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05-09-2003



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Form PTO-1594 (Rev. 10/02) OMB No. 0651-0027 (exp. 06/30/2005)

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

Tab settings

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

1. Name of conveying party(ies): 5-6-03  
 BHS, Inc. (d/b/a BHS-Torin, Inc.)

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: Webster Bank  
 Internal Address: Cityplace II  
 Street Address: 185 Asylum Street  
 City: Hartford State: CT Zip: 06103

Individual(s) citizenship \_\_\_\_\_  
 Association \_\_\_\_\_  
 General Partnership \_\_\_\_\_  
 Limited Partnership \_\_\_\_\_  
 Corporation-State \_\_\_\_\_  
 Other Bank

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: 11/09/01

4. Application number(s) or registration number(s):  
 A. Trademark Application No.(s) \_\_\_\_\_  
 \_\_\_\_\_

B. Trademark Registration No.(s) 2,155,271  
2,204,202

Additional number(s) attached  Yes  No

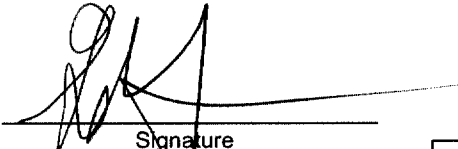
5. Name and address of party to whom correspondence concerning document should be mailed:  
 Name: Gregg J. Lallier  
 Internal Address: Updike, Kelly & Spellacy, P.C.  
 \_\_\_\_\_  
 \_\_\_\_\_  
 Street Address: One Century Tower  
265 Church Street  
 City: New Haven State: CT Zip: 06510

6. Total number of applications and registrations involved: 2

7. Total fee (37 CFR 3.41).....\$ 65.00  
 Enclosed  
 Authorized to be charged to deposit account

8. Deposit account number: \_\_\_\_\_

DO NOT USE THIS SPACE

9. Signature.  
Gregg J. Lallier                                                            4/28/03  
 Name of Person Signing                              Signature                              Date

Total number of pages including cover sheet, attachments, and document: 38

05/08/2003 6TON11 00000110 2155271  
 01 FC:0521 40.00 OP  
 02 FC:0522 25.00 OP

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

TRADEMARK  
 REEL: 002728 FRAME: 0648

**TRUE AND CORRECT COPY CERTIFICATION**

The undersigned, being all the parties to that certain **LOAN AND SECURITY AGREEMENT** (the "**Security Agreement**") dated as of November 9, 2001 between **WEBSTER BANK**, a Connecticut banking institution with an office at CityPlace II, 185 Asylum Street, Hartford, Connecticut 06103 (the "**Bank**"), **B H S, INC. (d/b/a BHS-Torin, Inc.)**, a Connecticut corporation with an address at 1547 New Britain Avenue, Farmington, Connecticut 06032 ("**BHS**"), **L.M. GILL WELDING & MANUFACTURING, LLC.**, a Connecticut limited liability company with an address at 1547 New Britain Avenue, Farmington, Connecticut 06032 ("**Gill**") and **GUARDIAN AEROSPACE LLC**, a Connecticut limited liability company with an address at 1547 New Britain Avenue, Farmington, Connecticut 06032 ("**Guardian**" and collectively with Gill and BHS, "**Borrower**"), **DO HEREBY CERTIFY** that the document attached hereto is a **TRUE AND CORRECT COPY** of the Security Agreement, pursuant to which Borrower granted to the Bank a first lien and security interest in certain property of Borrower as set forth in the Security Agreement, including without limitation the following property, in which Borrower hereby affirms and restates the security interest granted to the Bank:

1. All copyrights of Borrower including without limitation the following copyrights owned by BHS:

<u>Copyright Title</u>	<u>Copyright Registration Number</u>	<u>Date Registered</u>
ZCNC Software: Version 1.21	TXu978901	July 5, 2001
Spring Coiling Machine Software	TXu873510	September 9, 1998
CNC Spring Making Machine Software, Version 2.32	TXu1008559	July 5, 2001
CNC Spring Making Machine Program: Version 2.19	TXu710587	October 2, 1995
CNC Spring Making Machine	TXu569076	April 12, 1993
CNC Spring Making Machine	TXu569075	April 12, 1993

2. All patents of Borrower including without limitation the following patents owned by BHS:

<u>Patent Title</u>	<u>Patent Registration Number</u>	<u>Date Granted</u>
Spring Coiling Machine with Hybrid Servo Motor-Cam Torsion Control	5,657,657	August 19, 1997
Spring Coiling Machine	5,706,687	January 13, 1998

3. All trademarks of Borrower including without limitation the following trademarks owned by BHS:

<u>Trademark</u>	<u>Trademark Registration Number</u>	<u>Date Granted</u>
Roto-Coiler	2,155,271	May 5, 1998
Torin	2,204,202	November 17, 1998

[INTENTIONALLY LEFT BLANK – SIGNATURE PAGE (S-1) FOLLOWS]

IN WITNESS WHEREOF, the undersigned has caused these presents to be executed and delivered on this the 25 day of April, 2003.

**WEBSTER BANK**

**B H S, INC.**  
(d/b/a BHS-Torin, Inc.)

By: [Signature]  
Its VICE PRESIDENT

By: [Signature]  
Its PRESIDENT

**L.M. GILL WELDING & MANUFACTURING, LLC.**

**GUARDIAN AEROSPACE LLC**

By: [Signature]  
Its PRESIDENT

By: [Signature]  
Its PRESIDENT

STATE OF CONNECTICUT)

COUNTY OF Hartford )

ss. at Kensington

Before me, the undersigned, this 25 day of April, 2003, personally appeared A. H. J. S. S., known to me to be the Vice President of Webster Bank, a Connecticut banking institution, and that he/she, as such A. H. J. S. S., signer and sealer of the foregoing instrument, acknowledged the execution of the same to be his/her free act and deed as such Vice President and the free act and deed of said banking institution.

In Witness Whereof, I hereunto set my hand.

[Signature]  
Commissioner of the Superior Court  
Notary Public  
My Commission Expires:

**PATRICIA A. BERRY**  
NOTARY PUBLIC  
My Commission Expires August 31, 2004


STATE OF CONNECTICUT)

COUNTY OF Hartford )

ss. at Hartford

Before me, the undersigned, this 17<sup>th</sup> day of April 2003, personally appeared Richard A. Brink known to me to be the President of B H S, Inc. (d/b/a BHS-Torin, Inc.), a Connecticut corporation, and that he/~~she~~, as such President, signer and sealer of the foregoing instrument, acknowledged the execution of the same to be his/~~her~~ free act and deed as such President, and the free act and deed of said corporation.

In Witness Whereof, I hereunto set my hand.

  
~~Commissioner of the Superior Court~~  
Notary Public

LOIS J. GOODIN  
NOTARY PUBLIC  
MY COMMISSION EXPIRES JULY 31, 2007

My Commission Expires:


STATE OF CONNECTICUT)

COUNTY OF Hartford )

ss. at Hartford

Before me, the undersigned, this 17<sup>th</sup> day of April 2003, personally appeared Richard A. Brink, known to me to be the President of L.M. Gill Welding & Manufacturing, LLC., a Connecticut corporation, and that he/~~she~~, as such President, signer and sealer of the foregoing instrument, acknowledged the execution of the same to be his/~~her~~ free act and deed as such President, and the free act and deed of said corporation.

In Witness Whereof, I hereunto set my hand.

  
~~Commissioner of the Superior Court~~  
Notary Public

LOIS J. GOODIN  
NOTARY PUBLIC  
MY COMMISSION EXPIRES JULY 31, 2007

My Commission Expires:

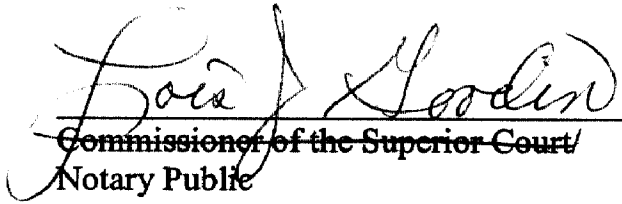
STATE OF CONNECTICUT)

COUNTY OF Hartford)

ss. at Hartford

Before me, the undersigned, this 17<sup>th</sup> day of April 2003, personally appeared Richard A. Brink, known to me to be the President of Guardian Aerospace LLC, a Connecticut limited liability company, and that ~~he~~she, as such President, signer and sealer of the foregoing instrument, acknowledged the execution of the same to be his/~~her~~ free act and deed as such President, and the free act and deed of said limited liability company.

In Witness Whereof, I hereunto set my hand.

  
~~Commissioner of the Superior Court~~  
Notary Public

My Commission Expires:

**LOIS J. GOODIN**  
**NOTARY PUBLIC**  
MY COMMISSION EXPIRES JULY 31, 2007

## **LOAN AND SECURITY AGREEMENT**

This Agreement dated as of November 9, 2001 by and between WEBSTER BANK, a Connecticut banking institution with an office at CityPlace II, 185 Asylum Street, Hartford, Connecticut 06103 (the "Bank"), B H S, INC., a Connecticut corporation with an address at 1547 New Britain Avenue, Farmington, Connecticut 06032 ("BHS"), L.M. GILL WELDING & MANUFACTURING, INC., a Connecticut limited liability company with an address at 1547 New Britain Avenue, Farmington, Connecticut 06032 ("Gill") and GUARDIAN AEROSPACE LLC, a Connecticut limited liability company with an address at 1547 New Britain Avenue, Farmington, Connecticut 06032 ("Guardian") (BHS, Gill and Guardian are herein collectively referred to as the "Borrower").

