

07-11-2002



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

RECORDATION FORM FOR TRADEMARKS

MERCEK Office

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

1. Name of conveying party(ies):

Sampco Incorporated

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

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

2. Name and address of receiving party(ies)

Name: Fleet National Bank

Internal

Address:

Street Address: 1414 Main Street

City: Springfield State: MA Zip: 01144

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

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

3. Nature of conveyance:

- Assignment Merger Security Agreement Change of Name Other

Execution Date:

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

A. Trademark Application No.(s)

B. Trademark Registration No.(s) 1840522

Additional number(s) attached Yes No

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

Name: Paul M. Maleck, Esq.

Internal Address: Doherty, Wallace, Pillsbury & Murphy, P.C.

Street Address: 1414 Main Street

City: Springfield State: MA Zip: 01144-1900

6. Total number of applications and registrations involved:

1

7. Total fee (37 CFR 3.41) \$ 40.00

- Enclosed Authorized to be charged to deposit account

8. Deposit account number:

DO NOT USE THIS SPACE

9. Signature.

George S Case Name of Person Signing

Signature

3-26-02 Date

Total number of pages including cover sheet, attachments, and document: 66

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40.00 OP

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

RECORDATION FORM COVER SHEET TRADEMARKS ONLY

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

1. Name of conveying party(ies):

- Individual(s)
- General Partnership
- Corporation-State
- Other _____
- Association
- Limited Partnership

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

3. Nature of conveyance:

- Assignment
- Security Agreement
- Other _____
- Merger
- Change of Name

Execution Date: 03/26/ 2002

2. Name and address of receiving party(ies)

Name: _____

Internal Address: _____

Address: _____

Street Address: _____

City: _____ State: _____ Zip: _____

Individual(s) citizenship _____

Association _____

General Partnership _____

Limited Partnership _____

Corporation-State _____

Other _____

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(Designations must be a separate document from assignment)
Additional name(s) & address(es) attached? Yes No

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Name: _____

Internal Address: _____

Street Address: _____

City: _____ State: _____ Zip: _____

6. Total number of applications and registrations involved: _____

7. Total fee (37 CFR 3.41).....\$ _____

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9. Signature.

Name of Person Signing

Signature

Date

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

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

LOAN AND SECURITY AGREEMENT

LOAN AND SECURITY AGREEMENT made this 26th day of March, 2002 by and between SAMPCO, INC., a Massachusetts corporation with a usual address of 56 Downing Parkway, Pittsfield, Massachusetts, SOUTHERN SAMPLE COMPANY, a Georgia corporation with a usual address of 1765 Hodgeville Road, Rincon, Georgia, SAMPCO OF MINNESOTA, INC., a Minnesota corporation with a usual address of 2701 33rd St. East, Minneapolis, Minnesota, SAMPCO OF INDIANA, INC., an Indiana corporation with a usual address of 915 West Ireland Road, South Bend, Indiana, SAMPCO OF TEXAS, INC., a Texas corporation with a usual address of 1340 W. North Carrier Pkway, Grand Prairie, Texas, SAMPCO COMPANIES, INC., a Delaware corporation with a usual address of 56 Downing Parkway, Pittsfield, Massachusetts, and SAMPCO OF NEVADA, INC., a Nevada corporation with a usual address of 750 B. South Rock Blvd., Reno, Nevada (collectively, as well as jointly and severally, the "Borrowers" or "Debtor"), MICHAEL O. RYAN, an individual with an address of 21 FairWynds Drive, Lenox, Massachusetts (hereinafter referred to as the "Guarantor") and FLEET NATIONAL BANK, a national banking association having a usual place of business at One Monarch Place, Springfield, Massachusetts, (hereinafter referred to as the "Bank").

In consideration of the mutual covenants herein contained, it is agreed as follows:

1. DEFINITIONS AND ACCOUNTING TERMS

- 1.1. Defined Terms. As used in this Agreement, the following terms have the following meanings (terms defined in the singular to have the same meaning when used in the plural and vice versa):
- 1.1.1 "Account Debtor" shall mean the person obligated on an Account Receivable.
 - 1.1.2 "Accounts Payable" shall mean all amounts due on account to creditors of Borrowers as determined in accordance with GAAP.
 - 1.1.3 "Accounts Receivable", "Account" or "Accounts" shall mean and include accounts receivable and notes, drafts, acceptances and other instruments representing or evidencing a right to payment for goods sold or leased or for services rendered whether or not earned by performance by the Borrowers.
 - 1.1.4 "Accounts Receivable Collateral" shall mean that portion of the Collateral consisting of Accounts.
 - 1.1.5 "Advance" shall mean a principal advance made to the Borrowers by the Bank pursuant to this Agreement.

- 1.1.6. **"Affiliate"** shall mean any Person (1) which directly or indirectly controls, or is controlled by, or is under common control with the Borrowers; (2) which directly or indirectly beneficially owns or holds five percent (5%) or more of any class of voting stock of the Borrowers; or (3) five percent (5%) or more of the voting stock of which is directly or indirectly beneficially owned or held by he Borrowers. The term "control" shall mean the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a Person, whether through the ownership of voting securities, by contract, or otherwise.
- 1.1.7. **"Agreement"** shall mean this Loan and Security Agreement, as amended, supplemented, or modified from time to time.
- 1.1.8. **"Borrowing Capacity"** shall mean, at the time of the computation (and subject to the provisions of Section 2.1.1 below), the lesser of Three Million Five Hundred Thousand (\$3,500,000.00) Dollars, or the sum equal to eighty (80%) percent of Eligible Accounts plus the sum equal to fifty (50%) percent of Eligible Inventory.
- 1.1.9. **"Business Day"** shall mean any day other than a Saturday, Sunday, or other day on which commercial banks in Massachusetts are authorized or required to close under the laws of The Commonwealth of Massachusetts.
- 1.1.10. **"Capital Lease"** shall mean all leases which have been or should be capitalized on the books of the lessee in accordance with GAAP.
- 1.1.11. **"Capital Spending Loan"** or **"Capex Loan"** shall have the same meaning assigned to it in Section 2.3.1.
- 1.1.12. **"Capital Spending Line of Credit Note"** shall have the same meaning assigned to it in Section 2.3.1.
- 1.1.13. **"Certificate"** shall have the meaning assigned to it in **Section 9**.
- 1.1.14. **"Certified Account"** shall mean an Account Receivable which has been listed in an aging report delivered by the Borrowers to the Bank pursuant to the provisions of **Section 9** hereof.
- 1.1.15. **"Code"** shall mean the Internal Revenue Code of 1986, as amended from time to time, the regulations promulgated thereunder and the published interpretations thereof.
- 1.1.16. **"Collateral"** shall have the meaning assigned to it in **Section 6**.

- 1.1.17. **"Debt"** shall mean (1) indebtedness or liability for borrowed money; (2) obligations evidenced by bonds, debentures, notes, or other similar instruments; (3) obligations for the deferred purchase price of property or services (including trade obligations); (4) obligations as lessee under Capital Leases; (5) current liabilities in respect of unfunded vested benefits under Plans covered by ERISA; (6) obligations under letters or credit; (7) obligations under acceptance facilities; (8) all guaranties, endorsements (other than for collection or deposit in the ordinary course of business), and other contingent obligations to purchase, to provide funds for payment, to supply funds to invest in any Person or entity, or otherwise to assure a creditor against loss; and (9) obligations secured by any Liens, whether or not the obligations have been assumed.
- 1.1. 18. **"Default"** shall mean any of the events specified in **Section 17**, whether or not any requirement for the giving of notice, the lapse of time, or both, or any other condition, has been satisfied.
- 1.1. 19. **"Eligible Accounts"** shall mean all accounts which are not Ineligible Accounts.
- 1.1. 20. **"Eligible Inventory"** shall mean Borrowers' Inventory, (excluding work-in-process and miscellaneous products), which is initially and at all times until sold: new and unused, in first-class condition, merchantable and saleable through normal trade channels; physically located at the Borrowers' places of business as set forth at the beginning of this Agreement or such other location as previously agreed to in writing by the Bank in its sole discretion; subject to a perfected security interest in favor of Bank; owned by Borrowers free and clear of any lien except in favor of Bank; not obsolete; not scrap, waste, defective goods and the like; has been produced by Borrowers in accordance with the Federal Fair Labor Standards Act of 1938, as amended, and all rules, regulations and orders promulgated thereunder; and has not been designated by Bank in its reasonable discretion as unacceptable for any reason by notice to Borrowers. Should the terms of any and all supply contract(s) change such that the current fulfillment arrangement no longer exists, any inventory supporting such a contract that is rendered obsolete, in the Bank's discretion, will become an Ineligible Account (as defined below).
- 1.1. 21. **"ERISA"** shall mean the Employment Retirement Income Security Act of 1974, as amended from time to time, the regulations promulgated thereunder and published the interpretations thereof.

- 1.1. 22. **"Eurocurrency Reserve Requirement"** means, for any LIBOR Loan for any Interest Period therefor, the daily average of the stated maximum rate (expressed as a decimal) at which reserves (including any marginal, supplemental, or emergency reserves), if any, are required to be maintained during such Interest Period under Regulation D by the Bank against "Eurocurrency Liabilities" (as such term is used in Regulation offsets that might otherwise be available to the Bank from time to time as required by Regulation D. Without limiting the effect of the foregoing, the Eurocurrency Reserve Requirement shall reflect any other reserves required to be maintained by the Bank against (1) any category of liabilities that includes deposits by reference to which the LIBOR Interest Rate for extension of credit or other assets that includes LIBOR Loans.
- 1.1. 23. **"Event of Default"** shall mean any of the events specified in **Section 17**, provided that any requirement for the giving of notice, the lapse of time or both, or any other condition, has been satisfied.
- 1.1. 24. **"Extension"** shall mean the granting to an Account Debtor of additional time within which such Account Debtor is required to pay an Account.
- 1.1. 25. **"Federal Bankruptcy Code"** shall mean Title 11 of the United States Code, entitled "Bankruptcy", as amended, or any successor federal bankruptcy law.
- 1.1. 26. **"GAAP"** shall mean generally accepted accounting principles consistently applied, in accordance with financial reporting standards from time to time in effect among nationally recognized certified public accounting firms in the United States.
- 1.1. 27. **"Guarantor(s)"** shall mean any person who has guaranteed to the Bank payment or performance of any of the Obligations, including on a limited basis, Michael O. Ryan.
- 1.1. 28. **"Guaranty(ies)"** shall mean the guaranty(ies) delivered or to be delivered by any Guarantor(s) under the terms of this Agreement or otherwise.
- 1.1. 29. **"Ineligible Accounts"** means the following described accounts and to the extent applicable, certain inventory, any other accounts and to the extent applicable certain inventory, which, in the reasonable discretion of Bank, are not satisfactory for credit or any other reasonable reason.

- 1.1.29.1. Any Account which has remained unpaid for more than ninety (90) days after the date as shown on the Invoice evidencing the applicable Account, except in the case of Owens Corning, sixty (60) days from Invoice date except on Invoices where special items have been negotiated (other than for credit reasons) up to ninety (90) days. Advances based upon receivables owed by Owens Corning may restore, in the Bank's discretion, to ninety (90) days after Owens Corning has emerged from bankruptcy.
- 1.1.29.2. Any Account with respect to which a representation or warranty contained in **Section 13.3, 13.7 or 13.8** is not, or does not continue to be, true and accurate, including without limitation, any Account subject to a setoff.
- 1.1.29.3. Any Account with respect to all or part of which a check, promissory note, draft, trade acceptance, or other instrument for the payment of money has been received, presented for payment, and returned uncollected for any reason.
- 1.1.29.4. Any Account with respect to which Borrowers have extended the time for payment without the consent of Bank, except as provided in **Section 11.2.1**
- 1.1.29.5. Any Account as to which any one or more of the following events occurs: a Responsible Party (with the sole exception of Owens Corning) shall die or be judicially declared incompetent; a request or petition for liquidation, reorganization, arrangement, adjustment of debts, adjudication as a bankrupt, or other relief under the bankruptcy, insolvency, or similar laws of the United States, any state or territory thereof, or any foreign jurisdiction, now or hereafter in effect shall be filed by or against a Responsible Party; a Responsible Party shall make any general assignment for the benefit of creditors; a receiver or trustee, including without limitation, a "custodian" as defined in the Federal Bankruptcy Code, shall be appointed for a Responsible Party or for any of the Assets of a Responsible Party; any other type of insolvency proceeding with respect to a Responsible Party (under the bankruptcy laws of

the United States or otherwise) or any formal or informal proceeding for the dissolution or liquidation of, settlement of claims against, or winding up of affairs of, a Responsible Party shall be instituted; all or any material part of the assets of a Responsible Party shall be sold, assigned or transferred; a Responsible Party shall fail to pay its debts as they become due; or a Responsible Party shall cease doing business as a going concern.

- 1.1.29.6. All Accounts owed by an Account Debtor owing Accounts classified as Ineligible under any criterion set forth in any of **Sections 1.1.29.1 through 1.1.29.5** or in **Section 1.1.29.9**, if the outstanding dollar amount of such Ineligible Accounts constitutes a percentage of the aggregate outstanding dollar amount of all Accounts owed by such Account Debtor equal to or greater than twenty-five (25%) percent.
- 1.1.29.7. All Accounts owed by an Account Debtor which does not maintain its chief executive office in the United States (other than Canada which are expressly permitted herein) or which is not organized under the laws of the United States or any state.
- 1.1.29.8. All Accounts owed by an Account Debtor if Borrowers or any person who, or entity which, directly or indirectly controls Borrowers, either owns in whole or material part, or directly or indirectly controls such Account Debtor.
- 1.1.29.9. Any Account as to which the perfection, enforceability, or validity of Bank's Security Interest in such Account, or Bank's right or ability to obtain direct payment to Bank of the Proceeds of such Account, is governed by any federal or state statutory requirements other than those of the Uniform Commercial Code, including, without limitation, any Account collection of which is subject to the Federal Assignment of Claims Act of 1940, as amended or any state business activity report filing.

- 1.1.29.10. Any Account arising from a consignment or other arrangement pursuant to which the subject Inventory is returnable if not sold or otherwise disposed of by the Account Debtor; any Account constituting a partial billing under terms providing for payment only after full shipment or performance; any Account arising from a bill and hold sale or in connection with any pre-billing where the Inventory or services have not been delivered, performed, or accepted by the Account Debtor; and any Account as to which the Account Debtor contends the balance reported by Borrowers are incorrect or not owing.
- 1.1.29.11. Any Account which is an Instrument, Document or Chattel Paper or which is evidenced by a note, draft, trade acceptance, or other instrument that has not been endorsed and delivered by Borrowers to Bank.
- 1.1.29.12. Any Account or Accounts owed by an Account Debtor which exceeds any credit limit established by Bank for such Account Debtor, provided, that such Account or Accounts shall be ineligible only to the extent of such excess.
- 1.1.29.13. Any Account which did not arise from the performance of services or an outright sale of goods by Borrowers, or any account which did so arise, but such goods have not been shipped to the Account Debtor or Borrowers do not have possession of, or Borrowers have not delivered to Bank, shipping and delivery receipts evidencing such shipment.
- 1.1.29.14. Any Account which did not arise out of a sale made upon terms usual to the business of the Borrowers.
- 1.1.29.15. Any Account as to which Borrowers permit Borrowers' rights therein to be reached by attachment, levy, garnishment or other judicial process.
- 1.1.29.16. Any Account which is the subject of any dispute and relates to any goods which are the subject of

any dispute between the Borrowers and such Account Debtor.

