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FORM PTO-1595 (Rev. 6-93)

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OMB No. 0651-0011, (exp. 4/94)

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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):

Schwarze Industries, Inc.

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

3. Nature of conveyance:

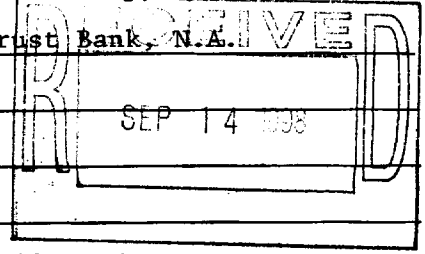
- Assignment Merger
- Security Agreement Change of Name
- Other _____

Execution Date: _____

2. Name and address of receiving party(ies)

Name: SouthTrust Bank, N.A.

Internal Address: _____



Street Address: 409 Madison Street

City: Huntsville State: AL ZIP: 35801

Additional name(s) & address(es) attached? Yes No

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

If this document is being filed together with a new application, the execution date of the application is: _____

A. Patent Application No.(s)

B. Patent No.(s)

- 5,249,332 (October 5, 1993)
- 5,409,512 (April 25, 1995)
- 5,361,441 (November 8, 1994)

Additional numbers attached? Yes No

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

Name: Daniel M. Wilson

Internal Address: _____

Street Address: 655 Gallatin Street

City: Huntsville State: AL ZIP: 35801

6. Total number of applications and patents involved: 3

7. Total fee (37 CFR 3.41).....\$ 120.00

- Enclosed
- Authorized to be charged to deposit account

8. Deposit account number: _____

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

DO NOT USE THIS SPACE

9. Statement and signature.

To the best of my knowledge and belief, the foregoing information is true and correct and any attached copy is a true copy of the original document.

Daniel M. Wilson
Name of Person Signing

Daniel M. Wilson
Signature

8/27/98
Date

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

9/17/98 JUNTILS 0000032 52-9333 101 FC-01

LOAN AND SECURITY AGREEMENT

THIS AGREEMENT made this 22nd day of April, 1997, by and between SCHWARZE INDUSTRIES, INC., an Alabama corporation, (the "Borrower") and SOUTHTRUST BANK OF ALABAMA, NATIONAL ASSOCIATION, with its principal office in Birmingham, Alabama, and with a commercial lending office in Huntsville, Alabama (the "Bank").

RECITALS:

The Borrower has requested Bank to make available to Borrower a line of credit aggregating up to \$3,375,000, and a term loan in the amount of \$600,000, and a Supplemental Line of Credit (for Ford Inventory) in the aggregate amount of \$1,000,000, the Bank is willing to make such credit facilities available to the Borrower on the terms and conditions hereinafter set forth and secured as provided in this agreement.

NOW, THEREFORE, the Borrower and the Bank agree as follows:

ARTICLE I
DEFINED TERMS: GENERAL MATTERS

1.1. Defined Terms. As used in this Loan and Security Agreement, the following terms shall have the following meanings:

Account Debtor - any Person who is or may become obligated under or on account of an Account.

Accounts - all accounts, accounts receivable, chattel paper, chattel mortgages, leases, instruments, documents, promissory notes, contracts for receipt of money, conditional sales contracts, and evidences of Debt of or owing to or acquired by Borrower whether now existing or hereafter arising, including, without limitation, (i) all accounts and other rights to payment of money which arise or result from Borrower's selling or other disposition of Borrower's goods or the providing of services by the Borrower, (ii) the proceeds of any insurance covering the Collateral, and (iii) the return of unearned insurance premiums.

Acquisition Agreement - that certain Asset Purchase Agreement pursuant to which Borrower has purchased or is going to purchase substantially all the assets of Enviro Whirl Technologies, Inc., an Illinois corporation.

Acquisition Documents - the bills of sale, assignments, deeds, and other instruments of conveyance pursuant to which Borrower is purchasing the assets described in the Acquisition Agreement.

Adjusted Net Earnings - with respect to any fiscal period, means the net earnings (or loss) after provision for income taxes for such fiscal period of Borrower, all as reflected on the financial statement of Borrower supplied to Bank pursuant to Sections 6.5 and 6.6 hereof, but excluding:

- (I) any gain or loss arising from the sale of capital assets;
- (ii) any gain arising from any write-up of assets;
- (iii) earnings of any Subsidiary accrued prior to the date it became a Subsidiary;
- (iv) earnings of any corporation, substantially all the assets of which have been acquired in any manner by Borrower, realized by such corporation prior to the date of such acquisition;
- (v) net earnings of any business entity (other than a Subsidiary) in which Borrower has an ownership interest unless such net earnings shall have actually been received by Borrower in the form of cash distributions;
- (vi) any portion of the net earnings of any Subsidiary which for any reason is unavailable for payment of dividends to Borrower;
- (vii) the earnings of any Person to which any assets of Borrower shall have been sold, transferred or disposed of, or into which Borrower shall have merged, or been a party to any consolidation or other form of reorganization, prior to the date of such transaction;
- (viii) any gain arising from the acquisition of any securities of Borrower; and
- (ix) any gain arising from extraordinary or non-recurring items.