### **ARTICLE I DEFINITIONS**

**Section 1.1 - Accounting Terms; Etc.** Unless otherwise defined, all accounting terms shall be construed, and all computations or classifications of assets and liabilities and of income and expenses shall be made or determined in accordance with generally accepted accounting principles as consistently applied. As used herein, in the Note (as herein defined) or in any certificate, document or report delivered pursuant to this Agreement or any other Financing Agreement (as herein defined), the following terms shall have the following meanings:

"Account" and "Accounts" shall have the meaning assigned in Section 9-102(a)(2) of the Connecticut Uniform Commercial Code.

"Accounts Debtor" and "Account Debtors" means the person or entity or persons or entities obligated to the Borrower upon the Accounts.

"Agreement" means this Loan and Security Agreement as the same may from time to time be amended, supplemented or otherwise modified.

"Bank" means Webster Bank.

"Borrowing Base" shall mean an amount equal to the lesser of: (i) Two Million Dollars (\$2,000,000) or (ii) the sum of (A) eighty percent (80%) of Eligible Receivables (as hereinafter defined), plus (B) forty percent (40%) of Eligible Finished Goods (as hereinafter defined), plus (C) forty percent (40%) of Eligible Raw Materials (as hereinafter defined), plus (D) seventy-five percent (75%) of Eligible Machines (as hereinafter defined), plus (E) twenty percent (20%) of Other WIP (as hereinafter defined). The Borrowing base shall be reduced by the face amount of any outstanding letters of credit issued by the Bank for the account of the Borrower. All inventory amounts shall be net of all deposits, progress payments and reserves and shall be stated at the lower of FIFO cost basis or market value.

"Business Day" means any day other than a day on which commercial banks in Hartford, Connecticut are required or permitted by law to close.

"Collateral" means the property of the Borrower described in Section 3.1 hereof.

"Company Guarantor" shall mean FAR Realty, LLP, a Connecticut limited liability partnership.

"Dollar" and the sign "\$" means lawful money of the United States of America.

"Eligible Finished Goods" shall mean finished goods inventory consisting of completed, ready-for-shipment products which (i) have not remained in inventory for more than one (1) year, (ii) are otherwise salable, and (iii) are not otherwise counted for purposes of determining the Borrowing Base.

"Eligible Machines" shall mean (i) stock spring coilers which are Torin Models Z/CNC #s 10 through 12 and which are mechanically complete except for tooling, painting and optional accessories with all basic electrical components installed, except for transformers and accessories, and which have been powered up and heat tested, and (ii) other completed machines built to customers' order specifications awaiting shipment, customers' payments due or inspections/run-off prior to shipment.

"Eligible Raw Materials" shall mean raw materials inventory which is not obsolete.

"Eligible Receivable" shall mean the aggregate of the unpaid portion of a Receivable (net of any credits, customer deposit, rebates, offsets, holdbacks or other adjustments or commissions payable to third parties that are adjustments to such Receivable) which:

- (a) the Borrower reasonably and in good faith determines to be collectible;
- (b) is not more than sixty (90) days from the date of the original invoice evidencing such Receivable;
- (c) arises from the sale of goods or the performance of services by the Borrower in an arm's length transaction in the ordinary course of its business;
- (d) reflects the deduction of the gross amount of all credits for the particular Account Debtor;
- (e) is a Receivable upon which the Borrower's right to receive payment is absolute and not contingent upon the fulfillment of any condition whatsoever (e.g. trial period, bill-and-hold, sale-and return, sale on approval, consignment or guaranteed sale);



- (f) does not arise from a sale or sales to any affiliate, parent or subsidiary of the Borrower, or to a person controlled by an affiliate, subsidiary or parent of the Borrower;
- (g) does not arise from the exchange or barter of any goods or services;
- (h) does not arise from a contract containing a prohibition against assigning or granting a security interest therein;
- (i) is not a Receivable arising from a sale to an Account Debtor which is an inventory or trade supplier or other creditor or of the Borrower;
- (j) is not a Receivable of an Account Debtor which has suspended business, made a general assignment for the benefit of creditors, committed any act of insolvency, filed or have had filed against it any petition against the Account Debtor under any bankruptcy law or any other law or laws for the relief of debtors;
- (k) is not a receivable from an Account Debtor from whom more than fifty percent (50%) of its Receivables are more than ninety (90) days past due;
- (l) is not the Receivable of an Account Debtor which shall have objected, in any material respect, to the quality or quantity of goods or services of the Borrower sold, or shall have rejected, returned, or refused to accept such goods or services;
- (m) is not a Receivable which is, in the Bank's sole discretion, the Receivable of an Account Debtor which is an undue credit risk or otherwise unacceptable to the Bank in its sole discretion;
- (n) is not a Receivable which arises from an invoice, statement or other evidence of indebtedness which has been reduced, unless the Borrower has adjusted such Receivable to reflect such reduction;
- (o) is not a Receivable or portion thereof with respect to which the Account Debtor has disputed liability; provided that such Receivable shall be excluded only to the extent of the disputed portion thereof;
- (p) is not a Receivable which arises from the obligations of an Account Debtor located in a foreign country, unless supported by a letter of credit or credit insurance or domestic-affiliate guaranty approved by the Bank;
- (q) is not a Receivable owing by the United States of America or any agency or instrumentality thereof, unless the Borrower shall have demonstrated to the Bank full compliance with the Federal Assignment of Claims Act;

(r) is not a Receivable arising from any financing charge imposed by the Borrower; and

(s) is not a Receivable which has extended payment or dating terms, unless approved by the Bank in writing.

"Event of Default" and "Events of Default" shall have the meanings assigned in Section 7.1 hereof.

"Financing Agreement" or "Financing Agreements" means this Agreement, the Note and any and all other instruments, agreements and documents executed in connection herewith or therewith or related hereto or thereto, together with any amendments, supplements or modifications hereto or thereto.

"Individual Guarantor" shall mean Richard Brink.

"Loans" shall mean the Revolving Credit Loan and the Term Loan.

"Material Adverse Effect" is defined in Section 4.1(d) hereof.

"Notes" shall mean the Revolving Loan Note and the Term Note.

"Notice of Borrowing" shall have the definition assigned in Section 2.2 hereof.

"Obligation(s)" means and includes all loans, advances, interest, indebtedness, liabilities, obligations, guaranties, covenants and duties at any time owing by the Borrower to the Bank of every kind and description, whether or not evidenced by any note or other instrument, whether or not for the payment of money, whether direct or indirect, absolute or contingent, due or to become due, now existing or hereafter arising, including, but not limited to, the Loans and all other indebtedness, liabilities and obligations arising under this Agreement and the other Financing Agreements, and all costs, expenses, fees, charges and attorneys' paralegal' and professional fees incurred in connection with any of the foregoing, or in any way connected with, involving or relating to the preservation, enforcement, protection or defense of, or realization under this Agreement, the Notes, any of the other Financing Agreements, any related agreement, document or instrument, the Collateral and the rights and remedies hereunder or thereunder.

"Permitted Liens" shall mean and include: (i) liens for taxes not yet due and payable, or which are being contested in good faith by appropriate proceedings so long as the Borrower, to the extent required by GAAP applied on a consistent basis, maintains adequate reserves with respect thereto, (ii) carriers, workmen, mechanics, materialmen, repairmen, or other like liens arising in the ordinary course of business, for indebtedness which is not overdue, or which is being contested in good faith, and by appropriate proceedings; (iii) liens identified on Schedule

1.1 attached hereto; and (iv) liens on insurance proceeds in favor of insurance companies granted solely as security for financed premiums.

"Other WIP" shall mean current work-in-process which (i) is not otherwise counted for purposes of determining the Borrowing Base, and (ii) is otherwise acceptable to the Bank in its sole discretion.

"Receivables" shall mean all accounts and accounts receivable related to or arising from the sale or lease of inventory or rendition of services by the Borrower in the ordinary course of its business.

"Revolving Loan" and "Revolving Loans" shall have the meanings assigned in Section 2.1 hereof.

"Revolving Loan Account" shall have the meaning assigned in Section 2.2 hereof.

"Revolving Loan Note" shall have the meaning assigned in Section 2.1 hereof.

"Subordinated Debt" shall mean indebtedness of the Borrower to the Connecticut Development Authority (the "CDA") which has been subordinated to the Obligations pursuant to a subordination agreement satisfactory to the Bank.

"Subordinated Debt Holder" shall mean the CDA.

"Subsidiary" and "Subsidiaries" shall mean any business entity of which more than 50% of the ownership interest or voting control is at the time owned by the Borrower and/or by one or more Subsidiaries.

"Term Loan" shall mean the term loan in the original principal amount of \$1,500,000 being made by the Bank to the Borrower concurrently herewith.

"Term Note" shall mean the promissory note evidencing the Term Loan being executed and delivered to the Bank concurrently herewith.

"Termination Date" shall have the meaning assigned in Section 8.1 hereof.

## ARTICLE II LOANS

Section 2.1 - Revolving Loan. Subject to the terms and conditions contained in this Agreement, the Bank agrees, to make loans (the "Revolving Loans" and, individually, a "Revolving Loan") to the Borrower from time to time until terminated as provided in Section 8.1

hereof in principal amounts not exceeding in the aggregate at any one time outstanding the Borrowing Base. The Revolving Loan shall be evidenced by a revolving loan note payable to Bank in the form of Exhibit A attached hereto (the "Revolving Loan Note").

