

08-02-2001

Form PTO-1594  
(Rev. 03/01)  
OMB No. 0651-0027 (exp. 5/31/2002)

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U.S. DEPARTMENT OF COMMERCE  
U.S. Patent and Trademark Office

Tab settings

101796622

To the Honorable Commissioner of Patents and Trademarks: Please record the attached original documents or copy thereof.

1. Name of conveying party(ies): **7-24-01**  
**Saco Lowell, Inc.**  
**(formerly known as SL, Inc.)**  
**183 Rolling Hills Circle**  
**Easley, SC 29640**  
 Individual(s)  Association  
 General Partnership  Limited Partnership  
 Corporation-State  
 Other

2. Name and address of receiving party(ies)  
**Branch Banking and Trust Company**  
Name: **of South Carolina**  
Internal **Attn: Gerald Cavan**  
Address:  
Street Address: **301 N. Main Street**  
City: **Greenville** State: **SC** Zip: **29601**

Additional name(s) of conveying party(ies) attached?  Yes  No

3. Nature of conveyance:  
 Assignment  Merger  
 Security Agreement  Change of Name  
 Other

Individual(s) citizenship  
 Association  
 General Partnership  
 Limited Partnership  
 Corporation-State

Execution Date: **April 5, 1999; as modified**  
**September 28, 2000**

Other: **A South Carolina State Chartered**  
**Financial Institution**  
If assignee is not domiciled in the United States, a domestic  
representative designation is attached:  Yes  No  
(Designations must be a separate document from assignment)  
Additional name(s) & address(es) attached?  Yes  No

4. Application number(s) or registration number(s):

A. Trademark Application No.(s)  
**75/141,972**

B. Trademark Registration No.(s)  
**2,370,902 0,521,142 2,408,225**

Additional number(s) attached  Yes  No

5. Name and address of party to whom correspondence concerning document should be mailed:

Name: **Bryan F. Hickey, Esquire**

Internal Address: **Haynsworth Sinkler Boyd, P.A.**

Street Address: **75 Beattie Place**  
**11th Floor**  
**P.O. Box 2048 (29602-2408)**

City: **Greenville** State: **SC** Zip: **29601**

6. Total number of applications and registrations involved: **4**

7. Total fee (37 CFR 3.41).....\$ **115.00**

Enclosed  
 Authorized to be charged to deposit account

8. Deposit account number:

(Attach duplicate copy of this page if paying by deposit account)

DO NOT USE THIS SPACE

9. 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. \*By Branch Banking and Trust Company of South Carolina, Saco Lowell, Inc. \* Attorney-in-Fact, pursuant to Security Agreement (Sec. 13)

By: **GT Cavan**  
Name of Person Signing

**GT Cavan VP**  
Signature

**July 13, 2001**  
Date

Total number of pages including cover sheet, attachments, and document: **22**

08/01/2001 BYRME 00000168 75141972

01 FC:481  
02 FC:482

40.00 DP  
75.00 DP

Mail documents to be recorded with required cover sheet information to:  
Commissioner of Patent & Trademarks, Box Assignments  
Washington, D.C. 20231

TRADEMARK  
REEL: 002338 FRAME: 0076

# BB&T of South Carolina SECURITY AGREEMENT

GREENVILLE, S.C.

APRIL 5, 1999

In order to secure (i) the payment of a promissory note or notes (collectively the "Note") dated as of APRIL 5, 1999 and executed and delivered by SL, INC

(the "Borrower(s)"), to the Bank in the aggregate principal sum of \$ 1,500,000.00 payable as provided therein (the Note and any loan agreement or other agreement executed in connection with the loan secured hereby are incorporated herein by reference); (ii) all other obligations and liabilities (whether direct or indirect, absolute or contingent, primary or secondary, sole or joint and several) now existing or hereafter arising including future advances of the Borrower to the Bank; and (iii) performance by the Borrower or the Debtor (as hereinafter defined) of the agreements hereinafter set forth or contained in any loan agreement or other agreement entered into in connection with the loan (all obligations secured hereby are referred to as the "Secured Obligations"), the Borrower, or if the Collateral (as hereinafter defined) is not owned by the Borrower,

(such owner of the Collateral being hereinafter referred to as the "Debtor"), hereby grants to BRANCH BANKING AND TRUST COMPANY OF SOUTH CAROLINA (the "Bank") a security interest in the following property including any and all additions, replacements and substitutions of all or any part thereof (and other items of property of the same class) whether now owned or hereafter acquired or arising and all proceeds thereof (including insurance proceeds) (all collectively called the "Collateral").

Collateral will be located at addresses listed below until such times as written consent to a change of location is obtained from the Bank. If the Collateral is or includes vehicles or goods that are mobile and ordinarily used in more than one location, such vehicles or goods will be kept at the address set forth below except for temporary and ordinary use in other locations. If the Collateral is or includes Accounts, all records concerning such Accounts are located at the address set forth below.

- All Equipment, including but not limited to the following:
- Equipment, more specifically described as follows:

SEE ATTACHED EXHIBIT "A"

Located at the following location(s):

183 ROLLING HILLS CIR, EASLEY, SC 29640

Unless otherwise specified above, the term "Equipment" shall have the definition given it in the S.C. Uniform Commercial Code (Code of Laws of S.C. §36-9-109) and shall include all accessions, parts, attachments, tools, operating manuals, and all replacements therefor.

Vehicles described below:

New/Used	Year/Make	Model/Body Type	Serial Number	If Truck - Ton & Class If Mobile Home - #2 S/N
1.				
2.				
3.				
4.				
5.				

Farm Products described below (describe all crops, livestock and supplies that are used or produced in the farming operation and that are to serve as security):

including products of the described crops or livestock in their unmanufactured states in the Debtor's possession and any offspring of the described livestock. Unless otherwise specified above, "Farm Products" shall have the definition given it in the S.C. Uniform Commercial Code (Code of Laws of S.C. §36-9-109).

The undersigned officer of Branch Banking & Trust Company of South Carolina certifies that this copy is a true and correct copy of the original document.

*Jay Eavan*  
Jay Eavan  
Vice President

**TRADEMARK**

002338 FRAME: 0077

ACCOUNT# / NOTE#  
7510128073 00002



All Accounts, including but not limited to the following:

Accounts, more specifically described below:

SEE ATTACHED EXHIBIT "A"

The term "Accounts" shall have the definition given it in the S.C. Uniform Commercial Code (Code of Laws of S.C. §36-9-106), no matter how evidenced, including accounts receivable, contract rights, checks, notes, drafts, acceptances, and other forms of obligations and receivables.

All Inventory, including but not limited to the following:

Inventory, more specifically described below:

SEE ATTACHED EXHIBIT "A"

Located at the following location(s):

183 ROLLING HILLS CIR, EASLEY, SC 29640

Unless otherwise specified above, "Inventory" shall have the definition given it in the S.C. Uniform Commercial Code (Code of Laws of S.C. §36-9-109).

All Goods, including all furniture and fixtures, including but not limited to the following:

Goods, including furniture and fixtures, more specifically described as follows:

Unless otherwise specified above, "Goods" shall have the definitions given them in the S.C. Uniform Commercial Code (Code of Laws of S.C. §36-9-105).

All Documents, Instruments, Chattel Paper, and General Intangibles, including but not limited to the following:

Documents, Instruments, Chattel Paper, and General intangibles, more specifically described as follows:

Unless otherwise specified above, "Documents," "Instruments," "Chattel Paper," and "General Intangibles" shall have the definitions given them in the S.C. Uniform Commercial Code (Code of Laws of S.C. §36-9-105).

Debtor warrants and agrees that:

1. Use of Collateral. The Collateral is and will be used for  personal  business  farming purposes

If checked here  the Collateral is being acquired with the proceeds of the advance as evidenced by this agreement and the Note, which proceeds the Bank may disburse directly to the seller of Collateral as shown on the Bank's records. If acquired with such advance the Collateral was delivered to the Debtor on or before \_\_\_\_\_

2. Debtor's Residence or place of business. Debtor's residence (or place of business if Debtor is an organization) is

SL, INC - 183 ROLLING HILLS CIR, EASLEY, SC 29640

(if the Debtor is an organization and has more than one place of business, use the chief executive office.) The Debtor will immediately notify the Bank in writing of any change in the Debtor's residence (or place of business).