Affiliate - any director or officer of Borrower or any Person who, directly, indirectly or beneficially, owns 5% or more of the capital stock of Borrower or any member of the immediate family of any such officer, director or stockholder, or any corporation or other entity which is controlled by, controls, or is under common control with the Borrower, including, without limitation, the Guarantors.

Aggregate Loan Values - the sum of the Loan Value of Accounts and the Loan Value of Inventory.

Agreement - this Loan and Security Agreement.

Applicable Law - all laws, rules and regulations applicable to the Person, conduct, transaction, covenant or Loan Document in question, including, but not limited to, all applicable common law and equitable principles; all provisions of all applicable state and federal constitutions, statutes, rules, regulations and order of governmental bodies; and all orders, judgements and decrees of all courts and arbitrators.

Assignment - that certain Assignment and Pledge Agreement pursuant to which the Pledged Note is pledged to Bank as collateral for the Loans.

Bank - SouthTrust Bank of Alabama, National Association.

Base Rate - the rate of interest designated by the Bank periodically as its Base Rate. The Base Rate is not necessarily the lowest interest rate charged by the Bank. The Base Rate on the date of this Agreement is 8.50%.

Borrower - Schwarze Industries, Inc., an Alabama corporation.

Borrower's Report - the certificate or report of Borrower referred to in Article II of this Agreement.

Capital Expenditures - expenditures made or liabilities incurred for the acquisition of any fixed assets or improvements, replacements, substitutions or additions thereto which have a useful life of more than one year, including the direct or indirect acquisition of such assets by way of increased product or service charges, offset items or otherwise and the principal portion of payments with respect to Capitalized Lease Obligations.

Capitalized Lease Obligations - any Debt represented by obligations under a lease that is required to be capitalized for financial reporting purposes in accordance with GAAP, and the amount of such Debt shall be the capitalized amount of such obligations determined in accordance with GAAP.

Closing Date - the date of this Agreement. The Closing Date is not necessarily the date of initial funding of the Loans and the execution and delivery of this Agreement and acceptance hereof shall not be deemed waiver by Bank of any of the conditions to lending set forth in Article III hereof.

Collateral - collectively, the Borrower's Accounts, General Intangibles, Equipment, and Inventory, the other property and interests described in Section 8.1 hereof and elsewhere in the Loan Documents, and the proceeds and products of each, as the case may be.

Collected Balance - the book balance in a bank account, minus the aggregate amount of all checks and other items of payment in the process of collection, said amount to be computed in accordance with the Bank's standard practices.

Current Assets - at any date means the amount at which all of the current assets of a Person would be properly classified as current assets shown on a balance sheet at such date in accordance with GAAP except that amounts due from Affiliates and Subsidiaries and investments in Affiliates and Subsidiaries shall be excluded.

Current Liabilities - at any date means the amount at which all of the current liabilities of a Person would be properly classified as current liabilities on a balance sheet at such date in accordance with GAAP.

Debt - the sum of (i) indebtedness for borrowed money or for the deferred purchase price of property or services, (ii) Capitalized Lease Obligations, (iii) all other items which in accordance with GAAP would be included in determining total liabilities as shown on a balance sheet of a Person as at the date as of which Debt is to be determined.

Default Rate - a rate of interest equal to two percent (2%) in excess of the Base Rate, calculated daily and computed on the actual days elapsed over a year of 360 days (unless reference to a 365 or a 366-day year is necessary in order not to exceed the highest rate permitted by Applicable Law), said rate to change as and when the Base Rate changes.