Section 2.2 - Procedure for Advances, Notice of Borrowing. Within the limits of the Borrowing Base, so long as the Borrower is in compliance with all of the terms and conditions of this Agreement and no Event of Default shall have occurred and no condition exists which would constitute an Event of Default but for the giving of notice or passage of time, or both, the Borrower may borrow, repay and re-borrow Revolving Loans. Whenever the Borrower desires an advance, the Borrower shall give notice of the proposed borrowing in writing to the Bank (which notice shall be irrevocable). Such notice (each, a "Notice of Borrowing") shall be accompanied by a duly completed Borrowing Base Certificate dated as of the date of the requested advance, shall specify the date of the proposed borrowing and the amount to be borrowed. Each Notice of Borrowing must be received by Bank no later than 11:00 a.m., Hartford, Connecticut time on the day such borrowing is requested. Insofar as the Borrower may request and the Bank shall make Revolving Loans hereunder, the Bank shall enter such advances as debits on a revolving loan account maintained by the Borrower with the Bank (the "Revolving Loan Account"). The Bank may also record to the Revolving Loan Account, in accordance with customary banking procedures, all fees, accrued and unpaid interest, late fees, usual and customary bank charges for the maintenance and administration of checking and other bank accounts maintained by the Borrower and other fees and charges which are properly chargeable to the Borrower under this Agreement; all payments, subject to collection, made by the Borrower on account of indebtedness evidenced by the Revolving Loan Account; and all proceeds of collateral which are finally paid to the Bank in its own office in cash or solvent credits.

Section 2.3 - Crediting of Deposits. Deposited items shall be credited to the Obligations of the Borrower on the day of actual receipt by the Bank; provided, however, that all credits shall be conditional credits subject to collection and that returned items, at the Bank's option, may be charged to the Borrower; and further provided that for purposes of the computation of interest, items shall not be deemed to be collected until two (2) days after their actual receipt by the Bank.

Section 2.4 - Debiting of Account. The Bank shall have the right to debit the Revolving Loan Account for all interest charges on the Revolving Loans as and when the same shall be due and payable, if not otherwise paid by the Borrower.

Section 2.5 - Use of Proceeds. The Borrower represents that the proceeds of the Revolving Loan will be used to refinance existing indebtedness owed to other financial institutions and for working capital in the ordinary course of business, including trade letters of credit.

Section 2.6 - Expenses. The Borrower shall pay all out-of-pocket costs incurred by the Bank, including reasonable counsel fees and expenses, in connection with the making of the Loans.

**Section 2.7 - Repayment of Excess Borrowings.** If the outstanding balance of the Revolving Loan shall at any time exceed the Borrowing Base, the Borrower shall immediately repay such portion of the Revolving Loan as shall be necessary to reduce the Revolving Loan to the Borrowing Base.

### **ARTICLE III COLLATERAL**

**Section 3.1 - Grant.** To secure the prompt payment and performance of each and all of the Obligations, the Borrower pledges, assigns, transfers and grants to the Bank a continuing, first lien and security interest in the following property of the Borrower, wherever located, whether now owned or hereafter acquired or arising, and all proceeds and products thereof, (herein collectively called the "Collateral"), subject only to Permitted Liens: all assets of every nature, including without limitation personal and fixture property of every kind and nature including without limitation all goods (including inventory, equipment and any accessions thereto), instruments (including promissory notes), documents, accounts (including health-care-insurance receivables), chattel paper (whether tangible or electronic), deposit accounts, letter-of-credit rights (whether or not the letter of credit is evidenced by a writing), commercial tort claims, securities and all other investment property, supporting obligations, any other contract rights or rights to the payment of money, insurance claims and proceeds, tort claims, and all general intangibles including, without limitation, all payment intangibles, patents, patent applications, trademarks, trademark applications, trade names, copyrights, copyright applications, software, engineering drawings, service marks, customer lists, goodwill, and all licenses, permits and agreements of any kind or nature pursuant to which the Borrower possesses, uses or has authority to possess or use property (whether tangible or intangible) of others or pursuant to which others possess, use or have authority to possess or use property (whether tangible or intangible) of the Borrower, and all recorded data of any kind or nature, regardless of the medium of recording including, without limitation, all software, writings, plans, specifications and schematics.

**Section 3.2 - Deposit of Receipts.** All receipts of every nature shall be deposited directly into the Borrower's Cash Collateral Account maintained at the Bank (Account #0009216163, provided, however, that from and after the occurrence of any Event of Default, at the request of the Bank, the Borrower will arrange to have all collections and other proceeds of Receivables forwarded directly to a separate lockbox account (the "Depository Account") maintained in the Borrower's name with the Bank. In the event the Bank shall require the Borrower to maintain such a lockbox account, then if and to the extent any proceeds of Receivables shall be received directly by the Borrower, the Borrower agrees that such proceeds shall be held in trust for the Bank and the Borrower shall keep all such collections separate and apart from all of their other funds and property; identify such collections and proceeds as the property of the Bank; and deposit immediately such collections in the Depository Accounts

maintained pursuant to this Section 3.2 in the identical form received. The Borrower shall not change or transfer the Depository Account without the Bank's prior consent.

**Section 3.3 - Returned Merchandise.** The Borrower shall promptly notify the Bank of any material credits, adjustments or disputes arising about the goods or services represented by Receivables, to the extent such credits, adjustments or disputes would, if adversely determined, have a material adverse effect on the business or financial condition of the Borrower or cause the Borrower to be in violation of any other term, covenant or condition of this agreement. In any event, the Borrower will immediately pay the Bank from its own funds (and not from the proceeds of Receivables), for application to the Revolving Loans, an amount equal to any credit or adjustment made to any Receivables; provided, however, that so long as the Borrower is not in default hereunder, such payment need not be made if the Borrower shall have, after making such credit or adjustment, sufficient Receivables and Inventory to maintain the aggregate outstanding balance of the Revolving Loans under the Borrowing Base. Any returned merchandise which qualifies as Eligible Finished Goods or Eligible Machines shall be included in calculating the Borrowing Base.

**Section 3.4 - Authorization to File Financing Statements.** The Borrower hereby irrevocably authorizes 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 Borrower 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 State or such jurisdiction, or (ii) as being an equal or lesser 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 State for the sufficiency or filing office acceptance of any financing statement or amendment, including (i) whether the Borrower is an organization, the type of organization and any organization identification number issued to the Borrower and, (ii) in the case of a financing statement filed as a fixture filing or indicating Collateral as extracted collateral or timber to be cut, a sufficient description of real property to which the Collateral relates. The Borrower agrees to furnish any such information to the Bank promptly upon request.

**Section 3.5 - Other Actions.** Further to insure the attachment, perfection and first priority of, and the ability of the Bank to enforce, the Bank's security interest in any of the Collateral as to which perfection by the filing of a Uniform Commercial Code Financing Statement is not the appropriate and exclusive method of perfection, the Borrower agrees, in each case, at the Borrower's own expense, to take all such action as may be necessary to complete such perfection.

**Section 3.6 - Personal Guaranty - Collateral Assignment of Life Insurance.** The Obligation are further secured by the delivery of a Continuing Guaranty Agreement of Richard A. Brink and by a Collateral Assignment of Life Insurance Policy in the amount of \$1,000,000.

**ARTICLE IV**  
**REPRESENTATIONS AND WARRANTIES**

**Section 4.1 - Representations and Warranties.** The Borrower represents and warrants to the Bank that:

(a) **Good Standing and Qualification.** BHS is a corporation duly organized and legally existing under the laws of the State of Connecticut and each of Gill and Guardian is a limited liability company duly organized and legally existing under the laws of the State of Connecticut. The Borrower has all requisite corporate or other power and authority to own its properties and to carry on its business as presently conducted and is duly qualified to do business in each jurisdiction wherein the character of the properties owned or leased by it therein or in which the transaction of its business therein makes such qualification necessary.

(b) **Corporate Authority.** The Borrower has full power and authority to enter into and perform the Obligations under this Agreement, to make the borrowings contemplated herein, to execute and deliver the Notes, and the other Financing Agreements and to incur the obligations provided for herein and therein, all of which have been duly authorized by all necessary and proper corporate action. No other consent or approval or the taking of any other action in respect of shareholders or of any public authority is required as a condition to the validity or enforceability of this Agreement, the Notes or any other Financing Agreements.

(c) **Binding Agreements.** This Agreement constitutes, and the Notes and the other Financing Agreements executed and/or delivered in connection herewith or therewith, when issued and delivered pursuant hereto for value received shall constitute, the valid and legally binding obligations of the Borrower, enforceable against the Borrower in accordance with their respective terms, except as enforcement may be limited by principles of equity, bankruptcy, insolvency, or other laws affecting the enforcement of creditors' rights generally.

(d) **Litigation.** Except as set forth on Schedule 4.1(d), there are no actions, suits or proceedings pending against the Borrower before any court or administrative agency, nor are any actions, suits or proceedings threatened, which, either in any case or in the aggregate, would have a material adverse effect upon the financial condition, assets or operations (a "Material Adverse Effect") of the Borrower and there are no such actions, suits or proceedings which question the validity of this Agreement, the Note or any of the other Financing Agreements, or any action to be taken in connection with the transactions contemplated hereby or thereby.

(e) **No Conflicting Law or Agreements.** The execution, delivery and performance by the Borrower of this Agreement, the Notes and the other Financing Agreements (i) do not violate any provision of the Certificate of Incorporation or By-laws of the Borrower, (ii) do not violate any order, decree or judgment, or any provision of any statute, rule or

regulation, (iii) do not violate or conflict with, result in a breach of or constitute (with notice or lapse of time, or both) a default under any shareholder agreement, stock preference agreement, mortgage, indenture or contract to which the Borrower is a party, or by which any of its properties are bound, and (iv) do not result in the creation or imposition of any lien, charge or encumbrance of any nature whatsoever upon any property or assets of any of the Borrower except for the liens granted to the Bank hereunder and under the Mortgage.

