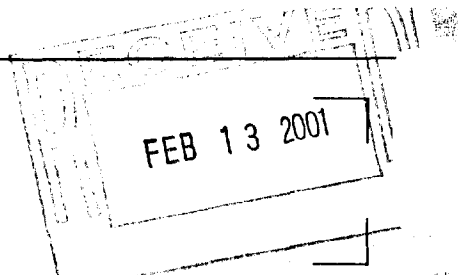


2-1301



02-26-2001



101620842

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
- Security Agreement
- Merger
- Change of Name
- Other
- License
- Nunc Pro Tunc Assignment
Effective Date
Month Day Year

Conveying Party

Mark if additional names of conveying parties attached

Name Execution Date
Month Day Year

Formerly

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

Receiving Party

Mark if additional names of receiving parties attached

Name

DBA/AKA/TA

Composed of

Address (line 1)

Address (line 2)

Address (line 3)

- Individual
- General Partnership
- Limited Partnership
- Corporation
- Association

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.)

Other

Citizenship/State of Incorporation/Organization

FOR OFFICE USE ONLY

02/26/2001 AAHME91 00000001 1877334

01 FC:481 40.00 OF
02 FC:482 25.00 OF

Public burden reporting for this collection of information is estimated to average approximately 30 minutes per Cover Sheet to be recorded, including time for reviewing the document and gathering the data needed to complete the Cover Sheet. Send comments regarding this burden estimate to the U.S. Patent and Trademark Office, Chief Information Officer, Washington, D.C. 20231 and to the Office of Information and Regulatory Affairs, Office of Management and Budget, Paperwork Reduction Project (0651-0027), Washington, D.C. 20503. See OMB Information Collection Budget Package 0651-0027, Patent and Trademark Assignment Practice. DO NOT SEND REQUESTS TO RECORD ASSIGNMENT DOCUMENTS TO THIS ADDRESS.

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: 002240 FRAME: 0259

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)

FEB 13 2001

Correspondent Name and Address

Area Code and Telephone Number

Name

Address (line 1)

Address (line 2)

Address (line 3)

Address (line 4)

Pages

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

#

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)		
<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text" value="1,877,334"/>	<input type="text" value="1,974,599"/>	<input type="text"/>
<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>

Number of Properties

Enter the total number of properties involved.

#

Fee Amount

Fee Amount for Properties Listed (37 CFR 3.41):

\$

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.

Paige Waldrop Mills

Name of Person Signing



Signature

2/5/2001

Date Signed

LOAN AND SECURITY AGREEMENT

THIS LOAN AND SECURITY AGREEMENT (the "Agreement") is entered into and made effective as of June 15, 2000, by and between FIRST TENNESSEE BANK NATIONAL ASSOCIATION, a national banking association with offices in Nashville, Tennessee ("Lender"), and AMERICAN PAPER & TWINE COMPANY, a Tennessee corporation ("Borrower").

RECITALS:

A. Borrower has requested that Lender extend credit to Borrower in the form of this Agreement, providing for a revolving credit facility in the aggregate principal amount of \$7,500,000.00, to provide additional working capital exclusively for Borrower's business operations.

B. Upon and subject to the terms and conditions of this Agreement, Lender is willing to extend such credit to Borrower.

AGREEMENT:

NOW, THEREFORE, in consideration of the foregoing recitals and the mutual promises hereinafter set forth, in further consideration of certain other agreements and instruments entered into simultaneously herewith, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged by the parties, Lender and Borrower hereto agree as follows:

ARTICLE I DEFINITIONS

1.1 Definitions. As used herein, the following terms shall have the indicated meanings, unless the context or use indicates another or different meaning:

"**Advance**" means the disbursement by Lender of a sum or sums loaned pursuant to Section 2.1 of this Agreement.

"**Agreement**" shall mean this Loan and Security Agreement.

"**Applicable Environmental Law**" shall be defined as any federal, state, foreign and local statutory laws, rules or regulations, agreements with governments, court orders, administrative orders and case law pertaining to the health or the environment, or petroleum products, or oil, or hazardous substances and all amendments, modifications and additions including, without limitation, The Comprehensive Environmental Response, Compensation and Liability Act of 1980; The Resource Conservation and Recovery Act of 1976; The Superfund Amendments and Reauthorization Act of 1986; and The Toxic Substances Control Act.

"Borrower" shall mean American Paper & Twine Company, a Tennessee corporation, which shall also be deemed the "Debtor" under the Uniform Commercial Code.

"Business Day" means a day, other than Saturday, Sunday, or any legal holiday, upon which Lender is open for banking business in Nashville, Tennessee.

"Capitalized Lease Obligations," or words of similar import, shall mean all rental obligations which have been or should be capitalized on the books of Borrower in accordance with Financial Accounting Standards Board Statement No. 13, as amended from time to time, in each case taken at the amount thereof accounted for as indebtedness, net of interest expense, determined in accordance with good accounting practice.

"Capital Expenditures" means for any period the sum of the gross amount of additions to property, plant and equipment of Borrower during such period, and including, without duplication, but not limited to, the principal amount of Debt incurred during such period by Borrower as lessee under a Capitalized Lease Obligation or secured by a purchase money security interest.

"Collateral" means all of the items described in Section 3.2 which are pledged, assigned, delivered, transferred and conveyed, and in which a security interest is granted to Lender, to secure the payment of the Indebtedness and the performance and full satisfaction of Borrower's obligations hereunder.

"Commitment Period" means the period beginning on the date hereof and ending on June 30, 2002.

"Customer" shall mean and include the account debtor with respect to any of the Receivables and/or the prospective purchaser with respect to any contract right and/or any party who enters into or proposes to enter into any contract or other arrangement with Borrower pursuant to which Borrower is to deliver any property for sale, usually in Borrower's ordinary course of business.

"Debt" means, as to Borrower or any other applicable Person, at any date, without duplication (i) all obligations of such Person for borrowed money, (ii) all obligations of such Person evidenced by bonds, debentures or other similar instruments under installment sale contractors or like arrangements, (iii) all obligations of such Person to pay the deferred purchase price of property or services, (iv) all obligations of such Person as lessee under Capitalized Lease Obligations, (v) all obligations of such Person to purchase securities or other property which arise out of or in connection with the sale of the same or substantially similar securities or property, (vi) all non-contingent liabilities of such Person to reimburse any bank or other Person in respect of amounts paid under a letter of credit or similar instrument, (vii) all Debt of others secured by a lien on any assets of such Person, whether or not such debt is assumed by such Person, and (viii) all Debt of others guaranteed by such Person. "Debt" shall include, without limitation, all Indebtedness. "Debt" shall not include obligations owed to shareholders of Borrower that have been subordinated to Lender or any obligations with respect to Borrower's preferred stock issued and outstanding.

"Eligible Receivable" shall mean and include such Receivables which are, and at all times shall continue to be, acceptable to Lender in all respects in Lender's reasonable discretion. Criteria for eligibility may be fixed and revised from time to time solely by Lender in its reasonable judgment. In general, a Receivable shall in no event be deemed to be eligible unless (i) the Receivable arose in the normal course of Borrower's business in connection with a bona fide sale of goods and/or performance of service in accordance with a valid order or contract, whether oral or written, (ii) delivery of the merchandise and/or service covered by the Receivable has been completed, (iii) no return, rejection or repossession has occurred, (iv) such merchandise and/or service has been accepted by the Customer and no dispute, offset, credit allowance, adjusted allowance, counter allowance, defense or counterclaim has been asserted by the Customer, or if so, the balance owing on the Receivable as reported to Lender has been reduced by the amount so contested, (v) such Receivable continues to be in full conformity with the representations and warranties (or the exceptions thereto) made by the Borrower to Lender with respect thereto, (vi) no more than ninety (90) days have elapsed from the invoice date, (vii) Lender is and continues to be satisfied with the credit standing of the Customer in relation to the amount of credit extended in Lender's reasonable discretion, (viii) the Receivable is not a receivable of a government entity, unless the parties have complied with the Assignment of Governmental Claims Act or any similar applicable state statute to the satisfaction of Lender, but this criterion shall not be applicable if such government receivables are less than five percent (5%) of the total Eligible Receivables, and (ix) the Receivable is not otherwise subject to any liens, claims or security interest of any other Person, except the first lien security interest of Lender.

"Eligible Inventory" shall mean and include such Inventory which is, and at all times shall continue to be, acceptable to Lender in all respects in Lender's reasonable discretion. Criteria for eligibility may be fixed and revised from time to time solely by Lender in its reasonable judgment. In general, Inventory shall in no event be deemed to be eligible unless (i) the inventory and all proceeds and products of the inventory are subject to a valid and properly perfected first lien security interest of Lender, (ii) such inventory is current inventory and not outdated, damaged, spoiled, unusable, obsolete, or its value, usability or marketability similarly negatively affected by its condition, and/or market conditions, (iii) such inventory continues to be in full conformity with representations and warranties (or the exceptions thereto) made by the Borrower to Lender with respect thereto, and (iv) the inventories not otherwise subject to any liens, claims, attachment, security interest of any other Person except the first lien security interest of Lender.