- 1.1.29.17. Any Account which is for goods sold and delivered or services rendered which represent goods previously sold and delivered, or services previously rendered, which were the subject of a prior Account or invoice, unless such rebilled Account (i) would otherwise qualify hereunder if dated on the original date of the prior Account or invoice and (ii) Borrowers have notified the Bank and the Bank has approved such re-billing.
 - 1.1.29.18. Any Account which is owed by the United States of America or any state (including, without limitation, the Commonwealth of Massachusetts) or any political subdivision, department, agency or instrumentality thereof.
 - 1.1.29.19. Any Account which is owed by any third-party provider or any other reimbursing of healthcare expenses.
 - 1.1.29.20. Any Account which arose out of the sale of any agricultural products.
 - 1.1.29.21. Any Account which the Bank, in its commercially reasonable discretion, deems to be unacceptable, for any reason.
- 1.1. 30. **"Insolvent"** The Borrowers, any Guarantor or any other person shall be considered to be "Insolvent" when any of the following events shall have occurred whereby the Borrowers or the Guarantor(s) (a) shall generally not pay, or shall be unable to pay, or shall admit in writing its inability to pay its debts as such debts become due; or (b) shall make an assignment for the benefit of creditors, or petition or apply to any tribunal for the appointment of a custodian, receiver, or trustee for it or a substantial part of its assets; or (c) shall commence any proceeding under any bankruptcy, reorganization, arrangement, readjustment of debt, dissolution, or liquidation law or statute of any jurisdiction, whether now or hereafter in effect; or (d) shall have had any such petition or application filed or any such proceeding commenced against it in which an order for relief is entered or an adjudication or appointment is made, and which remains undismitted for a period of ninety (90) days or more; or (e) shall take any corporate

action indicating its consent to, approval of, or acquiescence in any such petition, application, proceeding, or order for relief or the appointment of a custodian, receiver, or trustee for all or any substantial part of its properties; or (f) shall suffer any such custodianship, receivership, or trusteeship to continue undischarged for a period of ninety (90) days or more.

1.1. 31. **"Interest Period"** means with respect to any LIBOR Loan, the period commencing on the date such loan is made an ending, as the Borrowers may select, pursuant to Section 2.1.1 and 2.2 on the corresponding day which is 1, 2, 3, 6 months or 1 year thereafter, except that each such Interest Period that commences on the last Business Day of calendar month (or on any day for which there is no numerically corresponding day in the appropriate subsequent calendar month) shall end on the last Business Day of the appropriate subsequent calendar month; provided that all of the foregoing provisions relating to Interest Periods are subject to the following:

(a) No Interest Period may extend beyond any applicable Maturity Date described in a Note; or

(b) If an Interest Period would end on a day that is not a Business Day, such Interest Period shall be extended to the next Business Day unless such Business Day would fall in the next calendar month, in which event such Interest Period shall end on the immediately preceding Business Day.

1.1. 32. **"Inventory"** shall mean and include all inventory as defined in the Uniform Commercial Code as in effect in the applicable State of each of the Borrowers as of the date of this Agreement.

1.1. 33. **"Inventory Borrowing Base"** shall mean, at the time of the computation, an amount not exceeding the percentages (less the amount of any reserves established by the Bank in accordance with Sections 3.2. and 11) as follows:

The following percentages of dollar value (calculated at the lower of actual cost or market value) are applicable to such of the following categories defined as Eligible Inventory:

a. finished goods Inventory, to the extent of fifty (50%) percent;

b. raw materials Inventory (landed cost) to the extent of fifty (50%) percent.

- 1.1. 34. **"Invoice"** shall mean any document or documents used or to be used to evidence an Account.
- 1.1. 35. **"Libor Interest Rate"** means, for each LIBOR Loan, the rate per annum (rounded upward, if necessary, to the nearest one hundred thousandth of a percentage point) determined by the Bank to be equal to the quotient of (1) the London Interbank Offered Rate for such LIBOR Loan for such Interest Period divided by (2) one minus the Eurocurrency Reserve Requirement, if any, for such Interest Period.
- 1.1. 36. **"Libor Based Loan"** means any Loan when and to the extent that the interest rate therefor is determined by reference to the LIBOR Interest Rate.
- 1.1. 37. **"Libor Based Loan Rate"** shall mean: (i) the aggregate of (x) the then current Libor Interest Rate and (y) the applicable spread.
- 1.1. 38. **"Lien"** shall mean any mortgage, deed of trust, pledge, security interest, hypothecation, assignment, deposit arrangement, encumbrance, lien (statutory or other), or preference, priority, or other security agreement or preferential arrangement, charge, or encumbrance of any kind or nature whatsoever (including, without limitation, any conditional sale or other title retention agreement, any financing lease having substantially the same economic effect as any of the foregoing, and the filing of any financing statement under the Uniform Commercial Code or comparable law of any jurisdiction to evidence any of the foregoing).
- 1.1. 39. **"Loan(s)"** shall collectively mean the Committed Revolving Line of Credit Loan, the Term Loan, the Mortgage Term Loan and the Spending Capital Line of Credit Loan as the same may be amended from time to time.
- 1.1. 40. **"Loan Account"** shall mean the account upon the books of the Bank in which will be recorded all Loans made by the Bank to the Borrowers pursuant to this Agreement, all payments made on such Advances and other appropriate debits and credits.
- 1.1. 41. **"Loan Documents"** shall mean this Agreement, the Notes, the Guaranty and any and all other documents related to the transactions discussed in this Agreement.
- 1.1. 42. **"London Interbank Offered Rate"** shall mean, as applicable to any Interest Period for a LIBOR Loan, the rate per annum as U.S. dollars

for a period of time comparable to such LIBOR Loan which appear on the applicable Telerate page or Reuters LIBOR page as of 11:00 a.m. London time on the day that is two Business Days preceding the first day of such LIBOR Loan. If such rate does not appear on the applicable Telerate page or Reuters LIBOR page, the rate for that date will be determined on the basis of the offered rates for deposits in U.S. dollars for a period of time comparable to such LIBOR Loan which are offered by four major banks in the London interbank market at approximately 11:00 a.m., London time, on the day that is two Business Days preceding the first day of such LIBOR Loan. The principal London office of each of the four major London banks will be requested to provide a quotation of its U.S. dollar deposit offered rate.

If at least two such quotations are provided, the rate for that date will be the arithmetic mean of the quotations. If fewer than two quotations are provided as requested, the rate for that date will be determined on the basis of the rates quoted for loans in U.S. dollars to leading European banks for a period of time comparable to such LIBOR Loan offered by major banks in New York City at approximately 11:00 a.m. New York City time, on the day that is two Business Days preceding the first day of such LIBOR Loan. In the event that the Bank is unable to obtain any such quotation as provided above, it will be deemed that LIBOR pursuant to a LIBOR Loan cannot be determined.

- 1.1. 43. **"Mortgage Term Loan"** shall have the meaning assigned to such item in section 2.4.1 below.
- 1.1. 44. **"Mortgage Term Note"** shall have the meaning assigned to it in section 2.4.1 below.
- 1.1. 45. **"Multiemployer Plan"** shall mean a Plan described in Section 4001(a)(3) of ERISA.
- 1.1. 46. **"Note(s)"** shall collectively mean the Committed, Revolving Line of Credit Note, the Term Note, the Mortgage Term Note and the Spending Capital Line of Credit Note as the same may be modified, supplemented and amended from time to time.
- 1.1. 47. **"Obligation"** and **"Obligations"** shall have the meaning assigned to it in Section 6.4, including, without limitation, all obligations of Borrowers under the Committed Revolving Business Credit Note, the Capital Spending Line of Credit Note, the Term Note and the

Mortgage Term Note and under Obligations arising from note(s) by Borrowers in favor of Bank listed in **Sections 2.1 through 2.4**.

- 1.1. 48. **"PBGC"** shall mean the Pension Benefit Guaranty Corporation or any entity succeeding to any or all of its functions under ERISA.
- 1.1. 49. **"Person"** shall mean an individual, partnership, corporation, business trust, joint stock company, trust, unincorporated association, joint venture, governmental authority or other entity of whatever nature.
- 1.1. 50. **"Plan"** shall mean any pension plan which is covered by Title IV of ERISA and in respect of which the Borrowers or a Commonly Controlled Entity is an "employer" as defined in Section 3(5) of ERISA.
- 1.1. 51. **"Prime Rate"** shall mean the rate of interest announced by the Bank from time to time at its Principal Office as its generally prevailing "Prime Rate", which Prime Rate is not necessarily the lowest or best rate available at the Bank or charged to its customers.
- 1.1. 52. **"Prime Loan"** or **"Prime Based Loan"** means any loan when and to the extent that the interest rate therefor is determined by reference to the Prime Rate.
- 1.1. 53. **"Prime Based Loan Rate"** shall mean a variable interest rate equal to the Banks Prime Rate varying daily without minimum or maximum.
- 1.1. 54. **"Principal Office"** shall mean the principal office of the Bank first specified above.
- 1.1. 55. **"Prohibited Transaction"** shall mean any transaction set forth in Section 406 of ERISA or Section 4975 of the Code.
- 1.1. 56. **"Receivables Borrowing Base"** shall mean, at the time of its computation, the aggregate amount of the outstanding Accounts in which the Bank has a first priority perfected security interest (adjusted with respect to Credits and returned merchandise as provided in **Section 11** hereof), less the amount of Ineligible Accounts and any reserves established by the Bank in accordance with **Section 3.2**, in which case the Bank, for purposes of the Revolving Loan only, shall loan against the sum of up to eighty (80%) percent of Eligible Accounts.
- 1.1. 57. **"Reportable Event"** shall mean any of the events set forth in Section 4043 of ERISA.

- 1.1. 58. **"Responsible Party"** shall mean an Account Debtor, a general partner of an Account Debtor, or any party otherwise in any way directly or indirectly liable for the payment of an Account.
- 1.1. 59. **"Revolving Line of Credit Loans" or "Revolving Loan"** shall have the meaning assigned to such term in **Section 2.1**.
- 1.1. 60. **"Revolving Line of Credit Note", "Committed Revolving Line of Credit Note" or "Revolving Note"** shall have the meaning assigned to it in **Section 2.1** below.
- 1.1. 61. **"Schedule"** shall mean the schedule executed in connection with, and which is a part of, this Agreement.
- 1.1. 62. **"Security Interest"** means the security interest granted to the Bank by the Borrowers as described in **Section 6** of this Agreement.
- 1.1. 63. **"State"** means the State(s) or Commonwealth(s) of the United States of America specified in Exhibit 13.4.
- 1.1. 64. **"Term Loan"** shall have the meaning assigned to such item in **Section 2.2.1** below.
- 1.1. 65. **"Term Note"** shall have the meaning assigned to it in **Section 2.2.1** below.
- 1.1. 66. **"Third Party"** shall mean any Person who has executed and delivered, or who in the future may execute and deliver, to Bank any agreement, instrument or document pursuant to which such person or entity has guaranteed to Bank the payment of the Obligations or has granted Bank a security interest in or lien on some or all of such Person's real or personal property to secure the payment of the Obligations.

1.2. **UCC Definitions.** Unless otherwise defined in **Section 1.1** or elsewhere in this Agreement, capitalized words shall have the meanings set forth in the Uniform Commercial Code as in effect in the Commonwealth of Massachusetts as of the date of this Agreement.

1.3. **"Accounting Terms"**. All accounting terms not specifically defined herein shall be construed in accordance with GAAP consistent with those applied in the preparation of the financial statements referred to in **Section 13.9**, and all financial data submitted pursuant to this Agreement shall be prepared in accordance with such principles.

1.4 Statement on All Loans. At the end of each month, the Bank will render to Borrowers a statement of Borrowers' Loan Accounts with Bank hereunder, showing all applicable credits and debits. Each statement shall be considered correct and to have been contained therein under or pursuant to this Agreement, and the closing balance shown therein, unless within ten (10) calendar days from when such statement is mailed or if not mailed, delivered, to Borrowers, Borrowers shall deliver to Bank written notice of any objections which it may have as to such statement, and in such event, only the items to which objection is expressly made in such notice shall be considered to be disputed by Borrowers.

The Bank may also keep a record (either in the Loan Accounts or elsewhere, as the Bank may from time to time elect) of all interest, service charges, costs, expenses, and other debits owed the Bank on account of the Loans contemplated hereby and of all credits against such amounts so owed.

2. AMOUNT AND TERMS OF LOANS.

2.1.1. Revolving Line of Credit Loans. From time to time the Bank shall, provided no Event of Default exists, make Revolving Line of Credit Loans to the Borrowers of such amounts as the Borrowers may request and the Bank may approve, provided, however, that the aggregate principal amount of all Revolving Line of Credit Loans at any time outstanding shall not exceed the amount of the Borrowing Capacity as of that time.

The Bank may make such loans to the Borrowers, based upon such facts and circumstances existing at the time of the request, as from time to time the Bank elects to make which are secured by Borrowers' Collateral and the proceeds thereof. All such loans shall bear interest and shall be payable IN FULL on the date which is two (2) years from the date hereof.

The Revolving Line of Credit Loan will be reviewed annually for a two (2) year continuation for an ongoing commitment of not less than two (2) years at the sole discretion of the Bank.

The Revolving Line of Credit Loans will be made available with simple annual interest equal to rate (x) or (y):

- (x) the Bank's Prime Rate (as defined herein), minus either one-half (.50) or three quarters (.75) of one percent, as such rate changes from time to time; or
- (y) the LIBOR Rate plus two hundred (200), two hundred twenty five (225), or two hundred fifty (250), basis points for successive Interest

Periods of 1, 2, 3, 6 months or 1 year each (in accordance with Exhibit 2 attached hereto).

Interest rate availability is wholly dependent upon the Borrowers performance and its achievement of the Fixed Charge Coverage Ratio set forth on Exhibit 2.

If at any time the outstanding principal amount of the Revolving Line of Credit Loans exceeds the Borrowing Capacity, the Borrowers shall promptly pay an amount equal to the excess to the Bank.

An Overadvance of up to Five Hundred Thousand (\$500,000.00) Dollars will be permitted for a maximum of a consecutive one hundred twenty (120) day period (between August and December) to accommodate seasonal needs. Upon request during the first year of the Revolving Loan, an additional Overadvance may be accessed for up to Two Hundred Fifty Thousand (\$250,000.00) Dollars for a maximum of fifteen (15) days, provided any seasonal Overadvance has been cleaned up for sixty (60) days. The subsequent Overadvance will be reviewed annually for continuation, at the sole discretion of the Bank. The term "Overadvance" shall mean a Revolving Line of Credit Loan that exceeds the Borrowing Capacity in accordance with the permitted terms set forth in this Paragraph 2.1.1.

As of the end of each fiscal quarter during the commitment period, beginning with June 30, 2002, the Borrowers will maintain minimum excess availability under the Revolving Loan as follows: Quarter 1 (for the quarter ending June 30, 2002) - \$50,000.00 Quarter 2 (for the quarter ending September 30, 2002) - \$50,000.00, Quarter 3 (for the period ending December 31, 2002) - \$150,000.00 and Quarter 4 (for the period ending March 31, 2003) through Quarter 8 - \$200,000.00.

- 2.1.2 Repayment. Beginning on April __, 2002, and continuing on the same day of each month thereafter (the "Payment Date") until the Maturity Date (as defined in the Revolving Note), the Borrowers shall pay to the Lender interest only. On the Maturity Date, a PAYMENT OF ALL OUTSTANDING PRINCIPAL AND ACCRUED INTEREST SHALL BE DUE AND PAYABLE IN FULL.
- 2.1.3 Use of Proceeds. The proceeds of the Revolving Line of Credit Loans shall be used by the Borrowers initially to payoff, in full, the Borrowers' line of credit and other indebtedness at BSB Bank & Trust Company ("BSB Bank") and then for working capital requirements of the Borrowers.
- 2.2.1. Term Loan. The Bank will make available to the Borrowers a Term Loan in the principal amount of TWO MILLION SEVEN HUNDRED TWENTY THOUSAND DOLLARS (\$2,720,000.00) (the "Term Loan"). The Term Loan will be evidenced by a Term Note (the "Term Note") executed contemporaneously herewith substantially in the same form as Exhibit 2.2.1.

The Term Loan will be made available with simple annual interest equal to rate (x) or (y):

- (x) the Bank's Prime Rate (as defined herein), minus either one-half (.50) or three quarters (.75) of one percent, as such rate changes from time to time; or
- (y) the LIBOR Rate plus two hundred (200), two hundred twenty five (225), or two hundred fifty (250), basis points for successive Interest Periods of 1, 2, 3, 6 months or 1 year each (in accordance with Exhibit 2 attached hereto).