## EXHIBIT A

### COLLATERAL DESCRIPTION (South Carolina)

All right, title and interest of Debtor in and to the following described property (collectively, the "Collateral"), whether now or hereafter owned or existing, leased, consigned by or to, or acquired by, Debtor regardless where located including all locations within and outside the State of South Carolina:

(a) All "inventory" as such term is defined in S.C. Code Ann. G.S. §36-9-109(4), now or hereafter existing, now owned or hereafter acquired, including, but not limited to, all (i) inventory, merchandise, goods and other personal property now owned or hereafter acquired by Debtor which are held for sale or lease or are furnished or to be furnished under a contract of service or which constitute raw materials, work in process or materials used or consumed or to be used or consumed in Debtor's business, or the processing, packaging, delivering or shipping of the same, and all finished goods, and (ii) goods which are returned to or repossessed by Debtor, whether or not in transit, and all accessions and additions thereto and all documents of title covering any of the foregoing (any and all of the foregoing being the "Inventory");

(b) All "equipment" as such term is defined in S.C. Code Ann. §36-9-109(2), now owned or hereafter acquired by Debtor and, in any event, including, but not limited to, all machinery, equipment, furnishings, fixtures, vehicles and computers and other electronic data-processing and other office equipment now owned or hereafter acquired by Debtor and any and all additions, substitutions and replacements of any of the foregoing, wherever located, together with all attachments, components, parts, equipment and accessories whether now or hereafter installed thereon or affixed thereto (all of the foregoing being the "Equipment");

(c) All rights to the payment of money, whether or not earned by performance, now or hereafter existing, now owned or hereafter acquired, including, but not limited to, any of the following which consist of a right to the payment of money: (i) "accounts," as defined in S.C. Code Ann. §36-9-106, contract rights, accounts receivable, chattel paper, instruments, documents, notes, accrued interest, earnings and general intangibles relating thereto and all other obligations of any kind now or hereafter existing, arising out of or in connection with the sale or lease of goods or the rendering of services and all collateral security and guaranties of any kind given by any person with respect to any of the foregoing; (ii) monies, reserves, deposits (including bank deposits) and property relating to any of the foregoing whether now or at any time hereafter in the possession or under the control of Debtor or any agent or custodian; and (iii) all substitutions for and proceeds of any of the foregoing, and books and records (including, without limitation, customer lists, credit files, computer programs, printouts and other computer materials and records) pertaining to any of the foregoing (any and all of the foregoing being the "Receivables");

(d) All "general intangibles," as such term is defined in S.C. Code Ann. §36-9-106, now or hereafter existing, now owned or hereafter acquired by Debtor including, but not limited to, all rights, interests, choses in action, causes of actions, claims and all other intangible property of Debtor of every kind and nature, in each instance whether now or hereafter existing,

now owned or hereafter acquired by Debtor, including, without limitation, all corporate and other business books and records, all loans, royalties and all other forms of obligations receivable whatsoever (other than Receivables); all goodwill, inventions, designs, registrations, permits and franchises; all computer programs, software, printouts and other computer materials, customer lists, credit files, correspondence, and advertising materials; contracts and contract rights; all rights to sue, credits with and other claims against third parties (other than Receivables); all guaranties, liens, security interests and other security held by or granted to Debtor; and all trademarks, service marks, logos or tradenames (whether registered or at common law), patents, patent applications, patent renewals and extensions, copyrights and renewals thereof (all of the foregoing being the "General Intangibles"); and

(e) All proceeds and products of any and all of the foregoing Collateral (including, without limitation, proceeds which constitute property of the types described in paragraphs (a) through (d)) and, to the extent not otherwise included, all payments under insurance (whether or not Secured Party is the loss payee thereof), or any indemnity, warranty or guaranty payable by reason of loss or damages to or otherwise with respect to any of the foregoing Collateral (all such proceeds being the "Proceeds").

SL, Inc.

By:  President

3. Chief Executive Office. If the Collateral is a type normally used in more than one state or includes Accounts or General Intangibles and the Debtor has a place of business in more than one state, the Debtor's chief executive office (if different from the address set out in item 2) is

(No. and Street)

(City or Town)

(County)

(State)

and the Debtor will immediately notify the Bank in writing of any change in the Debtor's chief executive office. If certificates of title are issued or outstanding in respect to any of the Collateral, Debtor will cause the interest of the Bank to be properly noted thereon and will cause the certificates of title to be delivered to the Bank.

4. **Fixtures; Crops; Timber; Minerals.** If the Collateral is to be affixed to real estate or includes crops growing or to be grown, timber to be cut, minerals or Accounts arising from the sale of minerals, the real estate and record owner of the real estate is described above (name of record owner not necessary if Collateral is crops growing or to be grown). If the Collateral is affixed to such real estate prior to the perfection of the security interest granted hereby, Debtor, on demand of the Bank, will furnish the Bank with a disclaimer or disclaimers of any interest in the Collateral signed by all persons having an interest in the real estate. The Debtor will (i) notify the Bank in writing of any intended sale, mortgage, granting of a deed of trust or conveyance of the realty and give written notice of the terms and conditions of this Security Agreement to any prospective purchaser, mortgagee, beneficiary of a deed of trust or grantee of a conveyance of said realty and a copy of such notice to the Bank and (ii) cause a Request for Copy of Notice providing for notice to the Bank and satisfying the requirements of Code of Laws of South Carolina or any successor provision to be filed as to each existing or future mortgage or deed of trust.

5. **Accounts.** If the Collateral is or includes Accounts,

- each Account represents a valid and legally enforceable indebtedness according to its terms and as represented by its corresponding invoice and is subject to no offsets, counterclaims, contra accounts or any other defense of any kind and character and will be subject to no discounts, deductions, allowances or offsets, with an unpaid balance legally owing in the amount set forth in the respective invoice, which balance is not yet due;
- the goods or merchandise sold have been delivered to such customers or to the carrier, or the services have been performed for such customers, in accordance with any contracts or purchase orders between the Debtor and its customers;
- the sales or rendering of services that created the Accounts were not in violation of any law or governmental regulation or order;

(d) at the request of the Bank.

- the Debtor will keep all collections of the Accounts separate from all other funds and property. Such funds will be delivered to the Bank at the time and in the form requested by the Bank. The Bank will have the right at any time to notify account debtors of the Bank's security interest in the Accounts and to request that payment of the Accounts be made directly to the Bank. The Bank is hereby appointed the true and lawful attorney-in-fact of the Debtor to receive, endorse in the name of the Debtor and collect any and all checks made payable to the Debtor issued in payment of the Accounts;
- all collections of the Accounts will be set forth on itemized schedules, showing the name of the account debtor, the amount of each payment, and such other information as the Bank may request;
- all collections of the Accounts delivered to the Bank (either by the Debtor or directly by account debtors) will be deposited into a deposit account subject to the sole control of the Bank. The Bank will have the right at all times and in its sole discretion to apply all or part of the funds in such deposit account to the payment of the Secured Obligations; (see note #1 below)
- the Debtor will furnish the Bank, at such intervals as the Bank determines, schedules of the Accounts in a form and substance satisfactory to the Bank;
- the Debtor will deliver to the Bank copies of all invoices and other documents relating to the Accounts; and
- the Debtor will not maintain funds received from collections of the Accounts with any bank other than the Bank.

- the Bank will have the right, at all times, to cause verification to be made of the Accounts with the account debtors, with or without notice being given to the account debtors of the Bank's interest in the Accounts, and the Bank may, during normal business hours of the Debtor, examine the ledgers, books of account, records and papers of the Debtor and all evidence in support of any entry thereon, and the Debtor agrees to produce such ledgers, books, records and papers upon demand by the Bank.

6. **Discharge of Obligations.** Debtor will pay, perform and discharge all of the Secured Obligations as and when they become due and payable or dischargeable; except that if the Debtor and Borrower are not the same person and Debtor is not a guarantor, endorser or co-maker of the Note or other obligations, the Debtor shall be liable for payment of the Note or other obligations only to the extent of the Collateral.

7. **Ownership.** Except for the security interest granted hereby, Debtor is the owner of the Collateral free and clear of all liens, security interests and other encumbrances and will defend the Collateral against the claims and demands of all persons. (see note #2 below)

8. **Waste.** Debtor will keep the Collateral in good order and repair, reasonable wear and tear excepted, shall not waste or destroy or permit the waste or destruction of the Collateral or any part thereof and shall not use the Collateral in violation of any application statute, ordinance or policy of insurance thereon.

9. **Inspections.** Debtor will permit the Bank or its representatives or agents to inspect the Collateral at any time.