"Environmental Condition" shall be defined as any Release of a Hazardous Pollutant or the generation, manufacture, refining, transportation, treatment, storage, handling, disposal, transfer, production or processing of a Hazardous Pollutant or other dangerous or toxic substance or solid waste in violation of any Applicable Environmental Law including, without limitation, a spill, discharge or contamination by any pollutant, hazardous pollutant, dangerous substance, toxic substance, hazardous waste, hazardous materials or hazardous substances as defined or pursuant to any Applicable Environmental Law, a result of which may require remedial action pursuant to any Applicable Environmental Law or may be the basis for the assertion of any third party claims, including claims of governmental entities.

"Event of Default" or **"event of default"** shall mean any one of those events specified in Section 8.1 herein.

"GAAP" means generally accepted accounting principles promulgated by the Accounting Principles Board of the American Institute of Certified Public Accountants and the Financial Accounting Standards Board, which are applicable from time to time.

"Guarantor" means Robert S. Doochin, a natural person who is a resident of Nashville, Davidson County, Tennessee.

"Guaranty" means the guaranty executed and delivered by Guarantor in consideration of the Loan, such Guaranty to be prepared by counsel to Lender and to be satisfactory in all respects to Lender.

"Hazardous Pollutant" shall be defined to include any pollutants, dangerous substances, toxic substances, hazardous wastes, hazardous materials or hazardous substances as defined in or pursuant to any Applicable Environmental Law.

"Indebtedness" means all indebtedness and liabilities of whatsoever kind, nature or description owed to Lender or on account of Lender by Borrower, whether direct or indirect, absolute or contingent, due or to become due, and whether now existing or hereafter arising or created and howsoever evidenced or acquired, and whether joint and several or otherwise, and includes, without limitation, all further and future advances which Lender may at any time make for the protection or preservation of Lender's rights and interests or arising hereunder or relating hereto including, without limitation, advances, insurance payments, tax payments, payments to governmental entities or agencies, reasonable attorney fees, and filing or recordation fees; and includes all costs, court costs and expenses of whatever kind incurred by Lender in the protection, enforcement, defense or collection of the Indebtedness or this Agreement or of any of Lender's rights and interests including, without limitation, attorney fees and all costs and payments of fees and includes the pledges, hypothecations and guaranties of any other Persons and entities, if any, with respect to this Loan, any advances, any payments, and the "Indebtedness," and all attorney fees, costs, expenses and recording fees incurred or necessary to liquidate, enforce, protect or collect the collateral security for this Agreement and the perfection, continued perfection and priority of Lender's interest in the Collateral.

"Inventory" shall mean and include all inventory of Borrower as defined under the Uniform Commercial Code of the State of Tennessee, as amended, and shall include raw materials, work-in-progress, finished goods, and any combination thereof, and all goods, merchandise or other property held by Borrower for sale or lease, and all related materials or supplies of every nature (but excluding equipment) used, consumed or to be used in Borrower's business, and all packaging and shipping materials, and all products and proceeds of any of the foregoing (including, without limitation, proceeds consisting of accounts receivable, chattel paper and insurance proceeds) whether now owned or hereafter acquired and wherever located.

"Lender" shall mean First Tennessee Bank National Association, a national banking association with offices in Nashville, Tennessee, which shall also be deemed the "Secured Party" under the Uniform Commercial Code.

"Loan" shall mean the revolving line of credit loan in the principal amount not exceeding \$7,500,000.00 being extended by Lender to Borrower pursuant to Section 2.1 of this Agreement.

"Loan Documents" shall mean collectively, this Agreement, the Note, the Guaranty and any and all other documents executed by Borrower, Guarantor or any other Person to or for the benefit of Lender and delivered to Lender to evidence or secure the Loan.

"Material Adverse Change" means an event or condition that materially and adversely impairs the financial condition of Borrower or Guarantor such that Lender reasonably believes its prospects of receiving full or partial payment of the Indebtedness are impaired.

"Net Worth" shall mean, as to Borrower, the total of all assets less all liabilities appearing on a balance sheet prepared in accordance with GAAP, consistently applied.

"Note" shall mean that certain Revolving Line of Credit Promissory Note of even date herewith made by Borrower and payable to the order of Lender evidencing Borrower's obligation to repay the Loan, such Note to be prepared by counsel to Lender and shall be satisfactory in all respects to Lender.

"Notice of Borrowing" has the meaning ascribed in Section 2.1.

"Person" includes any individual, corporation, joint venture, general or limited partnership, limited liability company, trust, organization, association, other entity or tribunal.

"Receivables" shall mean and include all accounts, contract rights, instruments, documents, chattel paper and general intangibles, whether secured or unsecured, now existing or hereafter created, of Borrower, and whether or not specifically sold or assigned to Lender.

"Release" shall mean releasing, placing, spilling, leaking, pumping, pouring, emitting, emptying, discharging, injecting, escaping, leeching, disposing or dumping, whether intentional or unintentional.

"Tangible Net Worth" shall mean the Net Worth of Borrower (including, without limitation, the value of Borrower's preferred stock issued and outstanding), less intangible assets, less the amount of shareholder and related entity accounts receivable, plus the amount of shareholder accounts payable and notes.

"Uniform Commercial Code" means at any time the Uniform Commercial Code as in effect in the state where a Loan Document has been filed, but shall mean as to all Loan Documents in the

interpretation of this Agreement, the Uniform Commercial Code as in effect in the State of Tennessee.

1.2 Other Definitional Provisions.

(a) **Accounting Terms.** Any accounting term not specifically defined herein shall have the meaning as such term is used in accordance with GAAP consistently applied, and the determination of any accounting term, whether or not specifically defined herein, shall be in accordance with GAAP consistently applied.

(b) **Banking Terms.** Any banking term not specifically defined herein shall have the meaning as such term is used in accordance with customary and standard banking practices, and the determination of any banking term, whether or not specifically defined herein, shall be in accordance therewith.

(c) **Other Terms.** All terms and phrases used herein, but which are not subject to Sections 1.2(a) and (b) and which are not expressly defined herein or by reference to other sources, shall have the meanings assigned to them in Chapter 9, Title 47, of Tennessee Code Annotated (Uniform Commercial Code) or if an applicable definition is not contained therein, then said term shall have the meaning commonly assigned thereto.

(d) All terms defined in this Agreement shall have the above defined meanings when used in this Agreement, the Note or any other Loan Documents, certificate, report or other document made or delivered pursuant to this Agreement, unless the context therein shall otherwise require.

(e) Defined terms used herein in the singular shall include the plural and vice versa.

(f) The words "hereof," "herein," "hereunder," and similar terms when used in this Agreement shall refer to this Agreement as a whole and not to any particular provision of this Agreement; the words "include", "includes," and "including" shall be deemed to be followed by "without limitation" regardless of whether such words or words of like import in fact follow same, and, unless the context clearly indicates otherwise, the disjunctive "or" shall include the conjunctive "and."

ARTICLE II LOANS

Upon execution of this and other required Loan Documents and upon satisfaction of the contingencies hereinafter set forth and subject to the terms, conditions, warranties and representations herein, Lender agrees to make the Loan described as follows:

2.1 Line of Credit Loan.

(a) Lender agrees to loan to Borrower on a revolving basis in one or more Advances from time to time during the Commitment Period an amount equal to amounts requested by Borrower in each Notice of Borrowing; provided, however, that (i) Lender shall not be obligated to make Advances for purposes other than those set forth in this agreement, (ii) the aggregate amount of Advances outstanding from time to time with respect to the Loan shall never exceed the maximum principal amount of the Loan, and (iii) Lender shall not be obligated to make Advances after the initial Advance until all conditions to such additional Advances are satisfied or waived by Lender. The Loan shall be evidenced by the Note, which is incorporated herein by reference.

(b) Borrower agrees to apply the proceeds of the Note as additional working capital exclusively for use in Borrower's business operations.

(c) As long as there is no occurrence of any event which is defined to be a default or an event of default under the Note, this Agreement, or any Loan Document or other instrument given with respect to the Indebtedness, during the term of the Note, and in accordance with the Note and this Agreement, Borrower may, from time to time, borrow, repay, and reborrow Advances under the Note, provided, however, that the total principal amount outstanding under the Note shall not, at any time, exceed the lesser of [i] \$7,500,000.00 or [ii] the Borrowing Base (as hereinafter defined). Advances shall be requested by Borrower and disbursed by Lender as hereinafter set forth. The obligation of Lender to make any Advance under the Note shall be subject to the following conditions:

(i) As of the time of each request and the time of any Advance, there shall exist no default or event of default under any Loan Document.

(ii) Borrower shall have performed and complied with all agreements, conditions, and covenants contained in all Loan Documents and in any other agreement between Borrower and Lender, and all representations and warranties of Borrower and Guarantor shall be true and correct.

(iii) As of the time of each request and the making of each Advance, no Material Adverse Change shall have occurred and be continuing.