Interest rate availability is wholly dependent upon the Borrowers performance and its achievement of the Fixed Charge Coverage Ratio set forth on Exhibit 2.

2.2.2 Repayment. Beginning on April __, 2002, and continuing on the same day of each month thereafter (the "Payment Date") until March __, 2003, the Borrowers shall pay to the Lender level principal of Fifty One Thousand Four Hundred Forty Five (\$51,445.00) Dollars plus interest. Beginning on April __, 2003 and continuing on each Payment Date thereafter until March __, 2006, the Borrowers shall pay to the Lender level principal of Forty Thousand (\$40,000.00) Dollars plus interest. On April __, 2006 through the Maturity Date (as defined in the Term Note), the Borrowers shall pay on each consecutive monthly Payment Date, level principal sufficient to fully amortize the remaining principal balance plus interest.

ALL OUTSTANDING PRINCIPAL AND ACCRUED INTEREST SHALL BE DUE AND PAYABLE IN FULL. All payments shall be based upon a five (5) year amortization schedule.

2.2.3. Fixed Rate Option. A fixed rate of interest is available on the Term Loan, not to exceed the maturity thereof. Fixed rates may be accomplished via an interest rate swap and are subject to change until funded. A portion of the Term Loan may be required to have interest rate protection.

2.2.4 Use of Proceeds. The proceeds of the Term Loan hereunder shall be used by the Borrowers to payoff, in full, the Borrowers' term loans payable to BSB Bank and M & T Bank a/k/a Manufacturers and Traders Trust Company.

2.3.1 Capital, Spending Line of Credit Loan or Capex Loan. The Bank shall make a Capital, Spending Line of Credit Loan to the Borrowers of up to One Million (\$1,000,000.00) Dollars can be drawn for eligible capital equipment purchases (hereafter "Equipment Draws") or for permitted acquisitions (hereafter "Acquisition Draws"), as permitted in the reasonable discretion of the Bank. The

Capex Loan will be evidenced by the Capital, Spending Line of Credit Note executed contemporaneously herewith substantially in the same form as Exhibit 2.3.1.

Availability under the Capex Loan will be reduced by the amount of any Acquisition Draws, or Equipment Draws.

The Capex Loan will be reviewed annually for a two (2) year continuation for an ongoing commitment of not less than two (2) years at the sole discretion of the Bank.

Equipment and Acquisition Draws will amortize upon advance and in full over seven (7) years, based on equal monthly principal payments, plus interest, as more particularly described in the Capital, Spending Line of Credit Note.

Acquisition Draws will be non-restoring. Up to \$500,000 of the Capital Spending Line of Credit will restore for Equipment Draws for the Period of March ____, 2003 to March ____, 2004.

The Capital Spending Line of Credit Loan will be made available with simple annual interest equal to rate (x) or (y):

- (x) the Bank's Prime Rate (as defined herein), minus either one-half (.50) or three quarters (.75) of one percent, as such rate changes from time to time; or
- (y) the LIBOR Rate plus two hundred (200), two hundred twenty five (225), or two hundred fifty (250), basis points for successive Interest Periods of 1, 2, 3, 6 months or 1 year each (in accordance with Exhibit 2 attached hereto).

Interest rate availability is wholly dependent upon the Borrowers performance and its achievement of the Fixed Charge Coverage Ratio set forth on Exhibit 2.

2.3.2 Permitted Acquisitions; Eligible Capital Equipment Purchases. The Borrowers must demonstrate trailing twelve (12) month and pro form twelve (12) month covenant compliance as if the acquisition had been in place for the prior twelve (12) months. Acquisition Draws must be sufficiently collateralized with properly margined assets (up to eighty (80%) percent of the lesser of: actual cost or appraised value) acceptable to the Bank. Eligible capital purchases will be financed up to eighty percent (80%) of the purchase price.

2.3.3 Repayment. Principal advances under the Capex Loan shall each be repaid in equal monthly principal plus interest in accordance with a seven (7) year amortization schedule.

2.3.4. Fixed Rate Option. A fixed rate of interest is available on the Capital Spending Line of Credit Loan, not to exceed the maturity thereof. Fixed rates may be accomplished via an interest rate swap and are subject to change until funded. A portion of the Capital, Spending Line of Credit Loan may be required to have interest rate protection.

2.3.5 Use of the Proceeds. The Capital, Spending Line of Credit Loan will be used to finance the Borrowers' Equipment Draws and Acquisition Draws as described in Section 2.3.1 and 2.3.2 above.

2.4.1 Mortgage Term Loan. The Bank will make available to the Borrowers a Mortgage Term Loan in the principal amount of Six Hundred Forty Thousand (\$640,000.00) Dollars (the "Mortgage Term Loan"). The Mortgage Term Loan will be evidenced by a Mortgage Term Note (the "Mortgage Term Note") executed contemporaneously herewith substantially in the same form as Exhibit 2.4.1.

The Mortgage Term Loan will be made available with simple annual interest equal to rate (x) or (y):

(x) the Bank's Prime Rate (as defined herein), minus either one-half (.50) or three quarters (.75) of one percent, as such rate changes from time to time; or

(y) the LIBOR Rate plus two hundred (200), two hundred twenty five (225), or two hundred fifty (250), basis points for successive Interest Periods of 1, 2, 3, 6 months or 1 year each (in accordance with Exhibit 2 attached hereto).

Interest rate availability is wholly dependent upon the Borrowers performance and its achievement of the Fixed Charge Coverage Ratio set forth on Exhibit 2.

2.4.2 Repayment. Beginning on April __, 2002, and continuing on the same day of each month thereafter (the "Payment Date") until the Maturity Date (as defined in the Mortgage Term Note), the Borrowers shall pay to the Lender level principal of Three Thousand Five Hundred Fifty Five (\$3,555.00) Dollars plus interest based upon a fifteen (15) year amortization schedule. On the Maturity Date, a BALLOON PAYMENT OF ALL OUTSTANDING PRINCIPAL AND ACCRUED INTEREST SHALL BE DUE AND PAYABLE IN FULL.

2.4.3. Fixed Rate Option. A fixed rate of interest is available on the Mortgage Term Loan, not to exceed the maturity thereof. Fixed rates may be accomplished via an interest rate swap and are subject to change until funded. A portion of the Mortgage Term Loan may be required to have interest rate protection.

2.4.4 Use of the Proceeds. The proceeds of the Mortgage Term Loan shall be used by the Borrowers to payoff its existing debt at BSB Bank.

2.5. PROVISIONS IN COMMON WITH ALL LOANS.

2.5.1. Prepayment Premium. The prepayment premium due and/or make whole provisions, if any, for a prepayment of any Loan or Advance shall be as specified in the Notes.

2.5.2. Cross-Default, Cross-Guaranty, Cross-Collateralization and Co-Terminus. A default in any of the terms and conditions of any Note or this Agreement shall constitute a default in any other obligations of the Borrowers and Guarantor, whether evidenced by notes, the Guaranty, or otherwise. A default in any of the terms and conditions of the Notes and/or the Guaranty shall constitute a default of this Agreement and any default of this Agreement shall constitute a default in the Notes and the Guaranty. A default in any of the terms and conditions of any other obligations of the Borrowers or Guarantor, whether to the Bank or otherwise, shall constitute a default hereunder and under the Notes and Guaranty. All Loans shall also be cross-collateralized and co-terminus with one another. Hence, if any of the Loans are paid in full then all remaining loans shall be paid in full

2.5.3. Use of Proceeds. The Borrowers will not, directly or indirectly, use any part of such proceeds of any Loan for the purpose of purchasing or carrying any margin stock within the meaning of Regulation U of the Board of Governors of the Federal Reserve System or to extend credit to any Person for the purpose of purchasing or carrying any such margin stock, or for any purpose which violates, or is inconsistent with, Regulation X of such Board of Governors.

2.5.4. Late Payment. Any payment on the Loan received more than ten (10) days after its due date shall be subject to an additional charge of five percent (5.00%) of the amount due.

2.5.5. Interest upon Default. Interest upon an Event of Default shall, at the Bank's option, be charged upon the then outstanding principal balance and any interest accrued up to the date of such Event of Default, as the case may be, to the extent permitted by law, at a variable rate equal to the aggregate of the then applicable rate of interest and five percent (5.00%).

3. ADVANCES.

3.1. Notice and Manner of Borrowing. Borrowers shall give the Bank written, facsimile or telegraphic notice (effective upon receipt) of any Loans under this Agreement at least the number of days in advance of such Loan as provided in the Revolving Note, specifying in each case the amount and date of the Loan. The Revolving Loan will not exceed the Borrowing Capacity. Provided that (i) the Borrowing Capacity would not be so exceeded, (ii) there has not occurred an Event of Default or an event which, with notice or lapse of time or both, would constitute an Event of Default, and (iii) all representations and warranties contained in this Agreement and in the other Loan Documents are true and correct on the date such requested Advance is made as though made on and as of such date, the Bank shall make such Advance available to the Borrowers in immediately available funds by crediting the amount thereof to the Borrowers' account with the Bank.

3.2. Establishment of Reserves. The Bank may at any time and from time to time in its sole discretion establish reserves against the Accounts or the Inventory of the Borrowers. The amount of such reserves shall be subtracted from the Receivables Borrowing Base or Inventory Borrowing Base, as applicable, when calculating the amount of the Borrowing Capacity.

Notwithstanding any other provision of this Agreement, the Bank may from time to time reduce the percentages applicable to the Receivables Borrowing Base and the Inventory Borrowing Base as they relate to amounts of the Borrowing Capacity if the Bank determines in its sole discretion that there has been a material change in circumstances related to any or all Receivables or Inventory from those circumstances in existence on or prior to the date of this Agreement.

3.3 Minimum Amount of Advances for Libor Based Loan(s). The minimum amount of any Libor Based Loan shall be One Hundred Thousand (\$100,000.00) Dollars.

4. CONDITIONS PRECEDENT. The obligation of the Bank to make the initial Revolving Line of Credit Loan, the Capex Loan, the Term Loan and the Mortgage Term Loan shall be subject to the condition precedent that the Bank shall have received on or before the day of such Loan each of the following, in form and substance satisfactory to the Bank and its counsel:

4.1. Execution of Notes. The Notes duly executed by the Borrowers.

4.2. Limited Guaranty of Borrowers' Obligations; Conditions for Release of Guaranty.

4.2.1 Limited Guaranty. As additional security for the Obligations of the Borrowers pursuant to this Agreement and as a condition to the Bank's obligation to make the Loans, all of the Obligations of the Borrowers shall be guaranteed by the

Guarantor on a limited basis. The Guarantor's liability under this Guaranty shall be limited to the amount of \$1,000,000.00. The Guarantor shall, on a limited basis, guarantee the prompt payment by the Borrowers of all amounts due on account of or with respect to the Loan and the prompt performance by the Borrowers of all other obligations to the Bank in connection with or arising out of the Loan. The Guarantor shall execute a Limited Personal Guaranty on the date of closing with respect to the Loans.

- 4.2.2 Possible Release of Guaranty. The Personal Guaranty will be eliminated after year one of the initial commitment period following a review and determination by the Bank, in its sole discretion, that the following have occurred:
- a. The Borrowers have achieved the fiscal 2002 projected results, as presented, and in accordance with the detailed monthly balance sheet and income statements to be delivered and reviewed by the Bank prior to March 31, 2002;
 - b. No Event of Default has occurred or is occurring by the Borrowers under any Loan Documents in favor of the Bank; and
 - c. No Overadvance of Revolving Loan has occurred or is occurring.
- 4.3. Evidence of Borrowers' Authority and Incumbency of Representatives. Certified (as of the date of this Agreement) copies of all corporate action taken by the Borrowers, including resolutions of each of its Board of Directors, authorizing the execution, delivery, and performance of the Loan Documents to which each is a party and each other document to be delivered pursuant to this Agreement together with a certificate (dated as of the date of this Agreement) of the Secretary or Clerk of each of the Borrowers certifying the names and true signatures of the officers of the Borrowers authorized to sign the Loan Documents to which each is a party and the other documents to be delivered by the Borrowers under this Agreement.
- 4.4. Opinion. Favorable opinions of Nealon and Moran, L.L.P., counsel for the Borrowers and Guarantor and Bouhan, Williams & Levy, LLP as counsel for Southern Sample Company both dated the date of the Loans, in such form as is acceptable to the Bank and as to such other matters as the Bank may reasonable request.
- 4.5. Officer's Certificate, etc. The following statements shall be true and the Bank shall have received a certificate signed by a duly authorized officer of each of the Borrowers dated the date of the Loans stating that:

a) The representations and warranties contained in **Section 13** of this Agreement are correct on and as of the date of the Loans as though made on and as of such date; and

b) No Default or Event of Default has occurred and is continuing, or would result from the making of the Loans.

4.6. Valid Mortgage and Assignments. Southern Sample Company shall grant a (first) mortgage a/k/a Deed to Secure Debt (and Fixture Filing) (the "Mortgage"), together with various other Collateral Assignments and documents required by the Bank on the Property known as 1765 Hodgeville Road, Rincon, Georgia (the "Georgia Property") to secure the Loans. The Mortgage shall constitute a valid first mortgage on the Georgia Property therein described, free and clear of all liens and encumbrances except as will appear in Schedule B of the loan title policy to be delivered at the time of the recording of the Mortgage or except as such as may be waived by the Bank.

4.7. Mortgagee's Title Policy. A mortgagee's loan title insurance policy or binder in the amount of Six Hundred Forty Thousand (\$640,000.00) Dollars issued by a nationally recognized Title Company, satisfactory to the Bank, insuring or committing to insure that the Mortgage is a valid first lien on the Property, free and clear of all defects and encumbrances except such as the Bank may approve, in writing, setting forth a description of the Georgia Property, shall have attached thereto copies of all instruments which appear as exceptions in the policy, shall provide full coverage against mechanic's materialman's liens, shall be without survey exception and shall contain such endorsements upon issuance as may be reasonably requested by the Bank.

4.8. Warehouse Bailment and Landlord Waivers. Properly and duly executed Warehouse Bailment notifications and Landlord Waivers from all of the authorized Warehouse bailees and landlords of the Borrowers.

4.9. Other Related Documents. The Bank shall have received such other approvals, opinions, certificates or documents as the Bank may reasonably request.

5. PROMISE TO PAY. Borrowers promise to pay:

5.1 Obligations. All Obligations of the Borrowers to the Bank, including, but not limited to, the Obligations evidenced by the Notes of even date with interest at the rate set forth or in the manner determined in accordance with the aforesaid Notes.

5.2. Taxes. Any and all taxes, charges and expenses of every kind or description which are the obligations of the Borrowers, paid or incurred by the Bank with respect to the loans or financial accommodations made or any Collateral therefor,

or the collection or realization upon the same, together with interest thereon at the rate(s) set forth in the Notes.

5.3 Audit fees. Annual audit fees will be paid by Borrowers to the Bank for the annual field examination described in Section 16.1.5 below.

6. SECURITY INTEREST GRANTED; COLLATERAL; AUTHORIZATION TO FILE FINANCING STATEMENTS.

6.1. Security Interest and Collateral. In consideration of one or more Loans, or other financial accommodations made to the Borrowers by the Bank, each of the Borrowers hereby grants to the Bank a security interest (the "Security Interest") in the property of each of the Borrowers described in **Schedule A** attached hereto, including but not limited to all of its' goods, inventory, machinery, equipment, furniture, furnishings, fixtures, documents, instruments, accounts, contract rights, chattel paper and general intangibles, all trademarks, servicemarks, copyrights or other intellectual property owned by the Borrowers whether now owned or now due, or hereafter at any time in the future acquired, arising, to become due or in which the Borrowers obtain an interest, and in the products and proceeds thereof, and in all accessions and additions thereto, and in all replacement and substitutions therefor (collectively, and with any other collateral granted by any other Person to secure performance hereunder, the "Collateral").

