable hereunder.

(e) Prepayment of Loans: SK shall have the right at any time to prepay any Loan without premium or penalty, provided that any amount prepaid shall be accompanied by accrued interest on the principal repaid to the date of payment. Such optional prepayment privilege is in addition to, and not in substitution of, any repayment of principal required or otherwise contemplated under this Agreement. SK may provide notice of its election hereunder in writing or by telephone, provided, however, that any telephonic notice shall follow such procedures as Bank may require and Bank shall have no duty to confirm the authority of a person making a telephonic request.

(f) Loan Request Procedure: SK may request Loans hereunder on any Business Day, provided there is then no Event of Default hereunder; and further provided that SK shall give Bank prior notice (which notice must be received by Bank prior to 11:00 a.m. Portland, Maine time) on the day of the requested advance date specifying: (i) the amount to be borrowed, (ii) the requested borrowing date, and (iii) whether the borrowing is to be a Base Rate Loan, a LIBOR Loan, or a combination thereof (and if so, in what proportions). SK may provide notice of its election hereunder in writing or by telephone, provided, however, that any telephonic notice shall follow such procedures as Bank may require and Bank shall have no duty to confirm the authority of a person making a telephonic request. If SK's request fails to specify whether a request is for a LIBOR Loan or a Base Rate Loan, it shall be deemed a request for a Base Rate Loan. If SK fails to request the maintenance of an existing LIBOR Loan prior to the end of the Interest Period for such LIBOR Loan in accordance with the procedure set forth herein, then SK shall be deemed to have requested that such LIBOR Loan be renewed as a LIBOR Loan.

(g) Certain Definitions: The following terms used in Section 5, and in any notes or other documents relating thereto, shall have the following meanings:

"Base Rate Loans" means any Loans for which the interest rate is based on the Base Rate.

"Borrowing Base" means at the relevant time of reference thereto, an amount determined by the Bank by reference to the most recent Borrowing Base Certificate, which is equal to the sum of:

(i) 80% of Eligible Receivables minus 100% of any amounts owing from SK to such trade creditors under open accounts terms; plus

(ii) 50% of Eligible Inventory consisting of new finished goods and new unused packaging inventory, but not more than \$750,000 may be borrowed against Eligible Inventory collateral.

The Borrowing Base formula set forth above is intended solely for monitoring purposes. The making of any loans, advances, or credits by Bank to SK in excess of the above described Borrowing Base formula and/or in excess of the Maximum Availability is for the benefit of SK and does not and shall not affect any obligations of SK hereunder; all such loans constitute Obligations and must be repaid by SK in accordance with the terms hereof and in accordance with the terms of any demand notes and other documents evidencing the same.

"Borrowing Base Certificate" means a certificate submitted to Bank by SK, in form and substance satisfactory to Bank, in accordance with Section 12(d), in order to provide Bank with the information necessary to calculate the Borrowing Base.

"Business Day" means any day other than a Saturday, Sunday or legal holiday on which banks in Portland, Maine and Boston, Massachusetts are open for the conduct of a substantial part of their commercial banking business. With respect to a LIBOR Loan, the definition shall

also include a day in which dealings may be effected in deposits of U.S. dollars in the London interbank foreign currency deposits markets and on which banks may conduct business in London, England.

"Eligible Inventory" means with respect to SK, at the relevant time of reference thereto, the lower of cost or fair market value of all Inventory owned by SK which is held for sale, provided that Eligible Inventory shall not include any inventory (a) held on consignment, or not otherwise owned by SK, or a type no longer sold by SK, (b) which has been returned by a customer or is damaged or subject to any legal encumbrance other than Permitted Liens, (c) which has been shipped to a customer of SK regardless of whether such shipment is on a consignment basis, or (d) which in the reasonable judgment of Bank is obsolete or not marketable.

"Eligible Receivables" means Accounts belonging to SK that are aged ninety (90) days or less, in which Bank has a perfected first security interest, and that satisfy each of the following criteria:

(i) The Account arose from a bona fide outright sale of goods or for services performed under an enforceable contract, and such goods have been shipped to the appropriate account debtor, or the sale has otherwise been consummated, or the services have been performed for the appropriate account debtor, or the sale has otherwise been consummated, or the services have been performed for the appropriate account debtor in accordance with such order or contract, and also including Accounts arising in respect of a sale of goods or services performed in connection with a contract to be completed in stages and requiring or permitting periodic payments;

(ii) The title to each account is SK's, and such title is absolute and not subject to any prior assignment, claim, lien or security interest;

(iii) The amount shown on the books of SK and on any invoice or statement delivered to the Bank is owing to SK, and no partial payment has been made thereon by anyone which is not otherwise shown on the books of SK;

(iv) Any portion of the Account which is subject to any claim of reduction, counterclaim, set-off, recoupment, or any claim for credits, allowances or adjustments by the account debtor because of returned, inferior or damaged goods or unsatisfactory services or for any other reason shall not be considered Eligible Receivables, but only to the extent of such claim, set-off, adjustment or recoupment;

(v) The account debtor has not returned or refused to retain any of the goods from the sale of which the Account arose;

(vi) The Account is due and payable not more than ninety (90) days from the date of the delivery of the goods or performance of the services therefor;

(vii) No Account arises out of a contract with or order from an account debtor that, by its terms, forbids or makes the assignment of that Account to the Bank void and unenforceable;

(viii) SK has not received any note, trade acceptance, draft or other instrument with respect to or in payment of the Account, or any chattel paper with respect to the goods or inventory giving rise to the Account;

(ix) SK has not received any notice of the death of the account debtor or a partner thereof, nor of the dissolution, termination of existence, insolvency, business failure, appointment of a receiver for any part of the property of, assignment for the benefit of creditors by, or the filing of a petition in bankruptcy or the commencement of any proceeding under any bankruptcy or insolvency laws by or against the account debtor;

(x) Such Receivable is not a Foreign Receivable (unless secured by a letter of credit acceptable to Bank or which are supported by site drafts acceptable to Bank which are aged under 30 days from date of invoice);

(xi) Is not a Government Receivable unless the provisions of the Federal Assignment of Claims Act are met and proof thereof delivered to the Bank;

(xii) Is not accrued advertising allowances;

(xiii) Is not a receivable arising in or otherwise connected with a jurisdiction, the laws of which (in the reasonable opinion of counsel to the Bank) would result in the Bank being unable to obtain a perfected security interest in such receivable and to realize upon such receivable in exercising its rights hereunder in a manner substantially comparable to the remedies available to the Bank under the Uniform Commercial Code, unless there is an acceptable letter of credit covering the Receivable or the Receivable is protected by credit insurance which has been duly assigned to the Bank.

(xiv) Is not otherwise unacceptable in the reasonable judgment of Bank.

"**Foreign Receivable**" means a Receivable owned by an account debtor which is a citizen of other than the United States, its territorial possessions, or which does not reside or have a place of business in the United States or its territorial possessions.

"**Government Receivables**" means Receivables arising out of contracts with or sales to the United States or any department, agency or instrumentality thereof.

"**Interest Period**" means (i) in the event that interest is calculated at the Base Rate, the Interest Period shall be one (1) day, and (ii) in the event that interest is calculated at the LIBOR Rate, the Interest Period shall be a period commencing on the date so designated by SK in its irrevocable written notice to Bank and ending 30 days thereafter; provided that:

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

(b) any Interest Period that begins on the last Business Day of a calendar month (or on a day for which there is no numerically corresponding day in the calendar month at the end of such Interest Period) shall end on the last Business Day of the calendar month at the end of such Interest Period; and

(c) no Interest Period may extend beyond the final due date of the Revolving Line of Credit.

"Legal Requirements" means any requirement imposed upon the Bank by any law of the United States of America or the United Kingdom or by any regulation, order, interpretation, ruling or official directive (whether or not having the force of law) of the Board, the Bank of England or any other board, central bank or governmental or administrative agency, institution or authority of the United States of America, the United Kingdom or any political subdivision of either thereof.

"LIBOR" means the rate of interest per annum at which U.S. Dollar deposits of a principal amount substantially similar to the principal amount of the LIBOR Loan to be outstanding during such Interest Period applicable to such LIBOR Loan, for value and delivery on the first day of such Interest Period and for a period equal to such Interest Period, are offered by the Bank, in the London interbank market, as conclusively determined in good faith by the Bank.

"LIBOR Loans" means any Loans for which the interest rate is the LIBOR Rate.

"LIBOR Rate" means a fixed annual rate of interest equal to LIBOR (rounded upwards, if necessary, to the next higher 1/16 of 1%), plus Two and One Quarter Percent (2.25%) and Statutory Reserves.

"Loan" means a loan, sometimes referred to herein as an advance, made to the SK by the Bank pursuant to Section 5 of this Agreement, and "Loans" means all of such loans, collectively.

"Receivables" means and include all of any person's accounts, instruments, documents, chattel paper and general intangibles, whether secured or unsecured, whether now existing or hereafter created or arising, and whether or not specifically assigned to Bank.