(iv) Borrower shall deliver to Lender, in a form and in a manner acceptable to Lender, within ten (10) calendar days following each calendar month (a) a monthly aging schedule containing an itemized list of all Receivables effective as of the last day of the preceding calendar month (the "Effective Date"), and (b) a "Borrowing Base Certificate" in the form of Exhibit A attached hereto, which Borrowing Base Certificate shall show the calculation of the amount of credit available to Borrower for the period of

time from Lender's receipt of such Borrowing Base Certificate until preparation and time of delivery of the next Borrowing Base Certificate (the "Borrowing Base"). The Borrowing Base shall be calculated upon (a) 85% of the Eligible Receivables, and (b) 50% of Eligible Inventory. At any time, Borrower may prepare and submit an updated Borrowing Base Certificate, or the Lender may request an updated Borrowing Base Certificate, and the Borrowing Base as calculated thereon shall be valid until submission of the next Borrowing Base Certificate.

(v) In the event, for any reason, the outstanding principal balance of the Loan at any time exceeds the value of the Borrowing Base, Borrower shall immediately, upon request by Lender, pay to Lender, in addition to any interest due, the amount of principal necessary to reduce the principal balance of the Loan to or less than the value of the Borrowing Base as calculated on the Borrowing Base Certificate.

(d) Borrower shall give Lender prior notice of each requested Advance hereunder in form and substance acceptable to Lender (a "Notice of Borrowing"). Lender may honor any Notice of Borrowing made by any officer or agent of Borrower (authorized by a duly approved corporate resolution delivered to Lender) whether such request is made in person, by telephone, or in writing. Lender may require, in its discretion, that the Notice of Borrowing be made in writing in a form and manner satisfactory to Lender, and Lender may also require, in its discretion, that Borrower submit with each such request a current Borrowing Base Certificate and/or such other warranties and assurances acceptable to Lender indicating that Borrower is not then in default hereunder and is otherwise entitled to receive the requested Advance. The submission of any Notice of Borrowing, whether oral or in writing, shall constitute the warranty of Borrower that, at the time of the request, [i] the Borrowing Base is sufficient to support the requested Advance, [ii] Borrower has performed all agreements and conditions and is in compliance with all covenants contained in the Note, this Agreement and any other Loan Document, and [iii] as of the date of the Notice of Borrowing there exists no default or event of default under any Loan Document, and there exists no Material Adverse Change. Additionally, notwithstanding the foregoing, Lender has agreed to make available to Borrower an ordinary sweep account arrangement by which Advances may be made under the Loan on a daily basis in response to activity in Borrower's accounts used for deposits and expenses, and Advances from such sweep account shall be conditioned on Borrower's full compliance with the terms and conditions of this Agreement and of any deposit agreements establishing procedures therefor.

(e) As long as Borrower meets the conditions for funding stated herein, Lender shall fund Advances requested under the Note within two (2) Business Days of the actual receipt of Borrower's Notice of Borrowing delivered to such officer of Lender designated for the receipt of notices or by any duly elected officer of Lender

who holds the office of vice president or any more senior office. All Advances shall be disbursed by deposit directly into an account maintained by Borrower with Lender.

ARTICLE III SECURITY

3.1 Grant of Security Interest. Borrower hereby assigns, pledges, conveys, delivers and grants to Lender a general and continuing first priority security interest and assignment in the Collateral (as defined hereinbelow) to secure [a] full repayment when and as due of all obligations of Borrower related to the Indebtedness and any extensions, renewals or modifications thereof; [b] prompt and full payment of all amounts due under any note(s) given in payment of all or a portion of the Indebtedness, their extensions, modifications or renewals; [c] full performance of all obligations of Borrower set forth in the Note and all renewals, extensions or modifications thereof; [d] all of Borrower's duties and obligations set forth in this Agreement, the Loan Documents and all other documents executed by Borrower in connection with the Loan evidenced by the Note; and [e] all other future advances, indebtedness or liability, now existing or hereafter arising, absolute or contingent, whether joint or several, of the Borrower to Lender. Notwithstanding the foregoing, the security interest granted hereby shall not extend to any indebtedness or obligations that, at the inception of such indebtedness or obligations, were not owed to Lender or Lender's corporate successors, unless otherwise cross-defaulted and/or cross-collateralized with the liabilities secured hereby pursuant to a separate instrument executed by Borrower.

3.2 Description of Collateral. The payment all Indebtedness to Lender now or hereinafter existing, and the performance and full satisfaction of Borrower's obligations hereunder, are secured and shall be secured by the property of Borrower described on Exhibit B attached hereto and incorporated by reference herein, whether such property is presently existing or hereinafter acquired or created, and wheresoever situated, and all additions, accessions, attachments thereto, replacements, amendments and substitutions thereof and parts therefor, and all payments, profits, revenues and cash and non cash proceeds therefrom and records pertaining thereto, including but not limited to all proceeds of any insurance covering such property (collectively, the "Collateral").

3.3 Priority. The security interest, pledge and guaranty, or other matters referred to or created in the above and foregoing Sections shall have a priority to and do have a priority over all other assignments, security interests, mortgages, negative pledges, liens and encumbrances of every kind and nature whatsoever, except as to such encumbrances which Borrower has notified Lender of in writing prior to the execution of this Agreement and which Lender has accepted as a prior encumbrance in writing prior to this Agreement. It is the intent of Lender and Borrower that this Agreement shall also be and in fact is and does hereby constitute a security agreement. In the event of default hereunder, Lender shall not only have all of the rights set forth in the Uniform Commercial Code and all the rights hereunder, but shall also have all of the rights set forth in the Loan Documents and in any other agreements being entered into simultaneously herewith.

3.4 Further Assurances. Borrower agrees to pay and shall pay all reasonable costs, fees, recording fees and expenses of whatever kind incurred by Lender, directly or indirectly, in connection with the preparation, recording, and filing of all Loan Documents, instruments and documents incidental or necessary to this transaction, including all reasonable legal fees incurred by Lender. Borrower also agrees to pay and shall pay all costs, court costs, fees and expenses of whatever kind incident to any collection or any enforcement, protection, prosecution or defense of any and all rights and interests hereunder or in any Loan Documents or other instruments, including reasonable attorney fees, and all costs and the defense, protection, enforcement or collection of any Collateral and the perfection, continued perfection and priority of Lender's interest in any Collateral and all costs, expenses, recording fees, fees, attorney fees and expenses of whatever kind incident to or necessary to document, record, perfect and to continue the perfection and priority of Lender's interest in any Collateral.

3.5 Power of Attorney. Borrower irrevocably appoints Lender its true and lawful attorney, with powers of substitution, so long as there exists any unpaid Indebtedness or unperformed obligations and an event of default exists under this Agreement, at Lender's option and at Borrower's expense, to demand, collect, receipt for and give renewals, extensions, discharges and releases of any assigned Collateral; to institute and prosecute legal or equitable proceedings to realize upon the assigned Collateral; to sell or compromise, compound or adjust claims with respect to any assigned Collateral or any legal proceedings brought in respect thereof; to do all acts and things which Lender may deem necessary to perfect and continue perfected the interests, pledges and other rights and interests created herein and therein and to protect the Collateral security hereunder or alluded to herein or therein, or in other instruments and documents including, but not limited to, the completion of any security agreements, UCC filings, assignments, pledges, documents, instruments, statements or agreements, and any renewals or extensions thereof, and the insertion of information or terms not inconsistent with the agreement of Lender and Borrower in those and/or other instruments and documents; generally to sell or reassign in whole or in part for cash, credit or property to others or to itself at any public or private sale any of the Collateral as fully and completely as though Lender was the absolute owner thereof for all purposes and to apply all proceeds therefrom to a reduction of the Indebtedness. Borrower further irrevocably appoints Lender its true and lawful attorney, with power of substitution, so long as there exists any unpaid Indebtedness or unperformed obligations and an event of default exists hereunder, to take control in any manner of any cash or non-cash items or payment or proceeds related to the Collateral; to endorse the name of Borrower upon any notes, acceptances, checks, drafts, money orders, bills of lading, freight bills, chattel paper or other evidences of payment of the Collateral that may come into Lender's possession; and to apply all proceeds therefrom to a reduction of the Indebtedness.

3.6 Intentionally left blank.

3.7 Further Assurances. Borrower shall, at its own expense, do, make, procure, execute and deliver all acts, things, writings and assurances as Lender may at any time reasonably request to protect, assure or enforce its interests, rights and remedies created by, provided in or emanating from this Agreement, including the execution of any financing statement or amendments thereto as contemplated in the Uniform Commercial Code in force in Tennessee.

3.8 No Waiver. Lender may at any time demand, sue for, collect, subordinate, release or make any compromise or settlement with reference to the Collateral as Lender, in its sole discretion, chooses, and Lender may delay exercising or omit to exercise any right or remedy under this Agreement without waiving that particular, or any other past, present or future, right or remedy unless Lender chooses to waive any such remedy in writing.