10. **Insurance.** Debtor will obtain and keep in force such insurance on the Collateral as is normal and customary in the Debtor's business or as the Bank may require, all in such amounts, under such forms of policies, upon such terms, for such periods and written by such companies or underwriters as the Bank may approve. All policies of insurance will contain long form Lender's Loss Payable clauses in favor of the Bank, and the Debtor shall deliver the policies to the Bank as evidence of compliance with the provisions of this paragraph. Such policies will be noncancellable except upon thirty days prior written notice to the Bank. It is agreed that the proceeds of all such insurance, if any loss should occur, may be applied by the Bank to the payment of the Secured Obligations or to the replacement of any of the Collateral damaged or destroyed, as the Bank may elect or direct in its sole discretion. The Debtor hereby appoints (which appointment is irrevocable as long as any of the Secured Obligations remain outstanding and constitutes a power coupled with an interest) Bank as its lawful attorney-in-fact in making, adjusting, and settling claims under and canceling such insurance and endorsing the Debtor's name on any drafts by insurers of the collateral.

11. **Taxes; Assessments.** Debtor will promptly pay when due all taxes and assessments upon the Collateral or for its use or operation.

12. **Other Liens; Sale of Collateral.** Debtor will not (a) permit or suffer to remain, and will promptly discharge, any liens or security interests (other than the Bank's security interest) on any of the Collateral; (b) permit any of the Collateral to be levied upon under any legal process; (c) dispose of any of the Collateral without the prior written consent of the Bank (provided, however, that if the Collateral is or includes inventory, such inventory may be sold in the ordinary course of the Debtor's business); (d) permit anything to be done that might impair the value of any of the Collateral or the security afforded by this agreement; or (e) permit the Collateral to become an accession to other goods which are not Collateral.

13. **Further Documents.** Upon demand of the Bank, Debtor will furnish to the Bank such further information and shall execute and deliver to the Bank such financing statements and other papers and shall do all such acts and things as the Bank may at any time or from time to time request or as may be necessary or appropriate to establish and maintain a perfected first security interest in the Collateral as security for the Secured Obligations or to protect the Collateral, and Debtor hereby appoints the Bank as its lawful attorney-in-fact to execute any such documents and do such acts and things at the Bank's option upon the Debtor's refusal to act.

14. **Protection of Collateral.** The Bank may, in its discretion, but will not be required to, discharge taxes, liens, security interests or other encumbrances at any time levied or placed on the Collateral, place and pay for insurance thereon, order and pay for the repair, maintenance and preservation thereof, and pay any necessary filing or recording fees. Any amount so expended by the Bank (including reasonable attorneys' fees) pursuant to the foregoing shall become part of the Secured Obligations, shall be payable upon demand and shall bear interest until paid at the rate applicable to the indebtedness evidenced by the Note. Until default the Debtor may have possession of the Collateral and use the same in any lawful manner not inconsistent with this agreement or with the terms and conditions of any insurance policy thereon.

15. **Documents; Instruments.** If the Collateral includes documents or instruments the Debtor has or will, at the request of the Bank, deliver the Collateral to the Bank to be held by the Bank. The Debtor will execute any endorsement or writing upon the documents or instruments as may be requested by the Bank in order to evidence the pledge, assignment and transfer of such Collateral to the Bank, and Debtor hereby appoints the Bank as its lawful attorney-in-fact to execute any such endorsements or writings and do such acts and things at the Bank's option upon the Debtor's refusal to act. If the Secured Obligations are paid in full and satisfied, the Bank will redeliver possession of such Collateral to Debtor and will execute any endorsements or writings reasonably necessary to transfer such Collateral back to Debtor (without recourse).

Note #1: Only upon the occurrence of an event of default or defaults.

Note #2: It is hereby acknowledged that Debtor is hereby permitted to grant a Subordinated security interest in the Collateral to Hollingsworth Saco Lowell, Inc., pursuant to the terms of a subordination agreement of even date herewith.

Note #3: Debtor shall be allowed to sell any excess equipment and TRADEMARK

16. Default. The occurrence of any of the following is a default under this Agreement:

- (a) Failure to pay or perform any of the Secured Obligations when due; or any event of default under any Loan Agreement or any security document executed by Borrower in connection therewith;
- (b) The falsity in any material respect when made or furnished of any warranty, representation or statement made or furnished to the Bank (i) by or on behalf of Debtor in connection with this agreement (including warranties and representations contained herein) or (ii) by and on behalf of Borrower in connection with the Note or other agreement establishing or evidencing the Secured Obligations;
- (c) Loss, theft, substantial damage, destruction, disposition (without prior written consent), encumbrance to or of any of the Collateral, or the levy, seizure or attachment of any of the Collateral;
- (d) The Bank in good faith deems itself or the Collateral to be insecure or unsafe;
- (e) Death, dissolution, termination of existence, insolvency, appointment of a receiver of any of the property of, assignment for the benefit of creditors by, or the commencement of any bankruptcy or insolvency proceeding by or against the Debtor or Borrower or any guarantor or surety of the Debtor or Borrower.

17. Remedies. Upon default the Bank, at its option, may declare all of the Secured Obligations to be immediately due and payable and will have all the rights and remedies of a secured party under the S.C. Uniform Commercial Code or other applicable law and all rights provided herein, in the Note, or in any other applicable security or loan agreement, all of which rights and remedies will, to the full extent permitted by law, be cumulative. Upon the occurrence of any default, the Bank shall be entitled to immediate possession of the Collateral, and Debtor hereby waives any right it may have under any statute or regulation of South Carolina to notice or hearing prior to seizure of the Collateral. The Bank may require Debtor to assemble the Collateral and make it available to the Bank at a place to be designated by the Bank that is reasonably convenient to the Bank and the Debtor. The Debtor will supply additional collateral as security for the Secured Obligations if so requested by the Bank. Any notice of sale, disposition or other intended action by the Bank sent to the Debtor at the address of Debtor as may from time to time be shown on the Bank's records at least 5 days prior to such action will constitute reasonable notice to the Debtor. The Bank may enforce any or all of its remedies against any portion of the Collateral or against other security or borrowers without affecting its right to enforce any or all its remedies against any or all of the Collateral or other borrowers.

18. Miscellaneous. This agreement and the security interest in the Collateral created hereby will terminate when the Secured Obligations have been paid in full. Debtor and Borrower jointly and severally agree to pay to the Bank upon demand all costs and expenses (including reasonable attorneys' fees) incurred in connection with the enforcement of this agreement, and agree that all such fees shall become part of the Secured Obligations. No waiver by the Bank of any default will be effective unless in writing nor operate as a waiver of any other default or of the same default on a future occasion. No failure or delay of the Bank to exercise its remedies hereunder or take any action upon the occurrence of a default will operate as a waiver of that default or any other default. All rights of the Bank hereunder will inure to the benefit of its successors and assigns, and all obligations of the Debtor will bind the heirs, legal representatives, successors and assigns of the Debtor. If there be more than one Debtor, their obligations hereunder will be joint and several. Invalidation of any one or more of the provisions of this agreement will not affect any of the other provisions hereof, which shall remain in full force and effect. This agreement will be governed by and construed in accordance with the laws of the State of South Carolina. Captions are inserted for convenience only and in no way limit or affect the provisions of this agreement. The terms "account debtor" and "proceeds", as used herein, will have the same meanings as they have in the S.C. Uniform Commercial Code.

WITNESS the hand and seal of the undersigned.

Witness [Signature]  
 ATTEST: [Signature]  
 Title VP

If Debtor is a Corporation:

SL, INC  
 NAME OF CORPORATION  
 By: [Signature]  
 Title PRESIDENT  
 By: \_\_\_\_\_  
 Title \_\_\_\_\_

CORPORATE SEAL

If Debtor is a Partnership, Limited Liability Company, or Limited Liability Partnership:

WITNESS:  
 \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_

NAME OF PARTNERSHIP, LLC, OR LLP  
 By: \_\_\_\_\_ (SEAL)  
 GENERAL PARTNER OR MANAGER  
 By: \_\_\_\_\_ (SEAL)  
 GENERAL PARTNER OR MANAGER  
 By: \_\_\_\_\_ (SEAL)  
 GENERAL PARTNER OR MANAGER  
 By: \_\_\_\_\_ (SEAL)  
 GENERAL PARTNER OR MANAGER

If Debtor is an Individual:

WITNESS:  
 \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_

TYPE NAME OF DEBTOR  
 \_\_\_\_\_ (SEAL)  
 TYPE NAME OF DEBTOR  
 \_\_\_\_\_ (SEAL)

TRADEMARK

# BB&T of South Carolina SECURITY AGREEMENT

GREENVILLE, S.C.