"Statutory Reserves" means a fraction (expressed as a decimal), the numerator of which is the number one and the denominator of which is the number one minus the aggregate of the maximum reserve percentages (including, without limitation, any marginal, special, emergency or supplemental reserves), expressed as a decimal, established by the Board of Governors of the

Federal Reserve System of the United States (the "Board") and any other banking authority to which any lender is subject for Eurocurrency Liabilities (as defined in Regulation D of the Board). Such reserve percentages may include, without limitation, those imposed under such Regulation D. LIBOR Loans may be deemed to constitute a Eurocurrency Liability and as such may be deemed to be subject to such reserve requirements without benefit of or credit for proration, exceptions or offsets which may be available from time to time to Lender under such Regulation D. Statutory Reserves shall be adjusted automatically on and as of the effective date of any change in any reserve percentage.

"Type" means, with respect to Loans, its nature as a Base Rate Loan or a LIBOR Loan.

## 6. EQUIPMENT LINE OF CREDIT.

(a) Advances; Minimum Advances. For so long as no Event of Default has occurred and is continuing hereunder, Bank, from the date hereof until April 20, 2000, or if sooner, the date that SK notifies Bank in writing (which SK agrees promptly to do) that a certificate of occupancy has been issued for SK's new manufacturing facility in York, Maine (whichever date first occurs being the "Conversion Date"), agrees to make advances to SK under a line of credit, provided that the aggregate amount advanced under such line of credit (including all amounts advanced under the Agreement that this Agreement amends and restates) shall not exceed One Million One Hundred Thousand Dollars (\$1,100,000) (the "Equipment Line of Credit"). Advances that Bank makes hereunder shall be in a minimum amount of \$10,000.00 and shall be for an amount equal to 100% of the invoiced amount of the equipment being purchased by SK, or, for equipment already in SK's possession, 100% of appraised value (on an orderly liquidation basis) as determined by Bank in its reasonable judgment. Any such advances shall be made subject to SK's compliance with Bank's draw-down requirements and the requirements hereof, at the time of SK's request, and shall be payable as set forth below and secured by all Collateral.

(b) Interest Rate; Conversion to Term Loan. The amount outstanding under the Equipment Line of Credit shall bear interest, payable monthly in arrears, at the annual rate of interest published in The Wall Street Journal as the Prime Rate or the base rate on corporate loans posted by at least 75% of the nation's 30 largest banks, as it may vary (the "Base Rate"), SUBJECT TO CHANGE OF RATE in accordance with changes in the Base Rate, such adjustments in rate to be made automatically and to be effective immediately with all changes in the Base Rate; provided, however, that on the Conversion Date the principal amount then outstanding under the Equipment Line of Credit shall be converted to a term loan (the "Equipment Term Loan") with a four-year amortization schedule and a due date of four years after the Conversion Date, and the interest rate applicable to the Equipment Term Loan shall be a fixed annual rate equal to the greater of (i) Seven and One-Half Percent (7.5%) per annum, or (ii) the five-year Federal Home Loan Bank of Boston's Standard Amortization Rate (as in effect on the Conversion Date) plus two percent (2%) per annum.

(c) Repayment. Borrower shall make payments of interest on the outstanding principal balance of the Equipment Line of Credit, in arrears, commencing on July 1, 1999, and



continuing on the first of each month thereafter until the Conversion Date, when Borrower shall pay any accrued unpaid interest. Commencing on the first date of the first month after the Conversion Date, and continuing on the first of each month thereafter until the maturity date of the Equipment Term Loan, Borrower will make equal monthly payments of principal on the Equipment Term Loan, based on a four-year amortization schedule, together with payments of accrued unpaid interest. Borrower shall also prepay a portion of the outstanding principal amount of the Equipment Term Loan on or before April 30 of each year, commencing with April 30, 2000, in an amount equal to the excess, if any, of cash flow over the debt service coverage required by Section 14(b) for the period ending on the December 31 immediately prior to the April 30 on which such payment is due. Such prepayment using excess cash flow shall continue until Bank has notified Borrower in writing that Bank has determined, in its sole discretion, that there is adequate collateral for the Equipment Line of Credit. For purposes of the foregoing sentence, the term "adequate collateral" shall mean that the sum of (i) the aggregate principal amount outstanding or available to SK under this Section 6, plus (ii) the aggregate principal amount of the letter of credit issued by Citizens Bank of Rhode Island for the account of SR, is less than the sum of (i) eighty percent (80%) of the appraised value of the real property that is subject to the mortgage from SR to Citizens Bank of Rhode Island, plus (ii) one hundred percent (100%) of the lower of appraised value or cost of the equipment that is subject to the mortgage. Borrower shall also prepay a portion of the outstanding principal amount of the Equipment Term Loan on or before December 31, 1999, in an amount equal to the principal amount of a loan to be obtained by Borrower from the State of Maine or another source reasonably acceptable to Bank. Furthermore, Borrower may make additional prepayments using other resources so long as such prepayment is not in connection with a refinancing of the Equipment Line of Credit Loan with another lender. Any such prepayments shall be applied to the scheduled principal payments in inverse order of maturity. Any other prepayments, including any that occur as the result of a default by Borrower, shall be subject to the following prepayment fee which Borrower shall pay together with the principal amount of the Equipment Term Loan being prepaid:

<u>Prepayments Made During</u>	<u>Prepayment Fee</u>
Year 1	104%
Year 2	103%
Year 3	102%
Year 4	101%

(d) Purpose. SK shall use the proceeds from the Equipment Line of Credit for the financing for existing equipment and the acquisition of new and used equipment and for no other purposes. All of such equipment shall be kept at SK's place of business in York, Maine and shall be subject to the Bank's first perfected security interest.

7. [INTENTIONALLY OMITTED].

8. BANK'S REPORTS. After the end of each month, Bank will render to Borrower a statement of Borrower's loan account with Bank hereunder, showing all applicable credits and

debits. Each statement shall be considered correct and to have been accepted by Borrower and shall be conclusively binding upon Borrower in respect of all charges, debits and credits of whatsoever nature contained therein, and the closing balance shown therein, unless Borrower notifies Bank in writing of any discrepancy within thirty (30) days from the mailing by Bank to Borrower of any such monthly statement.

9. [INTENTIONALLY OMITTED].

10. COLLECTIONS; SET OFF; NOTICE OF ASSIGNMENT; EXPENSES; POWER OF ATTORNEY.

(a) At any time after Bank may request, Borrower will immediately upon receipt of all checks, drafts, cash and other remittances in payment of any Inventory sold, or in payment of or on account of Borrower's Accounts, contracts, contract rights, notes, bills, drafts, acceptances or obligations, deliver the same to Bank, accompanied by a remittance report in a form specified by Bank. Said proceeds shall be delivered in the same form received except for the endorsement of Borrower where necessary to permit collection of items, which endorsement Borrower agrees to make. Bank will credit (conditional upon final collection) all such payments against the amounts due in connection with the Obligations; provided, however, that Borrower shall be liable, with respect to any items requiring clearance or payment, for the applicable balance deficiency charge until final collection. The order and method of such application shall be in the sole discretion of Bank and any portion of such funds which Bank elects not to so apply shall be paid from time to time by Bank to Borrower. From and after an Event of Default, Bank shall have the right to apply such sums to any of the Obligations.

(b) Any and all deposits (whether demand or time deposits) and other sums at any time credited by or due, following an Event of Default, from Bank to Borrower shall at all times constitute additional security for the Obligations and may be set off against any Obligations at any time whether or not they are then due or other security held by Bank is considered by Bank to be adequate. Any and all instruments, documents, policies and certificates of insurance, securities, goods, accounts, choses in action, general intangibles, chattel paper, cash, property and the proceeds thereof (whether or not the same are Collateral, including proceeds thereof, hereunder) owned by Borrower or in which Borrower has an interest, which now or hereafter are at any time in the possession or control of Bank or in transit by mail or carrier to or from Bank or in the possession of any third party acting in Bank's behalf, without regard to whether Bank received the same in pledge, for safekeeping, as agent for collection or transmission or otherwise or whether Bank had conditionally released the same, shall constitute additional security for the Obligations and may be applied at any time to any Obligations which are then owing. Bank shall be entitled to presume, in the absence of clear and specific written notice to the contrary hereafter provided by Borrower to Bank, that any and all deposits maintained by Borrower with Bank are general accounts as to which no person or entity other than Borrower has any legal or equitable interest whatsoever.

(c) Bank or Bank's designee may at any time after the occurrence and during the continuation of an Event of Default notify any or all account debtors that the Accounts and the other Collateral have been assigned to Bank and that payments are to be made directly to Bank. Upon request of Bank at any time after an Event of Default, Borrower will so notify such account debtors and will indicate on all billings to such account debtors that their Accounts must be paid to Bank, and Borrower hereby directs all account debtors upon receipt of notice from Bank to make all payments directly to Bank, as directed in such notice. Bank shall have full power to collect, sue for, receive, compromise, endorse, sell or otherwise deal with the Accounts, including proceeds thereof, in its own name or in the name of Borrower.