3.9 Remedies Upon Borrower's Default. Upon an event of default, Lender shall have at any time thereafter the rights and remedies provided in the Uniform Commercial Code in force in Tennessee at the date of execution of this Agreement, and in addition to, substitution for, modification of, or in conjunction with those rights and remedies, Lender or its agents may:

(a) In its discretion, sell, assign and deliver all or any part of the Collateral at public or private sale without notice or advertisement except as required by law;

(b) Bid and become purchaser at any public sale;

(c) If notice to Borrower is required, give written notice to Borrower ten (10) days prior to the date of public sale of the Collateral or prior to the date after which private sale of the Collateral shall be made by mailing such notice to Borrower as provided herein; and

(d) Apply proceeds of the disposition of Collateral available for satisfaction of the Indebtedness in any order of preference which Lender, in its sole discretion, chooses.

3.10 Limitation of Lender's Duty. Borrower agrees and affirms that Lender's duty with reference to the Collateral shall be solely to use reasonable care in the custody and preservation of the Collateral in Lender's possession, which shall not include any steps necessary to preserve rights against prior parties.

3.11 Waiver and Consent of Borrower. Borrower agrees that demand, notice, protest and all demands and notices of any action taken by Lender under this Agreement or in connection with any note or notes except those provided in this Agreement are hereby waived, and any indulgence of Lender, substitution for, exchange of, or release of Collateral, or addition or release of any Person liable on the Indebtedness is hereby consented to.

3.12 Borrower's Unlimited and Unencumbered Right to Grant Security Interest. Borrower represents, warrants, covenants and agrees that at the time of the execution of this Agreement and the Collateral is deposited with Lender, Borrower has the right to transfer any interest therein, and that the Collateral is not subject to the interest of any third Person, and that Borrower shall defend the Collateral and its proceeds against the claims and demands of all third Persons.

**ARTICLE IV
BORROWER'S REPRESENTATIONS, WARRANTIES
AND COVENANTS**

To induce Lender to enter into this Agreement and extend the credit evidenced by the Note, Borrower makes the representations and warranties to Lender set forth in this Article, which shall survive the date and execution hereof and without which Lender would not enter into this Agreement and other Loan Documents and extend the credit evidenced by the Note, and, together with the other covenants herein, Borrower covenants with Lender that the representations and warranties set forth herein shall continue to be true, accurate and complete until such time as all of the Indebtedness is paid in full and all of Borrower's obligations hereunder have been fully satisfied and performed:

4.1 Valid Corporate Existence. Borrower is a corporation, duly formed and validly existing under the laws of the State of Tennessee.

4.2 Power and Authority. Borrower has the power to enter into this Agreement, the Note, the Loan Documents and such other agreements as are required by Lender and has the power and authority to execute and deliver same to Lender in the form in which same are and have been delivered now and from time to time hereafter, and the power and authority to execute and deliver to Lender additional agreements and other instruments and documents relating to the Indebtedness and Collateral given therefor.

4.3 No Breach. The execution by Borrower of this Agreement, the Loan Documents and the other instruments, agreements, documents and note in connection herewith, and of such other agreements, instruments and documents which may from time to time hereafter be executed and delivered to Lender, does not and shall not constitute a breach, violation of, or default under any agreement to which Borrower is now a party or contemplates being a party, and the performance by Borrower of the obligations under this Agreement, the Loan Documents or any of the agreements and instruments executed by Borrower and delivered to Lender in connection with the Loan shall not constitute an event of default or breach under any other agreement, instrument, security filing, security agreement, or other document to which Borrower is now or shall be hereafter bound.

4.4 Principal Place of Business and Location of Collateral. Borrower's principal place of business (chief executive office and administrative office) and the office where Borrower's books and records concerning the Collateral (including specifically its books and records concerning the Collateral) is at the address shown in Section 9.1 hereof. Borrower shall maintain its principal place of business at the address shown in Section 9.1 hereof and shall neither move its office nor the Collateral therefrom without the prior written consent of Lender. The locations of the Collateral are listed on Schedule 4.4 attached hereto.

4.5 No Other Name or Identity. Borrower has never carried on business, traded as, been known as, used, or maintained a corporate existence under any other name, and for so long as the Indebtedness remains owing and unpaid, Borrower shall not carry on business, trade as, be known

as, use as, incorporate or reorganize under any other name or change its legal entity without prior written notice to Lender and prior written consent of Lender.

4.6 Taxes. Except for taxes which, if neither reported nor filed, would not cause a Material Adverse Change, Borrower has timely filed all federal, state and local tax returns and reports required to be filed by Borrower and has timely paid any and all federal, state and local taxes owed by Borrower or for which Borrower is obligated or liable.

4.7 Charges Against the Collateral. Excepting only the encumbrances disclosed in this Agreement and encumbrances securing Capitalized Leases or evidencing purchase money security interests to the extent permitted in this Agreement, Borrower shall discharge all taxes, assessments, levies, governmental charges, liens or other defects and/or encumbrances, if any, levied or placed on Borrower or on the Collateral, assets, properties and interests of Borrower pledged hereunder or securing the Indebtedness. Lender may, at its option, discharge any such taxes, assessments, levies, charges, liens, defects or encumbrances and/or pay for the maintenance and preservation of said assets, properties and interest. Borrower agrees to reimburse Lender on demand for any and all payments made or expenses incurred by Lender pursuant to this authorization together with interest thereon from the date of payment at the maximum rate of interest permitted by law and all costs and reasonable attorney fees.

4.8 Payment and Performance. Borrower shall pay Lender all payments when due and shall fully discharge, satisfy, and perform all of its obligations to Lender.

4.9 Defense of Collateral; Indemnification of Lender as to Collateral. Borrower shall defend the Collateral pledged as security against the claims and demands of all Persons and shall indemnify and hold Lender harmless from any and all claims or demands against said Collateral, including attorney fees and costs.

4.10 Preservation of Collateral. Borrower shall take all necessary action to keep the Collateral free from any adverse lien, security interest or encumbrance and in good order and repair and shall not waste or destroy the Collateral or any part thereof. Borrower shall not sell or attempt to sell any interest in the Collateral or any portion thereof and shall not create or permit to exist any security interest (not identified in the preceding paragraph) in or other encumbrance upon the Collateral without the prior written consent of Lender. Lender hereby consents to the sale of inventory and processing of accounts receivable in the ordinary course of business; provided, however, that no event of default has occurred and is continuing prior to the time of any such sale or processing.

4.11 Borrower's Title to Collateral. Except for the security interest and assignments given hereby, Borrower is the sole owner with good, marketable and indefeasible title to the Collateral, free and clear from any and all liens, security interests, mortgages, assignments, charges encumbrances or other right, title or interest of any Person.

4.12 Insurance. Borrower shall keep hazard insurance in a form, amount and with a company satisfactory to Lender including, but not limited to, fire and extended coverage, on all Collateral at the maximum insurable amount, shall keep such insurance current at all times there is any balance outstanding on the Indebtedness, and shall cause Lender and Borrower to be the sole loss payees of such policy so long as there exists any unpaid or unperformed Indebtedness. Borrower shall receive all proceeds of such policies over and above the then outstanding amounts due under the Indebtedness.

4.13 Compliance with All Laws. Except for violations which, even if identified and prosecuted successfully, would not cause a Material Adverse Change, Borrower has complied, is in compliance and shall continue to be in compliance with all local, state and federal laws, rules and regulations applicable to the conduct of its business.

4.14 No Litigation. Except as listed on Schedule 4.14 attached hereto, there is no litigation, proceeding or investigation pending or threatened against Borrower, Guarantor, the Collateral herein, or any other assets or property of Borrower in any court, bureau, agency or commission. Borrower does not know or have any reasonable grounds to know of any basis for any such litigation, proceeding or investigation. Borrower is not in default in respect of any judgment, order, writ, injunction, restraining order, decree, rule, regulation of any applicable court, bureau, administrative agency or commission. Borrower agrees to give Lender written notice, within ten (10) days of filing, of the filing of any litigation, proceeding or investigation in any court, bureau, agency or commission that materially affects Borrower, the Collateral herein, or the assets or property of Borrower.

4.15 Annual Summary of Litigation Matters to be Submitted to Lender. Borrower agrees to provide on an annual basis within forty-five (45) days after the close of each calendar year a detailed summary of all litigation matters, claims and assessments pending or served against Borrower, and said summary shall include, but not be limited to, the identity of the parties, name of the court or agency, docket or file number, the description of the claim including the maximum monetary amount thereof and/or the possible extent of injunctive or equitable relief sought thereunder and an estimate by counsel for Borrower of the liability of Borrower, if any.

4.16 Material Changes. Borrower shall inform Lender in writing immediately of any material changes in contracts, business ventures or business relationships which might or could have a material or adverse effect on the business, operations or net worth of Borrower.