APRIL 5, 1999

In order to secure (i) the payment of a promissory note or notes (collectively the "Note") dated as of APRIL 5, 1999 and executed and delivered by SL, INC

(the "Borrower(s)"), to the Bank in the aggregate principal sum of \$ 3,400,000.00 payable as provided therein (the Note and any loan agreement or other agreement executed in connection with the loan secured hereby are incorporated herein by reference); (ii) all other obligations and liabilities (whether direct or indirect, absolute or contingent, primary or secondary, sole or joint and several) now existing or hereafter arising including future advances of the Borrower to the Bank; and (iii) performance by the Borrower or the Debtor (as hereinafter defined) of the agreements hereinafter set forth or contained in any loan agreement or other agreement entered into in connection with the loan (all obligations secured hereby are referred to as the "Secured Obligations"), the Borrower, or if the Collateral (as hereinafter defined) is not owned by the Borrower,

(such owner of the Collateral being hereinafter referred to as the "Debtor"), hereby grants to BRANCH BANKING AND TRUST COMPANY OF SOUTH CAROLINA (the "Bank") a security interest in the following property including any and all additions, replacements and substitutions of all or any part thereof (and other items of property of the same class) whether now owned or hereafter acquired or arising and all proceeds thereof (including insurance proceeds) (all collectively called the "Collateral").

Collateral will be located at addresses listed below until such times as written consent to a change of location is obtained from the Bank. If the Collateral is or includes vehicles or goods that are mobile and ordinarily used in more than one location, such vehicles or goods will be kept at the address set forth below except for temporary and ordinary use in other locations. If the Collateral is or includes Accounts, all records concerning such Accounts are located at the address set forth below.

- All Equipment, including but not limited to the following:  
 Equipment, more specifically described as follows:

SEE ATTACHED EXHIBIT "A"

Located at the following location(s):

183 ROLLING HILL CT, EASLEY, SC 29640

Unless otherwise specified above, the term "Equipment" shall have the definition given it in the S.C. Uniform Commercial Code (Code of Laws of S.C. §36-9-109) and shall include all accessions, parts, attachments, tools, operating manuals, and all replacements therefor.

Vehicles described below:

New/Used	Year/Make	Model/Body Type	Serial Number	If Truck - Ton & Class If Mobile Home - #2 S/N
1.				
2.				
3.				
4.				
5.				

Farm Products described below (describe all crops, livestock and supplies that are used or produced in the farming operation and that are to serve as security):

including products of the described crops or livestock in their unmanufactured states in the Debtor's possession and any offspring of the described livestock. Unless otherwise specified above, "Farm Products" shall have the definition given it in the S.C. Uniform Commercial Code (Code of Laws of S.C. §36-9-109).

The undersigned officer of Branch Banking & Trust Company of South Carolina certifies that this copy is a true and correct copy of the original document.

  
Jay Cavan  
President

**TRADEMARK**

ACCOUNT# / NOTE#  
7510128073 00001





All Accounts, including but not limited to the following:

Accounts, more specifically described below:

SEE ATTACHED EXHIBIT "A"

The term "Accounts" shall have the definition given it in the S.C. Uniform Commercial Code (Code of Laws of S.C. §36-9-106), no matter how evidenced, including accounts receivable, contract rights, checks, notes, drafts, acceptances, and other forms of obligations and receivables.

All Inventory, including but not limited to the following:

Inventory, more specifically described below:

SEE ATTACHED EXHIBIT "A"

Located at the following location(s):

183 ROLLING HILL CT, EASLEY, SC 29640

Unless otherwise specified above, "Inventory" shall have the definition given it in the S.C. Uniform Commercial Code (Code of Laws of S.C. §36-9-109).

All Goods, including all furniture and fixtures, including but not limited to the following:

Goods, including furniture and fixtures, more specifically described as follows:

Unless otherwise specified above, "Goods" shall have the definitions given them in the S.C. Uniform Commercial Code (Code of Laws of S.C. §36-9-105).

All Documents, Instruments, Chattel Paper, and General Intangibles, including but not limited to the following:

Documents, Instruments, Chattel Paper, and General intangibles, more specifically described as follows:

Unless otherwise specified above, "Documents," "Instruments," "Chattel Paper," and "General Intangibles" shall have the definitions given them in the S.C. Uniform Commercial Code (Code of Laws of S.C. §36-9-105).

Debtor warrants and agrees that:

1. Use of Collateral. The Collateral is and will be used for  personal  business  farming purposes

If checked here  the Collateral is being acquired with the proceeds of the advance as evidenced by this agreement and the Note, which proceeds the Bank may disburse directly to the seller of Collateral as shown on the Bank's records. If acquired with such advance the Collateral was delivered to the Debtor on or before \_\_\_\_\_

2. Debtor's Residence or place of business. Debtor's residence (or place of business if Debtor is an organization) is

SL, INC - 183 ROLLING HILLS CIR, EASLEY, SC 29640

(if the Debtor is an organization and has more than one place of business, use the chief executive office.) The Debtor will immediately notify the Bank in writing of any change in the Debtor's residence (or place of business).

16. Default. The occurrence of any of the following is a default under this Agreement:

- (a) Failure to pay or perform any of the Secured Obligations when due; or any event of default under any Loan Agreement or any security document executed by Borrower in connection therewith;
- (b) The falsity in any material respect when made or furnished of any warranty, representation or statement made or furnished to the Bank (i) by or on behalf of Debtor in connection with this agreement (including warranties and representations contained herein) or (ii) by and on behalf of Borrower in connection with the Note or other agreement establishing or evidencing the Secured Obligations;
- (c) Loss, theft, substantial damage, destruction, disposition (without prior written consent), encumbrance to or of any of the Collateral, or the levy, seizure or attachment of any of the Collateral;
- (d) The Bank in good faith deems itself or the Collateral to be insecure or unsafe;
- (e) Death, dissolution, termination of existence, insolvency, appointment of a receiver of any of the property of, assignment for the benefit of creditors by, or the commencement of any bankruptcy or insolvency proceeding by or against the Debtor or Borrower or any guarantor or surety of the Debtor or Borrower.

17. Remedies. Upon default the Bank, at its option, may declare all of the Secured Obligations to be immediately due and payable and will have all the rights and remedies of a secured party under the S.C. Uniform Commercial Code or other applicable law and all rights provided herein, in the Note, or in any other applicable security or loan agreement, all of which rights and remedies will, to the full extent permitted by law, be cumulative. Upon the occurrence of any default, the Bank shall be entitled to immediate possession of the Collateral, and Debtor hereby waives any right it may have under any statute or regulation of South Carolina to notice or hearing prior to seizure of the Collateral. The Bank may require Debtor to assemble the Collateral and make it available to the Bank at a place to be designated by the Bank that is reasonably convenient to the Bank and the Debtor. The Debtor will supply additional collateral as security for the Secured Obligations if so requested by the Bank. Any notice of sale, disposition or other intended action by the Bank sent to the Debtor at the address of Debtor as may from time to time be shown on the Bank's records at least 5 days prior to such action will constitute reasonable notice to the Debtor. The Bank may enforce any or all of its remedies against any portion of the Collateral or against other security or borrowers without affecting its right to enforce any or all its remedies against any or all of the Collateral or other borrowers.

18. Miscellaneous. This agreement and the security interest in the Collateral created hereby will terminate when the Secured Obligations have been paid in full. Debtor and Borrower jointly and severally agree to pay to the Bank upon demand all costs and expenses (including reasonable attorneys' fees) incurred in connection with the enforcement of this agreement, and agree that all such fees shall become part of the Secured Obligations. No waiver by the Bank of any default will be effective unless in writing nor operate as a waiver of any other default or of the same default on a future occasion. No failure or delay of the Bank to exercise its remedies hereunder or take any action upon the occurrence of a default will operate as a waiver of that default or any other default. All rights of the Bank hereunder will inure to the benefit of its successors and assigns, and all obligations of the Debtor will bind the heirs, legal representatives, successors and assigns of the Debtor. If there be more than one Debtor, their obligations hereunder will be joint and several. Invalidation of any one or more of the provisions of this agreement will not affect any of the other provisions hereof, which shall remain in full force and effect. This agreement will be governed by and construed in accordance with the laws of the State of South Carolina. Captions are inserted for convenience only and in no way limit or affect the provisions of this agreement. The terms "account debtor" and "proceeds", as used herein, will have the same meanings as they have in the S.C. Uniform Commercial Code.