(d) Borrower shall pay to Bank on demand any and all reasonable counsel fees and other expenses incurred by Bank in connection with the preparation, interpretation, enforcement, administration or amendment of this Agreement or of any documents relating hereto, and any and all reasonable expenses, including, but not limited to, a collection charge on all Accounts collected, all reasonable attorneys' fees and expenses, and all other reasonable expenses of like or unlike nature which may be expended by Bank to obtain or enforce payment of any Account either as against the account debtor, Borrower, or any guarantor or surety of Borrower or in the prosecution or defense of any action or concerning any matter growing out of or connected with the subject matter of this Agreement, the Obligations or the Collateral or any of Bank's rights or interests therein or thereto, including, without limiting the generality of the foregoing, any reasonable counsel fees or expenses incurred in any bankruptcy or insolvency proceedings and all costs and expenses incurred or paid by Bank in connection with the administration, supervision, protection or realization on any security held by Bank for the debt secured hereby, whether such security was granted by Borrower or by any other person primarily or secondarily liable (with or without recourse) with respect to such debt, and all costs and expenses incurred by Bank in connection with the defense, settlement or satisfaction of any action, claim or demand asserted against Bank in connection with the debt secured hereby, all of which amounts shall be considered advances to protect Bank's security, and shall be secured hereby. At its option, and without limiting any other rights or remedies, Bank may at any time pay or discharge any taxes, liens, security interests or other encumbrances at any time levied against or placed on any of the Collateral, and may procure and pay any premiums on any insurance required to be carried by Borrower, and provide for the maintenance and preservation of any of the Collateral, and otherwise take any action reasonably deemed necessary by Bank to protect its security, and all amounts expended by Bank in connection with any of the foregoing matters, including reasonable attorneys' fees, shall be considered obligations of Borrower and shall be secured hereby.

(e) Borrower does hereby make, constitute and appoint any officer or attorney of Bank, effective immediately upon any Event of Default and after any applicable cure or grace period (including a failure to pay upon demand any obligation that is a demand obligation), as Borrower's true and lawful attorney-in-fact, with power to endorse the name of Borrower or any of Borrower's officers or agents upon any notes, checks, drafts, acceptances, money orders, or other instruments of payment (including payments payable under any policy of insurance on the Collateral) or Collateral that may come into possession of Bank in full or part payment of any

amounts owing to Bank; to sign and endorse the name of Borrower or any of Borrower's officers or agents upon any invoices, freight or express bills, bills of lading, storage or warehouse receipts, drafts against debtors, assignments, verifications and notices in connection with any Accounts, and any instruments or documents relating thereto or to Borrower's rights therein; to give written notice to such office and officials of the United States Post Office to effect such change or changes of address so that all mail addressed to Borrower may be delivered directly to Bank; to receive, open and dispose of all mail addressed to Borrower or delivered to any address of Borrower, regardless of whether it should prove to be business, personal or other mail, to whomsoever addressed at any such address; to make, adjust and settle claims in connection with any insurance covering any of the Collateral, and to apply the proceeds thereof to the debt secured hereby, and to do all things necessary to carry out this Agreement; granting upon Borrower's said attorney full power to do any and all things necessary to be done in and about the premises as fully and effectually as Borrower might or could do, and hereby agreeing, upon request, to ratify and approve all that said attorney shall lawfully do or cause to be done by virtue hereof, provided, however, that no such ratification or approval shall be necessary to effectuate or validate any such actions. Bank may file one or more financing statements disclosing Bank's security interest without Borrower's signature appearing thereon, or Bank may sign Borrower's name thereon as said attorney-in-fact. Neither Bank nor the attorney shall be liable for any acts or omissions nor for any error of judgment or mistake, except for their gross negligence or willful misconduct. This power of attorney, being coupled with an interest, shall be irrevocable for the term of this Agreement and all transactions hereunder and thereafter as long as Borrower may be indebted to Bank.

11. FINANCING STATEMENTS. At the request of Bank made at any time and from time to time, Borrower will join with Bank in executing one or more Financing Statements pursuant to the Uniform Commercial Code or other notices appropriate under applicable law in form satisfactory to Bank and will pay the cost of filing the same in all public offices wherever filing is deemed by Bank to be necessary or desirable. A legible carbon, photographic or other reproduction of this Agreement shall be sufficient as a financing statement.

12. BORROWER'S REPORTS.

(a) Within thirty (30) days after the end of each month SK shall submit to Bank an aging report in form satisfactory to Bank showing the amounts due and owing on all Accounts according to SK's records as of the close of such month or such shorter period as may be required by Bank from time to time, together with such other information as Bank may require. If SK's monthly aging reports are prepared by an accounting service or other agent, Borrower hereby authorizes and directs such service or agent to deliver such aging reports and any other related documents to Bank upon any request therefor by Bank.

(b) Within thirty (30) days after the end of each month SK shall furnish to Bank a certificate describing all of SK's Inventory by value, based on the lower of cost or market value, listing all Inventory by nature, quantity and location, together with such other information as Bank may from time to time require.

(c) In addition, SK shall, from time to time, at Bank's request, deliver to Bank a Supplemental Assignment of Accounts on a form supplied by Bank containing a summary of Accounts created since this Agreement, or, if applicable, since the last Supplemental Assignment, and including a certificate concerning SK's inventory values with copies of invoices relating to said Accounts attached thereto. Bank's security interest in all of SK's Accounts shall continue whether or not any such Supplemental Assignments are requested or provided.

(d) Borrower shall deliver to Bank all documents listed below, as frequently as indicated below, or at such other times as Bank may request, and all other documents and information requested by Bank, whether or not the same are listed below, with such frequency as Bank may request:

<u>Document</u>	<u>Frequency Due</u>
Borrowing Base Certificate	Monthly, within 30 days after month-end (from SK only)
Financial statements	Quarterly, within thirty days after quarter-end on June 30, and September 31, 1999; thereafter, Monthly, by the 30th of the following month
Annual financial reports, in audited format from a firm of certified public accountants acceptable to Bank	Annually, within 120 days after year-end
Annual projections, in form satisfactory to Bank and with monthly detail	Annually, within 120 days after year-end
True and Complete Copy of Federal Income Tax Return	Annually, within 120 days after year-end

(e) The quarterly and monthly financial statements referred to above shall include a balance sheet as of the end of such period, and a statement of income and retained earnings for the period commencing at the end of the previous fiscal year and ending with the end of such period, and a statement of cash flows of Borrower, on a consolidated and consolidating basis, for the portion of the fiscal year ended with the last day of such month, all in reasonable detail and stating in comparative form the respective figures for the corresponding date and period in the previous fiscal year, and all prepared in accordance with generally accepted accounting principles consistently applied, and certified by the chief financial officer of Borrower (subject to year end adjustment).

(f) Borrower will furnish Bank, annually, as soon as available, and in any event within one hundred twenty (120) days after the end of each fiscal year of Borrower, a balance sheet as of

the end of such fiscal year, and a statement of income and retained earnings for such fiscal year, and a statement of cash flows for such fiscal year, on a consolidated and consolidating basis, all in reasonable detail and stating in comparative form the respective figures for the corresponding date and period in the prior fiscal year, and all prepared in accordance with generally accepted accounting principles consistently applied, accompanied by an opinion thereon acceptable to Bank by independent public accountants selected by Borrower and acceptable to Bank and with such independent public accountant's statement that they have reviewed the provisions of this Agreement in accordance with generally accepted accounting principles and that they have no knowledge of any event or condition which constitutes an Event of Default or which, after notice or expiration of any applicable grace period or both, would constitute such an Event of Default or, if they have such knowledge, specifying the nature and period of existence thereof, provided, however, that in issuing such statement, such accountants shall not be required to go beyond normal auditing procedures conducted in connection with their opinion.

(g) In addition to the foregoing, Borrower shall provide Bank promptly with such other and additional information concerning Borrower, the Collateral (including information relating to Inventory in which Bank does not have a perfected security interest), the operation of Borrower's business, and Borrower's financial condition, including financial reports and statements, as Bank may from time to time reasonably request from Borrower. Without limiting the generality of the foregoing, Borrower agrees that it shall cause each individual guarantor of any of the Obligations to provide to Bank a personal financial statement and a true and complete copy of their personal federal income tax return, in each case, as soon as the same are available and in no event later than April 15 of each year that any Obligations remain outstanding. Such financial statements shall be in a form satisfactory to Bank in its sole judgment. All financial information provided to Bank by Borrower shall be prepared in accordance with generally accepted accounting or auditing principles (as applicable) applied consistently in the preparation thereof and consistently with prior periods to fairly reflect the financial condition of Borrower at the close of, and its results of operations for, the periods in question.