(f) Taxes. With respect to all taxable periods of the Borrower, the Borrower has filed all tax returns which are required to be filed and all Federal, state, municipal, franchise and other taxes shown on such filed returns have been paid or are being diligently contested by appropriate proceedings and have been reserved against, as required by generally accepted accounting principles, consistently applied.

(g) Financial Statements. The Borrower has heretofore delivered to the Bank the consolidated balance sheet of the Borrower as of December 31, 2000, and the related consolidated statements of income, retained earnings and sources and uses of funds for the fiscal year then ended, and its internally-prepared financial statements for the six-month period ended June 30, 2001. Such statements are complete and correct in all material respects and fairly present the financial condition results of operations of the Borrower as of the dates and for the periods referred to and have been prepared in accordance with generally accepted accounting principles consistently applied by the Borrower throughout the periods involved. There are no liabilities, direct or indirect, fixed or contingent, of the Borrower as of the dates of said balance sheets which are not reflected in such statements or in the notes thereto, other than liabilities or obligations not material in amount which are not required to be reflected in corporate balance sheets prepared, in accordance with generally accepted accounting principles.

(h) Adverse Developments. Since June 30, 2001, there has been no material adverse change in the financial condition, business, operations, affairs or prospects of the Borrower when taken as a whole or in any of the properties or assets of the Borrower when taken as a whole.

(i) Existence of Assets and Title Thereto. Except with respect to Permitted Liens, the Borrower has good and marketable title to all of the properties and assets used in its business, including the properties and assets reflected in the financial statements referred to above, free and clear of any mortgage, pledge, lien, lease, encumbrance or charge except those in favor of the Bank.

(j) Regulations G, T, U and X. The proceeds of the borrowings hereunder are not and will not be used, directly or indirectly, for the purposes of purchasing or carrying any margin stock in contravention of Regulations G, T, U or X promulgated by the Board of Governors of the Federal Reserve System.



(k) Compliance. The Borrower is not in default with respect to any order, writ, injunction or decree of any court or of any Federal, state, municipal or other governmental department, commission, board, bureau, agency, authority or official, or in violation of any law, statute, rule or regulation to which it or its properties is or are subject, where such defaults or violations, taken as a whole, would have a Material Adverse Effect. The Borrower represents that it has not received notice of any such default from any party. The Borrower is not in default in the payment or performance of any of its obligations to any third parties or in the performance of any mortgage, indenture, lease, contract or other agreement to which it is a party or by which any of its assets or properties are bound where such defaults, taken as a whole, would have a Material Adverse Effect.

(l) Leases. The Borrower enjoys quiet and undisturbed possession under all leases under which it is operating, and all of such leases are valid and subsisting and not in default.

(m) Locations of Collateral. The chief executive office and principal place of business of the Borrower, and the office where all of its books and records concerning Collateral are kept, is at 1547 New Britain Avenue, Farmington, Connecticut.

(n) Contingent Liabilities. Except as specifically contemplated hereby, the Borrower is not a party to any suretyship, guarantyship, or other similar type agreement; nor has it offered its endorsement to any individual, concern, corporation or other entity or acted or failed to act in any manner which would in any way create a contingent liability that does not appear in the financial statements referred to hereinbefore.

(o) Contracts. No contract, governmental or otherwise, to which the Borrower is a party, is subject to renegotiation, nor is the Borrower in default of any material contract, the breach of which would have a Material Adverse Effect upon the Borrower..

(p) Collateral. The Borrower is and shall continue to be the sole owner of the Collateral free and clear of all liens, encumbrances, security interests and claims except the liens granted to the Bank hereunder and Permitted Liens; the Borrower is fully authorized to sell, transfer, pledge and/or grant a security interest in each and every item of the Collateral to the Bank; all documents and agreements related to the Collateral and delivered to the Bank pursuant to this Agreement shall be true and correct and in all material respects what they purport to be; all signatures and endorsements that appear thereon shall, to the Borrower's knowledge, be genuine and all signatories and endorsers shall have full capacity to contract; none of the transactions underlying or giving rise to the Collateral shall, to the Borrower's knowledge, violate any applicable state or federal laws or regulations; all documents relating to the Collateral shall be legally sufficient under such laws or regulations and shall, to the Borrower's knowledge, be legally enforceable in accordance with their terms; and the Borrower agrees to defend the Collateral against the claims of all persons other than the Bank and the holders of Permitted Liens.

(q) **Financial Information.** All financial information including, but not limited to, information relating to the Receivables and Inventory, submitted by the Borrower to the Bank, whether previously or in the future, and, taken as a whole, is and will be true and correct in all material respects, and is and will be complete insofar as may be necessary to give the Bank a true and accurate knowledge of the subject matter.

## ARTICLE V CONDITIONS OF LENDING

**Section 5.1 - Conditions of Initial Advances.** Subject to the terms of Section 5.2 hereof, the obligation of the Bank to make Revolving Loans under this Agreement is subject to the fulfillment of the following conditions precedent at the time of the execution of this Agreement:

(a) **Revolving Loan Note.** The Bank shall have received a duly executed Revolving Loan Note drawn to its order.

(b) **Evidence of Corporate Action.** The Bank shall have received certified copies of all action (in form and substance satisfactory to the Bank) taken by the Borrower to authorize the execution, delivery and performance of this Agreement, the Notes, and the other Financing Agreements to which either of them is a party, and the borrowings to be made hereunder and thereunder, together with true copies of the Borrower's Certificate of Incorporation and By-laws or Articles of Organization and Operating Agreement, as the case may be, and such other papers as the Bank or its counsel may require.

(c) **Opinion of Counsel.** The Bank shall have received a favorable written opinion of counsel for the Borrower and the Guarantor accompanied by such supporting documents as the Bank or its counsel may require.

(d) **UCC-1 Financing Statements.** The Bank shall have received from the Borrower duly executed UCC-1 financing statements and such other documents as the Bank deems necessary or proper to perfect the security interest in the Collateral, all of which shall be in form, scope and substance satisfactory to the Bank and its counsel.

(e) **Notice of Assignment.** The Bank shall have received notices of assignment of accounts receivable from the Borrower, which shall be in form, scope and substance satisfactory to the Bank and its counsel.

(f) **Continuing Guaranty Agreement (Individual).** The Bank shall have received a Continuing Guaranty from the Individual Guarantor in form and substance satisfactory to the Bank.

(g) Term Loan. The Bank shall have effected closing of the Term Loan transaction in accordance with all Bank and SBA requirements.

(h) CDA Subordination. The Bank shall have received from the CDA an instrument satisfactory to the Bank subordinating the lien and other rights of the CDA to the lien and rights of the Bank hereunder.

(i) Further Documents. The Bank shall have received such further documents, instruments and agreements as the Bank may request, including without limitation, landlord's agreements, warehouse agreements, and evidence that the insurance policies and certificates evidencing adequate insurance and coverage on the Borrower's assets are currently in full force and effect, continue to name the Bank as loss payee, mortgagee or additional insured, as the case may be, and that the premiums are current,

Section 5.2 - Conditions of Additional Revolving Loans. In addition to the conditions in Section 5.1 above, the Bank shall make no further Revolving Loans (the "Further Loans") unless the following conditions shall exist or have been satisfied by the Borrower at the time any Further Loan is requested:

(a) Absence of Termination or Default. Neither the Bank nor the Borrower shall have terminated the Revolving Loan facility hereunder, nor shall an Event of Default (or event or condition which but for the giving of notice or passage of time or both would constitute an Event of Default) have occurred or exist.

(b) Borrowing Base. The indebtedness of the Borrower by virtue of the making of any Revolving Loan shall not exceed the Borrowing Base. The Borrower shall not request any Revolving Loan if the effect of such Revolving Loan shall be to cause the balance of all Revolving Loans to exceed the Borrowing Base.

(c) Further Documents. The Bank shall have received such further documents, instruments and agreements as the Bank may reasonably request.

## ARTICLE VI COVENANTS

### A. Affirmative Covenants.

The Borrower covenants and agrees that from the date hereof until payment and performance in full of all Obligations, and until the termination of this Agreement, unless the Bank otherwise consents in writing, the Borrower shall:

**Section 6.1 - Financial Statements, etc.** Deliver or caused to be delivered to the Bank:

(a) within one hundred twenty (120) days after the close of each fiscal year of the Borrower (i) audited consolidated financial statements of the Borrower, including a consolidated balance sheet as of the close of such fiscal year and consolidated statements of income and retained earnings and statement of cash flows, certified by a firm of certified public accountants reasonably satisfactory to the Bank as having been prepared in conformity with generally accepted accounting principles, applied on a basis consistent with that of the preceding year or containing disclosure of the effect on financial position or results of operations of any change in the application of accounting principles during the year, together with a certificate of the president or chief financial officer of the Borrower that such financial statements are accurate and present fairly the financial condition and results of operations of the Borrower.