WITNESS the hand and seal of the undersigned.

Witness

If Debtor is a Corporation:

ATTEST: [Signature]  
Title VP

CORPORATE SEAL

SL, INC  
NAME OF CORPORATION  
By: [Signature]  
Title PRESIDENT  
By: \_\_\_\_\_  
Title \_\_\_\_\_

If Debtor is a Partnership, Limited Liability Company, or Limited Liability Partnership:

WITNESS:  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

NAME OF PARTNERSHIP, LLC, OR LLP  
By: \_\_\_\_\_ (SEAL)  
GENERAL PARTNER OR MANAGER  
By: \_\_\_\_\_ (SEAL)  
GENERAL PARTNER OR MANAGER  
By: \_\_\_\_\_ (SEAL)  
GENERAL PARTNER OR MANAGER  
By: \_\_\_\_\_ (SEAL)  
GENERAL PARTNER OR MANAGER

If Debtor is an Individual:

WITNESS:  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

TYPE NAME OF DEBTOR  
\_\_\_\_\_  
(SEAL)  
TYPE NAME OF DEBTOR  
\_\_\_\_\_  
(SEAL)

TRADEMARK

REEL: 002338 FRAME: 0085

3. Chief Executive Office: If the Collateral is a type normally used in more than one state or includes Accounts or General Intangibles and the Debtor has a place of business in more than one state, the Debtor's chief executive office (if different from the address set out in item 2) is

(No. and Street)

(City or Town)

(County)

(State)

and the Debtor will immediately notify the Bank in writing of any change in the Debtor's chief executive office. If certificates of title are issued or outstanding in respect to any of the Collateral, Debtor will cause the interest of the Bank to be properly noted thereon and will cause the certificates of title to be delivered to the Bank.

4. **Fixtures; Crops; Timber; Minerals.** If the Collateral is to be affixed to real estate or includes crops growing or to be grown, timber to be cut, minerals or Accounts arising from the sale of minerals, the real estate and record owner of the real estate is described above (name of record owner not necessary if Collateral is crops growing or to be grown). If the Collateral is affixed to such real estate prior to the perfection of the security interest granted hereby, Debtor, on demand of the Bank, will furnish the Bank with a disclaimer or disclaimers of any interest in the Collateral signed by all persons having an interest in the real estate. The Debtor will (i) notify the Bank in writing of any intended sale, mortgage, granting of a deed of trust or conveyance of the realty and give written notice of the terms and conditions of this Security Agreement to any prospective purchaser, mortgagee, beneficiary of a deed of trust or grantee of a conveyance of said realty and a copy of such notice to the Bank and (ii) cause a Request for Copy of Notice providing for notice to the Bank and satisfying the requirements of Code of Laws of South Carolina or any successor provision to be filed as to each existing or future mortgage or deed of trust.

5. **Accounts.** If the Collateral is or includes Accounts,

(a) each Account represents a valid and legally enforceable indebtedness according to its terms and as represented by its corresponding invoice and is subject to no offsets, counterclaims, contra accounts or any other defense of any kind and character and will be subject to no discounts, deductions, allowances or offsets, with an unpaid balance legally owing in the amount set forth in the respective invoice, which balance is not yet due;

(b) the goods or merchandise sold have been delivered to such customers or to the carrier, or the services have been performed for such customers, in accordance with any contracts or purchase orders between the Debtor and its customers;

(c) the sales or rendering of services that created the Accounts were not in violation of any law or governmental regulation or order;

(d) at the request of the Bank,

(i) the Debtor will keep all collections of the Accounts separate from all other funds and property. Such funds will be delivered to the Bank at the time and in the form requested by the Bank. The Bank will have the right at any time to notify account debtors of the Bank's security interest in the Accounts and to request that payment of the Accounts be made directly to the Bank. The Bank is hereby appointed the true and lawful attorney-in-fact of the Debtor to receive, endorse in the name of the Debtor and collect any and all checks made payable to the Debtor issued in payment of the Accounts;

(ii) all collections of the Accounts will be set forth on itemized schedules, showing the name of the account debtor, the amount of each payment, and such other information as the Bank may request;

(iii) all collections of the Accounts delivered to the Bank (either by the Debtor or directly by account debtors) will be deposited into a deposit account subject to the sole control of the Bank. The Bank will have the right at all times and in its sole discretion to apply all or part of the funds in such deposit account to the payment of the Secured Obligations; (see note #1 below) *OK*

(iv) the Debtor will furnish the Bank, at such intervals as the Bank determines, schedules of the Accounts in a form and substance satisfactory to the Bank;

(v) the Debtor will deliver to the Bank copies of all invoices and other documents relating to the Accounts; and

(vi) the Debtor will not maintain funds received from collections of the Accounts with any bank other than the Bank.

(e) the Bank will have the right, at all times, to cause verification to be made of the Accounts with the account debtors, with or without notice being given to the account debtors of the Bank's interest in the Accounts, and the Bank may, during normal business hours of the Debtor, examine the ledgers, books of account, records and papers of the Debtor and all evidence in support of any entry thereon, and the Debtor agrees to produce such ledgers, books, records and papers upon demand by the Bank.

6. **Discharge of Obligations.** Debtor will pay, perform and discharge all of the Secured Obligations as and when they become due and payable or dischargeable; except that if the Debtor and Borrower are not the same person and Debtor is not a guarantor, endorser or co-maker of the Note or other obligations, the Debtor shall be liable for payment of the Note or other obligations only to the extent of the Collateral.

7. **Ownership.** Except for the security interest granted hereby, Debtor is the owner of the Collateral free and clear of all liens, security interests and other encumbrances and will defend the Collateral against the claims and demands of all persons. (see note #2 below) *OK*

8. **Waste.** Debtor will keep the Collateral in good order and repair, reasonable wear and tear excepted, shall not waste or destroy or permit the waste or destruction of the Collateral or any part thereof and shall not use the Collateral in violation of any application statute, ordinance or policy of insurance thereon.

9. **Inspections.** Debtor will permit the Bank or its representatives or agents to inspect the Collateral at any time.

10. **Insurance.** Debtor will obtain and keep in force such insurance on the Collateral as is normal and customary in the Debtor's business or as the Bank may require, all in such amounts, under such forms of policies, upon such terms, for such periods and written by such companies or underwriters as the Bank may approve. All policies of insurance will contain long form Lender's Loss Payable clauses in favor of the Bank, and the Debtor shall deliver the policies to the Bank as evidence of compliance with the provisions of this paragraph. Such policies will be noncancellable except upon thirty days prior written notice to the Bank. It is agreed that the proceeds of all such insurance, if any loss should occur, may be applied by the Bank to the payment of the Secured Obligations or to the replacement of any of the Collateral damaged or destroyed, as the Bank may elect or direct in its sole discretion. The Debtor hereby appoints (which appointment is irrevocable as long as any of the Secured Obligations remain outstanding and constitutes a power coupled with an interest) Bank as its lawful attorney-in-fact in making, adjusting, and settling claims under and canceling such insurance and endorsing the Debtor's name on any drafts by insurers of the collateral.

11. **Taxes; Assessments.** Debtor will promptly pay when due all taxes and assessments upon the Collateral or for its use or operation.

12. **Other Liens; Sale of Collateral.** Debtor will not (a) permit or suffer to remain, and will promptly discharge, any liens or security interests (other than the Bank's security interest) on any of the Collateral; (b) permit any of the Collateral to be levied upon under any legal process; (c) dispose of any of the Collateral without the prior written consent of the Bank (provided, however, that if the Collateral is or includes inventory, such inventory may be sold in the ordinary course of the Debtor's business); (d) permit anything to be done that might impair the value of any of the Collateral or the security afforded by this agreement; or (e) permit the Collateral to become an accession to other goods which are not Collateral.

13. **Further Documents.** Upon demand of the Bank, Debtor will furnish to the Bank such further information and shall execute and deliver to the Bank such financing statements and other papers and shall do all such acts and things as the Bank may at any time or from time to time request or as may be necessary or appropriate to establish and maintain a perfected first security interest in the Collateral as security for the Secured Obligations or to protect the Collateral, and Debtor hereby appoints the Bank as its lawful attorney-in-fact to execute any such documents and do such acts and things at the Bank's option upon the Debtor's refusal to act.