6.2. Authorization to File Financing Statements. The Borrowers hereby irrevocably authorize the Bank at any time and from time to time to file in any Uniform Commercial Code jurisdiction any initial financing statements and amendments thereto that (a) indicate the Collateral (i) as all assets of the respective Borrowers or words of similar effect, regardless of whether any particular asset comprised in the Collateral falls within the scope of Article 9 of the Uniform Commercial Code of the Commonwealth of Massachusetts or such jurisdiction that is applicable to the Borrower(s), or (ii) as being of an equal or less scope or with greater detail, and (b) contain any other information required by part 5 of Article 9 of the Uniform Commercial Code of the Commonwealth of Massachusetts for the sufficiency or filing office acceptance of any financing statement or amendment, including (i) whether the respective Borrower is an organization, the type of organization and any organization identification number issued to the respective Borrower and, (ii) in the case of a financing statement filed as a fixture filing, a sufficient description of the real property to which the Collateral relates. The Borrowers agree to furnish any such information to the Bank promptly upon request.

6.3. Other Collateral. Nothing contained in this Agreement shall limit the rights of the Bank in and to any other collateral securing the Obligations which may have been or may hereafter be granted to Bank by Borrowers or any Third Party pursuant to any other agreement.

6.4. Obligations Secured. The security interest granted hereby is to secure payment and performance of all debts, liabilities and obligations of Borrowers to the Bank hereunder and also any and all other debts, liabilities and obligations of Borrowers to Bank of every kind and description, direct or indirect, absolute or contingent, primary or secondary, due or to become due, now existing or hereafter arising, whether or not such obligations are related to the transactions described in this Agreement, by class, or kind, or whether or not contemplated by the parties at the time of the granting of this security interest, regardless of how they arise or by what agreement or instrument they may be evidenced or whether evidenced by any agreement or instrument, and includes obligations to perform acts and refrain from taking action as well as obligations to pay money including, without limitation, all interest, fees, charges, expenses and overdrafts, and also including, without limitation, all obligations and liabilities which the Bank may incur or become liable for, on account of, or as a result of any transactions between Bank and Borrowers including any which may arise out of any letter of credit, acceptance or similar instrument or obligation incurred by Bank for the account of Borrowers (all hereinafter called "Obligations").

Until all Obligations have been fully satisfied, the Bank's security interest in the Collateral shall continue in full force and effect and the Bank shall at all times, to the extent required for perfection, have the right to the physical possession of the Collateral and to maintain such possession on Borrowers' premises or to remove the Collateral or any part thereof to such other places as Bank may desire.

7. SALE OR DISPOSITION OF INVENTORY. In the absence of a Default hereunder, the Borrowers may sell Inventory in the ordinary course of its business. Borrowers will not without the consent of the Bank, sell Inventory to any supplier or employee of Borrowers or to any person to whom Borrowers are indebted or under circumstances which would otherwise create any adverse lien against the Account Receivable resulting from such sale. In the absence of a Default hereunder, the Borrowers may also process, use or consume such part of its Inventory as is customary and reasonable in the ordinary operation of its business, excluding, however, sales to creditors, or in bulk, or sales or other disposition occurring under circumstances which would or could create a lien or interest adverse to the Bank's security interest hereunder.

8. LIBOR BASED LOAN PROVISIONS. Any time when the Borrowers elect to have interest determined on a LIBOR Interest Rate Basis and therefore, for the elected Interest Period such Loan become a LIBOR Based Loan:

8.1. That interest on the loan shall be based on the LIBOR Interest Rate on the day for which the Borrowers request that the loan be based on the LIBOR Interest Rate, for the offering to leading banks in the London Interbank market of United States dollar deposits for the LIBOR Interest Period selected by the Borrowers. Such a request may be made on the date of closing or at any time with respect to any

portion of the Revolving Line of Credit Loan or a Term Loan which is a Prime-based Loan and such request may also be made at the end of any LIBOR Interest Period with respect to that particular amount of the applicable Loan;

- 8.2. That because of the nature of LIBOR Based Loans, prepayment of principal may only be made on LIBOR Based Line loans subject to the Borrowers' obligation to pay to the Bank an amount determined as set forth in a prepayment premium funding loss indemnification provision whereby the Borrowers shall be obligated to pay the Bank for any loss incurred as a result of the prohibited prepayment of any LIBOR Based Loan;
- 8.3. That the Borrowers, at any time prior to the Bank having committed to making an advance based on LIBOR or as of the end of any LIBOR Interest Period if no roll-over commitment based on LIBOR has been requested, shall be entitled to convert borrowings to bear interest based upon the Prime Rate pricing described in **Section 1.1.51**. Upon conversion to a Prime-based Loan, LIBOR Interest Period requirements, will become inapplicable until such time as the Borrowers converts back to LIBOR Based Loan, if at all;
- 8.4. That it is subject to an "illegality clause" whereby the Bank may request repayment of conversion of a LIBOR Based Loan to a Prime-based Loan if any applicable law, rule or regulation or change in interpretation or administration thereof by any governmental authority, central bank or comparable agency makes it unlawful or impossible for the Bank to maintain its commitment hereunder as a LIBOR Based credit facility;
- 8.5. That it is subject to a "disaster clause" whereby the Bank may decline to provide a LIBOR Based interest option in the event that the LIBOR money market is no longer operating or may exist but not in the amounts or with a maturity to match the amounts and the LIBOR Interest Period of the Loan;
- 8.6. That it is subject to an "increased" or "additional cost provision" whereby the Bank shall be entitled to pass along to the Borrowers such reasonable additional costs as are incurred by the Bank which the Bank reasonably determines are attributable to its making or maintaining of a LIBOR Based Line loan including changes in (i) reserve requirements, (ii) the basis of taxation(except income taxation) of amounts payable to the Bank under this credit arrangement, or (iii) any other conditions affecting this credit arrangement;
- 8.7. Notwithstanding anything to the contrary herein, if the Bank determines (which determination shall be conclusive) that quotations of interest rates for the relevant deposits referred to in the definitions of LIBOR Based Loans are not being provided in the relevant amounts or for the relevant maturities for purposes of determining the rate of interest on a LIBOR Based Loan then the Bank shall forthwith give notice thereof to the Borrowers, whereupon, (a) the obligation of

the Bank to make available LIBOR Based Loans shall be suspended until the Bank notifies the Borrowers that the circumstances giving rise to such suspension no longer exists; and (b) the Borrowers shall repay in full, or convert to a Prime-based Loan, in full, the then outstanding principal amount of each LIBOR Based Loan together with accrued interest thereon, on the last day of the applicable LIBOR Based Loan(s).

With respect to the clauses described in Sections 8.2 and 8.6 above, the Bank, upon request, will provide the Borrowers with reasonable documentation of the calculations of its losses, reasonable costs or expenses relating to the matters described herein.

9. BORROWERS' REPORTS AND CERTIFICATES. Borrowers shall deliver to Bank the Reports and Certificates specified in Section 16.1.1 et seq. The Borrowers' failure to provide Bank with any such schedule shall not affect the Security Interest.

All reports and certificates required herein (the "Reports" and "Certificates") will contain a certification by the chief financial officer of the Borrowers that the information contained in the report is true and accurate to the best of the officer's knowledge.

10. COLLECTION OF ACCOUNTS RECEIVABLE, PROCEEDS OF COLLATERAL.

10.1. Authority of Borrowers. Except as hereinafter provided, the Borrowers are authorized to collect all of its Accounts Receivables as the Bank's collection agent. The Borrowers agree, upon an Event of Default, that it will hold all such collections in trust for the Bank without commingling the same with other funds of the Borrowers and will promptly, on the day of receipt thereof, transmit such collections to the Bank (for deposit in a "Blocked Account" therein) in the identical form in which they were received by such Borrowers, with such endorsements as may be appropriate. If the Bank requests, at any time and from time to time after an Event of Default and expiration of any grace period, the Borrowers will cause all Account Debtors, to be provided with a return envelope pre-addressed to a Bank-designated lock box and take other reasonable steps to arrange receipt of payment by the Bank directly, without notification to the Account Debtors; or Bank may at such time deliver to such Account Debtors a copy of the Notification to Account Debtors and may deliver to the United States Postal Service the Notification of Change of Mailing Address, both of which having been executed in undated form and delivered to Bank simultaneously with this Agreement.

10.2. Charge other Accounts. The Borrowers authorize the Bank to charge any account which the Borrowers maintain with the Bank for any payments which the Borrowers may, must, or customarily, make to the Bank from time to time.

11. PROCEDURES AFTER SCHEDULING ACCOUNTS.

- 11.1. Returned Merchandise. Borrowers shall notify Bank immediately of the return, rejection, repossession, stoppage in transit, loss, damage or destruction of any Inventory. In addition to making appropriate adjustments to the Borrowing Base to reflect the return of such Inventory, Bank may, in its sole discretion, request Borrowers to pay to Bank an amount equal to the consideration to have been paid for such Inventory by the Account Debtor, such payment to be applied directly to unpaid Advances.
- 11.2. Granting of Credits and Extensions. Borrowers may grant such Credits and such Extensions as are ordinary in the usual course of Borrowers' business without the prior consent of Bank; provided, however, that any such Extension shall not extend the time for payment beyond thirty (30) days after the original due date as shown on the Invoice evidencing the related Account, or as computed based on the information set forth on such Invoice and provided that no such Extensions shall otherwise affect ineligibility of any Account.
- 11.3. Returned Instruments. In the event that any check or other instrument received in payment of an Account shall be returned uncollected for any reason, Bank may, in its sole discretion, again forward the same for collection or return the same to Borrowers. Upon receipt of a returned check or instrument by Borrowers, Borrowers shall immediately make the necessary entries on its books and records to reinstate the Account as outstanding and unpaid and immediately notify Bank of such entries. Pursuant to **Section 1.1.29.3**, the Account with respect to which such check or instrument was received shall thereupon become an Ineligible Account.
- 11.4. Notes Receivable. Borrowers shall not accept any note or other instrument (except a check or other instrument for the immediate payment of money) with respect to any Account without the prior written consent of Bank. If Bank in its sole discretion consents to the acceptance of any such note or instrument, the same shall be considered as evidence of the Account giving rise to such note or instrument, shall be subject to the Security Interest, and shall not constitute payment of such Account, and Borrowers shall forthwith endorse such note or instrument to the order of Bank and deliver the same to Bank. Upon collection, the proceeds of such note or instrument may be applied directly to unpaid Advances, interest, and costs and expenses as provided in **Section 8.5**.
12. THE BANK AS THE BORROWERS' ATTORNEY. The Borrowers hereby irrevocably appoint the Bank the true and lawful attorney of the Borrowers with full power of substitution, coupled with an interest, in the name of the Bank but at the sole expense of the Borrowers, when the Borrowers are in default hereunder and after the expiration of any applicable grace period: (a) to demand, collect, receive payment of, receipt for, settle, compromise or adjust, and give discharges and releases in respect of the Accounts Receivable or any of them; (b) to commence and prosecute any suits, actions or

proceedings at law or in equity in any court of competent jurisdiction to collect the Accounts Receivable or any of them and to enforce any other rights in respect thereof or in respect of the goods which have given rise thereto; (c) to defend any suit, action or proceeding brought against Borrowers in respect of any Account Receivable or the goods which have given rise thereto; (d) to settle, compromise or adjust any suit, action or proceeding described in clause (b) or (c) above and, in connection therewith, to give such discharges or releases as to the Bank may reasonably deem appropriate; (e) to endorse checks, notes, drafts, acceptances, money orders, bills of lading, warehouse receipts or other instruments or documents evidencing or securing the Accounts Receivable or any of them; (f) to receive, open and dispose of all mail addressed to Borrowers or to such address, care of the Bank, as the Bank may designate; and (g) generally to sell, assign, transfer, pledge, make any agreement in respect of or otherwise deal with an Account Receivable or the goods which have given rise thereto as fully and completely as though the Bank were the absolute owner thereof for all purposes. The powers conferred on the Bank by this Agreement are solely to protect the interest of the Bank and shall not impose any duty upon the Bank to exercise any such power, and if the Bank shall exercise any such power, it shall be accountable only for amounts that it actually receives as a result thereof and shall not be responsible to the Borrowers except for intentional misconduct. The Bank shall be under no obligation to take steps necessary to preserve rights in any Collateral against prior parties but may do so at its option. The Bank may at its option transfer at any time to itself or to its nominee any securities held as Collateral hereunder and receive the income thereon and hold the same as Collateral hereunder and may at any time notify the Account Debtors and obligors to make all future payments thereon to the Bank. At its option, the Bank may discharge any taxes, liens, security interest or other encumbrances to which any Collateral is at any time subject, and may, upon the failure of either Borrowers so to do, purchase insurance on any Collateral and pay for the repair, maintenance or preservation thereof, and the Borrowers agree to reimburse the Bank on demand for any payments made or expenses reasonably incurred by the Bank pursuant to the foregoing authorization, and authorizes the Bank to charge the Loan Account for the amount of such payments or expenses. The Bank may at any time take control of any proceeds of Collateral to which the Bank is entitled hereunder or under applicable law.

13. REPRESENTATIONS AND WARRANTIES OF THE BORROWERS. To induce the Bank to enter into this Agreement, the Borrowers represents and warrants as follows:

13.1. Corporate Existence; Authority. The Borrowers are all corporations duly organized, validly existing and in good standing under the laws of each of the state specified next to their applicable name (each being a "State") and as first described in the opening paragraph of this Agreement. Borrowers each have full corporate power to own its properties and conduct its business as now conducted, and to enter into and perform this Agreement. Borrowers are all in good standing in each jurisdiction in which the failure to qualify would have a material, adverse effect upon its financial condition, business or properties. The execution and delivery of this Agreement, the Notes and all related documents has been duly authorized and evidenced valid and binding obligations of the Borrowers.

13.2. Legally Enforceable Agreement. This Agreement is, and each of the other Loan Documents when delivered under this Agreement will be, legal, valid, and binding obligations of the Borrowers and the Guarantor, as the case may be, in accordance with their respective terms, except to the extent that such enforcement may be limited by applicable bankruptcy, insolvency, and other similar laws affecting creditors' rights generally.

13.3. Validity of Accounts. (a) Each Account is genuine and enforceable in accordance with its terms and represents an undisputed and bona fide indebtedness owing to Borrowers by the Account Debtor obligated thereon; (b) there are no defenses, setoffs, or counterclaims against any Account; (c) no payment has been received on any Account and no Account is subject to any Credit or Extension or agreements therefor unless written notice specifying such payment, Credit, Extension or agreement has been delivered to the Bank; (d) each copy of each Invoice is a true and genuine copy of the original Invoice sent to the Account Debtor named therein and accurately evidences the transaction from which the underlying Account arose and the date payment is due as stated on each such Invoice, or computer based on the information set forth on each such Invoice, is correct; (e) all Chattel Paper and all promissory notes, drafts, trade acceptances, and other instruments for the payment of money relating to or evidencing each Account, and each endorsement thereon, are true and genuine and in all respects what they purport to be, and are the valid and binding obligations of all parties thereto and the date or dates stated on such items as the date on which payment in whole or in part is due is correct; (f) all Inventory described in each Invoice has been delivered to the Account Debtor named in such Invoice or placed for such delivery in the possession of a carrier not owned or controlled directly or indirectly by Borrower; (g) all evidence of the delivery or shipment of Inventory is true and genuine; (h) all services to be performed by Borrowers in connection with each Account has been performed by Borrower; and (i) all evidence of the performance of such services by Borrowers are true and genuine.

13.4. Inventory. (a) All representations made by the Borrowers to the Bank, and all documents and schedules given by the Borrowers to the Bank relating to the description, quantity, quality, condition and valuation of the Inventory are true and correct; (b) Borrowers have not received any Inventory on consignment or approval unless Borrowers: (i) have delivered written notice to the Bank describing any Inventory which Borrowers have received on consignment or approval; (ii) has marked such Inventory on consignment or approval or has segregated it from all other Inventory; and (iii) has appropriately marked its records to reflect the existence of such Inventory on consignment or approval; (c) Inventory is located only at the address or addresses of Borrowers set forth at the beginning of this Agreement, the locations specified in Exhibit 13.4 attached hereto, or such other place or places as approved by the Bank in writing and (d)

all Inventory is insured as required by **Section 14.4** pursuant to policies in full compliance with requirements of such Section.