### 13. GENERAL AGREEMENTS OF BORROWER.

(a) Borrower agrees to keep all the Inventory insured with coverage and in amounts not less than that usually carried by one engaged in a like business and in any event not less than that reasonably required by Bank, with loss payable to Bank and Borrower, as their interests may appear. Borrower agrees that the appointment of Bank as attorney in fact for Borrower set forth in 10(e) above shall allow Bank, after an Event of Default, to act on behalf of Borrower in obtaining, adjusting, settling and cancelling such insurance and endorsing any drafts. As further assurance for the payment and performance of the Obligations, Borrower hereby assigns to Bank as additional collateral all sums, including returns of unearned premiums, which may become payable under any policy of insurance on the Collateral and Borrower hereby directs each insurance company issuing any such policy to make payment of such sums directly to Bank. In addition, Borrower shall maintain appropriate liability insurance and all insurance required by law, including any necessary workers' compensation insurance.

(b) Bank, with or without its agents, shall have the right to inspect the Inventory at intervals to be determined by Bank upon reasonable prior notice to Borrower and without hindrance or delay. Borrower agrees to take such steps as may be necessary to provide Bank with access to the Inventory.

(c) Borrower will at all times keep accurate and complete records of Borrower's Inventory, Accounts and other Collateral, and Bank, with or without any of its agents, shall have the right to call at Borrower's place or places of business at intervals to be determined by Bank upon reasonable prior notice to Borrower, and without hindrance or delay, to inspect, audit, check, and make extracts from any copies of the books, records, journals, orders, receipts, invoices, and/or correspondence which relate to Borrower's Accounts and other Collateral, or other transactions between the parties thereto, and the general financial condition of Borrower. Bank may remove any of such records temporarily for the purpose of having copies made thereof. Borrower will not change its fiscal year without Bank's prior written consent; Borrower's fiscal year ends on December 31. Bank shall have the right to conduct examinations of Borrower, at Borrower's sole cost and expense, from time to time.

(d) Borrower will maintain its corporate or limited liability company existence in good standing and will obtain, or maintain, as the case may be, its qualification to do business in other jurisdictions where such qualification is necessary or desirable for Borrower or its business, and will cause each of its subsidiaries to so maintain their respective legal existences in good standing and to obtain or maintain, as the case may be, their respective qualifications to do business in other jurisdictions where such qualification is necessary or desirable for such subsidiary or its business, and will, to the extent applicable to Borrower or its property or its business, and will cause each of its subsidiaries, to the extent applicable to such subsidiary's property or its business, comply with all laws, ordinances and regulations of the United States, each state, each political subdivision thereof, and of each governmental authority.

(e) Borrower will pay all real and personal property taxes, assessments and charges and all franchise, income, unemployment, old age benefits, withholding, sales and other taxes assessed against it, or payable by it at such times and in such manner as will prevent any interest or penalties from accruing and as will prevent any lien or charge from attaching to its property (except for such taxes, assessments and charges being contested by Borrower in good faith, prior written notice of such contest having been given to Bank, where such contest does not involve any lien on any Collateral, or, if it does involve such a loan, where bank has consented in writing to such contest).

(f) After an Event of Default and after any applicable cure or grace period or with the prior written consent of Borrower, Bank may, in its own name or in the name of others, communicate with any account debtors at any time and from time to time in order to verify with them to Bank's satisfaction the existence, amount and terms of any Accounts.

(g) This Agreement may but need not be supplemented by separate assignments of Accounts and if such assignments are given the rights and security interests given thereby shall be in addition to and not in limitation of the rights and security interests given by this Agreement.

(h) Upon Bank's request, if any of Borrower's Accounts should be evidenced by promissory notes, trade acceptances, or other instruments for the payment of money, Borrower will immediately deliver same to Bank, appropriately endorsed to Bank's order and, regardless of the form of such endorsement, Borrower hereby waives presentment, demand, notice, notice of dishonor, protest and notice of protest and all other demands and notices with respect thereto.

(i) Borrower will promptly pay when due all governmental and other taxes, charges and assessments upon the Collateral or for its use or operation or upon this Agreement, or upon any note or notes evidencing the Obligations (except for such taxes, assessments and charges being contested by Borrower in good faith, prior written notice of such contest having been given to Bank, where such contest does not involve any lien on any Collateral), and will, at the request of Bank, promptly furnish Bank the receipted bills therefor. At its option, Bank may discharge taxes, liens, security interests or other encumbrances at any time levied or placed on the Collateral, may pay for insurance on the Collateral and may pay for the maintenance and preservation of the Collateral. Borrower agrees to reimburse Bank on demand for any payments made, or any expenses incurred by Bank pursuant to the foregoing authorization, and until Borrower so reimburses Bank, any such sums paid or advanced by Bank shall be deemed secured by the Collateral and shall constitute part of the Obligations.

(j) Borrower will immediately notify Bank in writing (a) if Borrower has reason to believe that, or receives any notice that, any Hazardous Materials (as hereinafter defined) may exist, may have been (or are threatened to be) released, or have been or may be generated, handled, stored, used, treated, transported, disposed of, released or maintained, on, under, over, from, or within, any site owned, leased or operated, in whole or in part, by Borrower (each called a "Site" herein), except in each case in material compliance with all applicable laws, ordinances, rules and regulations, or (b) if Borrower has reason to know of, or receives any notice of, any loss, cost or expense in excess of \$50,000 incurred by any person or entity in connection with any Hazardous Materials (i) on, under, over, from or within any Site or (ii) generated, stored, transported, handled, released or disposed of by or on behalf of Borrower, or (c) if Borrower has reason to know of, or receives any notice of, any investigation, action or the incurring of any loss by any governmental authority in connection with the assessment, containment, removal, remediation or disposal of any Hazardous Materials for which expense or loss Borrower may be liable or as a result of which Borrower's property may be subject to a lien. As used herein, the term "Hazardous Materials" shall mean and include any hazardous, toxic, dangerous, radioactive, noxious or unhealthful materials, substances, objects, gases, and/or wastes, including without limitation all of the following: (a) asbestos in any form; (b) urea formaldehyde foam insulation; (c) polychlorinated biphenyls ("PCBs") or transformers or other equipment which contain dielectric fluid containing any level of PCBs; (d) oil, gasoline and other petroleum products, and underground or above ground storage tanks for Hazardous Materials; (e) any other chemical, material, gas, object, waste or substance which is prohibited, limited, or regulated or subject to



regulation by any federal, state, county, regional, local, or other governmental authority; and (f) all chemicals, materials, substances, objects, gases, and/or wastes which are now or may hereafter be regulated by any of the following, including any of the foregoing that are characterized within any of the terms "hazardous waste", "hazardous or toxic substance", "hazardous material", or "oil" as each of those terms is defined in any of the following, as the same have been or may be amended (the "Acts"): the Uncontrolled Hazardous Substance Sites Act, 38 M.R.S.A. § 1361 et seq. (1989); the Comprehensive Environmental Response, Compensation, and Liability Act of 1980, 42 U.S.C. § 9601 et seq. (1983) ("CERCLA"); the Superfund Amendments and Reauthorization Act of 1986 ("SARA"); the Federal Water Pollution Control Act (the "Clean Water Act"), 33 U.S.C. § 1251 et seq. and 33 U.S.C. § 1342 et seq.; the Resource Conservation and Recovery Act, as amended by the Hazardous and Solid Waste Amendments of 1984 ("RCRA"), 42 U.S.C. 6901 et seq.; the Safe Drinking Water Act, 14 U.S.C. §§ 1401-1450; the Toxic Substances Control Act, 15 U.S.C. §§ 2601-2629; the Hazardous Materials Transportation Act, 49 U.S.C. § 1801 et seq.; the Clean Air Act, 42 U.S.C. § 7401 et seq.; the State of Maine statutory provisions relating to Underground Storage Facilities and Ground Water Protection, 38 M.R.S.A. § 561 et seq.; and also including within the Acts any regulation promulgated under any of the foregoing, or any other local, state or federal regulation, law or ordinance relating in any way to any Hazardous Materials, or any successor provision to any of the foregoing. Borrower hereby agrees to defend, indemnify and hold harmless Bank from and against any and all liabilities, executions, awards, judgments, claims, damages, demands, penalties, actions, debts, suits, expenditures, indemnities, losses, charges or other amounts that are or may become due from Bank in connection with, or arising directly or indirectly out of any Hazardous Materials on, under, over, within or released or originating from, any Site or otherwise relating to Borrower, meaning and intending hereby to assume the obligation to pay, and to indemnify and hold harmless Bank for, without limitation, (1) all costs reasonably incurred or expended by Bank in connection with the removal, neutralization or other remediation of all Hazardous Materials from any Site, including without limitation all costs of investigation, monitoring, remedial response, removal, restoration, feasibility studies, remedial work, cleanup, engineering reports, and permit acquisitions incurred in connection therewith; (2) all costs reasonably incurred and sums expended by Bank in determining the compliance of such removal with all applicable regulations and standards; (3) all liability of, or expense to, Bank reasonably incurred as a result of the improper removal, storage, handling, transport or disposal of Hazardous Materials from any Site, by whomever performed, or arising out of exposure to Hazardous Materials of any individual while in or on any Site, or otherwise in connection with the existence or removal of, or failure to remove, any and all Hazardous Materials, on or from any Site, together with (4) all of Bank's reasonable costs of defending against any proceedings brought by or on behalf of any individual or entity allegedly injured as a result of the presence of Hazardous Materials on any Site, or emanating from a site in any manner, whether such claim is decided adversely to or in favor of Bank, and (5) any reasonable attorney's fees incurred in connection with any of the foregoing matters; and Borrower does hereby further unconditionally assume and agree to indemnify and make Bank whole if Bank should incur any liability whatsoever under any of the Acts because of this Agreement or any acts or omissions connected herewith or otherwise because of Bank's relationship to Borrower, except to the extent resulting from Bank's gross negligence or willful misconduct. The indemnity set forth herein shall survive

the repayment of all Obligations and the termination of Bank's agreement to make loans available to Borrower and the termination of this Agreement.