(b) within thirty (30) days after the end of each month, (i) internally-prepared financial statements of the Borrower, including a balance sheet as of the close of each preceding month and statements of income and retained earnings for the month then ended, certified by the Borrower's chief financial officer as having been prepared in accordance with the Borrower's normal accounting practices, and (ii) a compliance certificate in form required by the Bank, signed by the President or the chief financial or accounting officer of the Borrower certifying as to compliance with all covenants of the Borrower hereunder ;

(c) within twenty (20) days after the end of each month, (i) an aging report of all accounts receivable, (ii) an aging report of all accounts payable, (iii) an inventory listing, and (ii) a detailed listing of accounts receivable or portions thereof which do not constitute Eligible Receivables for purposes of this Agreement, each of such reports to be in form, scope and content satisfactory to the Bank;

(d) promptly upon the Bank's written request, such other information about the financial condition and operations of the Borrower or the Individual Guarantor as the Bank may, from time to time, reasonably request; and

**Section 6.2 - Insurance and Endorsements.** (a) Keep its properties insured against fire and other hazards (so-called "All Risk" coverage) in amounts and with companies satisfactory to the Bank to the same extent and covering such risks as is customary in the same or a similar business; maintain public liability coverage, including without limitation, products liability coverage, against claims for personal injuries or death; and maintain all worker's compensation, employment or similar insurance as may be required by applicable law; and (b) All insurance shall contain such terms, be in such form, and be for such periods reasonably satisfactory to Bank, and be written by such carriers duly licensed by the appropriate states where any Collateral is located and reasonably satisfactory to the Bank. Without limiting the generality of the foregoing, such insurance must provide that it may not be canceled without thirty (30) days prior written notice to the Bank, The Borrower shall cause the Bank to be endorsed as a loss payee

with a long form lender's loss payable clause, in form and substance acceptable to the Bank on all such insurance. In the event of failure to provide and maintain insurance as herein provided, the Bank may, at its option, provide such insurance and charge the amount thereof to the Revolving Loan Account. The Borrower shall furnish to the Bank certificates or other satisfactory evidence of compliance with the foregoing insurance provisions. The Borrower hereby irrevocably appoints the Bank as its attorney-in-fact, coupled with an interest, to make proofs of loss and claims for insurance, and to receive payments of the insurance and execute and endorse all documents, checks and drafts in connection with payment of the insurance. Any proceeds received by the Bank shall be applied to the obligations in such order and manner as the Bank shall determine in its sole discretion.

**Section 6.3 - Tax and Other Liens.** Comply with all statutes and government regulations and pay all taxes, assessments, governmental charges or levies, or claims for labor, supplies, rent and other obligations made against it or its property which, if unpaid, might become a lien or charge against the Borrower or its properties, except liabilities being contested in good faith and against which, if requested by the Bank, the Borrower shall set up reserves in amounts and in form satisfactory to the Bank.

**Section 6.4 - Inspections.** Allow the Bank by or through any of its officers, attorneys, and/or accountants designated by it, for the purpose of ascertaining whether or not each and every provision hereof and of any related agreement, instrument and document is being performed, to enter the offices and plants of the Borrower to examine or inspect any of the properties, books and records or extracts therefrom, to make copies of such books and records or extracts therefrom, and to discuss the affairs, finances and accounts thereof with the Borrower all at such reasonable times, upon reasonable notice and as often as the Bank or any representative of the Bank may reasonably request.

**Section 6.5 - Litigation.** Within ten (10) days after learning thereof, advise the Bank of the commencement or threat of litigation, including arbitration proceedings and any proceedings before any governmental agency which is instituted against the Borrower and is reasonably likely to have a materially adverse effect upon the condition, financial, operating or otherwise, of the Borrower.

**Section 6.6 - Maintenance of Existence.** Maintain its corporate or other legal existence and comply with all valid and applicable statutes, rules and regulations the violation of which would have a Material Adverse Effect, and maintain its properties in good repair, working order and operating condition. The Borrower shall immediately notify the Bank of any event causing material loss in the value of its assets.

**Section 6.7 - Inventory.** Allow the Bank to examine and inspect the Inventory at reasonable times and intervals and with reasonable notice. The Borrower shall immediately notify the Bank of any casualty causing material loss or depreciation in value of Inventory and the amount of such loss or depreciation.

**Section 6.8 - Defaults.** Upon the occurrence of any Event of Default or of any event which, but for giving of notice or passage of time or both, would constitute an Event of Default, give prompt written notice of such occurrence to the Bank signed by the president or chief financial officer of the Borrower describing such occurrence and the steps, if any, being taken to cure the Event of Default.

**Section 6.9 - Receivable Duties.** The Borrower has complied and will continue to comply with any and all Federal, state and local laws affecting its business, the violation of which would have a Material Adverse Effect, including, but not limited to, payment of all federal and state taxes with respect to the sales to Account Debtors by the Borrower and disclosures in connection therewith. The Borrower agrees to indemnify the Bank against and hold the Bank harmless from all claims, actions and losses, including reasonable attorney's fees and costs incurred by the Bank arising from any contention, whether well founded or otherwise, that there has been a failure to comply with such laws; provided such violation is not the result of the gross negligence or material misconduct of the Bank and its agents and employees.

**Section 6.10 - Collateral Duties.** Do whatever the Bank reasonably may request from time to time by way of obtaining, executing, delivering and filing financing statements, assignments, landlord's or mortgagee's waivers, warehouse agreements and other notices and amendments and renewals thereof, and the Borrower will take any and all steps and observe such formalities as the Bank may request, in order to create and maintain a valid and enforceable first lien upon, pledge of, and first priority security interest in, any and all of the Collateral. The Bank is authorized to file financing statements without the signature of the Borrower and to execute and file such financing statements on behalf of the Borrower as specified by the Uniform Commercial Code to perfect or maintain its security interest in all of the Collateral. All reasonable charges, expenses and fees the Bank may incur in filing any of the foregoing, together with reasonable costs and expenses of any lien search required by the Bank, and any taxes relating thereto, shall, after notice to the Borrower, be charged to the Revolving Credit Account and added to the Obligations.

**Section 6.11 - Audit and Appraisals by Bank: Fees.** Permit the Bank to audit the books and records of the Borrower and to conduct or cause to be conducted appraisals of the Borrower's assets, upon reasonable notice, and in such manner and detail as the Bank deems reasonable. Without limiting the generality of the foregoing, the Bank shall be allowed to verify the receivables of the Borrower and to confirm with Account Debtors the validity and amount of receivables. The Borrower shall pay to the Bank its reasonable costs incurred in conducting such audits on an annual basis; provided, however, that unless and until there shall have occurred an Event of Default, from and after the execution and delivery of this Agreement, the Borrower shall not be required to pay more than \$5,000 for such audits in any one calendar year. Such \$5,000 limit shall be exclusive of amounts paid by the Borrower for auditing performed by the Bank prior to the date of this Agreement. The Borrower acknowledges that the Bank's cost for conducting field examinations is \$650 per day plus expenses.

**Section 6.12 - Operating Accounts.** Maintain all operating accounts of the Borrower at the Bank.

**Section 6.13 - ERISA.** Remain at all times in compliance with the Employment Retirement Income Security Act of 1974 and all rules and regulations issued thereunder.

## **B. Negative Covenants**

The Borrower covenants and agrees that from the date hereof until payment and performance in full of all Obligations, and until the termination of this Agreement, unless the Bank otherwise consents in writing, the Borrower shall not:

**Section 6.14 - Encumbrances.** Create, incur or permit to exist any lien, mortgage, charge or other encumbrance against any of its properties or assets, whether now owned or hereafter acquired without the prior written of the Bank, except: (a) liens required or expressly permitted by this Agreement; (b) liens in favor of the Bank; and (c) Permitted Liens.

**Section 6.15 - Limitation on Indebtedness.** Create, incur or guarantee any indebtedness of any nature other than (a) existing indebtedness and any refinance thereof which does increase the amount thereof, (b) trade debts incurred in the ordinary course of business, (c) following written consent from the Bank, and (d) loans from shareholders.

**Section 6.16 - Contingent Liabilities.** Assume, guarantee, endorse or otherwise become liable upon the obligations of any person, firm or corporation, or enter into any purchase or option agreement or other arrangement having substantially the same effect as such a guarantee, except by the endorsement of negotiable instruments for deposit or collection or similar transactions in the ordinary course of business.

**Section 6.17 - Revolving Loans, Advances, Investments.** Use the proceeds of any Revolving Loans, either directly or indirectly, to make or permit to exist any loans or advances to, or purchase any stock, other securities or evidences of indebtedness of, or make or permit to exist any investment (including without limitation the acquisition of stock of a corporation), or acquire any assets or any other interest whatsoever, in any other person.

**Section 6.18 - Merger, Sale or Lease of Assets.** Merge with any other entity or sell or lease (except for sales of inventory in the ordinary course of business consistent with past practices and on an arms-length basis) or otherwise dispose of any of its assets without the prior consent of the Bank.

**Section 6.19 - Distributions.** Pay dividends, redeem stock or otherwise make any capital distribution to stockholders of the Borrower; provided, however, that the Borrower may pay annual dividends not in excess amounts required by the individual stockholders of the Borrower

pay Federal and state income taxes in respect of their allocated portion of the net income of the Borrower.

Section 6.20 - Loans to Officers, Directors and/or shareholders. Make any loans or advances (other than salaries and bona fide advances against expenses) or make any transfers, in any manner, of any cash, property or other assets to or on behalf of any of its officers, directors or shareholders.

Section 6.21 - Additional Shares. Issue any additional shares of capital stock of any nature, common or preferred, or any securities convertible into any such additional shares.

Section 6.22 - Transfer of Shares. Permit the transfer of any of its outstanding shares of common stock..

Section 6.23 - Capital Expenditures. Make aggregate capital expenditures in any one calendar year in excess of \$150,000.

### C. Financial Covenants.

The Borrower covenants and agrees that from the date hereof and until the payment and performance in full of all Obligations, and until the termination of this Agreement:

Section 6.24 - Minimum Shareholders' Equity. The Borrower shall, as of the end of each calendar year, maintain shareholders' equity (determined in accordance with Generally Accepted Accounting Principals) of not less than One Million Dollars (\$1,000,000).

Section 6.25 - Minimum Debt Service Coverage Ratio. The Borrower shall not permit its Debt Service Coverage Ratio (as hereinafter defined) for any period of four consecutive fiscal quarters of the Borrower to be less than (i) 1.00 to 1.00 for any of the four quarterly periods ending December 31, 2001, March 31, 2002, June 30, 2002 and September 30, 2002, and (ii) 1.10 to 1.00 for any of the four quarterly periods ending December 31, 2002 and thereafter.