- 13.5. **Equipment.** Equipment is located and Equipment which is a Fixture is affixed to real property, only at the address of the Borrowers set forth at the beginning of this Agreement, the locations specified in Exhibit 13.4 attached hereto, or such other place or places as approved by the Bank in writing. Such real property is either owned by the Borrowers or by the person or persons named in Exhibit 13.4 attached hereto.
- 13.6. **Place of Business.** (a) Unless otherwise disclosed to the Bank in Exhibit 13.4 attached hereto, Borrowers are engaged in business operations which are in whole or in part carried on at the address or addresses specified at the beginning of this Agreement and at no other address or addresses (b) if Borrowers have more than one place of business, its chief executive office is at the address specified at the beginning of this Agreement; and (c) Borrowers' records concerning the Collateral are kept at the address or addresses specified at the beginning of this Agreement or in Exhibit 13.4 attached hereto.
- 13.7. **Title of Assets and Collateral; Priority of Security Interest.** The Borrowers have good and marketable title to all the properties and assets used in its business and, specifically, to all of the Collateral, and the Borrowers will defend the title to the Collateral against all persons and against all claims and demands whatsoever, and the Borrowers shall keep the Collateral subject to no future lien, encumbrance or charge. The security interest granted hereby constitutes a valid first lien encumbrance, subject to no prior security interests, except as shown in Exhibit 15.1.4 or as arise by operation of law, or as permitted herein.
- 13.8. **Notes Receivable.** No Account is an Instrument, Document or Chattel Paper or is evidenced by any note, draft, trade acceptance or other instrument for the payment of money, except such note, draft, trade acceptance or other instrument as has been endorsed and delivered by Borrowers to the Bank.
- 13.9. **Financial Statements.** The Borrower's financial statements furnished to the Bank, have been prepared in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding fiscal years and accurately present the financial condition of the Borrowers, if any, as of such date and the results of their operations for the periods then ended and since such dates there have been no material adverse changes in their financial condition or operations.
- 13.10. **Labor Disputes and Acts of God.** Neither the business nor the properties of the Borrowers or any Guarantor are affected by any fire, explosion, accident, strike, lockout or other labor dispute, drought, storm, hail, earthquake, embargo, act of God or of the public enemy, or other casualty (whether or not covered by

insurance), materially and adversely affecting such business or properties or the operation of the Borrowers or such Guarantor.

- 13.11. Other Agreements. Neither the Borrowers nor the Guarantor is a party to any indenture, loan or credit agreement, or to any lease or other agreement or instrument, or subject to any charter or corporate restriction which could have a material adverse effect on the business, properties, assets, operations, or conditions, financial or otherwise, of the Borrowers or the Guarantor, or the ability of the Borrowers or the Guarantor to carry out its obligations under the Loan Documents to which it is a party. Neither the Borrowers nor the Guarantor is in default in any respect in the performance, observance, or fulfillment of any of the obligations, covenants, or conditions contained in any agreement or instrument material to its business to which it is a party.
- 13.12. Litigation. Except as set forth in the legal opinion of Borrowers' and Guarantor's counsel, there is no pending or threatened action or proceeding against or affecting the Borrowers or Guarantor before any court, governmental agency, or arbitrator, which may, in any one case or in the aggregate, materially adversely affect the financial condition, operations, properties, or business of the Borrowers or Guarantor or the ability of the Borrowers or Guarantor to perform its obligations under the Loan Documents to which either is a party.
- 13.14. No Defaults. No event has occurred and no condition exists which, upon the execution and delivery of this Agreement, with respect to any other agreement or instrument to which Borrowers are a party, would constitute a default or an Event of Default thereunder. Neither the nature of the Borrowers or any of its business or properties nor any relationship between the Borrowers and any other person or any circumstances in connection with the execution or delivery of this Agreement or the Note is such as requires a consent, approval or authorization of or filing, registration or qualification with any governmental authority on the part of the Borrowers as a condition of the execution and delivery of this Agreement or the Note or any other instrument, agreement or document contemplated hereby, or the performance of the Borrowers of its obligations hereunder or thereunder.
- 13.15. Subsidiaries; Stock Ownership. Sampco, Inc. and Sampco Companies, Inc. are owned solely by Michael O. Ryan. All of the other Borrowers are owned solely by Sampco Companies, Inc.
- 13.16. Operation of Business. The Borrowers and the Guarantor possess all licenses, permits, franchises, patents, copyrights, trademarks, and trade names, or rights thereto, to conduct their respective businesses substantially as now conducted and as presently proposed to be conducted, and the Borrowers and Guarantor are not in violation of any valid rights or others with respect to any of the foregoing.

- 13.17. ERISA. The Borrowers are in compliance in all material respects with all applicable provisions of ERISA. Neither a Reportable Event nor a Prohibited Transaction has occurred and is continuing with respect to any Plan; no notice of intent to terminate a Plan has been filed, nor has any Plan been terminated without prior approval of the Bank, which approval shall not be unreasonably withheld; no circumstances exist which constitute grounds entitling the PBGC to institute proceedings to terminate, or appoint a trustee to administer, a Plan, nor has the PBGC instituted any such proceedings; neither the Borrowers nor any Commonly Controlled Entity has completely or partially withdrawn from a Multiemployer Plan; the Borrowers and each Commonly Controlled Entity have met their minimum funding requirements under ERISA with respect to all of their Plans, and the present value of all vested benefits under each Plan does not exceed the fair market value of all Plan assets allocable to such benefits, as determined on the most recent valuation date of the Plan and in accordance with the provisions of ERISA; and neither the Borrowers nor any Commonly Controlled Entity has incurred any liability to the PBGC under ERISA.
- 13.18. Maintenance of Collateral; Inspection. The Borrowers agrees that it will maintain the Collateral, or such portion of the Collateral which is tangible property, in good condition and repair, and will not cause the property to be wasted or destroyed in any manner, and will not to the best of Borrowers' knowledge use the Collateral in violation or any provisions of this Security Agreement, of any applicable statute, regulation or ordinance, or of any policy insuring the Collateral. The Borrowers shall at all reasonable times upon reasonable notice and during business hours, and from time to time, allow the Bank, by or through any of its officers, agents, attorneys, accountants or other designees, to examine, inspect or make extracts from any of the Borrowers' books and records, or to examine and inspect the Collateral and other operations of the Borrowers' business.
- 13.19. Taxes and Assessments. The Borrowers have paid or caused to be paid all taxes, assessments and other charges of every nature which may be levied or assessed against the Collateral, or for which the Borrowers are liable when due, except as it, in good faith and by appropriate proceedings, shall be contesting the validity or the amount thereof, and against which adequate reserves have been established.
- 13.20. Tax Returns. The Borrowers and the Guarantor have filed all tax returns (Federal, state, and local) required to be filed.
- 13.21. Debt. Set forth in the financial statements referred to in this Agreement is a complete and correct list of all material credit agreements, indentures, guaranties, Capital Leases, and other investments, agreements, and arrangements presently in effect providing for or relating to extensions of credit (including agreements and arrangements for the issuance of letters of credit (including agreements and arrangements for the issuance of letters of credit or for acceptance financing) in respect of which the Borrowers are in any manner directly or contingently

obligated; and the maximum principal or face amounts of the credit in question, which are outstanding and which can be outstanding, are correctly stated, and all Liens of any nature given or agreed to be given as security therefor are correctly described or indicated in such financial statements.

- 13.22. Environmental Representation. The Borrowers represents and warrants to the Bank that to the best of its knowledge there has been no release of any hazardous substance by it, as defined in the Comprehensive Environmental Response, Compensation and Liability Act of 1980, 42 U.S.C. 9601 et. seq., ("CERCLA") nor any release of oil or hazardous material by it, as defined in the Massachusetts Oil and Hazardous material Release Prevention and Response Act, Massachusetts General Laws, Chapter 21E, (the "Massachusetts Superfund Act"), upon or onto any premises occupied or operated by Borrowers including the location listed on Exhibit 13.4.
- 13.23. No Consent or Filing. No consent, license, approval or authorization of, or registration, declaration or filing with, any court, governmental body or authority or other person or entity is required in connection with the valid execution, delivery or performance of the Loan Documents or for the conduct of Borrowers' business as now conducted, other than filings and recordings in connection with the Loan Documents.
- 13.24. Solvency. Borrowers are not, and during the term of this Agreement, Borrowers will not be at any time Insolvent, either before or after giving effect to the transactions contemplated by the Loan Documents and any acquisition of stock or assets occurring in conjunction with or related to the Loan Documents.
- 13.25. Trademarks and Patents. The Borrowers possess all trademarks, trademark rights, patents, patent rights, licenses, permits, trade names, trade name rights, copyrights and approvals that are required to conduct its business as now conducted without conflict with the rights or claimed rights of others.
- 13.26. Margin Stock. Neither Borrowers' executing and delivery of any of the Loan Documents nor the borrowing by Borrowers of any sums pursuant thereto violates Section 7 of the Securities Exchange Act of 1934, as amended, or any rule or regulation thereunder, and Borrowers neither owns nor intends to purchase or carry any "margin stock".

14. AFFIRMATIVE COVENANTS. So long as any Obligation shall remain unpaid or unperformed, the Borrowers will comply with the following covenants:

- 14.1. Maintenance of Business. At all times maintain its business operations in substantial similarity with those operations as they existed at the time of the closing of the Loans, unless otherwise consented to by the Bank, which consent will not be unreasonable withheld.

- 14.2. Maintenance of Records. Keep adequate records and books of account, in which complete entries will be made in accordance with GAAP consistently applied, reflecting all financial transactions of the Borrowers.
- 14.3. Maintenance of Properties. Maintain, keep, and preserve, all of its properties (tangible and intangible) including all Collateral necessary or useful in the proper conduct of its business in good working order and condition, ordinary wear and tear excepted.
- 14.4. Insurance. Until the Loans are paid in full, the Borrowers shall obtain and maintain in effect, at the Borrowers' expense, casualty and property damage as well as personal liability insurance including extended coverage, all in amounts and with insurance carriers reasonably approved by the Bank. In no event shall the amounts be less than (i) the lesser of (x) the replacement cost of the insurable collateral, or (y) the full face amount of the Loans, and (ii) whatever amounts are necessary to avoid any co-Insurance provision therein. Coverage included in the policy or policies insuring the Collateral shall not be less than that encompassed by fire, extended coverage, vandalism and malicious mischief, with perils broadened to include so called "all risk of physical loss". All policies will contain a standard mortgagee or secured party clause or endorsement (waiving defenses the insurer may have against the Borrowers with respect to any claims for the benefit of the Bank) and will provide that the Bank is mortgagee, loss payee and additional insured and will also provide for a thirty (30) day advance written notice to the Bank of any policy cancellation or material modification or change.

The Bank is and will be authorized and empowered in its sole option to collect and receive or cause to be collected and received for its account the proceeds of any insurance policy covering the Collateral. If no Event of Default exists, such insurance proceeds shall be held by the Bank without any allowance of interest and at Borrowers' request be used to reimburse Borrowers for the cost of the rebuilding or restoration of the Collateral and/or for repair or replacement of the Collateral provided that such repair and restoration can be fully completed within 60 days from the date of any damage. If an Event of Default exists and/or a full repair and restoration will take longer than 60 days to complete, said proceeds shall be held by the Bank as cash collateral for Obligations, and at the Bank's sole option, may be expended for the repair, restoration or rebuilding of the Collateral or applied toward the outstanding principal balance of the Loans or any other Obligation.

In the case of the personal property and the Georgia Property owned by Southern Sample Company as described in the Deed to Secure Debt, a flood insurance policy shall be obtained and maintained in amounts and with an insurer as reasonably required by the Bank.

- 14.5. Compliance With Laws. Comply, in all respects with all applicable laws, rules, regulations, and orders, such compliance to include, without limitations, paying before the same become delinquent all taxes, assessments, and governmental charges imposed upon it or upon its property.
- 14.6. Rights of Inspection, Audits. At any reasonable time and from time to time, permit the Bank or any agent or representative thereof to examine the Collateral and the records and books of account of the Borrowers and make copies of and abstracts from the records and books of account of, and visit the properties of, the Borrowers, and to discuss the affairs, finances, and accounts of the Borrowers with any of their respective officers and directors and, with prior notice, the Borrowers' independent accountants. The fees (limited to once per year) herein plus all travel and other related expenses, if any, will be paid by Borrowers to the Bank in this regard. This fee may increase following the first anniversary date of this Agreement.
- 14.7. Environment. Be and remain, in compliance with the provisions of all federal, state, and local environmental, health, and safety laws, codes and ordinances, and all rules and regulations issued thereunder; notify the Bank immediately of any notice of a hazardous discharge or environmental complaint received from any governmental agency or any other party; notify the Bank immediately of any hazardous discharge from or affecting its premises; immediately contain and remove the same, in compliance with all applicable laws; promptly pay any fine or penalty assessed in connection therewith, except such assessments as are being contested in good faith, against which adequate reserves have been established; permit the Bank to inspect the premises, to conduct tests thereon, and to inspect all books, correspondence, and records pertaining thereto; and at the Bank's reasonable request, and at the Borrowers' expense (but not more often than annually except when an Event of Default shall have occurred), provide a report of a qualified environmental engineer, satisfactory in scope, form, and content to the Bank, and such other and further assurances reasonably satisfactory to the Bank that the condition has been corrected.
- 14.8. Place of Business. Promptly notify the Bank in writing of any addition to, change in, or discontinuance of its place of business as specified in Exhibit 13.4 attached hereto.
- 14.9. Location of Collateral. Keep all of the Collateral including all records of accounts and contract rights referred to in **Section 6** above at the address or addresses specified at the beginning of this agreement or at the locations specified in Exhibit 13.4, with the exception of delivery of Inventory in the normal course of business. The Borrowers shall notify the Bank promptly prior to removal of any Collateral from the location(s) specified in Exhibit 13.4, and shall state in writing when and where such Collateral is to be moved.

- 14.10. Accounts Receivables. Provide the Bank with assurances that at the time any Account Receivable becomes subject to a security interest in favor of the Bank, said Account shall be as represented in **Section 13.3** above. The Borrowers shall give the Bank written notice of each office of Borrowers at which the records of Borrowers pertaining to Accounts Receivable are kept. Except as such notice is given, all records of the Borrowers pertaining to Accounts Receivable shall be kept at such Borrowers' address as specified in Exhibit 13.4.
- 14.11. Taxes and Assessments. Pay or cause to be paid all taxes, assessments and other charges of every nature which may be levied or assessed against the Collateral, or for which Borrowers are liable when due, except as it, in good faith and by appropriate proceedings, shall be contesting the validity or the amount thereof, and against which adequate reserves have been established. In the event that Borrowers fails to pay such taxes, assessments, costs and expenses which Borrowers are required to pay, or in the event that Borrowers fails to keep the Collateral free from other security interest, liens, or encumbrances, except those referred to in **Section 13.7** above, the Bank may (but shall not be required to) pay any such taxes, assessments, costs and expenses, and any amounts so paid shall constitute additional indebtedness secured hereby. The Borrowers agrees that during each and every fiscal year it shall accrue all current tax liabilities, required withholding of income taxes of employees, and required Social Security and unemployment contributions, and pay the same when they shall become due, except such liabilities as are being contested in good faith, against which adequate reserves have been established. The Borrowers further represents and warrants that it has paid all such tax liabilities currently.
- 14.12. Supplemental: Prior Security Interest. Supplement this Agreement by separate assignments and pledges if necessary or appropriate in the Bank's judgment, and, if such assignments and pledges are given, the rights and security interests given thereby shall be in addition to and not in limitation of the rights and security interests given by this Agreement.
- 14.13. Principal Depository. Maintain their principal depository relationship with the Bank, with full dominion of cash (i.e.: daily application of cash receipts against the balance of the Loans).
- 14.14. Additional Payments. Promptly pay the Bank, ten (10) days after notice of its demand, such amount as will compensate the Bank for any such additional cost (which determination may be based upon the Bank's reasonable allocation of the aggregate of such costs) resulting if the Bank shall deem applicable to this Agreement or the Note (including, in each case, the borrowed and the unused portion thereof) any requirement of any law of the United States of America, any regulation, order, interpretation, ruling or official directive or guideline (whether or not having the force of law) of the Board of Governors of the Federal Reserve System, the Comptroller of the Currency, the Federal Deposit Insurance

Corporation or any other board or governmental or administrative agency of the United States of America which shall impose, increase, modify or make applicable thereto or cause to be included in, any reserve, special deposit, calculation used in the computation of regulatory capital standards, assessment or other requirement which imposes on the Bank any cost that is attributable to the maintenance thereof if solely due to the Bank's holding of the Note. In the event any such additional cost is a continuing cost, a fee payable to the Bank may be imposed upon the Borrowers periodically for so long as any such additional cost is deemed applicable to the Bank, in an amount determined by the Bank to be necessary to compensate the Bank for any such additional cost. The determination by any Bank of the existence and amount of any such additional cost shall, in the absence of manifest error, be conclusive.