4.17 No New Business Ventures or Enterprises; Limit on Capital Expenditures and Dispositions; Limit on Additional Debt. Borrower shall not engage in any new material business venture or new substantial business enterprise and shall not make any or incur an obligation to make Capital Expenditures in any twelve (12) month period exceeding in the aggregate \$500,000.00, or sell or dispose of any major capital asset outside the ordinary course of business without the prior written consent of Lender. Borrower shall not, directly or indirectly, create, incur, or suffer to exist, any direct, indirect, fixed, or contingent liability for any Debt, other than (i) Debt described in Schedule 4.17 hereto, (ii) endorsements of checks or drafts in the ordinary course of Borrower's

business, and (iii) indebtedness, not to exceed \$250,000.00 in the aggregate at any time, arising from Capitalized Leases or secured by purchase money security interests in equipment.

4.18 Financial Reporting Requirements. Borrower agrees to furnish to Lender Borrower's audited balance sheet and income statement and statement of cash flows, as prepared by independent certified public accountants acceptable to Lender, within one hundred twenty (120) days following the close of Borrower's fiscal year, but at least once during every twelve (12) month period. Borrower also agrees to prepare and furnish to Lender, in a form acceptable to Lender, monthly unaudited balance sheets and income statements within thirty (30) days following the last day of each month. Borrower shall furnish to Lender a copy of Borrower's federal and state tax returns, with all attachments and schedules thereto, immediately after they are prepared and filed, all reports prepared by Borrower's independent auditors immediately upon Borrower's receipt, and such other and additional financial information in a form acceptable to Lender as Lender may reasonably request (including without limitation, an itemized Inventory list showing location of all Inventory). All financial statements submitted to Lender in connection with the Loan fairly reflect the financial condition and capital structure of Borrower as of said date; provided, however, the unaudited financial statements shall not be required to include preparer's notes or the disclosures otherwise required by GAAP. All such annual financial statements of Borrower shall be prepared in accordance with GAAP consistently applied. Every submission by Borrower to Lender of Borrower's financial statements shall constitute Borrower's representation and warranty to Lender that no Material Adverse Changes have occurred or have been threatened or are pending since the date of Borrower's most recent previous submission of financial statements to Lender that otherwise have not been previously disclosed to Lender in writing. Borrower shall at no time have any liabilities, direct or contingent, except those disclosed in the statement of condition referred to in such financial statements.

4.19 Reimbursement of Lender's Additional Expenses. Borrower shall, on demand, reimburse Lender for any and all expenses reasonably incurred, or which may be hereafter incurred, by Lender from time to time in connection with or by reason of (i) Borrower's application for, the making of, or any modifications, renewals or extensions of, the Loan, or (ii) Borrower's failure to comply with Lender's reasonable requests for information required by the Loan Documents.

4.20 Borrower's Books and Records; Lender's Right to Inspect. Borrower shall at all times keep proper books of account in a manner satisfactory to Lender. Borrower hereby authorizes Lender to make or cause to be made (at Borrower's expense upon default) and in such manner and at such times as Lender may require (i) inspections and audits of any books, records and papers in the custody or control of Borrower or others, relating to Borrower's financial or business conditions, including the making of copies thereof and extracts therefrom, and (ii) inspections and appraisals of any of Borrower's assets. Borrower hereby authorizes all federal, state and municipal authorities to furnish reports of examinations, records and other information relating to the conditions and affairs of Borrower, and any desired information from reports, returns, files and records of such authorities upon request therefor by Lender.

4.21 Capitalization of Borrower; Loans and Compensation to Other Persons; Change in Control or Ownership. Borrower shall not, without the prior written consent of Lender, declare or pay any dividend or make any distribution upon its capital stock, or purchase or retire any of its capital stock, or consolidate, or merge with any other company. Borrower shall not make any advance, directly or indirectly, as a loan to any Person; provided, however, that Borrower is permitted to advance loans to employees not exceeding the aggregate outstanding amount at any time of \$75,000.00. Borrower shall not be permitted to award bonus compensation or make gifts to any Person except employees, to whom such bonus compensation or gifts may be awarded in an amount not exceeding in the aggregate \$200,000.00 in any one 12-month period. Borrower shall not be a party to or participant in or allow any sale, transfer, conveyance of ownership or change in ownership or percentage of ownership, or transfer of control, or any merger, acquisition, restructure, recapitalization, conversion or reorganization. At no time during the term of this Agreement shall the aggregate of Borrower's capital stock owned by any Persons other than Robert S. Doochin exceed forty-nine percent (49%) of the total issued and outstanding shares of Borrower's capital stock, unless caused by the transfer of stock from Robert S. Doochin by reason of his death or disability.

4.22 Guarantor's Financial Reporting. Borrower shall cause the Guarantor to furnish Lender Guarantor's personal financial statement annually (no less than once every twelve (12) months); copies of each Guarantor's tax returns immediately after preparation and filing of such returns; and such additional financial statements and financial information of Guarantor in a form acceptable to Lender as may be requested by Lender.

4.23 Intentionally left blank.

4.24 Financial Covenants. During the term of the Loan, Borrower shall operate and maintain its business to comply and remain compliant with the following financial ratios and covenants during the term of this Agreement:

(a) The ratio of Debt to Tangible Net Worth shall never exceed the maximum of 3.5 to 1, as measured by Lender as of the last day of each fiscal quarter of Borrower.

(b) Borrower's minimum net profit at the end of each fiscal year of Borrower shall be not less than \$300,000.00. "Minimum net profit" shall be determined according to GAAP and shall exclude any extraordinary income, extraordinary expenses, or any other nonrecurring items.

4.25 Environmental Matters. Neither the Borrower nor the Collateral are in violation of or subject to any existing, pending or threatened investigation, fine, claim, lawsuit or inquiry by any governmental authority or any other entity or any response costs or remedial obligations under any Applicable Environmental Law and this representation and warranty shall continue to be true and correct following disclosure to the applicable government authorities of any relevant facts, conditions and circumstances, if any, pertaining to the Collateral or the operations of Borrower;

Borrower has not obtained and is not required to obtain any permits, licenses or similar authorizations for its operations, the operations of Borrower shall not result in the location on or disposal or other release of any petroleum products, oil, hazardous substances or solid waste. Borrower shall, at Borrower's sole cost and expense, comply with, or ensure compliance with, all Applicable Environmental Law. In the event Borrower discovers, determines or is advised of the existence of any Environmental Condition (any release of a hazardous pollutant or the generation, manufacture, refining, transportation, treatment, storage, handling, disposal, transfer, production or processing of a hazardous pollutant or other dangerous or toxic substance or solid waste in violation of any Applicable Environmental Law), Borrower shall promptly notify Lender thereof, and Borrower shall promptly, at Borrower's sole cost and expense, proceed with due diligence to take the appropriate action and response thereto. Borrower hereby agrees to pay any and all fine, charges, fees, expenses, damages, claims, losses, liabilities and response costs including, but not limited to, all reasonable legal, accounting, consulting and other expenses which may be incurred or imposed upon Borrower, Lender or the Collateral arising out of or in connection with any Environmental Condition, including the exposure of any Person to such any such Environmental Condition regardless of whether such environmental condition or exposure resulted from activities of Borrower or Borrower's predecessors in interest or any lessee of Borrower or any third party. As of the execution hereof, Borrower is not aware of any violation of the above requirements, and any future violation shall be the basis for an event of default under this Agreement only if, under the circumstances, the violation constitutes or would cause a Material Adverse Change.

4.26 Year 2000. Borrower reasonably believes that all computer applications (including those of its suppliers and vendors) that are material to its business and operations will on a timely basis be able to perform properly date-sensitive functions for all dates after January 1, 2000 (that is, be "Year 2000 compliant"), except to the extent that a failure to do so could not reasonably be expected to have a material adverse effect on Borrower's financial condition. Borrower shall promptly notify Lender in the event the Borrower discovers or determines that any computer application (including those of its suppliers and vendors) that is material to its business and operations will not be, or are not, Year 2000 compliant on a timely basis, except to the extent that such failure could not reasonably be expected to have a material adverse effect on Borrower's financial condition.

4.27 ERISA. As used in this section, the terms "accrued benefits," "employee benefit plans," "employee pension benefit plan," and "party in interest" shall have the respective meanings assigned to such terms in Section 3 of the federal Employee Retirement Income Security Act of 1974, as amended from time to time, and the regulations promulgated thereunder ("ERISA"); the term "accumulated funding deficiency" shall have the meaning assigned to such term in Section 302 of ERISA or Section 412 of the Internal Revenue Code of 1986, as amended from time to time, and the regulations promulgated thereunder (the "Code"); the term "employer security" shall have the meaning assigned to it in Section 407(d)(1) of ERISA; and the term "prohibited transaction" shall have the meaning assigned to such term in Section 4975 of the Code or Section 406 of ERISA.