(k) Except for any gross negligence or willful misconduct of Bank or for any losses, costs, damages, liabilities or expenses resulting from Bank's breach or violation of this Agreement or any unlawful conduct by Bank, Borrower will indemnify and save Bank harmless from all losses, costs, damages, liabilities or expenses (including, without limitation, court costs and reasonable attorneys' fees) that Bank may sustain or incur by reason of defending or protecting its security interest or the priority thereof or enforcing the Obligations, or in the prosecution or defense of any action or proceeding concerning any matter growing out of or in connection with this Agreement and/or any other documents now or hereafter executed in connection with this Agreement and/or the Obligations and/or the Collateral. This indemnity shall survive the repayment of the Obligations and the termination of Bank's agreement to make loans available to Borrower and the termination of this Agreement.

(l) Upon request of Bank, Borrower will furnish to Bank, from time to time, within five (5) days after the accrual in accordance with applicable law of Borrower's obligation to make deposits for F.I.C.A. and withholding taxes, and/or sales taxes, proof satisfactory to Bank that such deposits have been made as required. Should Borrower fail to make any of such deposits or furnish such proof then Bank may, in its sole and absolute discretion, (a) make any of such deposits or any part thereof, (b) pay such taxes, or any part thereof, or (c) set up such reserves as Bank, in its judgment, may deem necessary to satisfy the liability for such taxes. Each amount so deposited, paid or reserved shall constitute an advance under the terms hereof, and shall be repayable on demand with interest, and secured by all Collateral and any other property at any time pledged by Borrower with Bank. Nothing herein shall be deemed to obligate Bank to make any such deposit or payment or to set up such reserve, and the making of any one or more of such deposits or payments or the setting-up of any such reserve shall not constitute (i) an agreement on Bank's part to take any further or similar action on that or any other occasion, or (ii) a waiver of any default by Borrower under the terms hereof.

(m) All indebtedness of Borrower to Bank under this and under any other agreement constitute one general obligation. Each advance to Borrower hereunder or otherwise shall be made upon the security of all of the Collateral, including any held and to be held by Bank. It is distinctly understood and agreed that all of the rights of Bank contained in this Agreement shall likewise apply, insofar as applicable, to any modification of or supplement to this Agreement and to any other agreements between Bank and Borrower. Any default under this Agreement by Borrower shall constitute, likewise, a default by Borrower under any and all other agreements of Borrower with Bank then existing, and any default by Borrower under any other agreement with Bank shall constitute a default by Borrower under this Agreement. All Obligations of Borrower to Bank shall become due and payable when payments become due and payable hereunder upon termination of this Agreement.

(n) Borrower hereby grants to Bank, for a term to commence on the date of this Agreement and continuing thereafter until all debts and Obligations of any kind or character

owing from Borrower to Bank are fully paid and discharged and Bank has no further agreement to make loans available to Borrower, the right to use all premises or places of business which Borrower presently has, uses or occupies or may hereafter have, use or occupy to the extent permitted by the owner of any leased premises and where any of the Collateral may be located, at a total rental for the entire period of \$1.00. Bank agrees not to exercise the rights granted in this paragraph unless and until an Event of Default has occurred and Bank determines to exercise its rights against the Collateral.

(o) Borrower will, at its expense, upon the request of Bank, promptly and duly execute and deliver such documents and assurances and take such actions as may be necessary or desirable in Bank's reasonable discretion in order to correct any defect, error or omission which may at any time be discovered in this Agreement or the documents related hereto, or to carry out more effectively the intent and purpose of this Agreement or to establish, perfect and protect Bank's security interest, rights and remedies created or intended to be created hereunder. Without limiting the generality of the above, Borrower will execute financing and continuation statements pursuant to the Uniform Commercial Code or other notices appropriate under applicable Federal or state law in form satisfactory to Bank and will file and pay for filing of the same in all offices and jurisdictions requested by Bank.

(p) Without limiting the generality of the foregoing paragraph 13(o), Borrower shall, at its sole cost and expense, take and perform any and all further steps requested by Bank to perfect Bank's security interest in Inventory, such as leasing warehouses to Bank or its designee, placing and maintaining signs, appointing custodians, maintaining stock records and transferring Inventory to warehouses. A physical listing of all Inventory, wherever located, shall be taken by Borrower and certified to Bank at least annually and whenever requested by Bank if one or more Events of Default exist.

(q) Borrower hereby grants to Bank, for a term to commence on the date of this Agreement and continuing thereafter until all Obligations of any kind or character owed to Bank are fully paid and discharged, a non-exclusive, irrevocable, royalty-free license in connection with Bank's exercise of its rights hereunder, to use, apply or affix any trademark, servicemark, trade name, logo or the like and to use any patents and licenses, in which Borrower now or hereafter has rights, which license may be used by Bank upon and after the occurrence of any one or more Events of Default, provided, however, that such use by Bank shall be suspended if such Events of Default are cured. This license shall be in addition to, and not in lieu of, the inclusion of all of Borrower's trademarks, servicemarks, trade names, logos, goodwill, patents, franchises and licenses in the Collateral; in addition to the right to use said Collateral as provided in this paragraph, Bank shall have full right to exercise any and all of its other rights regarding Collateral with respect to such trademarks, servicemarks, trade names, logos, goodwill, patents, franchises and licenses.

(r) Borrower shall establish and maintain all primary depository accounts and one or more cash management accounts with Bank at all times during the term hereof. The extension of credit evidenced by this Agreement is made in express reliance on Borrower's agreement to

establish and maintain such accounts, and on Borrower's maintaining their primary commercial banking relationship with Bank, and, without limiting any other rights Bank may have, Bank shall have the right to terminate this Agreement if Borrower shall fail to maintain such accounts and such primary commercial banking relationship.

14. BORROWER'S NEGATIVE COVENANTS. Borrower will not:

(a) Debt to Tangible Net Worth: permit the ratio of its debt to its tangible net worth at the end of any fiscal quarter, as shown on Borrower's financial statements to be more than the ratio shown below:

<u>Quarters Within Fiscal Year Ended</u>	<u>Ratio</u>
1999	3.0:1
2000 and thereafter	2.5:1

Notwithstanding the foregoing, the maximum ratio for any third-quarter period shall be increased by 0.5 to allow for seasonal fluctuations. For purposes of this provision, all calculations shall combine SK and SR, and "debt" means total liabilities minus debt subordinated to Bank on terms acceptable to Bank; and "tangible net worth" means net worth minus intangibles minus related receivables plus debt subordinated to Bank on terms acceptable to Bank;

(b) Debt Service Coverage Ratio: permit its cash flow to be less than 1.2 times the amount of its annualized debt service for any fiscal four-quarter period, measured on a rolling four-quarter basis, commencing with the four quarters ending December 31, 1999, as shown on Borrower's financial statements, calculated using the following formula (combining SK and SR):

(Net income plus depreciation/amortization plus interest minus non-financed capital expenditures minus shareholder distributions plus any increase in debt subordinated to Bank on terms satisfactory to Bank minus any decrease in debt subordinated to Bank on terms satisfactory to Bank) divided by (principal payments made on indebtedness plus principal payments due but not made on indebtedness plus interest paid on indebtedness plus interest due but not paid on indebtedness);

(c) S Corporation or Limited Liability Company: if Borrower is an S corporation or a limited liability company, make distributions to its shareholders or members during any fiscal year of Borrower in an aggregate amount greater than the amount necessary to pay federal and state income taxes upon Borrower's undistributed income for such year; provided, however, that this Section 14(c) shall no longer apply after Bank gives to Borrower notice of adequate collateral pursuant to Section 6(c);

(d) Disposition of Collateral: sell, assign, exchange or otherwise dispose of any of the Collateral (other than Inventory consisting of (i) scrap, waste, defective goods and the like;

(ii) obsolete goods; and (iii) finished goods sold in the ordinary course of business) or any interest therein to any individual, partnership, trust, corporation or other entity, provided, however, that Borrower may dispose of up to \$75,000 of Collateral in any fiscal year, measured at the higher of selling price or book value;

(e) Liens: create, permit to be created or suffer to exist any lien, encumbrance or security interest of any kind upon any of the Collateral or any other property of Borrower, now owned or hereafter acquired, except for the Permitted Liens;