14.15. Inter-company Transactions. Properly document, in accordance with generally accepted principles of accounting, all transactions between the Borrowers and any Affiliate or other company, corporation, partnership, joint venture, or other entity in which Borrowers or any officer, director, stockholder of, or joint venture partner in Borrowers, is an officer, director, at a minimum by checks drawn to or from the appropriate party for goods or services sold or rendered.

15. NEGATIVE COVENANTS. So long as any Obligation shall remain unpaid or any credit accommodation remains in effect hereunder, the Borrowers will not violate any of the following covenants:

15.1. Liens. Create, incur, assume, or suffer to exist, any Lien upon or with respect to any of its properties, now owned or hereafter acquired, except:

15.1.1. Liens in favor of the Bank;

15.1.2. Liens for taxes or assessments or other government charges or levies if not yet due and payable or, if due and payable, if they are being contested in good faith by appropriate proceedings and for which appropriate reserves are maintained; and

15.1.3. Liens imposed by law, such as mechanic's, materialmen's, landlords', warehousemen's, and carriers' Liens, and other similar Liens, securing obligations incurred in the ordinary course of business which are not past due for more than thirty (30) days or which are being contested in good faith by appropriate proceedings and for which appropriate reserves have been established.

15.1.4. Liens specified in Exhibit 15.1.4 attached hereto ("Permitted Liens").

15.2. Debt. Create, incur, assume, or suffer to exist, any Debt, except:

- 15.2.1. Debt of the Borrowers under this Agreement or the Note;
- 15.2.2. Debt described in the financial statements referred to in this Agreement, but no voluntary prepayments, renewals, extensions, or refinancing thereof; and
- 15.2.3. Accounts payable to trade creditors for goods or services which are not aged more than ninety (90) days from the billing date and current operating liabilities (other than for borrowed money) which are not more than sixty (60) days past due, in each case incurred in the ordinary course of business, as presently conducted, and paid within the specified time, unless contested in good faith and by appropriate proceedings.
- 15.3. No Merger, Sale or Lease of Assets or Change of Control or Management. The Borrowers will not merge with, become merged into, consolidate with, or otherwise recapitalize, with any other corporation or entity, nor will the Borrowers sell, lease, assign, transfer or otherwise dispose of, other than in the ordinary course of business, any of its assets, now or hereafter acquired (including, without limitation, shares of voting stock (but not non-voting stock), receivables, and leasehold interests). The Borrowers shall not cease to be one hundred percent (100%) owned and controlled by its existing owner(s) on the date of this Agreement as specified in Section 13.15 nor shall it permit a change in its existing management.
- 15.4. Fixed Asset Purchase/Lease Limitation. Without the prior written consent of the Bank, purchase capital assets nor will it lease assets (other than real estate), during any given fiscal year.
- 15.5. Limitations on Lease Payments or other Payments with Affiliated Entities. Make any payments (and other than management fees being paid to Sampco, Inc. only) to any guarantors, affiliates or entities or persons directly or indirectly controlling, controlled by or under direct or indirect control with any person who controls Borrowers (collectively an "Affiliate") except as may be approved by the Bank or as provided in leases existing on the date hereof between Borrowers and any Affiliate. In any event, no rental increases will be paid by Borrowers to any Affiliate other than those specified in the leases as based upon and no greater than percentage changes in the Consumer Price Index announced from time to time by the United States Department of Labor.
- 15.6. No Loans or Investments. Make any loans to or investments in any Person, without the prior approval of the Bank, which approval will not be unreasonably withheld.

- 15.7. Guaranties, Etc. Other than the Guaranty by Sampco, Inc. (the "Berkshire Bank Guaranty") for the existing indebtedness owed by M & V Ryan Realty Trust to Berkshire Bank (including SBA related indebtedness) and relating to 52 Downing Parkway, Pittsfield, Massachusetts, assume, guaranty, endorse, or otherwise be or become directly or contingently responsible or liable (including, but not limited to, an agreement to purchase any obligation, stock, assets, goods, or services, or to supply or advance any funds, assets, goods, or services, or an agreement to maintain or cause such Person to maintain a minimum working capital or net worth, or otherwise to assure the creditors of any Person against loss) for obligations of any Person, except guaranties by endorsement of negotiable instruments for deposit or collection or similar transactions in the ordinary course of business.
- 15.8. Transactions With Affiliates. Enter into any transaction, including, without limitation, the purchase, sale, or exchange of property or the rendering of any service, with any Affiliate, except in the ordinary course of and pursuant to the reasonable requirements of the Borrowers' business and upon fair and reasonable terms no less favorable to the Borrowers than would obtain in a comparable arm's-length transaction with a Person not an Affiliate.
- 15.9. Dividend Restriction. Pay any dividend upon its stock, redeem its stock, purchase its stock, or otherwise make any distribution based upon its capital stock ownership without the prior written approval of the Bank. Such restriction, however, shall not prohibit issuance of dividends of common stock on the stock of the Borrowers. If Borrowers are or elect to become an S corporation, dividends will be permitted to the extent of federal and state taxes imposed upon shareholders by reason of such status. However, nothing herein shall prevent the Borrowers from redeeming its stock of a deceased shareholder to the extent that the purchase price for such redemption is paid from proceeds actually received by the Borrowers under life insurance policies maintained for its benefit in order to fund such repurchase and insuring the life of the holder of such capital stock.
- 15.10. No Waste. Waste or destroy any of the Collateral.
- 15.11. Storing the Collateral. Place the Collateral in any warehouse which may issue a negotiable document with respect thereto.
- 15.12. Location of Collateral. Move the Collateral from the location where they are kept as specified in Exhibit 13.4.
- 15.13. Management. Suffer any change of its current management if in the Bank's reasonable opinion such a change could have an adverse effect on the financial condition of the Borrowers and/or the Guarantor ceases to be an officer and/or Director of each of the Borrowers.

16. **FINANCIAL REPORTS AND COVENANTS.** So long as any Obligation remains unpaid or any credit accommodation remains in effect hereunder:

16.1. **FINANCIAL REPORTS.** The Borrowers and the Guarantor will provide, or cause to be provided, the following reports to the Bank:

- 16.1.1. A monthly, consolidating balance sheet (forecast) for each fiscal year beginning with the year ending December 31, 2002.
- 16.1.2. A monthly, consolidating income statement (forecast) on a consolidated basis for each fiscal year beginning with the fiscal period ending December 31, 2002.
- 16.1.3. A monthly internally prepared financial statement to include consolidating company results for all Borrowers plus a consolidated summary Income Statement, Balance Sheet and Cash Flow within thirty (30) days of each month end.
- 16.1.4. A consolidating, monthly Accounts Receivable and Accounts Payable aging, Inventory Report (which shall mean a report detailing the Inventory of each Borrower by category including raw materials, work in process and finished goods Inventory and the Borrowers' allocation of material overhead costs and expenses), and on a consolidated basis, a Borrowing Base Certificate (substantially in the same form as Exhibit 16.1.4.) for the Borrowers within thirty (30) days of each month end.
- 16.1.5. Quarterly covenant compliance certificates of the Borrowers within forty-five (45) days of each quarter end.
- 16.1.6. Annual audited financial statements for each of the Borrowers as well as a consolidated summary of all Borrowers, auditor's management letter (if prepared), annual company prepared projections for the Borrowers to include balance sheet, income statement, and cash flows on a consolidated and consolidating basis, all due within ninety (90) days of each year end.
- 16.1.7. The Bank will engage and Borrowers will comply with an annual field examination of the Borrowers books and records prepared for the Bank, at the expense of the Borrowers.
- 16.1.8. The personal financial statement, the state and federal tax returns of the Guarantor within one hundred five (105) days after the end of each fiscal year of Guarantor. The timing for the production of state and federal tax returns shall be extended beyond one hundred

five (105) days if the Guarantor has filed for an extension of the filing due date.

- 16.1.9. As soon as the same become available, executed copies of customer supply agreements, renewals, and extensions thereto.
- 16.1.10. Simultaneously with the delivery of the annual financial statements referred to above, a certificate of the independent public accountants who audited such statements to the effect that, in making the examination necessary for the audit of such statements, they have obtained no knowledge of any condition or event which constitutes a Default or Event of Default, or if such accountants shall have obtained knowledge of any such condition or event, specifying in such certificate each such condition or event of which they have knowledge and the nature and status thereof;
- 16.1.11. Promptly, such other and additional information concerning the Borrowers, the Collateral, the operation of the Borrowers' business, and the Borrowers' financial condition, including financial reports and statements, as the Bank may from time to time reasonably request from the Borrowers.
- 16.1.12. Promptly upon receipt thereof, Borrowers will furnish to the Bank copies of any reports submitted to the Borrowers by independent certified public accountants in connection with examination of the financial statements of the Borrowers made by such accountants.
- 16.1.13. Promptly after the commencement thereof, the Borrowers will furnish to the Bank notice of all actions, suits, and proceedings before any court or governmental department, commission, board, bureau, agency, or instrumentality, domestic or foreign, affecting the Borrowers, which, if determined adversely to the Borrowers, could have a material adverse effect on the financial condition, properties, or operations of the Borrowers.
- 16.1.14. Borrowers will furnish to the Bank a written notice setting forth the details of such Default or Event of Default and the action which is proposed to be taken by the Borrowers with respect thereto as soon as possible and in any event within five (5) days after the occurrence of each Default or Event of Default.
- 16.1.15. All Reports and Certificates required herein will contain a certification by the chief financial officer of the Borrowers that the information contained in the report is true and accurate to the best of the officer's knowledge.

16.2. Financial Covenants. The Borrowers shall meet the following financial covenants (all of which shall be reset in conjunction with the first annual review of the Revolving Loan and will be based upon the fiscal year end and the Borrower's updated Financial Statements):

<u>Covenants</u>	<u>Fiscal Year 2001</u> <u>Limit</u>	<u>Fiscal Year 2002</u> <u>Limit</u>	<u>Tested</u>
16.2.1 Minimum Fixed Charge Coverage*	1.25:1	1.25:1	Quarterly on a cumulative year to date basis, year 1. Thereafter on a rolling 12 month basis.
16.2.2 Minimum Tangible Capital Base (net of Soft Assets)**	\$1,000,000	Annual step up equal to 50% of Net Income (net of tax and salary distributions)	Annually
16.2.3 Maximum Total Debt/Tangible Capital Base***	6.0:1	FYE 2001 - 6.0:1 Q 1 2002 - 6.0:1 Q 2 2002 - 5.0:1 Q 3 2002 - 4.0:1 FYE 2002 - 4.0:1	Quarterly

*16.2.1 Fixed Charge Coverage is defined as:
 (income before interest, taxes (i.e., Operating Income) + Depreciation + Amortization)
 less
 (Unfinanced Capital Expenditures (i.e., that portion of the Borrowers' fixed asset additions which are not financed with term debt) – Cash Taxes – Shareholder Distributions – Tax Distributions)
 divided by
 (Interest Expense + Principal paid on long term debt)

**16.2.2 As used hereunder, the term "Tangible Capital Base" shall mean the Borrowers' net worth less intangible assets in accordance with GAAP.

*** 16.2.3 Total Debt shall mean any and all indebtedness of the Borrowers' divided by Tangible Capital Base in accordance with GAAP.

16.3 Excess Available under Revolving Loan. As of the end of each fiscal quarter during the commitment period, beginning with June 30, 2002, the Borrowers will maintain minimum excess availability under the Revolving Loan as follows: Quarter 1 (for the quarter ending June 30, 2002) - \$50,000.00 Quarter 2 (for the quarter ending September 30, 2002) - \$50,000.00, Quarter 3 (for the period ending December 31, 2002) - \$150,000.00 and Quarter 4 (for the period ending March 31, 2003) through Quarter 8 - \$200,000.00.

17. **EVENTS OF DEFAULT, ACCELERATION.** Any and all liabilities and obligations of the Borrowers to the Bank shall, at the option of the Bank, and notwithstanding any time or credit allowed by any instrument evidencing a liability, become immediately due and payable without notice or demand (except as provided below) upon the occurrence of any of the following events of default:
- 17.1. Failure to pay within ten (10) days from when due or payable and after expiration of any cure period any payment or any other liability of the Borrowers, or any endorser, guarantor or surety for any liability of the Borrowers to the Bank, as trustee or otherwise.
 - 17.2. Failure of the Borrowers to pay within ten (10) days from when due any tax, unless contested in good faith, or any premium on any insurance policy after any applicable grace period.
 - 17.3. Any warranty, representation or statement made or furnished to the Bank, by or on behalf of the Borrowers, proves to have been false in any material respect when made or furnished.
 - 17.4. Failure of the Borrowers, after ten (10) days written notice of request by the Bank, to furnish financial information, or to permit the inspection of the books and records of any of the Borrowers.
 - 17.5. Sale of all or substantially all of the assets of the Borrowers, or any sale or sales of capital stock of the Borrowers which would result in a change of controlling interest without the prior written consent of the Bank.
 - 17.6. Insolvency of any of the Borrowers.
 - 17.7. Dissolution, merger or consolidation of any of the Borrowers without the Bank's written consent, and/or the death or legal incapacity of the Guarantor.
 - 17.8. Any attachments, levy on execution, or other judicial proceedings on any property of any of the Borrowers or on the Borrowers not discharged within thirty (30) days of notice to the Borrowers of such proceedings or appealed in good faith and adequately bonded by Borrowers.
 - 17.9. One or more judgments, decrees, or orders for the payment of money in excess of \$50,000.00 shall be rendered against any of the Borrowers and such judgments, decrees, or orders shall continue unsatisfied and in effect for a period of (30) consecutive days without being vacated, discharged, satisfied, or stayed or bonded pending appeal.
 - 17.10. There shall occur with respect to the Collateral any: (i) misappropriation, conversion, diversion or fraud; (ii) levy, seizure or attachment; (iii) material loss,

theft, damage or destruction not covered by adequate insurance, or (iv) unauthorized sale or encumbrance.