14. **Protection of Collateral.** The Bank may, in its discretion, but will not be required to, discharge taxes, liens, security interests or other encumbrances at any time levied or placed on the Collateral, place and pay for insurance thereon, order and pay for the repair, maintenance and preservation thereof, and pay any necessary filing or recording fees. Any amount so expended by the Bank (including reasonable attorneys' fees) pursuant to the foregoing shall become part of the Secured Obligations, shall be payable upon demand and shall bear interest until paid at the rate applicable to the indebtedness evidenced by the Note. Until default the Debtor may have possession of the Collateral and use the same in any lawful manner not inconsistent with this agreement or with the terms and conditions of any insurance policy thereon.

15. **Documents; Instruments.** If the Collateral includes documents or instruments the Debtor has or will, at the request of the Bank, deliver the Collateral to the Bank to be held by the Bank. The Debtor will execute any endorsement or writing upon the documents or instruments as may be requested by the Bank in order to evidence the pledge, assignment and transfer of such Collateral to the Bank, and Debtor hereby appoints the Bank as its lawful attorney-in-fact to execute any such endorsements or writings and do such acts and things at the Bank's option upon the Debtor's refusal to act. If the Secured Obligations are paid in full and satisfied, the Bank will redeliver possession of such Collateral to Debtor and will execute any endorsements or writings reasonably necessary to transfer such Collateral back to Debtor (without recourse).

Note #1: Only upon the occurrence of an event of default or defaults.

Note #2: It is hereby acknowledged that Debtor is hereby permitted to grant a subordinated security interest in the Collateral to Hollingsworth Saco Lowell, Inc., pursuant to the terms of a subordination agreement of even date herewith.

Note #3: Debtor shall be allowed to sell any excess equipment and **TRADEMARK**

## EXHIBIT A

### COLLATERAL DESCRIPTION (South Carolina)

All right, title and interest of Debtor in and to the following described property (collectively, the "Collateral"), whether now or hereafter owned or existing, leased, consigned by or to, or acquired by, Debtor regardless where located including all locations within and outside the State of South Carolina:

(a) All "inventory" as such term is defined in S.C. Code Ann. G.S. §36-9-109(4), now or hereafter existing, now owned or hereafter acquired, including, but not limited to, all (i) inventory, merchandise, goods and other personal property now owned or hereafter acquired by Debtor which are held for sale or lease or are furnished or to be furnished under a contract of service or which constitute raw materials, work in process or materials used or consumed or to be used or consumed in Debtor's business, or the processing, packaging, delivering or shipping of the same, and all finished goods, and (ii) goods which are returned to or repossessed by Debtor, whether or not in transit, and all accessions and additions thereto and all documents of title covering any of the foregoing (any and all of the foregoing being the "Inventory");

(b) All "equipment" as such term is defined in S.C. Code Ann. §36-9-109(2), now owned or hereafter acquired by Debtor and, in any event, including, but not limited to, all machinery, equipment, furnishings, fixtures, vehicles and computers and other electronic data-processing and other office equipment now owned or hereafter acquired by Debtor and any and all additions, substitutions and replacements of any of the foregoing, wherever located, together with all attachments, components, parts, equipment and accessories whether now or hereafter installed thereon or affixed thereto (all of the foregoing being the "Equipment");

(c) All rights to the payment of money, whether or not earned by performance, now or hereafter existing, now owned or hereafter acquired, including, but not limited to, any of the following which consist of a right to the payment of money: (i) "accounts," as defined in S.C. Code Ann. §36-9-106, contract rights, accounts receivable, chattel paper, instruments, documents, notes, accrued interest, earnings and general intangibles relating thereto and all other obligations of any kind now or hereafter existing, arising out of or in connection with the sale or lease of goods or the rendering of services and all collateral security and guaranties of any kind given by any person with respect to any of the foregoing; (ii) monies, reserves, deposits (including bank deposits) and property relating to any of the foregoing whether now or at any time hereafter in the possession or under the control of Debtor or any agent or custodian; and (iii) all substitutions for and proceeds of any of the foregoing, and books and records (including, without limitation, customer lists, credit files, computer programs, printouts and other computer materials and records) pertaining to any of the foregoing (any and all of the foregoing being the "Receivables");

(d) All "general intangibles," as such term is defined in S.C. Code Ann. §36-9-106, now or hereafter existing, now owned or hereafter acquired by Debtor including, but not limited to, all rights, interests, choses in action, causes of actions, claims and all other intangible property of Debtor of every kind and nature, in each instance whether now or hereafter existing,

now owned or hereafter acquired by Debtor, including, without limitation, all corporate and other business books and records, all loans, royalties and all other forms of obligations receivable whatsoever (other than Receivables); all goodwill, inventions, designs, registrations, permits and franchises; all computer programs, software, printouts and other computer materials, customer lists, credit files, correspondence, and advertising materials; contracts and contract rights; all rights to sue, credits with and other claims against third parties (other than Receivables); all guaranties, liens, security interests and other security held by or granted to Debtor; and all trademarks, service marks, logos or tradenames (whether registered or at common law), patents, patent applications, patent renewals and extensions, copyrights and renewals thereof (all of the foregoing being the "General Intangibles"); and

(e) All proceeds and products of any and all of the foregoing Collateral (including, without limitation, proceeds which constitute property of the types described in paragraphs (a) through (d)) and, to the extent not otherwise included, all payments under insurance (whether or not Secured Party is the loss payee thereof), or any indemnity, warranty or guaranty payable by reason of loss or damages to or otherwise with respect to any of the foregoing Collateral (all such proceeds being the "Proceeds").

SL, Inc.

By:  President

**LOAN MODIFICATION AND  
FORBEARANCE AGREEMENT**

THIS LOAN MODIFICATION AND FORBEARANCE AGREEMENT ("Agreement") is made as of September 28, 2000, by and between BRANCH BANKING & TRUST COMPANY OF SOUTH CAROLINA ("BB&T-SC"), BRANCH BANKING & TRUST COMPANY ("BB&T-NC"), (collectively "BB&T"), SACO LOWELL, INC., a South Carolina corporation, f/k/a SL, INC. ("Saco Lowell"), FIBER CONTROLS CORPORATION, a South Carolina corporation, f/k/a CT ENTERPRISES, INC. d/b/a FIBER CONTROLS ("Fiber Controls") (which entities may be referred to collectively as "Borrowers" or referred to separately by their individual names or as "each Borrower", "individual Borrower", or similar language to reference an individual borrower) and CLIFFORD R. THEISEN ("Theisen") and CT ENTERPRISES, INC., a South Carolina Corporation, ("CT").

**RECITALS:**

WHEREAS, Fiber Controls is obligated to BB&T-NC on that certain Promissory Note dated October 7, 1998, in the original principal amount of \$800,000 ("Fiber Note #1");

WHEREAS, Fiber Controls is obligated to BB&T-NC on that certain Promissory Note dated October 7, 1998, in the original principal amount of \$250,000, as modified by that certain Note Modification Agreement dated March 3, 2000, and further modified by that certain Note Modification Agreement dated June 19, 2000 ("Fiber Note #2");

WHEREAS, to secure all indebtedness, liabilities, and obligations owing by Fiber Controls under Fiber Note #1 and Fiber Note #2, Fiber Controls granted BB&T-NC a security interest in accounts, inventory, and equipment as set forth in that certain Security Agreement dated October 7, 1998, and further granted BB&T-NC a first lien on certain real property in Gaston County, North Carolina ("Fiber Controls Plant") as more fully set forth in that certain First Deed of Trust dated October 7, 1998, and recorded in Deed Book 2849 at Page 501 of the Gaston County, North Carolina Office of Register of Deeds on October 9, 1998;

WHEREAS, Theisen is the guarantor of Fiber Note #2 as evidenced by that certain limited Guaranty Agreement dated October 7, 1998;

WHEREAS, Fiber Controls is obligated to BB&T-NC on that certain Promissory Note dated July 23, 1999, in the original principal amount of \$20,486.95 ("Fiber Note #3");

WHEREAS, to secure all indebtedness, liabilities and obligations owing by Fiber Controls under Fiber Note #3 Fiber Controls granted BB&T-NC a security interest in machinery and equipment as set forth in that certain Security Agreement dated July 23, 1999;

WHEREAS, Saco Lowell is obligated to BB&T-SC on that certain Promissory Note dated April 5, 1999 in the original principal amount of \$3,400,000 ("Saco Note #1");

The undersigned officer of Branch Banking & Trust of South Carolina certifies that this is a true and correct excerpts of copy of the original document.