(f) Loans: make any loans or advances to any individual, partnership, trust, corporation or other entity, including without limitation Borrower's directors, officers and employees, except (i) advances to officers or employees with respect to expenses incurred by them in the ordinary course of their duties which are properly reimbursable by Borrower and (ii) loans to employees not exceeding \$50,000 in aggregate principal amount at any given time;

(g) Guarantees: assume, guarantee, endorse or otherwise become directly or contingently liable in respect of (including, without limitation, by way of agreement, contingent or otherwise, to purchase, provide funds to or otherwise invest in a debtor or otherwise to assure a creditor against loss), any liabilities (except guarantees by endorsement of instruments for deposit or collection in the ordinary course of business and guarantees in favor of Bank or an affiliate of Bank or consented to in writing by Bank) of any individual, partnership, trust or other entity;

(h) Investments: (i) use any loan proceeds to purchase or carry any "margin stock" (as defined in Regulation U of the Board of Governors of the Federal Reserve System) or (ii) invest in or purchase any stock or securities of any individual, partnership, trust or other corporation except (x) readily marketable direct obligations of, or obligations guaranteed by, the United States of America or any agency thereof or (y) time deposits with or certificates of deposit issued by Bank;

(i) Salaries: pay any salaries, bonuses or other compensation, direct or indirect, to any officer or stockholder of Borrower, except for annual compensation to officers, management and directors for services rendered in reasonable amounts consistent with past practices and except for any 401-K plan or similar retirement plan;

(j) Transactions with Affiliates: enter into any lease or other transaction with any shareholder, officer or affiliate on terms any less favorable than those which might be obtained at the time from persons who (or entities which) are not such a shareholder, officer or affiliate;

(k) Subsidiaries: create any new subsidiaries or sell, transfer or otherwise dispose of any stock of any subsidiary of Borrower or permit any subsidiary to sell, assign, exchange or otherwise dispose of any of its assets except in the ordinary course of business; or

(l) Mergers, Consolidations or Sales: (a) merge or consolidate with or into any corporation; (b) enter into any joint venture or partnership with any person, firm or corporation

(other than joint ventures for marketing and/or product development that do not involve any purchase or sale of equity interests in Borrower or the other joint venturer); (c) convey, lease or sell all or any material portion of its property or assets or business to any other person, firm or corporation, except for the sale of Inventory in the ordinary course of its business; or (d) convey, lease or sell any of its assets to any person, firm or corporation for less than the fair market value thereof.

For purposes of this Section: "distribution" shall mean all payments and distributions to shareholders or other equity holders in cash or in property other than reasonable salaries, bonuses and expense reimbursements; and "liabilities" shall mean (i) all liabilities for borrowed money, for the deferred purchase price of property or services, and under leases which are or should be, under generally accepted accounting principles, recorded as capital leases, in respect of which a person or entity is directly or indirectly, absolutely or contingently liable as obligor, guarantor, endorser, or otherwise, or in respect of which such person or entity otherwise assures a creditor against loss, (ii) all liabilities of the type described in (i) above which are secured by (or for which the holder has an existing right, contingent or otherwise, to be secured by) any lien upon property owned by such person or entity, whether or not such person or entity has assumed or become liable for the payment thereof, and (iii) all other liabilities or obligations which would, in accordance with generally accepted accounting principles, be classified as liabilities of such person or entity.

15. DEFAULT. Nothing contained in this Section, or elsewhere in this Agreement, shall affect the demand nature of such of the Obligations as are, by their terms, demand obligations, including, without limitation, all loans and advances made pursuant to this Agreement. The occurrence of an Event of Default shall not be a prerequisite for Bank's making demand or requiring payment of any such demand Obligations.

Upon the occurrence of any one or more of the following Events of Default:

(a) The execution of an assignment for the benefit of the creditors of Borrower, or the occurrence of any other voluntary or involuntary liquidation or extension of debt agreement for Borrower; the failure by Borrower to generally pay the debts of Borrower as they mature; adjudication of bankruptcy or insolvency relative to Borrower; the entry of an order for relief or similar order with respect to Borrower in any proceeding pursuant to Title 11 of the United States Code entitled "Bankruptcy" (commonly referred to as the Bankruptcy Code) or any other federal bankruptcy law; the filing of any complaint, application, or petition by or against Borrower initiating any matter in which Borrower is or may be granted any relief from the debts of Borrower pursuant to any other insolvency statute or procedure, but if such filing is against Borrower by one or more third parties, only if Borrower shall fail to contest such filing actively or shall fail to cause it to be removed within sixty (60) days; the calling or sufferance of a meeting of creditors of Borrower; the meeting by Borrower of a formal or informal creditor's committee; the offering by or entering into by Borrower of any composition, extension or any other arrangement seeking relief or extension for the debts of Borrower, or the initiation of any

other judicial or non-judicial proceeding or agreement by, against or including Borrower which seeks or intends to accomplish a reorganization or arrangement with creditors; or

(b) The occurrence of any event which would cause or permit a lien creditor, as that term is defined in Section 9-301 of the applicable version of the Uniform Commercial Code, to take priority over any advances made by Bank; or

(c) The death, termination of existence, dissolution, or liquidation of Borrower; or

(d) The ceasing or failure of this Agreement, at any time after its execution and delivery and for any reason, (i) to create a valid and perfected first priority security interest in and to the Collateral; or (ii) to be in full force and effect; or any determination or declaration that this Agreement is null and void; or the commencement or prosecution of any contest challenging the validity or enforceability hereof by Borrower or any guarantor; or any denial by Borrower that it has any further liability or obligation hereunder; or

(e) The service of any process upon Bank seeking to attach by trustee process any funds of Borrower on deposit with Bank, if the aggregate of such attachments equals or exceeds \$30,000 at any given time;

then the principal of and all interest on the loans then outstanding, and all other amounts due hereunder, shall become forthwith due and payable without presentment, demand, protest or notice of any kind, all of which Borrower hereby expressly waives.

Upon the occurrence of any one or more of the following Events of Default (together with the Events of Default listed above, the "Events of Default" and individually an "Event of Default"):

(f) The failure by Borrower promptly, punctually and faithfully to perform or to observe any term, covenant or agreement on its part to be performed or observed pursuant to the following provisions of this Agreement: Sections 3, 4(b), 4(c), 4(e), 4(f), 4(g), 4(h), 10(a), 13(a), 13(j), 13(l), 14; or

(g) The determination by Bank that any material representation or warranty heretofore, now or hereafter made by Borrower to Bank, in any document, instrument or agreement was not materially true or accurate when given; or

(h) The failure by Borrower to pay within five (5) days of when due, any amount due under this Agreement; or

(i) The failure by Borrower promptly, punctually and faithfully to perform or to observe any term covenant or agreement on its part to be performed or observed pursuant to any provisions of this Agreement (other than as set forth in 15(f) above), and the continuance thereof for thirty (30) days after notice of such default has been given; or

(j) The occurrence of any event such that any indebtedness of Borrower in excess of \$50,000 from any lender other than Bank could be accelerated, regardless of whether such acceleration has taken place; or

(k) Any filing against or relating to Borrower of (i) a federal tax lien in favor of the United States of America or any political subdivision of the United States of America, or (ii) a state tax lien in favor of any state of the United States of America or any political subdivision of any such state, other than a lien for taxes not yet due and payable; or

(l) The occurrence of any event of default under any agreement between Bank or Citizens Bank of Rhode Island and Borrower or under any instrument or document given to Bank or Citizens Bank of Rhode Island by Borrower, whether such agreement, instrument, or document now exists or hereafter arises (regardless of whether Bank or Citizens Bank of Rhode Island has exercised any of its rights upon default under any such other agreement, instrument or document); or

(m) Any act by, against, or relating to Borrower, or its property or assets, which act constitutes the application for, consent to, acquiescence in, or sufferance of the appointment of a receiver, trustee or other person, pursuant to court action or otherwise, over all or any part of Borrower's property; or

(n) The entry of any judgment against Borrower, which judgment is not satisfied or appealed from (with execution or similar process stayed) within thirty (30) days of entry and which, by itself or together with other such judgments equals or exceeds \$50,000 at any one time; or

(o) The occurrence of any event or circumstance with respect to Borrower such that Bank shall believe in good faith that the prospect of payment of all or a substantial part of the Obligations or the performance by Borrower under this Agreement or under any other agreement between Bank and Borrower is impaired, and Borrower shall fail, within ten (10) days after notice of such belief has been given, to persuade Bank that such prospects have not been impaired, or if there shall occur any material adverse change in the business or financial condition of Borrower; or

(p) The entry of any court order which enjoins, restrains or in any way prevents Borrower from conducting all or any substantial part of its business affairs in the ordinary course of business; or

(q) The occurrence of any materially underinsured loss, theft, damage or destruction to any material asset(s) of Borrower; or

(r) Any act by, against, or relating to Borrower or its assets pursuant to which any creditor of Borrower seeks to reclaim or repossess, or reclaims or repossesses, all or a substantial portion of Borrower's assets; or