- 17.11. A default or failure in the performance or observance of any material term, condition, covenant or agreement contained herein or in any other agreement, instrument or document (whether now existing or hereafter entered into, and whether related or unrelated to the Agreement) evidencing, securing or otherwise relating to any obligation of the Borrowers to the Bank.
- 17.12. Failure by any of the Borrowers: (a) to pay any indebtedness for borrowed money of the Borrowers or any interest or premium thereon, when due (whether by scheduled maturity, required prepayment, acceleration, demand, or otherwise), or (b) to perform or observe any term, covenant, or condition on its part to be performed or observed under any agreement or instrument relating to any such indebtedness, when required to be performed or observed, if the effect of such failure to perform or observe is to accelerate, or to permit the acceleration of after the giving of notice or passage of time, or both, the maturity of such indebtedness, waived by the holder of such indebtedness and a copy of such waiver is provided to the Bank as soon as possible; or any such indebtedness shall be declared to be due and payable, or required to be prepaid (other than by a regularly scheduled required prepayment), prior to the stated maturity thereof.
- 17.13. Unauthorized sale, pledge or encumbrance of any Collateral.
- 17.14. Bank shall believe in good faith that the prospect of payment of all or any part of the Obligations or performance of Borrowers' obligations under the Loan Documents or any other agreement between Bank and Borrowers is impaired, including without limitation, the Borrowers' failure to renew, extend or otherwise procure leases for all leased facilities on a timely and continuous basis or there shall occur any materially adverse change in the business or financial condition of Borrowers.
- 17.15. This Agreement shall at any time after its execution and delivery and for any reason cease (a) to create a valid and perfected first priority security interest in and to the property purported to be subject to this Agreement; or (b) to be in full force and effect or shall be declared null and void, or the validity or enforceability thereof shall be contested by the Borrowers, or the Borrowers shall deny it has any further liability or obligation under this Agreement.
- 17.16. Any Guaranty shall at any time after its execution and delivery and for any reason cease to be in full force and effect or shall be declared null and void, or the validity or enforceability thereof shall be contested by any Guarantor shall deny it has any further liability or obligation under, or shall fail to perform its obligations under, its respective Guaranty.

- 17.17. Any of the following events shall occur or exist with respect to the Borrowers or any Commonly Controlled Entity under ERISA: any Reportable Event shall occur; complete or partial withdrawal from any multi-employer Plan shall take place; any Prohibited Transaction shall occur; a notice of intent to terminate a Plan shall be filed, or a Plan shall be terminated without prior approval of the Bank, which approval shall not be unreasonably withheld; or circumstances shall exist which constitute grounds entitling the PBGC to institute proceedings to terminate a Plan, or the PBGC shall institute such proceedings; and in each case above, such event or condition, together with all other events or conditions, if any, could subject the Borrowers to any tax, penalty, or other liability.
- 17.18. If the Bank receives its first notice of a hazardous discharge or an environmental complaint from a source other than the Borrowers, and the Bank does not receive notice (which may be given in oral form, provided same is followed with all due dispatch by written notice given by Certified Mail, Return Receipt Requested) of such hazardous discharge or environmental complaint from the Borrowers within twenty-four (24) hours of the time the Bank first receives said notice from a source other than the Borrower; or if any federal, state, or local agency asserts or creates a Lien upon any or all of the assets, equipment, property, leaseholds, or other facilities of the Borrowers by reason of the occurrence of a hazardous discharge or an environmental complaint; or if any federal, state, or local agency asserts a claim against the Borrowers and/or its assets, equipment, property, leaseholds, or other facilities for damages or cleanup costs relating to a hazardous discharge or an environmental complaint; provided, however, that such claim shall not constitute a default if, within three (3) Business Days of the occurrence giving rise to the claim, (a) the Borrowers can prove to the Bank's satisfaction that the Borrowers have commenced and are diligently pursuing either; (i) a cure or correction of the event which constitutes the basis for the claim, and continues diligently to pursue such cure or correction to completion or (ii) proceedings for an injunction, a restraining order, or other appropriate emergency relief preventing such agency or agencies from asserting such claim, which relief is granted within ten (10) Business Days of the occurrence giving rise to the claim and the injunction, order, or emergency relief is not thereafter resolved or reversed on appeal; and (b) in either of the foregoing events, the Borrowers have posted a bond, letter of credit, or other security satisfactory in form, substance, and amount to both the Bank and the agency or entity asserting the claim to secure the proper and complete cure or correction of the event which constitutes the basis for the claim.
- 17.19. The Borrowers shall fail to perform or observe any term, covenant, or agreement contained herein or in any other Loan Document, within thirty (30) days of written notice from the Bank of such failure (except with respect to Sections 17.1, 17.2 and 17.3 or failure to keep the Collateral insured, for which no notice from the Bank to the Borrowers is required).

17.20 Any event of default relative to the Berkshire Bank Guaranty.

18. **RIGHTS AND REMEDIES.** In addition to declaring immediately due and payable all amounts represented by the Borrowers' Loan Accounts, together with any and all additional charges added thereto, the Bank shall, upon the occurrence of any of the above-described events of default, have the following rights and remedies:

- 18.1. The Bank may at any time enter upon the property of the Borrowers, and remain upon such property for so long as is reasonably necessary without being liable for any prosecution or damage therefor, and take complete peaceful possession of the Collateral and remove same at the election of the Bank.
- 18.2. The Bank may exercise all the rights and remedies of a secured party under the Uniform Commercial Code of the Commonwealth of Massachusetts (M.G.L. c. 106) or the applicable Borrowers' State. The Bank may at any time, in its discretion, transfer any securities or other property constituting Collateral into its own name or that of its nominee, and receive the income thereon and hold the same as security for liabilities, or apply it on principal or interest due on liabilities.
- 18.3. The Bank may enforce the provisions of this Agreement by legal proceedings for the specific performance of any covenant or agreement contained herein, or for the enforcement of any other appropriate, legal or equitable remedy, and may recover damages caused by any breach by the Borrowers of the provisions of this Agreement, including court costs, reasonable attorney's fees, and other costs and expenses incurred in enforcing the obligations of this Agreement or the Note referred to above.
- 18.4. In the case of any sale or disposition of the Collateral, or the realization of funds therefrom, the proceeds thereof shall first be applied to the payment of the expenses of such sale, commissions, reasonable attorneys' fees and all charges paid or incurred by the Bank pertaining to said sale, including any taxes or other charges imposed by law upon the Collateral and/or the owning, holding or transferring thereof; secondly, to pay, satisfy and discharge the Obligations secured hereby; and thirdly, to pay the surplus, if any, to Borrowers, provided that the time of any application of the proceeds shall be at the sole and absolute discretion of the Bank. To the extent such proceeds do not satisfy the foregoing items, Borrowers hereby promises and agrees to pay any deficiency.
- 18.5. The Bank to the extent Borrowers could legally do so may use all trademarks, service marks, trade names, trade styles, logos, goodwill, trade secrets, franchises, licenses and patents which the Borrowers now has or may hereafter acquire.

18.6. The Bank may require the Borrowers to assemble the Collateral in a single location at a place to be designated by Bank and make the Collateral at all times secure and available to the Bank.

19. DEPOSIT; SETOFF. Any and all deposits or other sums at any time credited by or due from the Bank to the Borrowers, and any securities or other property of the Borrowers being held by the Bank or on account of the Borrowers, may at all times be held and treated as Collateral for any and all obligations of the Borrowers to the Bank, whether direct or indirect, absolute or contingent, due or to become due, now existing or hereafter arising. The Bank may apply or set-off such deposits or other sums against any obligations after an Event of Default and expiration of any grace period, whether or not said obligations or other security held by the Bank is considered by the Bank to be adequate. The Bank, on or an Event of Default under this Agreement, may sell any such securities or other property held as Collateral for the repayment or performance of such obligations in a commercially reasonable manner.

20. WAIVERS. The Borrowers waives demand, notice, protest, notice of acceptance of this Agreement, notice of loans made, credit extended, Collateral received or delivered, or any action taken in reliance hereon, and all other demands and notice of any description. With respect to liabilities and Collateral, the Borrowers assents to any extension or postponement of the time of payment or any other indulgence or any substitution, exchange or release of Collateral, to the addition or release of any party or person primarily or secondarily liable, to the acceptance of partial payments thereon and the settlement thereof, all in such manner and at such time or times as the Bank may deem advisable. The Bank shall have no duty as to the collection of Collateral beyond reasonable care and protection of any Collateral in its possession, or any income thereon, nor as to the preservation of rights against prior parties, or as to the preservation of any rights pertaining thereto beyond the safe custody of any Collateral in its possession. The Bank may exercise its rights with respect to Collateral without resorting or regard to other Collateral or sources of reimbursement or liability. The Bank shall not be deemed to have waived any of its rights upon or under liabilities or Collateral, unless such waiver shall be in writing and signed by the Bank. No delay or omission on the part of the Bank in exercising any right shall operate as a waiver of such right or any other right. A waiver on any one occasion shall not be construed as a bar to or waiver of any right on any future occasion. All rights and remedies of the Bank on liabilities or Collateral, whether evidenced hereby or by any other instrument or papers, shall be cumulative and may be exercised singularly or concurrently.

21. GENERAL PROVISIONS.

- 21.1. Uniform Commercial Code Applicable. To the extent applicable, the Uniform Commercial Code of the Commonwealth of Massachusetts shall govern the security interest provided for herein. In connection therewith, the Borrowers shall take such steps and execute and deliver such financing statements and other papers as the Bank may from time to time request. If, by reason of location of Collateral or otherwise, the creation, validity or perfection of the security interest provided for herein are governed by the law of a jurisdiction other than Massachusetts, the Borrowers shall take such steps and execute and deliver such papers as the Bank may from time to time request to comply with the Uniform Commercial Code and such other laws of other states or the federal government as are appropriate. Notwithstanding such intention and agreement, the Bank, Borrower and the Guarantor recognize that the laws of each applicable organizational jurisdiction shall apply to the rights and remedies of the Bank in realizing upon the security hereby granted, for the purpose of securing the payment and performance of Obligations under the Loan Documents
- 21.2. Severability of Provisions. Any provision of any Loan Document which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions of such Loan Document or affecting the validity or enforceability of such provision in any other jurisdiction.
- 21.3. Other Indebtedness. Except as provided herein, so long as any indebtedness to the Bank secured hereby remains unpaid, the Borrowers shall not pledge, mortgage or create, or suffer to exist, a security interest in the above-described Collateral, except as may arise by operation of law, nor shall the Borrowers sell, assign or create a security interest in contract rights or Accounts Receivable in favor of any person other than the Bank.
- 21.4. Notices, Etc. All notices and other communications provided for under this Agreement and under the other Loan Documents to which the Obligor is a party shall be in writing (including telegraphic, telex, and facsimile transmissions) and mailed or transmitted or delivered:

if to the Borrowers, only to the following address:

56 Downing Parkway
Pittsfield, MA 01201
Attention: Michael O. Ryan, President

if to the Guarantor, at his address at:

Michael O. Ryan
21 FairWynds Drive
Lenox, MA 01240

with a copy to:

Robert B. Nealon, Esq.
Nealon and Moran, L.L.P.
119 North Henry Street
Alexandria, VA 22314

and if to the Bank, at its address at:

One Monarch Place
Springfield, MA 01144
Attention: Sheryl L. McQuade, Vice President

with a copy to:

Paul M. Maleck, Esq.
Doherty, Wallace, Pillsbury & Murphy, P.C.
One Monarch Place, Suite 1900
Springfield, MA 01144

or, as to each party, at such other address as shall be designated by such party in a written notice to the other party complying as to delivery with the terms of this Section. Except as is otherwise provided in this Agreement, all such notices and communications shall be effective when deposited in the mails or delivered to the telegraph company, or sent, answerback received, respectively, addressed as aforesaid.

21.5. Indemnification.

21.5.1. The Borrowers hereby agree to defend, indemnify, and hold the Bank harmless from and against any and all claims, damages, judgments, penalties, costs, and expenses (including reasonable attorney fees and court costs now or hereafter arising from the aforesaid enforcement of this clause) arising directly or indirectly from the activities of the Borrowers, their predecessors in interest, or third parties with whom it has a contractual relationship, or arising directly or indirectly from the violation of any environmental protection, health, or safety law, whether such claims are asserted by any governmental agency or any other

person. The provisions of this Section shall survive termination of this Agreement and the Loan Documents.

21.5.2. If after receipt of any payment of all or any part of the Obligations, Bank is for any reason compelled to surrender such payment to any person or entity because such payment is determined to be void or voidable as a preference, an impermissible setoff, or a diversion of trust funds, or for any other reason, the Loan Documents shall continue in full force and Borrowers shall be liable, and shall indemnify and hold Bank harmless for, the amount of such payment surrendered. The provisions of this Section shall be and remain effective notwithstanding any contrary action which may have been taken by Bank in reliance upon such payment, and any such contrary action so taken shall be without prejudice to Bank's rights under the Loan Documents and shall be deemed to have been conditioned upon such payment having become final and irrevocable. The provisions of this Section shall survive the termination of this Agreement and the Loan Documents.

21.5.3. Borrowers agrees to pay, indemnify, and hold Bank harmless, from and against any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind or nature whatsoever (including, without limitation, reasonable counsel and special counsel fees and disbursements in connection with any litigation, investigation, hearing or other proceeding) with respect or in any way related to the existence, execution, delivery, enforcement, performance and administration of this Agreement or any other Loan Document (all of the foregoing, collectively, the "Indemnified Liabilities"). The agreement in this Section shall survive repayment of the Obligations.

21.6. Survival. All representations, warranties, covenants, and agreements contained herein shall survive the execution and delivery of this Agreement, the Note and any other agreements or documents required for this transaction.

21.7. Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns; however, no assignment of this Agreement by the Borrowers shall in any way relieve the Borrowers of its obligations hereunder.

21.8. Applicable Law. This Agreement shall be governed by and interpreted in accordance with (except for conflict of law principles) the laws of the Commonwealth of Massachusetts, and is intended to take effect as a sealed instrument.

- 21.9. Captions and Counterparts. The captions of this Agreement are for convenience only and shall not affect the construction hereof. This Agreement may be executed in several counterparts, each of which shall be deemed an original.
- 21.10. Modification. No modification, rescission, waiver, release or amendment of any provision of this Agreement shall be made, except by a written agreement signed by the Borrowers, the Guarantor and a duly authorized officer of the Bank.
- 21.11 No Waiver. No failure or delay on the part of the Bank in exercising any right, power, or remedy hereunder shall operate as a waiver thereof; nor shall any single or partial exercise of any such right, power, or remedy preclude any other or further exercise thereof or the exercise of any other right, power, or remedy hereunder. The rights and remedies provided herein are cumulative and are not exclusive of any other rights, powers, privileges, or remedies, now or hereafter existing, at law or in equity or otherwise.
- 21.13 Costs and Expenses.
- 21.13.1 Costs and Expenses of Bank. The Borrower agrees to pay, at closing, all reasonable expenses connected with the Loans, including without limitation the cost of preparation of documents, Bank's counsel fees, Borrowers' counsel fees, title insurance, recording fees, and any other reasonable fees or expenses relating to the Loans.
- 21.13.2. Costs, Expenses and Taxes of Borrowers and the Guarantor. At all times subsequent to the date of this Agreement, the Borrowers and the Guarantor agree to pay on demand all reasonable costs and expenses, incurred by the Bank in connection with the preparation, execution, delivery, filing, and administration of any amendment, modification, or supplement to the Loan Documents, including, without limitation, reasonable bank audit fees, the reasonable fees and out-of-pocket expenses of counsel for the Bank incurred in connection with advising the Bank as to its rights and responsibilities hereunder. The Borrowers and the Guarantor agree to pay all such reasonable costs and expenses, including court costs, incurred in connection with enforcement of the Loan Documents, or any amendment, modification, or supplement thereto, whether by negotiation, legal proceedings, or otherwise. In addition, the Borrowers and the Guarantor shall pay any and all stamp and other taxes and fees payable or determined to be payable in connection with the execution, delivery, filing, and recording of any of the amendment, modification or supplement to the Loan Documents and the other documents related thereto, and agree to hold the Bank harmless from and against any and all liabilities with respect to or resulting from any delay in paying or omission to pay such

taxes and fees. This provision shall survive termination of this Agreement.


21.14 Integration. This Agreement and the Loan Documents contain the entire agreement between the parties relating to the subject matter hereof and supersede all oral statements and prior writings with respect thereto.