"Debt Service Coverage Ratio" shall mean the ratio of: (A) the sum of (i) net earnings, (ii) interest expense, (iii) state and Federal income taxes, and (iv) depreciation and amortization to (B) the sum of interest expense and required payments of principal in respect of the Term Loan, any other indebtedness for money borrowed and all payments in respect of finance leases.



**Section 6.26 - Maximum Debt to Tangible Net Worth Ratio.** The Borrower shall maintain a Debt to Tangible Net Worth ratio as of the end of each fiscal year of not more than:

7.00 to 1.00 as of December 31, 2001

6.50 to 1.00 as of December 31, 2002

6.00 to 1.00 as of December 31, 2003 and each fiscal year thereafter

"Debt" shall mean total liabilities, determined in accordance with generally accepted accounting principles, less Subordinated Debt. "Tangible Net Worth" shall mean (a) the sum of shareholders' equity, determined in accordance with generally accepted accounting principals, plus Subordinated Debt, less (b) the sum of those assets characterized as intangible assets in accordance with generally accepted accounting principles.

## **ARTICLE VII EVENTS OF DEFAULT AND REMEDIES**

**Section 7.1 - Events of Default.** Any and all Obligations including, without limitation, the Obligations arising pursuant to or in connection with the Loans shall, automatically with respect to (h) and (i) below, and at the option of the Bank with respect to (a), (b), (c), (d), (e), (f), (j), (k), (l), (m) and (n) below, and notwithstanding any time or credit allowed by any note or agreement, become immediately due and payable without notice if any one or more of the following events (herein called "Events of Default" and individually, an "Event of Default") shall occur:

- (a) failure of the Borrower to pay principal, interest or any other sum due hereunder or under and of the Notes when due and payable after any applicable grace period;
- (b) failure of the Borrower to pay or perform when due any other Obligation arising under this Agreement, the Note or any of the other Financing Agreements after any applicable notice and grace period;
- (c) failure of the Borrower to maintain insurance as required by Section 6.2 hereof;
- (d) failure of the Borrower to observe any other covenant of the Borrower set forth in Sections 6.1 or 6.3 hereof within twenty (20) business days following demand therefor by the Bank;
- (e) breach of any other covenant or agreement contained in, or failure by the Borrower to perform any act, duty or obligation as required by, this Agreement (other than

ctions 6.1 or 6.3), specifically including without limitation, breach of any of the financial covenants set forth in Article VI hereof after any applicable notice and grace period;

- (f) the making by the Borrower of any material misrepresentation of a material fact to the Bank;
- (g) material loss, theft, or destruction of Collateral which is not covered by insurance with lender's loss payee endorsement as required herein;
- (h) the sale (outside of the ordinary course of business) or other disposition or encumbrance (other than by Permitted Liens) of any of the Collateral, or the filing, making or issuance of any levy, seizure, attachment (other than Permitted Liens), judgment (not bonded or otherwise stayed) or injunction upon or against the Borrower, the Collateral, or any other property or assets of the Borrower, other than such items, individually or in the aggregate, as do not have a Material Adverse Effect on the Borrower;
- (i) insolvency (failure to pay its debts as they mature or where the fair value of its assets is not in excess of its liabilities) of the Borrower, or business failure, appointment of a receiver or custodian, or assignment for the benefit of creditors or the commencement of any proceedings under any bankruptcy or insolvency law by or against the Borrower;
- (j) appointment of a committee of creditors or liquidating banks, or offering of a composition extension to creditors by, for or against the Borrower;
- (k) the loss, revocation or failure to renew any license and/or permit now held or hereafter acquired by the Borrower which materially affects the ability of the Borrower to continue its operations as presently conducted; or
- (l) the occurrence of a default or event of default (howsoever defined) under any other agreements between the Bank and the Borrower after given effect to any notice or cure provisions contained therein.

Upon the happening of any one or more of the foregoing Events of Default, any requirement upon the Bank to make further Revolving Loans hereunder shall terminate. The Borrower expressly waives any presentment, demand, protest, notice of protest or other notice of any kind. The Bank may proceed to enforce the rights of the Bank whether by suit in equity or by action at law, whether for specific performance of any covenant or agreement contained in this Agreement, the Notes or the other Financing Agreements, or in aid of the exercise of any power granted in either this Agreement or the Note or any other Financing Agreement, or it may proceed to obtain judgment or any other relief whatsoever appropriate to the enforcement of such rights, or proceed to enforce any legal or equitable right which the Bank may have by reason of the occurrence of any Event of Default hereunder.

**Section 7.2 - Remedies.** Upon the occurrence of any Event of Default, the Bank shall have in any jurisdiction where enforcement hereof is sought, in addition to all other rights and remedies which the Bank may have under law and equity, the following rights and remedies, all of which may be exercised with or without further notice to the Borrower and without a prior judicial or administrative hearing or notice, which notice and hearing are expressly waived: to enforce or foreclose the liens and security interests created under this Agreement or under any other agreement relating to Collateral by any available judicial procedure or without judicial process; to enter any premises where any Collateral may be located for the purpose of taking possession or removing the same; to sell, assign, lease, or otherwise dispose of Collateral or any part thereof, either at public or private sale, in lots or in bulk, for cash, on credit or otherwise, with or without representations or warranties, and upon such terms as shall be acceptable to the Bank, all at the Bank's sole option and as the Bank in its sole discretion may deem advisable; to bid or become purchaser at any such sale if public; and, at the option of the Bank, to apply or be credited with the amount of all or any part of the Obligations owing to the Bank against the purchase price bid by the Bank at any such sale.

**Section 7.3 - Specific Powers.** The Bank may at any time after the occurrence of an Event of Default, at the Bank's sole discretion: (i) give notice of assignment to any Account Debtor; (ii) collect Receivables directly and charge, or cause to be charged, the collection costs and expenses to the Revolving Loan Account; (iii) collect Receivables submitted by the Borrower to the Bank for collection and charge, or cause to be charged, the collection costs and expenses to the Revolving Loan Account; (iv) settle or adjust disputes and claims directly with Account Debtors for amounts and upon terms which the Bank considers advisable, and credit, or cause to be credited, the Revolving Loan Account with the net amounts received in payment of Receivables; (v) exercise all other rights granted in this Agreement and the other Financing Agreements; (vi) receive, open and dispose of all mail addressed to the Borrower and notify the Post Office authorities to change the address for delivery of the Borrower's mail to an address designated by the Bank; (vii) endorse the name of the Borrower on any checks or other evidence of payment that may come into possession of the Bank and on any invoice, freight or express bill, bill of lading or other document; (viii) in the name of the Borrower or otherwise, demand, sue for, collect and give acquittance for any and all monies due or to become due on Receivables; (ix) compromise, prosecute or defend any action, claim or proceeding concerning Receivables; and (x) do any and all things necessary and proper to carry out the purposes contemplated in this Agreement, the other Financing Agreements and any other agreement between the parties. Neither the Bank nor any person acting as its attorney hereunder shall be liable for any acts or omissions or for any error of judgment or mistake of fact or law, except for bad faith, gross negligence and willful misconduct. The Borrower agrees that the powers granted hereunder, being coupled with an interest, shall be irrevocable so long as any Obligation remains unsatisfied. Notwithstanding the foregoing, it is understood that the Bank is under no duty to take any of the foregoing actions and that after having made demand upon the Account Debtors for payment, the Bank shall have no further duty as to the collection or protection of Receivables or any income therefrom and no further duty to preserve any rights pertaining thereto, other than the safe custody thereof.

**Section 7.4 - Duties After Default.** The Borrower will, at the Bank's request, assemble all Collateral and make it available to the Bank at the premises of the Borrower and will make available to the Bank all premises and facilities of the Borrower for the purpose of the Bank taking possession of Collateral or of removing or putting the Collateral in salable form. In the event any goods called for in any sales order, contract, invoice or other instrument or agreement financing or purporting to give rise to any Receivable shall not have been delivered or shall be found to be defective by any customer, the Bank shall have the right in its discretion to use and deliver to such customer any goods of the Borrower to fulfill such order, contract or the like so as to make good any such Receivable. If any Collateral shall require repairing, maintenance, preparation, or the like, or is in process or other unfinished state, the Bank shall have the right, but shall not be obligated, to do such repairing, maintenance, preparation, processing or completion of manufacturing for the purpose of putting the same in such salable form as the Bank shall deem appropriate, but the Bank shall have the right to sell or dispose of such Collateral without such processing. The net cash proceeds resulting from the collection, liquidation, sale, lease or other disposition of Collateral shall be applied first to the expenses (including all reasonable attorney's and professional fees) of retaking, holding, storing, processing and preparing for sale, selling, collecting, liquidating and the like and then to the satisfaction of all Obligations, application as to particular Obligations or against principal or interest to be at the Bank's sole discretion.

**Section 7.5 - Cumulative Remedies.** The enumeration of the Bank's rights and remedies set forth in this Article is not intended to be exhaustive and the exercise by the Bank of any right or remedy shall not preclude the exercise of any other rights or remedies, all of which shall be cumulative and shall be in addition to any other right or remedy given hereunder or under any other agreement between the parties or which may now or hereafter exist in law or at equity or by suit or otherwise. No delay or failure to take action on the part of the Bank in exercising any right, power or privilege shall operate as a waiver thereof, nor shall any single or partial exercise of any such right, power or privilege preclude other or further exercise thereof or the exercise of any other right, power or privilege or shall be construed to be a waiver of any event of default. No course of dealing between the Borrower and the Bank or its employees shall be effective to change, modify or discharge any provision of this Agreement or to constitute a waiver of any default.