(s) The existence or occurrence of any of the following events with respect to Borrower or any ERISA affiliate: (i) any "prohibited transaction" (as defined in Section 406 of ERISA or Section 4975 of the Internal Revenue Code) involving any Plan; (ii) any "reportable event" (as defined in Section 4043 of ERISA and the regulations issued under such Section) with respect to any Plan; (iii) the filing under Section 4041 of ERISA of a notice of intent to terminate any Plan or the termination of any Plan; (iv) any event or circumstance which might constitute grounds entitling the Pension Benefit Guaranty Corporation ("PBGC") to institute proceedings under Section 4042 of ERISA for the termination of, or for the appointment of a trustee to administer, any Plan, or the institution by the PBGC of any such proceedings; or (v) any partial withdrawal under Section 4201 or 4204 of ERISA from a Multiemployer Plan; or any reorganization, insolvency, or termination of any Multiemployer Plan; and in each case above, such event or condition, together with all other events or conditions, if any, could in the opinion of Bank subject Borrower to any tax, penalty, or other liability to a Plan, a Multiemployer Plan, the PBGC, or otherwise; or

(t) The occurrence of any of the foregoing Events of Default with respect to any guarantor, endorser, or surety to Bank with respect to any of the Obligations, as if such guarantor, endorser or surety were the "Borrower" described therein; or

(u) The attachment of any security interest, lien or mortgage not in favor of Bank, other than Permitted Liens, upon the Collateral, without Bank's prior written consent, if the aggregate of such attachments equals or exceeds \$50,000 at any given time; or

(v) Bank shall have reason to believe, based on verifiable, objective information, that Borrower is not or will not be in compliance with Section 4(j);

then or at any time thereafter while such Event of Default described in Sections 15(f) through 15(v) is continuing after any applicable grace or cure period, Bank may declare all indebtedness of Borrower hereunder due and payable, whereupon it shall become forthwith due and payable, without further presentment, demand, protest or notice of any kind, all of which Borrower hereby expressly waives.

The occurrence of any such Event of Default shall also constitute, without notice or demand, a default under all other agreements between Bank and Borrower and under all instruments and documents given to Bank by Borrower, but only to the extent included within Obligations, whether such agreements, instruments, or documents now exist or hereafter arise.

Upon the occurrence of any Event of Default, and after any applicable grace or cure period, Bank may declare any and all obligations Bank may have hereunder to be cancelled, may declare any or all Obligations of Borrower to be due and payable, and may proceed to enforce payment of the Obligations and to exercise any and all of the rights and remedies afforded to Bank by the Uniform Commercial Code, under the terms of this Agreement, or otherwise. In addition, upon the occurrence of any Event of Default, if Bank proceeds to enforce payment of the Obligations, Borrower shall be obligated to deliver to Bank cash collateral in an amount

equal to the aggregate amounts then undrawn on all outstanding letters of credit or acceptances issued or guaranteed by Bank for the account of Borrower, and Bank may proceed to enforce payment of the same and to exercise all rights and remedies afforded to Bank under the Uniform Commercial Code, under the terms of this Agreement, or otherwise and all Obligations (including, without limitation, principal, interest accrued to the time of demand on the Obligations, or upon the entry of any judgment) shall bear interest payable on demand at a rate per annum of five (5%) percent in excess of the rate of interest that would otherwise be charged to Borrower thereunder, for so long as the Event of Default remains uncured.

Upon the occurrence of any Event of Default, Bank may in addition, at its option, without notice thereof and without demand, through an agent or otherwise, take any one or more of the following actions, all of which are hereby authorized by Borrower, and all of which rights and remedies shall be cumulative, and may be exercised either separately or together from time to time with respect to all or any portion of the Collateral:

(a) Bank shall be entitled to have a receiver appointed to enter and take possession of the Collateral, operate Borrower's business of which the Collateral forms a part, and collect the profits therefrom and apply the same as the court may direct; and

(b) Bank or its agents or contractors may enter, with or without process of law, any premises owned or leased by Borrower where the Collateral might be, and without charge or liability, take possession of the Collateral and use or store it in said premises or elsewhere, and, at the option of Bank, remain on said premises and operate Borrower's business of which the Collateral forms a part as absolute owner thereof, and collect the profits therefrom and shall have the right, to the fullest extent permitted by law, but shall not be obliged, to apply the same, after payment of all costs and expenses incurred in connection with the collection thereof, to the indebtedness secured hereby, in such order as Bank in its discretion may determine; and

(c) Upon request of Bank, Borrower shall assemble the Collateral and make it available to Bank at a place or places reasonably convenient to both parties to be designated by Bank, and Bank may sell or otherwise dispose of the Collateral (in its then condition or after further manufacturing, processing or preparation thereof, utilizing in connection therewith any of Borrower's assets, without charge or liability to Bank therefor) at public or private sale (which sale Bank may postpone from time to time), all as Bank deems advisable, for cash or credit; provided, however, that Borrower's liability to Bank shall be reduced by the net proceeds of such sale only as and when such proceeds are finally collected by Bank, and Borrower shall pay any deficiency on demand. Bank may become the purchaser at any such sale and Bank may, in lieu of actual payment of the purchase price, offset the amount thereof against the indebtedness secured hereby. Unless the Collateral is perishable or threatens to decline speedily in value or is of a type customarily sold on a recognized market, Bank shall give to Borrower prior written notice, by registered mail, postage prepaid, of the time and place of any public sale of any of the Collateral or of the time after which any private sale or any other intended disposition may be made, which notice is to be sent at least five (5) days before the time of the sale or other

disposition of Collateral, which provisions for notice Borrower and Bank agree are reasonable; and

(d) Bank may use or transfer, without charge or liability to Bank therefor, any of Borrower's labels, trade names, trademarks, servicemarks, patents, licenses, certificates of authority, shipping and packaging materials or advertising materials in preparing, shipping or advertising for sale and selling or other disposition of the Collateral, and any such transferee shall have all of Borrower's right, title and interest therein, to the maximum extent allowed by law, free and clear of any lien or encumbrance; and

(e) Bank may, at any time in its discretion, endorse and transfer into its own name or that of its nominee any documents, securities or other property securing the indebtedness of Borrower secured hereby and receive the income thereon and hold the same as security for such indebtedness or apply it to such indebtedness; and

(f) Insofar as Collateral may consist of Accounts, general intangibles, insurance policies, instruments, chattel paper, choses in action or the like, Bank may demand, collect, receipt for, settle, renew, extend, exchange, compromise, adjust, sue for, foreclose or realize upon Collateral in whole or in part, as Bank may determine, and for the purpose of realizing Bank's rights therein and without limiting the rights and powers granted to Bank elsewhere in this Agreement, Bank may receive, open and dispose of mail addressed to Borrower and endorse notes, checks, drafts, money orders, documents of title or other evidences of payment, shipment or storage or any form of Collateral on behalf of and in the name of Borrower, and apply the proceeds thereof to the indebtedness secured hereby.

16. PROCESSING AND SALES OF INVENTORY. So long as Borrower is not in default hereunder, Borrower shall have the right, in the regular course of business, to process and sell Borrower's Inventory. A sale in the ordinary course of business shall not include a transfer in total or partial satisfaction of a debt.

17. JURY TRIAL WAIVER. IT IS MUTUALLY AGREED BY BANK, SK AND SR THAT THE RESPECTIVE PARTIES HERETO SHALL AND HEREBY DO WAIVE TRIAL BY JURY IN ANY ACTION, PROCEEDING, COUNTERCLAIM, OBJECTION TO CLAIM IN A BANKRUPTCY CASE, OR OTHER LITIGATION OF ANY TYPE BROUGHT BY ANY OF THE PARTIES HERETO AGAINST ANY OF THE OTHERS ON ANY MATTER WHATSOEVER ARISING OUT OF, RELATED TO, OR IN ANY WAY CONNECTED WITH THIS AGREEMENT AND/OR THE TRANSACTIONS OR DOCUMENTS CONTEMPLATED HEREBY. WITHOUT IN ANY WAY LIMITING THE SCOPE OR EFFECT OF THE FOREGOING WAIVER OF THE JURY TRIAL RIGHT, THE PARTIES HERETO SPECIFICALLY AGREE THAT SUCH WAIVER SHALL BE EFFECTIVE IN ANY ACTION ARISING OUT OF OR RELATED TO: (A) ANY ALLEGED ORAL PROMISE OR COMMITMENT BY BANK, (B) ANY ALLEGED MODIFICATION OR AMENDMENT OF THIS AGREEMENT AND/OR THE TRANSACTIONS OR DOCUMENTS CONTEMPLATED HEREBY, WHETHER IN WRITING, ORAL, OR BY ALLEGED

CONDUCT; (C) ANY ENFORCEMENT OF THIS AGREEMENT AND/OR THE TRANSACTIONS OR DOCUMENTS CONTEMPLATED HEREBY, AND (D) ANY REPOSSESSION, TAKING OF POSSESSION, OR DISPOSITION OF COLLATERAL SECURING THE INDEBTEDNESS EVIDENCED BY THIS AGREEMENT AND/OR THE TRANSACTIONS OR DOCUMENTS CONTEMPLATED HEREBY. WITHOUT IN ANY WAY LIMITING THE FOREGOING, THE PARTIES FURTHER AGREE THAT THEIR RESPECTIVE RIGHTS TO A TRIAL BY JURY ARE WAIVED BY OPERATION OF THIS PARAGRAPH AS TO ANY ACTION, COUNTERCLAIM, OR OTHER PROCEEDING WHICH SEEKS, IN WHOLE OR IN PART, TO CHALLENGE THE VALIDITY OR ENFORCEABILITY OF THIS AGREEMENT AND/OR THE TRANSACTIONS OR DOCUMENTS CONTEMPLATED HEREBY OR ANY PROVISION THEREOF.