Borrower has not, with respect to any employee benefit plan established or maintained by the Borrower (collectively, the "Plans," and individually, a "Plan"), engaged in a prohibited

transaction that could subject the Borrower to a tax or penalty on prohibited transactions. No Plan that is subject to Part 3 of Subtitle B of Title I of ERISA or Section 412 of the Code had an accumulated funding deficiency, whether or not waived, as of the last day of the most recent fiscal year of such Plan ended prior to the date hereof. No liability to the Pension Benefit Guaranty Corporation has been, or is expected by the Borrower to be, incurred by the Borrower with respect to any Plan other than for premium payments. There has been no material "Reportable Event" (as defined in Section 4043 of ERISA) with respect to any Plan since the effective date of Section 4043 of ERISA, and since such date no event or condition has occurred that presents a material risk of termination of any Plan by the Pension Benefit Guaranty Corporation. In the aggregate, the actuarially determined present value of all accrued benefits under each Plan that is subject to Part 3 of Subtitle B of Title I of ERISA do not exceed the fair market value of the assets of such Plans allocable to such benefits as of the most recent evaluation date. Borrower covenants to comply in all material respects with the applicable provisions of ERISA and the regulations and published interpretations thereunder, and deliver to the Lender:

(1) as promptly as practicable, and in any event within thirty (30) days after the Borrower knows or has reason to know that any Reportable Event with respect to any Plan has occurred, a statement of any authorized officer of the Borrower setting forth details as to such Reportable Event and the action which the Borrower proposes to take with respect thereto, together with a copy of Borrower's notice of such Reportable Event delivered to the Pension Benefit Guaranty Corporation; and

(2) promptly after the receipt thereof, a copy of any notice the Borrower may receive from the Pension Benefit Guaranty Corporation relating to the intention of said Borrower to terminate any Plan or the intention of the Pension Benefit Guaranty Corporation to appoint a trustee to administer any Plan.

4.28 Assignment of Life Insurance Policies. To secure Borrower's payment and performance of the Loan, Borrower shall cause Robert Doochin, Borrower's President, to execute and deliver first priority assignments for the benefit of Lender of Jackson National Life Insurance Company policy number 0015868180 and of Metropolitan Life Insurance Company policy number 902662160PR (as such policies may be amended, restated, or replaced), such assignments to be made for the benefit of Lender pursuant to assignment instrument(s) acceptable both to Lender and to the respective life insurance company that issued each such policy. In the event Borrower shall not be able to deliver such assignments of policies as of the date of Closing, Borrower shall execute and deliver a delivery agreement in form and substance acceptable to Lender and Lender's counsel. Borrower agrees to deliver such life insurance policies and the executed instruments assigning such policies to Lender after the Closing within the time prescribed by such delivery agreement. Borrower shall also fully cooperate with, and use its best efforts to assist, Lender in perfecting the assignments of such life insurance policies in favor of Lender until Lender has received acknowledgment that such assignments in favor of Lender are duly noted on the books and records of the respective life insurance companies issuing such policies. Borrower covenants with Lender that Borrower shall cause Robert S. Doochin to maintain such policies in full force and effect

without interruption for so long as the Indebtedness or any portion thereof remains unpaid and until all of Borrower's obligations under this Agreement have been performed and fully satisfied.

4.29 No Untrue Statements; No Omissions. No representation, warranty and covenant by Borrower herein, and no statement, document, certificate or other instrument or exhibit furnished or to be furnished hereunder or in connection with the transactions contemplated hereby contains or will contain, at any time during the term of this Agreement, any untrue statement of a material fact or omits or will omit to state any material fact necessary in order to make the statements contained herein or therein not misleading. The foregoing representations and warranties are made by Borrower with the knowledge and expectation that Lender is placing reliance thereon. Any investigations made by Lender shall not relieve Borrower from any of the matters warranted, represented, or covenanted.

ARTICLE V CONDITIONS

The obligation of Lender to perform hereunder shall be subject to Borrower's fulfillment of the following conditions to the satisfaction of Lender:

5.1 Representations and Warranties True, Correct, and Complete. Borrower's representations and warranties in this Agreement and in each and every other Loan Document, agreement, note and instrument required by Lender in connection herewith shall be true, correct and complete as of the date of execution hereof, the date of closing, the date of any Advance or disbursement of monies, and shall survive the same and shall be true, correct and complete thereafter, so long as any Indebtedness exists hereunder or in connection herewith.

5.2 Execution of Documents; Performance of Obligations. Borrower shall, at all times during the term of this Agreement, duly, properly and with valid authority execute and deliver such Loan Documents, agreements, instruments, assignments, deeds and notes as are required by Lender in form and substance satisfactory to Lender. Borrower shall at all times during the term of this Agreement perform its obligations, maintain its covenants, and fulfill the conditions imposed herein.

5.3 Borrower's Annual Written Confirmation of Compliance. Borrower shall deliver to Lender or cause to be delivered to Lender at the closing and shall deliver thereafter once per year, on the anniversary date of the execution of this Agreement, the certificate of Borrower to the effect that a review of this Agreement and all other Loan Documents, agreements, instruments and notes required by Lender hereunder or in connection herewith have been made and a review of the activities of Borrower have been made with a view to determining whether the terms, provisions, conditions, agreements, representations, covenants and warranties of these agreements and instruments have been kept, fulfilled and performed and that at such time and during the preceding year, Borrower has kept, observed, performed and fulfilled completely each and every term, provision, condition, agreement, representation, covenant and warranty contained herein and therein and is not at that time in default of or in breach under any of the same and has not been in default of or in breach under any of the same, or, if in default or breach, or formerly in default or breach,

specifying all such defaults or breaches and nature and status thereof. Said written report to be delivered to Lender hereunder shall be duly executed by Borrower.

ARTICLE VI CLOSING

6.1 Closing Date. The closing of the loan transaction contemplated by this Agreement (the "**Closing**") shall take place at the office of Lender or Lender's counsel at a time mutually agreed upon by the parties. Any and all references herein to "closing" shall be deemed a reference to the Closing.

6.2 Closing Documents. Borrower shall deliver, or cause to be delivered, the following documents at Closing:

- (a) This Agreement;
- (b) The Note;
- (c) The Guaranty;
- (d) A Borrower's Certificate in the form required by Lender in its reasonable discretion;
- (e) Certificate or certificates evidencing the existence of insurance of Borrower on the Collateral as required by Lender;
- (f) Uniform Commercial Code UCC-1 Financing Statements as required by Lender;
- (g) Environmental Law Compliance Certificate and Indemnity Agreement; and
- (h) Legal Opinion of Borrower's counsel in form and substance satisfactory to Lender;
- (i) The assignments of life insurance policies required pursuant to Section 4.28 of this Agreement or a delivery agreement in form and substance acceptable to Lender and Lender's counsel in lieu thereof;
- (j) An Intercreditor Agreement between Lender, Borrower, and Robert Doochin, with respect to Borrower's payment and performance of a demand obligation in the principal amount of \$860,000.00 owed by Borrower to Robert Doochin; and

(k) Such other documents, certificates or instruments as Lender shall reasonably require as a requirement to the extension of the Loan including, but not limited to, a Loan Closing Statement.

ARTICLE VII INDEMNIFICATION

7.1 Indemnification of Lender as to the Loan. Borrower hereby agrees to indemnify and hold harmless Lender, its successors and assigns and does hereby indemnify and hold harmless Lender, its successors and assigns, from and against any losses, damages, expenses or liabilities, obligations, penalties, actions, judgments, suits, costs, including attorney fees and disbursements of any kind or nature whatsoever which may be imposed in, incurred by or served against Lender in any way relating to or arising out of this Agreement, the Note, the Loan Documents or any other agreement or instrument in connection herewith, or any action taken or omitted to be taken by Lender under this Agreement, the Loan Documents or any other agreement or instrument or other note in connection herewith, excepting only matters arising due to the negligence or willful misconduct of Lender, and Borrower agrees to pay Lender the maximum rate of interest permitted by law for any monies accruing or coming due hereunder. At the cost and expense of Borrower and with legal counsel chosen by Lender, Borrower shall defend any and all claims relating to such indemnified matters and shall pay any judgments or decrees entered relating thereto.

7.2 Indemnification of Lender as to the Collateral. Borrower hereby further agrees to indemnify and hold harmless Lender, its successors, assigns, agents and representatives and any subsequent holder of any interest in the Collateral derived by, from or through Lender, from and against any losses, damages, expenses or liabilities, obligations, penalties, liens, levies, fines, actions, judgments, suits, attachments, costs, including reasonable attorney fees and disbursements of any kind or nature whatsoever which may be imposed in, incurred by or served against Lender in any way relating to or arising out of the Collateral including, but not limited to, any private or governmental lien or judicial or administrative notice, procedure or action, including, but not limited to, liens, notices, procedures and actions related to Hazardous Substances (which term shall include all hazardous and toxic substances, waste or material, any Hazardous Pollutants or contaminants including, without limitation, asbestos and raw materials which include hazardous constituents or any other similar substances or materials which are included or are regulated by any Applicable Environmental Laws, rules or regulations of the United States, the State of Tennessee, any municipality or governmental entity) or other environmental matters, issued, filed or pending against the Collateral or otherwise issued to or received by Borrower, but excepting any losses, etc. caused by the negligence or willful misconduct of Lender. Borrower agrees to pay Lender the maximum rate of interest permitted by law for any monies paid, advanced, accruing or coming due hereunder. At the cost and expense of Borrower and with legal counsel chosen by Lender, Borrower shall defend any and all claims relating to such indemnified matters and shall pay any claims, liens, judgments or decrees relating thereto.