21.15 Right of Setoff. Borrowers and any Guarantor hereby grant to Bank, a continuing lien, security interest and right of setoff as security for all liabilities and obligations to Bank, whether now existing or hereafter arising, upon and against all deposits, credits, collateral and property, now or hereafter in the possession, custody, safekeeping or control of Bank or any entity under the control of FleetBoston Financial Corporation and its successors and assigns or in transit to any of them. At any time, without demand, or notice (any such notice being expressly waived by Borrowers), Bank may setoff the same or any part thereof and apply the same to any liability or obligation of Borrowers and any Guarantor even though unmatured and regardless of the adequacy of any other collateral securing the Loan. ANY AND ALL RIGHTS TO REQUIRE BANK TO EXERCISE ITS RIGHTS OR REMEDIES WITH RESPECT TO ANY OTHER COLLATERAL WHICH SECURES THE LOAN PRIOR TO EXERCISING ITS RIGHT OF SETOFF WITH RESPECT TO SUCH DEPOSITS, CREDITS OR OTHER PROPERTY OF BORROWERS OR ANY GUARANTOR, ARE HEREBY KNOWINGLY, VOLUNTARILY AND IRREVOCABLY WAIVED.

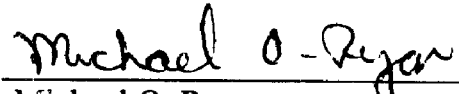
21.16 Right to Sell a Loan to a Third Party. Bank shall have the unrestricted right at any time or from time to time, and without Borrowers', or any Guarantor's consent, to assign all or any portion of its rights and obligations hereunder to one or more banks or other financial institutions (each, an "Assignee"), and Borrowers and the Guarantor agree that it shall execute, or cause to be executed, such documents, including without limitation, amendments to this Agreement and to any other documents, instruments and agreements executed in connection herewith as Bank shall deem necessary to effect the foregoing. In addition, at the request of Bank and any such Assignee, Borrowers shall issue one or more new promissory notes, as applicable, to any such Assignee and, if Bank has retained any of its rights and obligations hereunder following such assignment, to Bank, which new promissory note shall be issued in replacement of, but not in discharge of, the liability evidenced by the promissory note held by Bank prior to such assignment and shall reflect the amount of the respective commitments and loans held by such Assignee and Bank after giving effect to such assignment. Upon the execution and delivery of appropriate assignment documentation, amendments and any other documentation required by Bank in connection with such assignment, and the payment by Assignee of the purchase price agreed to by Bank, and such Assignee, such Assignee shall be a party to this Agreement and shall have all of the rights and obligations of Bank hereunder (and under any and all other guaranties, documents, instruments and agreements executed in connection herewith) to the extent that such rights and obligations have been assigned by Bank pursuant to the assignment documentation between Bank and such Assignee, and

IN WITNESS WHEREOF, the parties have hereunto set their hands and seals to this Agreement the day and year first above written.

BORROWERS:
SAMPKO, INC.
SOUTHERN SAMPLE COMPANY
SAMPKO OF MINNESOTA, INC.
SAMPKO OF INDIANA, INC.
SAMPKO OF TEXAS, INC.
SAMPKO COMPANIES, INC.
SAMPKO OF NEVADA, INC.



Witness


By: 

Michael O. Ryan
Its President and on behalf
of all of the above Borrowers

THE GUARANTOR:

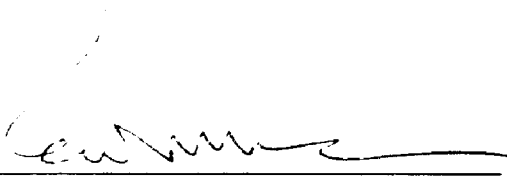


Witness

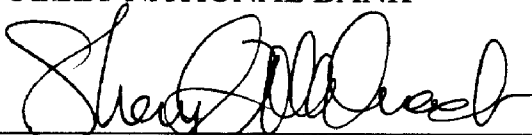


Michael O. Ryan, Individually

THE BANK:
FLEET NATIONAL BANK



Witness

By: 

Sheryl L. McQuade,
Its Vice President

BORROWING BASE CERTIFICATE
SAMPCO COMPANIES

1.	Total Accounts Receivable.....	\$
2.	US Accounts > 90 days from invoice date...	\$
3.	Owens Corning Accounts > 60 days from invoice date.....	\$
4.	Accounts for which >25% of the amount owed by such Account Debtor is otherwise classified as Ineligible.....	\$
5.	All Intercompany Accounts.....	\$
6.	Total ELIGIBLE ACCOUNTS RECEIVABLE (1-(2+3+4+5)	.\$
7.	Line #6 Multiplied by 80%	\$
8.	TOTAL RECEIVABLES BORROWING BASE	\$
9.	Eligible Raw Materials Inventory (Landed Cost) ON SITE	\$
	Net of: Material Overhead, excl. freight -	\$
	Work In Process	-\$
	Miscellaneous Product	-\$
10.	Eligible Finished Goods Inventory ON SITE	\$
11.	Eligible Raw Materials Inventory (Landed Cost) OFF SITE AS PERFECTED (At Warehouses).....	\$
	Net of: Material Overhead, excl. freight -	\$
	Work In Process	-\$
	Miscellaneous Product	-\$
12.	Eligible Finished Goods Inventory OFF SITE AS PERFECTED (at Warehouses).....	\$
13.	TOTAL ELIGIBLE INVENTORY (9+10+11+12)	\$
14.	Line # 13 Multiplied by 50%	
15.	TOTAL INVENTORY BORROWING BASE	\$
16.	All other Ineligible Accounts (pursuant to section 1.1.29 of	

- the Loan and Security Agreement) \$
- 17. **TOTAL BORROWING CAPACITY**(Line (7 +14)-15)..... \$
- 18. **Balance of Credit Line as of END OF MONTH**..... \$
- 19. **Minimum Excess Availability (pursuant to Section 2.1.1 of the Loan Agreement)**..... \$
- 20. **Net Borrowing Capacity**
(Line #16 – 17, must be ≤ \$3,500,000.00)..... \$
- 21. **Overadvance (limited and only applicable between August and December)**.....\$

This Borrowing Base Certificate is true and accurate and in accordance with the Loan and Security Agreement dated as of March 26, 2002 as CERTIFIED this _____ day of _____, 20__.

SAMPCO, INC.

SOUTHERN SAMPLE COMPANY

SAMPCO OF MINNESOTA, INC.

SAMPCO OF INDIANA, INC.

SAMPCO OF NEVADA, INC.

SAMPCO OF TEXAS, INC.

SAMPCO COMPANIES, INC.

By _____
Its

LIST OF EXHIBITS AND SCHEDULES TO LOAN AND SECURITY AGREEMENT

1. **EXHIBIT 2 - INTEREST RATE CHART**
2. **EXHIBIT 2.1.1 - FORM OF REVOLVING NOTE**
3. **EXHIBIT 2.2.1 - FORM OF TERM NOTE**
4. **EXHIBIT 2.3.1 - FORM OF CAPITAL, SPENDING LINE OF CREDIT NOTE**
5. **EXHIBIT 2.4.1 - FORM OF MORTGAGE NOTE.**
6. **EXHIBIT 13.4 - ADDRESS LIST FOR BORROWERS LEASED AND WAREHOUSED PROPERTIES**
7. **EXHIBIT 15.1.4. - PERMITTED LIENS**
8. **EXHIBIT 16.1.4. - BORROWING BASE CERTIFICATE.**
9. **SCHEDULE A - COLLATERAL DESCRIPTION**

EXHIBIT 2
to
LOAN AND SECURITY AGREEMENT

Pricing for the Committed, Revolving Business Credit Note, Term Note, Mortgage Term Note, and Capital, Spending Line of Credit Note is available at the Borrowers' selection at either "LIBOR" (the London Interbank Offered Rate) plus an applicable spread (the "Applicable Libor Spread") or the Prime Rate plus an applicable spread (the "Applicable Prime Spread") determined in accordance with the performance grid listed below. A Libor rate can be elected for periods of 1, 2, 3, 6 months or 1 year.

Fixed Charge Coverage Ratio	Applicable LIBOR Spread	Applicable Prime Spread
≥ 1.25:1 < 1.50:1	2.50%	- 50%
≥ 1.50:1 < 1.75:1	2.25%	- 75%
≥ 1.75:1	2.00%	- 75%

The initial Applicable LIBOR Spread and Applicable Prime Spread will be 2.25% and – 75%, respectively for the period of March 26, 2002 through March 25, 2003 only. The Applicable LIBOR Spread and Prime Spread will be reviewed and determined quarterly thereafter.

*Fixed Charge Coverage is defined as:

$$\frac{\begin{aligned} &(\text{income before interest, taxes (i.e., Operating Income) + Depreciation + Amortization}) \\ &\text{less} \\ &(\text{Unfinanced Capital Expenditures (i.e., that portion of the Borrowers' fixed asset} \\ &\text{additions which are not financed with term debt) – Cash Taxes – Shareholder} \\ &\text{Distributions – Tax Distributions}) \end{aligned}}{\begin{aligned} &\text{divided by} \\ &(\text{Interest Expense + Principal paid on long term debt}) \end{aligned}}$$

EXHIBIT 2.1.1.

FORM OF REVOLVING NOTE

EXHIBIT 2.2.1.

FORM OF TERM NOTE

EXHIBIT 2.3.1.

FORM OF CAPITAL, SPENDING LINE OF CREDIT NOTE

EXHIBIT 2.4.1.

FORM OF MORTGAGE NOTE

Exhibit 13.4

Address List for Sampco Leased Properties

Landlord	Plant Address	Warehouse Address
Sampco of Nevada, Inc. McKenzie Properties Limited Partnership PO Box 1209 Reno, NV 89504 (775)329-5181	Sampco of Nevada, Inc. 750 B. South Rock Blvd. Reno, NV 89502	
Sampco of Minnesota Samuelson & Associates 7800 East River Road (New Address 3/13/02 11662 Tulip St., N.E. Minneapolis, MN 55433 (612)571-7980 Contact: Leonard Samuelson	Sampco of Minnesota 2701 33 rd St. East Minneapolis, MN 55406	
Sampco, Inc. Michael O. Ryan as Trustee M&V Ryan Realty Trust 56 Downing Pkwy Pittsfield, MA 01201	Sampco, Inc. 56 Downing Pkwy Pittsfield, MA 01201	
Sampco, Inc. JA Realty PO Box 113 Dalton, MA 01227 (413)499-4980 Contact: Amy Kroboth	Sampco, Inc. 290 Hubbard Avenue Pittsfield, MA 01201	
Sampco of Texas, Inc. Great Southwest Industrial (RREEF) 1406 Halsey Way, Suite 110 Carrollton, TX 75007	Sampco of Texas, Inc. 1340 W. North Carrier Pkwy Grand Prairie, TX 75050	Sampco of Texas, Inc. 3450 Roy Orr Blvd. Grand Prairie, TX 75050
Sampco of Texas, Inc. Standard Corporation PO Box 65502 (remit to address) Charlotte, NC 28265 (972)336-0449 Contact: Ellis		Sampco of Texas, Inc. (Remote Warehouse) PO Box 65502 Charlotte, NC 28265
Sampco of Indiana, Inc. TTJ, Inc. 59 Lakewood Place Highland Park, IL 60035 (847)433-3152	Sampco of Indiana, Inc. 915 West Ireland Rd. South Bend, IN 46614	

EXHIBIT 15.1.4

PERMITTED LIENS

Debtor	Secured Party	Date of Lien/Filing Number	Description of Collateral
Sampco of Indiana, Inc.	Granite Financial, Inc.	11-18-1999 #2290581	die cutting machine
Sampco of Indiana, Inc.	The Manifest Group	04-20-2000 #2316917	auto strapper
Sampco of Minnesota, Inc.	Granite Financial, Inc.	11-17-1999 #2178522	die cutting machine

BORROWING BASE CERTIFICATE
SAMPCO COMPANIES

1.	Total Accounts Receivable.....	\$
2.	US Accounts > 90 days from invoice date...	\$
3.	Owens Corning Accounts > 60 days from invoice date.....	\$
4.	Accounts for which >25% of the amount owed by such Account Debtor is otherwise classified as Ineligible.....	\$
5.	All Intercompany Accounts.....	\$
6.	Total ELIGIBLE ACCOUNTS RECEIVABLE (1-(2+3+4+5))	.\$
7.	Line #6 Multiplied by 80%	\$
8.	TOTAL RECEIVABLES BORROWING BASE	\$
9.	Eligible Raw Materials Inventory (Landed Cost) ON SITE	\$
	Net of: Material Overhead, excl. freight -	\$
	Work In Process	-\$
	Miscellaneous Product	-\$
10.	Eligible Finished Goods Inventory ON SITE	\$
11.	Eligible Raw Materials Inventory (Landed Cost) OFF SITE AS PERFECTED (At Warehouses).....	\$
	Net of: Material Overhead, excl. freight -	\$
	Work In Process	-\$
	Miscellaneous Product	-\$
12.	Eligible Finished Goods Inventory OFF SITE AS PERFECTED (at Warehouses).....	\$
13.	TOTAL ELIGIBLE INVENTORY (9+10+11+12)	\$
14.	Line # 13 Multiplied by 50%	
15.	TOTAL INVENTORY BORROWING BASE	\$

- 16. All other Ineligible Accounts (pursuant to section 1.1.29 of the Loan and Security Agreement) \$
- 17. **TOTAL BORROWING CAPACITY**(Line (7 +14)-15)..... \$
- 18. Balance of Credit Line as of **END OF MONTH**..... \$
- 19. Minimum Excess Availability (pursuant to Section 2.1.1 of the Loan Agreement)..... \$
- 20. Net Borrowing Capacity
(Line #16 – 17, must be ≤ \$3,500,000.00)..... \$
- 21. Overadvance (limited and only applicable between August and December)..... \$

This Borrowing Base Certificate is true and accurate and in accordance with the Loan and Security Agreement dated as of March 26, 2002 as CERTIFIED this _____ day of _____, 20__.

SAMPCO, INC.

SOUTHERN SAMPLE COMPANY

SAMPCO OF MINNESOTA, INC.

SAMPCO OF INDIANA, INC.

SAMPCO OF NEVADA, INC.

SAMPCO OF TEXAS, INC.

SAMPCO COMPANIES, INC.

By _____
Its

SCHEDULE "A"

COLLATERAL

a. All goods, fixtures, inventory, furnishings, equipment, machinery, chattels, accounts, accounts receivables, documents, instruments, payment rights, software, license fees, commercial deposit accounts, letter of credit rights, chattel paper and general intangibles, including payment intangibles and supporting obligations now owned or hereafter acquired by the Debtor, all renewals or replacements thereof, articles in substitution thereof and parts therefor; all accessories, proceeds and profits thereof, including insurance proceeds; and all of the estate, right, title and interest of the Debtor; wherever located, in and to all personal property of any nature whatsoever, now owned or hereafter acquired.

Nothing contained herein, however, shall obligate the Secured Party to perform any obligations of the Debtor unless it so chooses.

b. All rents, incomes, profits, revenues, royalties, bonuses, rights, accounts, contract rights, general intangibles and benefits under any and all leases or tenancies now existing or hereafter created on all of the premises where the Debtor now or hereafter conducts its business (the "Premises"), or any part thereof with the right to receive and apply the same to the obligations of the Debtor to the Secured Party, and the Secured Party may demand, sue for and recover such payments but shall not be required to do so.

c. All judgements, awards of damages and settlements hereafter made as a result of or in lieu of any taking of the Premises or any part thereof or interest therein under the power of eminent domain, or for any damage (whether caused by such taking or otherwise) to the Premises or the improvements thereon or any part thereof or interest therein, including any award for change of grade of streets.

d. All of Debtor's right, title and interest in any and all claims to rebates, refunds, and abatements of real estate taxes pertaining to the Premises, or any portion thereof, with respect to tax periods arising at any time prior to the discharge hereof even though such taxes may relate to periods before the execution hereof, which rebates, refunds and abatements shall in the case of a default hereunder be applied to the obligations.

e. All other personal property of the Debtor which constitutes equipment or other goods located at the Premises or any part thereof.

f. All proceeds of the conversion, voluntary or involuntary, of any of the foregoing into cash or liquidated claims.

All terms used herein which are defined in Article 1 or Article 9 of the Uniform Commercial Code, as enacted in Massachusetts, shall have the meaning given therein unless otherwise defined.