18. CONSENT TO JURISDICTION. Borrower and Bank agree that any judicial action or proceeding to enforce or arising out of this Agreement may be commenced in any court of the State of Maine or in the District Court of the United States for the District of Maine.

19. TERMINATION AND EXPIRATION NOT TO AFFECT BANK'S RIGHTS. Unless and until all loans made by Bank to Borrower hereunder and all other Obligations and commitments of Bank under which an Obligation could arise, outstanding as of the time of the termination or expiration of this Agreement, have been paid in full (and, in the case of such commitments, have been terminated), such termination or expiration shall in no way affect the security interest or other rights and powers herein granted to Bank, and until such payment in full (and termination) the security interest of Bank in all Inventory, Accounts and other Collateral of Borrower, whether existing as of the time of such termination or expiration or thereafter arising, and all rights and powers herein granted to Bank in respect thereof and otherwise, and all liabilities, obligations and agreements of Borrower hereunder, shall remain in full force and effect. Until all of the Obligations of Borrower to Bank have been fully paid and satisfied and all commitments of Bank under which an Obligation could arise have expired, Borrower shall continue to assign Accounts to Bank and otherwise fully comply with the terms and conditions of this Agreement as herein provided. Prior to such payment in full of all of the Obligations and the simultaneous termination of all of such commitments by Bank, Borrower's obligations under this Agreement shall constitute a continuing agreement in every respect.

20. MISCELLANEOUS.

(a) No delay or omission on the part of Bank in exercising any rights shall operate as a waiver of such right or any other right. Waiver on any one occasion shall not be construed as a bar to or waiver of any right or remedy on any future or other occasion. All of Bank's rights and remedies, whether evidenced hereby or by any other agreement, instrument or paper, shall be cumulative and may be exercised singularly or concurrently.

(b) Bank is authorized to make loans under the terms of this Agreement upon the request, either written or oral, in the name of Borrower or any authorized person whose name appears at the end of this Agreement or of any persons from time to time holding the offices of President or

Treasurer of Borrower or of such other officers and authorized signatories as may from time to time be set forth in any banking and borrowing resolutions, or of any other agents or officers with apparent authority to act for Borrower in requesting loans hereunder.

(c) If at any time or times by assignment or otherwise, Bank assigns this Agreement, such assignment shall carry with it Bank's powers and rights under this Agreement, and the transferee shall become vested with said powers and rights whether or not they are specifically referred to in the transfer.

(d) Borrower agrees that any and all loans made by Bank to Borrower or for its account under this Agreement shall be conclusively deemed to have been authorized by Borrower and to have been made pursuant to duly authorized requests therefor on its behalf.

(e) Unless otherwise defined in this Agreement, capitalized words shall have the meanings set forth in the Uniform Commercial Code as in effect in the State of Maine as of the date of this Agreement.

(f) Any paragraph and section headings used in this Agreement are for convenience only, and shall not affect the meaning or construction of this Agreement. If one or more provisions of this Agreement (or the application thereof) shall be invalid, illegal or unenforceable in any respect in any jurisdiction, such invalidity, illegality or unenforceability shall not affect in any way the validity, legality or enforceability of such provision (or its application) in any other jurisdiction or of any other provision of this Agreement (or its application) in any jurisdiction. This Agreement constitutes the entire agreement of the parties with respect to the subject matter hereof and supersedes any prior written or verbal communications or instruments relating thereto.

(g) All notices and other communications hereunder shall be made by hand delivery, telecopier, overnight courier, or certified or registered mail, return receipt requested, and shall be deemed to be received by the party to whom sent upon delivery, if delivered by hand or sent by telecopier; one business day after sending, if sent by overnight courier; and three business days after mailing, if sent by certified or registered mail. All such notices shall be deemed given upon such deemed receipt. All such notices and other communications to a party hereto shall be addressed to such party at the address set forth at the end of this Agreement (or to such other address as such party may designate for itself in a notice to the other party given in accordance with this section) and shall be sent postage and other charges prepaid.

(h) By signing below, Borrower agrees and acknowledges that, under Maine law, no promise, contract, or agreement to lend money, extend credit, forbear from collection of debt or make any other accommodation for the repayment of a debt for more than \$250,000 may be enforced against Bank unless the promise, contract, or agreement (or some memorandum or note thereof) is in writing and signed by Bank.

(i) This Agreement, and the documents related thereto, are being executed and delivered by Borrower in Portland, Maine, and the laws of the State of Maine shall govern the

interpretation, enforcement and construction of this Agreement and the of rights and duties of the parties hereto. This Agreement amends and restates a Master Loan and Security Agreement dated as of April 22, 1999, and does not constitute a novation thereof. This Agreement shall take effect as a sealed instrument and shall be effective as of the date first set forth above.

Witnessed by:

Michael L. Higney

STONEWALL KITCHEN, LIMITED

By: Jonathan R. King  
Print Name: Jonathan R. King  
Title: President

Address:  
469 U.S. Route One  
York, Maine, 03909

Witnessed by:

Michael L. Higney

STONEWALL REALTY LLC

By: Jonathan R. King  
Print Name: Jonathan R. King  
Title: Member, President

Address:  
2 Stonewall Lane  
York, Maine, 03909

Witnessed by:

Gary J. Barr

CITIZENS BANK OF NEW HAMPSHIRE

By: Gary J. Barr  
Print Name: GARY J. BARR  
Title: VICE PRESIDENT

Address:  
134 Pleasant Street  
Portsmouth, New Hampshire, 03801

## SCHEDULES

The following Schedules to the Master Loan and Security Agreement to which they are attached are respectively described in the section indicated. Those Schedules in which no information has been inserted shall be deemed to read "None".

## SCHEDULE A

### 1. Additional Places of Business and Additional Inventory Location (§ 3).

Meadow Brook Plaza, York, Maine

182 Middle Street, Portland, Maine

13 Main Street, Camden, Maine

Kittery Mall, Kittery, Maine

10 Pleasant Street, Portsmouth, New Hampshire

2 Stonewall Lane, York, Maine

Walsh Brothers, Kittery, Maine



## SCHEDULE B

1. Other Jurisdictions In Which Borrower and/or Subsidiaries Are Incorporated or Qualified as a Foreign Corporation (§ 4(a)).

SK and SR: Maine

SK: New Hampshire (applied)

2. SK's Shareholders and Treasury Stock or Authorized but Unissued Stock, If Any, and SR's Members (§ 4(d)).

<u>Name of Shareholder</u>	<u>Type of Share</u>	<u>Number of Shares</u>
Jonathan King	common	1
James Stott	common	1

Treasury Stock: 0

Authorized but Unissued Stock: 0

<u>Name of Member</u>	<u>Type of Equity</u>	<u>Quantity of Equity</u>
Jonathan King	Member interest	267,500
James Stott	Member interest	267,500

SCHEDULE C

Subsidiaries (§ 4(a))

<u>Name</u>	<u>Jurisdiction of Incorporation</u>	<u>Address</u>	<u>Percent Owned</u>
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NONE

## SCHEDULE D

### Other Encumbrances and Liens (§ 4(e)(i))

1. Lien in favor of Citizens Bank Rhode Island pursuant to Reimbursement Agreement.
2. SK leases three (3) vehicles and the lessor(s) has a lien on the same.
3. SK/SR anticipate borrowing \$250,000 from the Finance Authority of Maine ("FAME") and FAME will be granted subordinate liens in connection with any such financing.
4. See attached UCC-11 Report.

## SCHEDULE E

### Leases (§ 4(e)(ii))

<u>Lessor</u>	<u>Description of Property</u>	<u>Date of Lease and Term</u>
J&P Properties	Office and production space 9,000 square feet	May 1, 1995 - May 1, 2000
Boyd Properties	Retail space 1,000 square feet	April 1, 1998 - March 31, 2003
Boyd Properties	Retail space 1,200 square feet	June 1, 1998 - May 31, 2003
RAM Asset Management	"kiosk" space Maine Outlet Mall, Kittery	One year May 1 <sup>st</sup>
Coventry Assets	Retail space 2,200 square feet	October 1, 1998 - September 30, 2003
Direct Lease	ERP software	March 1, 1999 - February 28, 2001 Two years

**SCHEDULE F**

**Litigation and Other Proceedings (§ 4(h))**

**None**