## ARTICLE VIII TERM

### Section 8.1 - Term and Termination.

(a) **Revolving Loan.** Unless sooner terminated as a result of the occurrence of an Event of Default, the obligation of the Bank to make Revolving Loans shall terminate on October 31, 2003 (the "Termination Date"). The Bank, in its sole and absolute discretion, and

The Borrower may extend the Term for one or more renewal periods (each being a "Renewal Term") by executing a written agreement to do so. At the end of the Term hereof, the Borrower shall pay the entire balance of the Revolving Loan. Further, upon termination of the Revolving Loan facility, all of the rights, interests and remedies of the Bank and Obligations of the Borrower shall survive and the Borrower shall have no right to receive, and the Bank shall have no obligation to make, any further Revolving Loans. Upon full and final payment of all obligations to the Bank, all rights and remedies of the Borrower and the Bank hereunder shall cease, provided, however, that if any so made to the Bank and applied to the Obligations is hereafter recovered from or repaid by the Bank in whole or in part in any bankruptcy, insolvency or similar proceeding instituted by or against the Borrower, the obligation of the Borrower under this Agreement shall be automatically reinstated without any further action by the Borrower, and the Bank and continue to be fully applicable to such Obligations to the same extent as though the payment so recovered or repaid had never been originally made on such Obligations.

## ARTICLE IX EXPENSES

Section 9.1 - Fees and Expenses. The Borrower agrees to pay a monthly availability fee in the amount of one quarter of one percent (.25%) of the difference between the average daily borrowings under the Revolving Credit Loan during each calendar month and \$2,000,000. Such fee shall be calculated and paid monthly on or before the end of each calendar month. In addition, the Borrower agrees to pay all out-of-pocket expenses, costs, fees, charges, expenses and attorneys' and other professionals' fees and expenses incurred by the Bank in connection with any of the foregoing, or in any way connected with, involving or related to the preservation, enforcement, protection or defense of this Agreement, the Notes, the other Financing Agreements, any related agreement, document or instrument, the Collateral, and the rights and remedies hereunder or thereunder.

## ARTICLE X MISCELLANEOUS

Section 10.1 - Set-off. The Borrower hereby gives the Bank a lien and right of set-off for all its liabilities to the Bank upon and against all its deposits, credits, collateral and property now or hereafter in the possession or control of the Bank or in transit to it. The Bank may, upon the occurrence of any Event of Default or upon the occurrence of any event or condition which would constitute such an Event of Default but for the requirement that notice be given or time elapse or both, apply or set off the same, or any part thereof, to any liability of the Borrower to the Bank, even though unmatured.

Section 10.2 - Covenants to Survive, Binding Agreement. All covenants, agreements, warranties and representations made herein, in the Notes, in the other Financing Agreements, and in all certificates or other documents of the Borrower shall survive the advances of money made

by the Bank to the Borrower hereunder and the delivery of the Notes, and the other Financing Agreements and all such covenants, agreements, warranties and representations shall be binding upon and inure to the benefit of the Bank and its successors and assigns, whether or not so expressed.

**Section 10.3 - Cross-Collateralization.** All Collateral which the Bank may at any time acquire from the Borrower or from any other source in connection with Obligations arising under this Agreement and the other Financing Agreements shall constitute collateral for each and every Obligation, without apportionment or designation as to particular Obligations and that all Obligations, however and whenever incurred, shall be secured by all Collateral however and whenever acquired, and the Bank shall have the right, in its sole discretion, to determine the order in which the Bank's rights in or remedies against any Collateral are to be exercised and which type of Collateral or which portions of Collateral are to be proceeded against and the order of application of proceeds of Collateral as against particular Obligations; provided, however, that the Collateral shall serve as collateral for the Term Loan only to the extent provided for in the Financing Agreements securing the Term Loan.

**Section 10.4 - Cross-Default.** The Borrower acknowledges and agrees that a default under any one of the Financing Agreements (including the Term Loan documents) shall constitute an Event of Default hereunder.

**Section 10.5 - Amendments and Waivers.** Neither this Agreements, the Notes, the other Financing Agreements, nor any term, covenant or condition hereof or thereof may be changed, waived, discharged, modified or terminated except by a writing executed by the parties hereto or thereto. No failure on the part of the Bank to exercise, and no delay in exercising, any right, remedy or power hereunder or under the Notes or the other Financing Agreements shall preclude any other or future exercise thereof, or the exercise of any other right, remedy or power.

**Section 10.6 - Notices.** All notices, requests, consents, demands and other communications hereunder shall be in writing and shall be mailed by first class mail to the respective parties to this Agreement as follows:

(a) if to the Borrower:

B H S, Inc.  
1547 New Britain Avenue  
Farmington, CT 06034  
Attention: Mr. Richard Brink, President

with a copy to:

Richard S. Rosenstein, Esq.  
Pepe & Hazard  
150 Federal Street  
Boston, MA \_\_\_\_\_

(b) if to the Bank:

Webster Bank  
CityPlace II, 185 Asylum Street  
Hartford, Connecticut 06103  
Attention: Mr. Peter F. Samson, Vice President

with a copy to:

Richard T. Keppelman, Esq.  
Levy & Droney P.C.  
74 Batterson Park Road  
Farmington, CT 06034

**Section 10.7 - Transfer of Bank's Interest.** The Borrower hereby agrees that the Bank, in its sole discretion, may freely sell, assign or otherwise transfer participations, portions, co-lender interests or other interests in all or any portion of the indebtedness, liabilities or obligations arising in connection with or in any way related to the financing transactions of which this Agreement is a part; provided, however, that unless and until there shall have occurred an Event of Default, such assignment shall be made only to another banking institution. In the event of any such transfer, the transferee may, in the Bank's sole discretion, have and enforce all the rights, remedies and privileges of the Bank. The Borrower consents to the release by the Bank to any potential transferee of any and all information (including, without limitation, financial information) pertaining to the Borrower as the Bank, in its sole discretion, may deem appropriate. If such transferee so participates with the Bank in making loans or advances hereunder or under any other agreement between such Bank and the Borrower, the Borrower hereby grants to such transferee and such transferee shall have and is hereby given a continuing lien and security interest in any money, securities or other property of the Borrower in the custody or possession of such transferee, including the right of set off under circumstances consistent with this Agreement, to the extent of such transferee's participation in the Obligations of the Borrower to the Bank.

**Section 10.8 - Waivers.**

(a) **Prejudgment Remedy.** THE BORROWER ACKNOWLEDGES THAT THE LOAN EVIDENCED HEREBY IS COMMERCIAL TRANSACTIONS AND WAIVES

ITS RIGHT TO NOTICE AND HEARING UNDER CHAPTER 903a OF THE CONNECTICUT GENERAL STATUTES, OR AS OTHERWISE ALLOWED BY ANY STATE OR FEDERAL LAW WITH RESPECT TO ANY PREJUDGMENT REMEDY WHICH THE BANK MAY DESIRE TO USE, and further waives diligence, demand, presentment for payment, notice of nonpayment, protest and notice of any renewals or extensions.

(b) Jury Waiver. THE BORROWER HEREBY WAIVES TRIAL BY JURY IN ANY COURT IN ANY SUIT, ACTION OR PROCEEDING ON ANY MATTER ARISING IN CONNECTION WITH OR IN ANY WAY RELATED TO THE FINANCING TRANSACTIONS OF WHICH THIS AGREEMENT IS A PART AND/OR THE ENFORCEMENT OF ANY OF THE BANK'S RIGHTS, INCLUDING WITHOUT LIMITATION, TORT CLAIMS.

(c) Voluntary Nature of Waivers. THE BORROWER ACKNOWLEDGES THAT IT MAKES THE FOREGOING WAIVERS IN (A) AND (B) ABOVE, KNOWINGLY, WILLINGLY, WITHOUT DURESS AND VOLUNTARILY AND ONLY AFTER CONSIDERATION OF THE RAMIFICATIONS OF SUCH WAIVERS WITH ITS ATTORNEYS.

Section 10.9 - Section Headings, Severability, Entire Agreement. Section and subsection headings have been inserted herein for convenience-only and shall not be construed as part of this Agreement. Every provision of this Agreement, the Notes and the other Financing Agreements is intended to be severable; if any term or provision of this Agreement, the Note, the other Financing Agreements, or any other document delivered in connection herewith shall be invalid, illegal or unenforceable for any reason whatsoever, the validity, legality and enforceability of the remaining provisions hereof or thereof shall not in any way be affected or impaired thereby. All Exhibits and Schedules to this Agreement shall be annexed hereto and shall be deemed to be part of this Agreement. This Agreement, the other Financing Agreements, and the Exhibits and Schedules attached hereto and thereto embody the entire agreement and understanding between the Borrower and the Bank and supersede all prior agreements and understandings relating to the subject matter hereof unless otherwise specifically reaffirmed or restated herein.

Section 10.10 - Governing Law. This Agreement and the other Financing Agreements, and all transactions, assignments and transfers hereunder and thereunder, and all the rights of the parties, shall be governed as to validity, construction, enforcement and in all other respects by the laws of the State of Connecticut. The Borrower agrees that the Superior Court for the Judicial District of Hartford or the United States District Court for the District of Connecticut at Hartford shall have jurisdiction to hear and determine any claims or disputes pertaining to the financing transactions of which this Agreement is a part and/or to any matter arising or in any way related to this Agreement or any other agreement between the Bank and the Borrower expressly submits and consents in advance to such jurisdiction in any action or proceeding.