7.3 Survival. Borrower's indemnification and holding harmless of Lender in this Article shall survive any foreclosure, sale, taking, possession, realization, seizure or acceptance of a bill of sale and/or deed in lieu of foreclosure by Lender, and the indemnity and hold harmless in this Article shall survive the payment in full of the indebtedness to Lender and the release of Borrower and any Collateral.

ARTICLE VIII EVENTS OF DEFAULT

8.1 Borrower's Default. Upon the occurrence of any of the following events of default, Lender may, at its option, declare by written notice to Borrower that the principal of and interest on any note or notes of Borrower and all Indebtedness remaining unpaid, to be immediately due and payable, all without demand, presentment, or other notice of any kind, all of which are hereby expressly waived:

(a) Failure to pay the Indebtedness, or any part thereof, when and as the same shall become due and payable; or

(b) If any warranty, representation, or statement made, furnished or contained in this Agreement, the Note, any other instrument, or agreement executed and delivered in connection with the Indebtedness, be untrue or misleading in any material respect; or

(c) The occurrence of an event of default or the nonperformance, nonobservance, default, breach or failure to timely perform, observe or execute in every particular the covenants, agreements, promises, obligations, warranties and conditions set out in the Note, this Agreement, Guaranty, or any other instrument given with respect to the Indebtedness, or the occurrence of an event of default or the nonperformance, nonobservance, default, breach or failure to timely perform, observe or execute in every particular the covenants, agreements, promises, obligations, warranties and conditions set out in any other instrument or agreement between Borrower and Lender with respect to any other indebtedness of Borrower owed to Lender, or the occurrence of an event of default or the nonperformance, nonobservance, default, breach or failure to timely perform, observe or execute in every particular the covenants, agreements, promises, obligations, warranties and conditions set out in any other agreement, whether or not related to the Indebtedness, to which Borrower is a party;

(d) The filing by or against Borrower or any maker, endorser or Guarantor of the Indebtedness of a voluntary or involuntary petition in bankruptcy; or any such Borrower's, maker's, endorser's or Guarantor's adjudication as a bankrupt or insolvent; or the filing by Borrower, maker, endorser or Guarantor of any petition or answer seeking or acquiescing in any reorganization, arrangement, composition, readjustment, liquidation, dissolution, or similar relief for its under any present or

future federal, state or other law or regulation relating to bankruptcy, insolvency, receivership or other relief for debtors; or Borrower's maker's, endorser's or Guarantor's seeking or consenting to or acquiescing in the appointment of any trustee, receiver, liquidator or examiner of Borrower, maker, endorser or Guarantor of all or any part of the collateral secured to Holder, including, but not limited to, rents, issues, profits or revenues thereof; or the making by Borrower, maker, endorser or Guarantor of any general assignment for the benefit of creditors; or the admission in writing by Borrower, maker, endorser or Guarantor of its inability to pay its debts generally as they become due; or the commission by Borrower, maker, endorser or Guarantor of an act of bankruptcy; or the dissolution or termination of existence of Borrower, maker, endorser or Guarantor; or

(e) The occurrence of an event of default or the occurrence of an event which, with the passage of time or the giving of notice, or both, would constitute an event of default under any deed of trust, mortgage, security agreement or similar instrument encumbering the Collateral secured to Lender or any portion of the Collateral; or

(f) Should a Material Adverse Change occur or should any claim be asserted or any legal or equitable proceeding be commenced by Borrower or Guarantor challenging the execution, enforceability, validity, perfection or priority of the Note, this Agreement, deed of trust, loan agreement or any other document given with respect to the Indebtedness; or

(g) Should Borrower voluntarily or involuntarily, by any instrument, means, judicial proceeding or device whatsoever (including, but not limited to, any deed, lease, mortgage, deed of trust, assignment, option, judicial or sheriff's sale, order or contract) convey, transfer, sell, lease, assign, pledge or encumber any right or interest in the Collateral, whether legal or equitable, present or future, vested or contingent in violation of this Agreement; or

(h) Should a judgment in excess of \$300,000.00 be awarded to an opposing party in any proceeding against Borrower, unless such judgment is paid by Borrower before execution is issued; or should Borrower, the Collateral or any material rights, title, claims or interests in the Collateral, whether legal or equitable, present or future, vested or contingent, be subjected to any attachment, injunction, execution, writ, lien, notice, procedure or action, writ or warrant, including any notices issued or any action or proceeding filed or pending.

Said events shall not constitute a default unless (i) with regard to any monetary default or failure to pay any amount of money when due, such event, default or failure continues for a period of fifteen (15) days, and (ii) with regard to the performance of any other provisions above for which no time limit is specified, such event continues for a period of thirty (30) days after written notice to Borrower.

8.2 Lender's Right to Pursue Remedies. Upon the failure of Borrower to cure any default or upon the failure of Borrower to pay all Indebtedness to Lender, then Lender may pursue any and all legal and equitable remedies available to it and said remedies shall be cumulative and shall include, but not be limited to, the sale or other disposition of any part of or all of the property, assets and interests which are security for or Collateral for the Indebtedness or which are held or owned by Lender and the offset of any bank accounts and monies of Borrower on deposit with Lender and suit for a deficiency, if any, plus all reasonable attorney fees for all of same.

ARTICLE IX GENERAL PROVISIONS

9.1 Notice. All notices, requests and communications shall be in writing, the sending or giving of such notices, requests or communications shall be in writing and the sending or giving of such notices, requests or communications shall be sufficient in all respects if sent by (i) certified mail, postage fully prepaid with return receipt requested, (ii) personal delivery, (iii) national overnight courier providing written evidence of receipt by addressee; or (iv) facsimile transmission. Any notice pursuant to this Section shall be mailed or delivered to the address set forth below. Any such notice or other communication shall be deemed to have been given (whether or not actually received) on the day it is delivered to the postal carrier or national overnight courier or is personally delivered as aforesaid or, if transmitted by facsimile transmission, on the day that such notice is transmitted as aforesaid; provided, however, that any notice via facsimile transmission received after 5:00 p.m. shall be deemed for the purposes of this Section to have been given on the next Business Day; and provided, however, that any Notice of Borrowing pursuant to Section 2.2 received by Lender after 2:00 p.m. on any Business Day from Borrower shall be deemed for the purposes of such Section to have been given by Borrower on the next Business Day. Unless otherwise provided to the contrary, all notices shall be effective when sent or given to the following addressee:

If to Lender: First Tennessee Bank National Association
 Attention: J. Todd Carter
 511 Union Street, Suite 200
 Nashville, Tennessee 37219
 Telephone: (615) 734-6191
 Facsimile: (615) 734-6148

with a copy to: Wyatt, Tarrant & Combs
 Attention: Sam J. McAllester III, Esq. and Trace Blankenship, Esq.
 1500 Nashville City Center
 511 Union Street
 Nashville, Tennessee 37219
 Telephone: (615) 244-0020
 Facsimile: (615) 256-1726

If to Borrower: American Paper & Twine Company
Attention: Robert S. Doochin, President,
and Wm. David Morris, Treasurer
7400 Cockrill Bend Boulevard
P. O. Box 90348
Nashville, Tennessee 37209
Telephone: 615/350-9000
Facsimile: 615/350-5516

with a copy to: Boulton, Cummings, Connors & Berry PLC
Attention: John E. Murdock III, Esq. and John W. Myers, Esq.
414 Union Street, Suite 1600
P.O. Box 198062
Nashville, Tennessee 37219
Telephone: 615/252-2359
Facsimile: 615/252-6359

Any party hereto may change their address for the purpose of notice hereunder by giving notice pursuant to the provisions of this Section.

9.2 Assignment. This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective heirs, successors and assigns.

9.3 Waiver. No course of dealing on the part of Lender, its officers or employees, and no failure or delay by Lender with respect to the exercise of any right, power or privilege by Lender under this Agreement shall operate as a waiver thereof, nor shall any single or partial exercise of any such right, power or privilege operate as such a waiver. No waiver of default shall be effective unless in writing, signed by a duly authorized officer of Lender. No waiver of any default shall preclude any later exercise thereof or any exercise of any right, power or privilege hereunder. No waiver of any default or forbearance on the part of Lender in enforcing any of its rights under this Agreement shall operate as a waiver of any other default or right or of the same default or right, in future occasions.

9.4 Amendment and Waiver. This Agreement cannot be changed or terminated orally. No waiver of compliance of any provision or condition hereof and no consent provided for herein shall be effective unless evidenced by an instrument in writing duly executed by the party hereto sought to be charged with such waiver or consent.

9.5 Effect of this Agreement. This Agreement sets forth the entire understanding of the parties and supersedes any and all prior agreements and arrangements or understandings relating to the subject matter hereof. No representation, promise, inducement or statement of intention has been made by either party which is not embodied in this Agreement, and neither party shall be bound by or be liable for any alleged representation, promise, inducement or statement of intent not embodied herein.