  
Jay Cayan  
Vice President

TRADEMARK

REEL: 002338 FRAME: 0089

WHEREAS, to secure all indebtedness, liabilities and obligations of Saco Lowell under Saco Note #1, (a) Saco Lowell granted BB&T-SC a security interest in accounts, inventory, equipment and general intangibles as set forth in that certain Security Agreement dated April 5, 1999, (it being acknowledged that the Exhibit A to the Security Agreement contains a specific grant of a security interest in general intangibles) and also entered into that certain Loan Agreement with Schedule DD dated April 5, 1999, and (b) Fiber Controls granted BB&T-SC a second lien on the Fiber Controls Plant as more fully set forth in that certain Deed of Trust dated April 5, 1999, and filed in Deed Book 2931, at Page 572 of the Gaston County, North Carolina Office of Register of Deeds on April 29, 1999;

WHEREAS, Saco Lowell is obligated to BB&T-SC on that certain Promissory Note dated April 5, 1999 in the original principal amount of \$1,500,000, as modified by that certain Note Modification Agreement dated January 1, 2000 ("Saco Note #2");

WHEREAS, to secure all indebtedness, liabilities and obligations of Saco Lowell, (a) Saco Lowell granted BB&T-SC a security interest in accounts, inventory and equipment as set forth in that certain Security Agreement dated April 5, 1999, and (b) Fiber Controls granted BB&T-SC a second lien on the Fiber Controls Plant as more fully set forth in that certain Deed of Trust dated April 5, 1999, and filed in Deed Book 2931, at Page 572 of the Gaston County, North Carolina Office of Register of Deeds on April 29, 1999;

WHEREAS, CT, Fiber Controls and Theisen jointly and severally guaranty Saco Note #1 and Saco Note #2, pursuant to those certain Guaranty Agreements dated April 5, 1999, executed separately by each guarantor;

WHEREAS, Saco Lowell is obligated to BB&T-SC on that certain Promissory Note dated July 22, 1999 in the original principal amount of \$289,000 ("Saco Note #3");

WHEREAS, to secure all the indebtedness, liabilities and obligations of Saco Lowell under Saco Note #3, Saco Lowell granted BB&T-SC a security interest in accounts, inventory, and equipment as set forth in that certain Security Agreement dated July 22, 1999;

WHEREAS, Saco Lowell is obligated to BB&T-SC on that certain Promissory Note dated September 24, 1999, in the original principal amount of \$500,000 as modified by that certain Note Modification Agreement dated January 1, 2000 ("Saco Note #4");

WHEREAS, to secure all the indebtedness, liabilities and obligations of Saco Lowell under Saco Note #4, Saco Lowell granted BB&T-SC a security interest in accounts, inventory, and equipment as set forth in that certain Security Agreement dated September 24, 1999;

WHEREAS, Saco Lowell is obligated to BB&T-SC on that certain Promissory Note dated November 12, 1999, in the original principal amount of \$83,000 ("Saco Note #5");

WHEREAS, to secure all the indebtedness, liabilities and obligations of Saco Lowell under Saco Note #5, Saco Lowell granted BB&T-SC a security interest in accounts, inventory, and equipment as set forth in that certain Security Agreement dated November 12, 1999;

## AGREEMENT

1. Certain Definitions: In addition to the terms defined in the Recitals hereto, as used in this Agreement, the following terms shall have the following meanings for the purposes of this Agreement. Definitions used herein, but not otherwise defined herein, shall have the meaning set forth in the BB&T Loan Documents.

a. "Accounts", "Equipment", "General Intangibles", and "Inventory": shall have the same meaning as given in the Uniform Commercial Code as adopted in South Carolina.

b. Asset Based Loan Terminology: The following terms are derived from the Asset-Based Loan Agreement between Borrowers and BB&T and are used in this Agreement utilizing the definitions set forth below:

- i. "Fiber Controls Loan Base Formula" shall mean an amount up to 80% of the Fiber Control's Eligible Accounts.
- ii. "Loan Base Report" shall have the meaning as set forth in Section 11 (c) hereof, and be in the form of Exhibit 1 attached hereto.
- iii. "Saco Lowell Loan Base Formula" shall mean an amount up to the product of (a) the Effective A/R Advance Rate (as hereinafter defined in Section 11(d)), and (b) Saco Lowell's Eligible Accounts; plus, an amount up to 20% of the Borrower's Eligible Inventory, not to exceed the lesser of the Inventory Cap (\$1,000,000 being the existing "Inventory Cap") or the Inventory Cap as revised by implementation of this Agreement; plus, the Approved Over Advance.
- iv. "Over Advance(s)" shall mean, with respect to each of Saco Lowell or Fiber Controls, if at any time the collective loan balances under either Saco Note #2 and Saco Note #9 (in the case of Saco Lowell) or Fiber Note #2 (in the case of Fiber Controls) which are monitored on a Loan Base Report exceeds either the Saco Lowell Loan Base Formula or the Fiber Controls Loan Base Formula, whether such Over Advance is the result of an increase to the loan pursuant to a Loan Request or a reduction of the Saco Lowell Loan Base Formula or Fiber Controls Loan Base Formula pursuant to more current reporting.
- v. "Approved Over Advance" shall mean, (A) in the case of Saco Lowell (i) \$450,000 from September 24, 2000 through September 30, 2000, and (ii) \$300,000 from October 1, 2000, until the earlier of receipt of proceeds from the October 12, 2000 auction contemplated by this Agreement or October 31, 2000, (iii) \$0 on and after the earlier of receipt of proceeds from the October 12,



2000 auction contemplated by this Agreement or October 31, 2000, and (B) \$0 in the case of Fiber Controls.

- vi. "Inventory Cap" shall mean the maximum loan amount for Saco Lowell as established by this Agreement that may be supported by the Eligible Inventory Collateral loan value.
- vii. "Ineligible Receivables Report" shall be in form of Exhibit 2 attached hereto.
- viii. "Inventory Report" shall be in form of Exhibit 3 attached hereto.

c. "BB&T Loan Documents" or "Loan Documents" shall mean and include the notes referenced in the Recitals, and all other instruments or agreements including , but not limited to this Agreement, notes, modification agreements, guaranty agreements, security agreements, deeds of trust now or hereafter evidencing or securing the payment in whole or any part of the said notes, including any related loan agreements.

d. "BB&T Obligations" or "Obligations" shall mean and include all indebtedness, liabilities and obligations of Borrowers, CT, or Theisen to BB&T arising under the BB&T Loan Documents.

e. "Bankruptcy Case" shall mean any case hereafter commenced by or against any of the Borrowers, CT, or Theisen under any chapter of the Bankruptcy Code.

f. "Collateral Account" shall mean that certain deposit account #512-3783648 in the name of Saco Lowell at BB&T and that certain deposit account #521-9597349 in the name of Fiber Controls at BB&T to which all monies, checks, notes drafts or other form of payment relating to operation of the business and/or proceeds of the Collateral shall be deposited for application against the BB&T Obligations.

g. "Collateral" shall mean and collectively include all of the property, of every kind and nature, which secures the Obligations.

h. "Collection Remedy" shall mean any remedy available to BB&T under any of the Loan Documents mentioned above or under applicable law to enforce collection of any of the Obligations following the occurrence of an Event of Default, as defined and limited hereby, and any remedy available to BB&T under any of the Loan Documents or under applicable law to enforce collection of any of the Obligations following the occurrence of an Additional Event of Default, including, but not limited to any acceleration of the maturity or demand for payment of any of the Obligations and any suit to collect any of the Obligations, and any attachment or garnishment of, or judicial or nonjudicial repossession or foreclosure upon, any of the Collateral by BB&T.

i. "Event of Default" shall mean an event or condition that constitutes a default or an event of default under the BB&T Loan Documents or an Additional Event of Default (as defined in Section 14 below) under this Agreement.

j. "Hollingsworth Obligations" shall mean and include all indebtedness, liabilities and obligations of Saco Lowell to Hollingsworth, pursuant to the Hollingsworth Note. It is the intent of the parties to this Agreement to exclude from the definition of "Hollingsworth Obligations" any obligations of Saco Lowell to Hollingsworth pursuant to any lease related to the lease of the Saco Lowell plant in Easley, South Carolina ("Saco Lowell Plant").

k. "Intercompany Accounts" shall mean the right to receive monies for expenses advanced, goods sold or services rendered from (a) Saco Lowell to Fiber Controls (b) Fiber Controls to Saco Lowell, (c) Saco Lowell or Fiber Controls to CT or (d) CT to Saco Lowell or Fiber Controls, whether such right is evidenced by a note, contract or open account.

l. "Prime Rate" shall mean the rate of interest per annum announced by BB&T from time to time and adopted as the Prime Rate. The Prime Rate is one of several rate indexes employed by BB&T and is not necessarily the lowest rate available to customers. The Prime Rate applicable to Borrowers under this Agreement shall be the same Prime Rate applicable to other customers of BB&T.