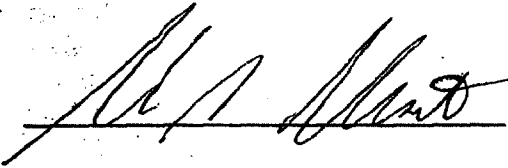


**Section 10.11 - Payment Set-Aside.** To the extent that the Borrower makes a payment or payments to the Bank (whether hereunder, under the Notes, or under the other Financing Agreements) or the Bank enforces its security interests or rights or exercises its right of set-off, such payment or payments or the proceeds of such enforcement or set-off or any part thereof subsequently invalidated, declared to be fraudulent or preferential, set aside, recovered from, or disgorged by or are required to be refunded, repaid or otherwise restored to the Borrower, a trustee, receiver or any other person under any law (including, without limitation, any bankruptcy law, state or federal law, common law or equitable cause of action) in each case in connection with any bankruptcy or similar proceeding involving the Borrower, then to the extent of any such restoration the obligation or part thereof originally intended to be satisfied shall be revived and continued in full force and effect as if such payment had not been made or such enforcement or set-off had not occurred.

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed by their duly authorized officers as of the date first written above.

Witnessed:

B H S, INC.



By:   
Richard A. Brink, President

L.M. GILL WELDING & MANUFACTURING,  
L.L.C.



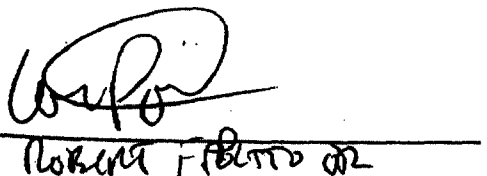
By:   
Richard A. Brink, President

GUARDIAN AEROSPACE LLC



By:   
Richard A. Brink, President

WEBSTER BANK

  
Peter E. Samson

By:   
Peter E. Samson, Vice President

**EXHIBIT A**

**REVOLVING LOAN NOTE**

**\$2,000,000**

**November 9, 2001**

For value received, the undersigned **B H S, INC., L.M. GILL WELDING & MANUFACTURING, L.L.C. AND GUARDIAN AEROSPACE LLC** (collectively, the "Maker") hereby promise to pay to the order of **WEBSTER BANK** (the "Bank") at its office at CityPlace II, 185 Asylum Street, Hartford, Connecticut 06103, or at such other place as the holder hereof (including the Bank, hereinafter referred to as the "Holder") may designate, the sum of **TWO MILLION DOLLARS (\$2,000,000.00)** or such amount as may be outstanding hereunder, together with interest on the unpaid balance of this Note, beginning as of the date hereof, before or after maturity or judgment, at the Prime Rate on a floating basis, which rate shall be computed and payable monthly in arrears on the basis of a Three Hundred Sixty (360) day year and actual days elapsed, together with all taxes levied or assessed on this Note or the debt evidenced hereby against the Holder, and together with all costs, expenses and attorneys' and other professional fees incurred in any action to collect this Note or to enforce or foreclose any mortgage, security agreement or other agreement securing this Note or to protect or sustain the lien of said mortgage, security agreement or other agreement or in any litigation or controversy arising from or connected with said mortgage, security agreement or other agreement or this Note, whether or not legal proceedings are actually commenced. The term "Prime Rate" as used herein shall mean the interest rate published in the Wall Street Journal "Money Rates" section as the "Prime Rate". Any change in the interest rate because of a change in the Prime Rate shall become effective, without notice or demand, on the day on which any change in the Prime Rate is so published.

The principal amount of this Note shall be advanced pursuant to the Loan and Security Agreement between the Maker and the Bank dated of even date herewith (the "Loan Agreement"), and is subject in all respects to the terms and conditions of said Loan Agreement, including, but not limited to, the repayment terms and the termination date set forth in the Loan Agreement. All prepayment of this Note shall be without premium and penalty and may be reborrowed as provided in the Loan Agreement. The principal amount of this Note which remains outstanding shall be due and payable on October 31, 2003. Advances and payments on this Note may be evidenced by borrowing certificates, a grid (if any) attached to this Note or similar certificates or documents, or by an internal ledger account of the Bank which shall set forth, among other things, the principal amount of any advances and payments therefore. Accrued interest on the outstanding principal balance shall be paid on the first day of each and every month, commencing on December 1, 2001. The Holder may, in its sole discretion, charge any amounts due hereunder to the Maker's revolving loan account maintained with the Holder pursuant to the Loan Agreement. If the Bank chooses not to charge monthly interest to such revolving loan account or any other operating account, such monthly interest charge shall be billed to the maker at least ten (10) days prior to its due date in writing.

The Maker agrees that if an Event of Default shall occur under the Loan Agreement or any mortgage, security agreement or any other agreement securing this Note or any other note by the Maker to the Holder; then an Event of Default shall have occurred hereunder and, upon the happening of any such event, the entire indebtedness with accrued interest thereon due under this

Note shall, at the option of the Holder, be immediately due and payable without notice. Failure to exercise such option shall not constitute a waiver of the right to exercise the same in the event of any subsequent default. Upon the occurrence of such an event of default the interest rate on this Note shall automatically increase without notice or demand to a floating per annum rate equal to three percentage points (3.0) above the rate otherwise in effect hereunder.

In the event of the Maker's failure to pay any installment of interest, and/or to pay any other sum due hereunder or under the Loan Agreement for more than ten (10) days of the date it is due and payable, without in any way affecting the Holder's right to make demand hereunder or to declare an event of default to have occurred, a late charge equal to five percent (5%) of such late payment shall be assessed against the Maker and shall be due and payable immediately.

Notwithstanding any provisions of this Note, it is the understanding and agreement of the Maker and the Holder (and any guarantors of the Maker's liabilities) that the maximum rate of interest to be paid by the Maker (or guarantors of the Maker's liabilities) to the Holder shall not exceed the highest or the maximum rate of interest permissible to be charged by a commercial lender such as the Bank to a commercial borrower such as the Maker under the laws of the State of Connecticut. Any amount paid in excess of such rate shall be considered to have been payments in reduction of principal.

The Maker, and each and all guarantors of this Note hereby give the Holder a lien and right of set-off for all the Maker's liabilities upon and against all the deposits, credits, collateral and property of the Maker and guarantors, now or hereafter in the possession or control of the Holder or in transit to it. The Holder may, upon the occurrence of an event of default hereunder or upon demand for payment of any demand indebtedness owing from the Maker to the Holder, apply or set off the same, or any part thereof, to any liability of the Maker even though unmatured.

Failure by the Holder to insist upon the strict performance by the Maker of any terms and provisions herein shall not be deemed to be a waiver of any terms and provisions herein, and the Holder shall retain the right thereafter to insist upon strict performance by the Maker of any and all terms and provisions of this Note or any document securing the repayment of this Note.

THE MAKER HEREBY WAIVES TRIAL BY JURY IN ANY COURT AND IN ANY SUIT, ACTION OR PROCEEDING ON ANY MATTER ARISING IN CONNECTION WITH OR IN ANY WAY RELATED TO THE FINANCING TRANSACTIONS OF WHICH THIS NOTE IS A PART AND/OR THE ENFORCEMENT OF ANY OF THE HOLDER'S RIGHTS AND REMEDIES, INCLUDING WITHOUT LIMITATION, TORT CLAIMS. THE MAKER ACKNOWLEDGES THAT IT MAKES THIS WAIVER KNOWINGLY, VOLUNTARILY AND ONLY AFTER CONSIDERATION OF THE RAMIFICATIONS OF THIS WAIVER WITH ITS ATTORNEYS,

THE MAKER AND EACH AND ALL GUARANTORS OF THIS NOTE ACKNOWLEDGE THAT THE LOAN EVIDENCED BY THIS NOTE IS A COMMERCIAL TRANSACTION AND WAIVE THEIR RIGHTS TO NOTICE AND HEARING UNDER CHAPTER 903a OF THE CONNECTICUT GENERAL STATUTES, OR AS OTHERWISE ALLOWED BY ANY STATE OR FEDERAL LAW WITH RESPECT TO ANY PREJUDGMENT REMEDY WHICH THE HOLDER MAY DESIRE TO USE, and further,

waive diligence, demand, presentment for payment, notice of nonpayment, protest and notice of protest, and notice of any renewals or extensions of this Note, and all rights under any statute of limitations, and all guarantors agree that the time for payment of this Note may be extended at the Holder's sole discretion, without impairing their liability thereon, and further consent to the release of all or any part of the security for the payment hereof, at the discretion of the Holder, or the release of any party liable for this obligation without affecting the liability of the other parties hereto. THE MAKER ACKNOWLEDGES THAT IT MAKES THIS WAIVER KNOWINGLY, VOLUNTARILY AND ONLY AFTER CONSIDERATION OF THE RAMIFICATIONS OF THIS WAIVER WITH ITS ATTORNEYS,

This Note shall be governed by and construed in accordance with the laws of the State of Connecticut (but not its conflicts of law provisions).

This Note is secured by and pursuant to a Loan and Security Agreement dated the date hereof, between the Maker and the Bank.

B H S, INC.

By \_\_\_\_\_  
Richard A. Brink, President

L.M. GILL WELDING & MANUFACTURING, L.L.C.

By \_\_\_\_\_  
Richard A. Brink, President

GUARDIAN AEROSPACE LLC

By \_\_\_\_\_  
Richard A. Brink, President

**SCHEDULE 1.1**

**ADDITIONAL PERMITTED LIENS**

**Liens in favor of the Connecticut Development Authority, as subordinated to the Bank**

**SCHEDULE 4.1(d)**

**LITIGATION**

**Hi-Lex Corporation v. BHS, Inc.**

Complaint dated October 3, 2001. BHS believes it has strong defenses. The maximum expense does not exceed \$150,000.