9.6 Headings. The article or paragraph headings of this Agreement are for convenience of reference only and do not form a part hereof and do not in any way modify, interpret or construe the intentions or agreement of the parties.

9.7 Time. Time is of the essence of this Agreement.

9.8 Execution and Counterparts. This Agreement may be executed by the parties hereto in several counterparts, each of which shall be an original and all of which together shall constitute one and the same agreement.

9.9 Construction. The parties acknowledge and agree that this Agreement shall be construed and enforced in accordance with the laws of the State of Tennessee and of the United States of America, and the legal relations and obligations of the parties shall be governed by said laws.

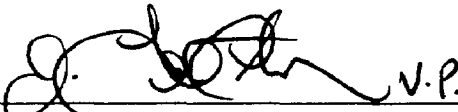
9.10 Exclusive Forum. The parties agree that the courts of general jurisdiction of Davidson County, Tennessee, or the United States District Court for the Middle District of Tennessee shall have exclusive original jurisdiction for the resolution of any and all disputes arising under or relating to this Agreement or the note or notes, instruments and documents in connection therewith.

9.11 Alterations. Any handwritten interlineation and/or handwritten additions, changes or modifications and/or typewritten interlineations to this Agreement constitute additions, changes and modifications as they appear if the assent of all parties hereto is evidenced by the initials of all parties being affixed thereto in the margin or near thereto. Insofar as there is any inconsistency or conflict between provisions, then the following provisions shall govern and control in the following order of precedence: handwritten additions, changes and modifications; handwritten interlineation; typewritten interlineation; typewritten additions, changes or modifications; regular typewritten text.

[The remainder of this page is intentionally blank.
Signature page follows.]

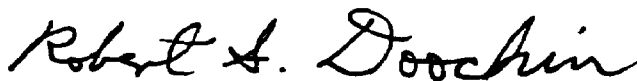
IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly and properly executed and delivered at Nashville, Davidson County, Tennessee, on the day and year first above written.

LENDER:
FIRST TENNESSEE BANK NATIONAL ASSOCIATION

By:  V.P.

J. Todd Carter, Vice President

BORROWER:
AMERICAN PAPER & TWINE COMPANY

By: 

Robert S. Doochin, President

EXHIBIT A

Borrowing Base Certificate
[attached to this page]

BORROWING BASE CERTIFICATE

Month Ending _____, _____

First Tennessee Bank National Association
Attention: J. Todd Carter
511 Union Street, Second Floor
Nashville, Tennessee 37219

Reference is made to that certain Loan and Security Agreement dated as of April _____, 2000 (the "Loan Agreement"), between First Tennessee Bank National Association ("Lender") and American Paper & Twine Company ("Borrower"). All terms used herein which are not defined in this request for Advance shall have the same meanings ascribed in the Loan Agreement.

1.	Borrower's Eligible Inventory	\$ _____ [1]
	Advance Rate	_____ x .50
	Net Available Advance on Inventory:	= \$ _____ [3]
X	Total Eligible Receivables	\$ _____ [2]
	Advance Rate	_____ x .85
	Net Available Advance on Receivables:	= \$ _____ [4]
5.	Total Net Available Advance (Borrowing Base): (Not to exceed \$7,500,000.00)	\$ _____ [3] + [4]
	Less Outstanding Balance Due Lender:	(\$ _____)
	Credit Availability:	\$ _____

Complete if Borrowing Base is less than the Line of Credit Amount Outstanding:

Borrowing Base Available (from above)	\$ _____.
Less: Line of Credit Amount Outstanding	(_____.)
Mandatory Reduction of Line of Credit	\$ _____.

Complete if Borrowing Base is greater than the Line of Credit Amount Outstanding:

Borrowing Base Available (from above)	\$ _____.
Less: Line of Credit Amount Outstanding	(_____.)
Line of Credit Amount Available	\$ _____.

Attached is an aging of accounts receivable corresponding to the information presented, and Lender may obtain an itemized listing of inventory and location upon request.

As evidenced by the signature of the authorized officer below, American Paper & Twine Company hereby certifies to First Tennessee Bank National Association that the information provided herein and all documentation attached hereto is accurate, true, and complete.

AMERICAN PAPER & TWINE COMPANY

By: _____

Title: _____

Date: _____

December 13, 2000 (2:13PM)

EXHIBIT B-1

Collateral

Inventory. All inventory of Borrower including, but not limited to, all goods, merchandise, raw materials, supplies, goods in process, finished goods, and other tangible personal property, wherever situated, which are held by or on behalf of Borrower for processing, sale, or lease or are furnished or to be furnished under any contract of service or are to be used or consumed in Borrower's business, and all goods, merchandise or other property held by Borrower for sale or lease, and all related materials or supplies of every nature (but excluding equipment) used, consumed or to be used in Borrower's business, and all packaging and shipping materials, all parts and products thereof and all ledger sheets, files, computer programs, software, disks, tapes, and related electronic data processing media, and all other records of Borrower, including all rights of Borrower to retrieval from third parties of electronically processed and recorded information, relating to any of the foregoing; and

Accounts, Contracts, Instruments, Documents, Chattel Paper, and General Intangibles. All accounts, accounts receivable, contracts, contract rights, instruments, documents, chattel paper, and general intangibles (including, without limitation, choses in action, tax refunds, and insurance proceeds) of Borrower, and any other obligations or indebtedness owed to Borrower from whatever source and whenever arising; and all rights of Borrower to receive any payments in money or kind, and all guaranties of the foregoing and security therefor; and all of the right, title, and interest of Borrower in and with respect to the goods, services, or other property that gave rise to or secure any of the foregoing, and insurance policies and proceeds relating thereto, and all of the rights of Borrower as an unpaid seller of goods or services, including, without limitation, the rights of stoppage in transit, replevin, reclamation, and resale; all trademarks **and service marks**, trademark **and service mark** applications, trademark **and service mark** registrations (including without limitation the trademark ~~registration~~ **and service mark registrations** of the name "American Paper & Twine Co." of record in the United States Patent and Trademark Office as registration number 1,877,334 ~~a copy of which is~~ **and registration number 1,974,599, a copy of each such registration being** attached hereto as Exhibit B-2, and all goodwill associated therewith), trademark **and service mark** licenses, copyrights, copyright registrations, copyright applications, and copyright licenses; and all ledger sheets, files, computer programs, software, disks, tapes, and related electronic data processing media, and all other records of

December 13, 2000 (2:13PM)

Borrower, including all rights of Borrower to retrieval from third parties of electronically processed and recorded information, relating to any of the foregoing.

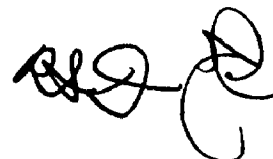
A handwritten signature in black ink, appearing to be 'R. D. C.', located in the lower right quadrant of the page.

EXHIBIT B-2

Copy of Trademark Principal Register and

Service Mark Principal Register

"American Paper & Twine Co."

Registration No. 1,877,334 and Registration No. 1,974,599

[attached to this page]



Int. Cl.: 3

Prior U.S. Cls.: 51 and 52

United States Patent and Trademark Office

Reg. No. 1,877,334

Registered Feb. 7, 1995

**TRADEMARK
PRINCIPAL REGISTER**

AMERICAN PAPER & TWINE CO.

AMERICAN PAPER & TWINE COMPANY
(TENNESSEE CORPORATION)
7149 CENTENNIAL BOULEVARD
NASHVILLE, TN 37208

FOR: ALL PURPOSE HOUSEHOLD AND INDUSTRIAL CLEANING PREPARATIONS, IN CLASS 3 (U.S. CLS. 51 AND 52).
FIRST USE 11-18-1926; IN COMMERCE 1-0-1929.

NO CLAIM IS MADE TO THE EXCLUSIVE RIGHT TO USE "CO.", APART FROM THE MARK AS SHOWN.

SEC. 20F)

SER. NO. 74-440,757, FILED 9-27-1993.

JEFFREY SMITH, EXAMINING ATTORNEY

SCHEDULE 4.4

Locations

**American Paper & Twine Company
7400 Cockrill Bend Boulevard
Nashville, Tennessee 37209**

**American Paper & Twine Company
4569 Distriplex Drive West
Memphis, Tennessee 38118**

**American Paper & Twine Company
1231 Latta Street
Chattanooga, Tennessee 37406**

SCHEDULE 4.14

Litigation

Borrower is currently in litigation due to a 1996 motor vehicle accident in Allen County, Kentucky involving one of Borrower's delivery trucks. The plaintiff is seeking a currently undisclosed amount for injuries she claimed to have received as a result of the accident. The matter is covered under the Borrower's insurance policy and the insurer has undertaken representation of the Borrower in the litigation. Borrower reasonably anticipates that all damages awarded to plaintiff, if any, will be covered within the limits of Borrower's insurance coverage.

SCHEDULE 4.17

Additional Debt

Capital Leases for IBM AS/400 Computer and a Printer.