2. Acknowledgement of Balances and Payment Schedule: Borrowers, CT, and Theisen acknowledge that the following is an accurate schedule of (a) the per annum interest rate(s) for each of the stated notes, (b) the principal balance on each of the stated notes as of July 31, 2000, (c) the present payment schedule on each of the stated notes provided such note has not yet matured, and (d) the maturity date on each of the stated notes. During the term of this Agreement, Fiber Controls and Saco Lowell, as applicable, shall continue to make the payments to BB&T in accordance with the existing terms of the BB&T Loan Documents except to the extent any individual notes are consolidated pursuant to Section 10 below and payment terms are restructured by mutual agreement.

a.	Fiber Note #1	
i.	Interest Rate:	8.0%
ii.	Current Principal Balance:	\$736,604.63
iii.	Monthly Principal and Interest Payment:	\$7,645.22
iv.	Maturity Date:	October 15, 2003
b.	Fiber Note #2	
i.	Interest Rate:	Prime
ii.	Current Principal Balance:	\$250,000
iii.	Monthly Payment:	Not Applicable
iv.	Maturity Date:	August 18, 2000
c.	Fiber Note #3	
i.	Interest Rate:	Prime
ii.	Current Principal Balance:	\$14,121.77

c. The financial statement submitted to BB&T by Theisen dated December 31, 1999, is materially complete and accurate as of the date of this Agreement, except as specifically set forth in Exhibit 6 hereto.

7. Negative Pledge Agreement: Theisen hereby covenants, represents, and warrants that all of his right, title, and interest in the assets as set forth in that certain financial statement from Theisen dated December 31, 1999, including but not limited to (i) stock of T&S Brass and Bronze Works, Inc., (ii) the real property located at 4807 Turtle Cove, Kiawah Island, in Charleston County, South Carolina, and (iii) the assets on deposit with Wachovia Bank in Account number(s) \_\_\_\_\_, the foregoing specific assets as identified in (i), (ii), and (iii) being referred to as, "Reserve Assets", are not pledged, hypothecated, assigned or otherwise subject to any security interest, lien, or claim of any other person or entity, except as disclosed in the financial statement of Theisen dated September \_\_\_\_, 2000. Further, Theisen covenants that he will not pledge, hypothecate, assign, encumber, or otherwise transfer any right, title, or interest in the Reserve Assets without the prior written approval of BB&T, which approval shall not be unreasonably withheld. However, BB&T hereby consents to the assets identified in (iii) above being subject to transfer, pledge, or other such assignment so long as the account maintains a minimum level of assets of at least \$100,000 which have not been pledged, hypothecated, assigned, encumbered or otherwise transferred.

Further, Theisen agrees to provide a negative pledge agreement consistent with the requirements of this section in recordable form as to the Kiawah Island property which may be recorded in Charleston County, South Carolina.

Any violation of this covenant constitutes an "Additional Event of Default" as defined in Section 14 of this Agreement and thereby authorizes BB&T to immediately seek payment from Theisen and pursue any available Collection Remedy against Theisen for any BB&T Obligation subject to any guaranty of Theisen, even if there are no other Additional Events of Default

8. Hollingsworth Obligations: Saco Lowell and Theisen agree that no payments shall be made on the Hollingsworth Obligations during the term of this Agreement except as allowed by Section 20 below.

9. Perfection of General Intangible Lien: Saco Lowell and Fiber Controls each represent and warrant that it is the owner of the various patents and patent applications described in Exhibit 9 and Exhibit 10 hereto, respectively. Further, Saco Lowell and Fiber Controls agree to execute and deliver such documents as necessary to perfect BB&T's security interest in the patents and patent applications identified in Exhibit 9 and Exhibit 10 hereto and any renewals and extensions thereof.

10. Note Consolidations and Documentation:

a. In connection with Fiber Note #2, Fiber Controls shall execute and deliver to BB&T a Loan Agreement and Schedule DD thereto in substantially the form of Exhibit 11A and Exhibit 11B, respectively, attached hereto.

required and not to exceed \$7,500 if an on-site inspection is conducted by the appraiser. Borrowers shall provide to BB&T a copy of all written communication between Borrowers and Iron Horse, including any written commentary or writings on reports generated by Borrowers' inventory or fixed assets reports, or on any components of Borrowers' Inventory or Equipment, including any appraisals or valuations thereof.

22. Cross Collateralization Grant of Security Interests: To secure the due and punctual payment of the BB&T Obligations, and to secure the due and punctual performance of all of the obligations of each Borrower contained in the BB&T Loan Documents and this Agreement and in order to induce BB&T to enter into this Agreement, modify the Loan Documents and make the additional advances contemplated by Sections 10 and 11 of this Agreement each Borrower hereby grants to BB&T a security interest in all of its right, title and interest in, to and under the following, whether now existing or hereafter acquired and wheresoever located (which shall be deemed included as part of the previously defined "Collateral"):

- a. all Accounts;
- b. all General Intangibles;
- c. all Inventory;
- d. all Equipment;

e. to the extent not included in the foregoing, all other personal property (including intellectual property), whether tangible or intangible and wherever located, including, but not limited to, the balance of every deposit account now or hereafter existing of the Borrower with any bank and all monies of the Borrower and all rights to payment of money of the Borrower;

f. to the extent not included in the foregoing, all books, ledgers and records and all computer programs, tapes, disks, punch cards, data processing software, transaction files, master files and related property and rights (including computer and peripheral equipment) necessary or helpful in enforcing, identifying or establishing any item of Collateral;

g. to the extent not otherwise included, all cash and non-cash proceeds (including any insurance proceeds) and products of any or all of the foregoing, whether existing on the date hereof or arising hereafter;

Notwithstanding the foregoing grant of security interest, each Borrower acknowledges that a certain portion of the Collateral was subject to BB&T's liens and security interests prior to the execution of this Agreement as provided in the Recitals herein. Nothing about this Agreement or the grant of security interests herein is intended to negate or alter the validity or priority of any security interest in favor of BB&T or the fact that the Collateral was subject to BB&T's liens prior to the grants above. Further, this Section shall not be construed to expand the security interests of any individual Borrower to secure any obligations of any other individual Borrower

event Saco Lowell is not able to enter into a binding agreement with Hollingsworth as contemplated by this Agreement, Saco Lowell intends to tender to Hollingsworth prior to filing any bankruptcy petition the sum of \$120,000 to cover the lease payments due for the lease period commencing June 1, 2000 and ending October 31, 2000. In the event such a tender is accepted by Hollingsworth, such payment would be considered a credit against the \$250,000 payment to Hollingsworth presently authorized by Section 20(vii). BB&T further acknowledges that in the event a petition is filed, the various auction sale dates contemplated in this Agreement may have to be modified to comply with bankruptcy requirements for notice and court approval. BB&T will cooperate with Saco Lowell to adjust such dates so long as Saco Lowell is proceeding expeditiously to seek the approval of the Court for such sales.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement under seal as of the day and year first above written.

CT ENTERPRISES, INC.

Mark T. ...  
Kevin Y. ...

BY: Clifford R. Theisen (SEAL)  
ITS: CEO

SACO LOWELL, INC.

Mark T. ...  
Kevin Y. ...

BY: Clifford R. Theisen (SEAL)  
ITS: CEO

FIBER CONTROLS CORPORATION

Mark T. ...  
Kevin Y. ...

BY: Clifford R. Theisen (SEAL)  
ITS: CEO

CLIFFORD R. THEISEN

Mark T. ...  
Kevin Y. ...

BY: Clifford R. Theisen  
ITS: Self.

BRANCH BANKING & TRUST  
COMPANY

M. L. E. T. W.  
K. M. P. M. A. H. B.

BY: J. L. C. W. J.

ITS: Vice President

BRANCH BANKING & TRUST  
COMPANY OF SOUTH CAROLINA

M. L. E. T. W.  
K. M. P. M. A. H. B.

BY: J. L. C. W. J.

ITS: Vice President