Eligible Account - an Account arising in the ordinary course of Borrower's business from the sale of goods or rendition of services which Bank, in its sole credit judgment, deems to be an Eligible Account. Without limiting the generality of the foregoing, no Account shall be an Eligible Account if: (i) it arises out of a sale made by Borrower to a Subsidiary or to an Affiliate of Borrower or to a Person controlled by an Affiliate or Subsidiary of Borrower or (ii) it is due or unpaid more than ninety(90) days after the original invoice date; or (iii) fifty percent (50%) or more of the Accounts from the Account Debtor are not deemed Eligible Accounts hereunder; or (iv) the total unpaid Accounts of the Account Debtor exceed the greater of twenty-five percent (25%) or \$500,000.00 of the net amount of all Accounts, to the extent of such excess; or (v) any covenant, representation or warranty contained in this Agreement with respect to such Account has been breached; or (vi) the Account Debtor is also Borrower's or an Affiliate's creditor or supplier, or has disputed liability with respect to such Account, or has made any claim with respect to any other Account due from such Account Debtor to Borrower or an Affiliate, or the Account otherwise is or may become subject to any right of setoff by the Account Debtor or an Affiliate; or (vii) the Account Debtor has commenced a voluntary case under the federal bankruptcy laws, as now constituted or hereafter amended, or made an assignment for the benefit of creditors, or a decree or order for relief under the federal bankruptcy laws has been filed against the Account Debtor, or if the Account Debtor has failed, suspended business, ceased to be Solvent, or consented to or suffered a receiver, trustee, liquidator or custodian to be appointed of it or for all or a significant portion of its assets or affairs; or (viii) it arises from a sale to an Account Debtor outside the United States or its territories

and Canada; or (ix) it arises from a sale to the Account Debtor on a bill-and-hold, guaranteed sale, sale-or-return, sale-on-approval, consignment or any other repurchase or return basis; or (x) the Account Debtor is the United States of America or any department, agency or instrumentality thereof, unless upon Bank's request, Borrower assigns its right to payment of such Account to Bank, in form and substance satisfactory to Bank, so as to comply with the Assignment of Claims Act of 1940, or as amended; or (xi) the Account is subject to a Lien; or (xii) the total unpaid Accounts of the Account Debtor to Borrower exceed the sum of \$500,000 Dollars; or (xiii) the Account has been reduced to judgment; or (xiv) the Account does not represent a final sale; or (xv) Borrower has made any agreement with the Account Debtor for any deduction therefrom, except for discounts or allowances which are made in the ordinary course of business for prompt payment and which discounts or allowances are reflected in the calculation of the face value of each invoice related to such Account; or (xvi) the Account arises out of a shipment of Inventory, goods, or products to an address other than an address in the United States or its territories and Canada unless payment thereof is secured by a letter from a bank acceptable to Bank and located in the United States, which letter of credit is in form and substance satisfactory to Bank; or (xvii) the Account Debtor is not a resident citizen of the United States or a corporate entity or partnership formed and existing under the laws of the United States or a political subdivision thereof. In addition, Eligible Account shall not include any portion of an Account which consists of service charges, late charges or penalties, interest of Account Debtors, or other charges relating to the extension of credit by the Borrower or the timing of payment by Account Debtor. In determining the aggregate amount of Eligible Accounts, there shall be deducted from the balance of Eligible Accounts any credit balance of an Account Debtor which is more than 90 days old as measured from the date of original posting of said credit balance to Borrower's books and records.

Eligible Inventory - Inventory of Borrower, excluding inventory of used sweepers, all of which is valued at the lesser of cost or current market value, and all of which Inventory is, at any given time, (a) not damaged or defective in any way; (b) not sold or segregated for sale and reflected as an Account of Borrower; (c) not consigned Inventory; (d) not located in a place other than at the locations listed in Section 5.10 of this Agreement; (e) not work-in-process Inventory; (f) not Inventory evidenced by negotiable warehouse receipts or by non-negotiable warehouse receipts or documents of title which have not been issued in the name of Bank; (g) not Inventory included in Eligible Ford Inventory for purposes of this Agreement; and (h) not Inventory financed by financial institutions other than Bank.

Eligible Ford Inventory - Inventory of Borrower consisting of new current-year model medium duty truck chassis manufactured by Ford Motor Company and purchased from an authorized dealer in Ford Motor Company products, valued at net invoice price charged by Ford Motor Company, and all of which Inventory is, at any given time, (a) not damaged or defective in any way; (b) not sold or segregated for sale and reflected as an Account of Borrower; (c) not consigned Inventory; (d) not located in a place other than at the locations listed in Section 5.10 of this Agreement; and (e) not Inventory included in Eligible Inventory for purposes of this Agreement. Without limiting the generality of the foregoing, Inventory shall cease to be Eligible Ford Inventory at such time as it becomes work in process or is modified by Borrower in any way.

Environmental Regulations - all federal, state and local laws, rules, regulations, ordinances, programs, permits, guidances, orders and consent decrees relating to the environment or to public health, safety and environmental matters, including, but not limited to, the Resource Conservation and Recovery Act, the Comprehensive Environmental Response, Compensation and Liability Act of 1980, the Toxic Substances Control Act, the Clean Water Act, the Clean Air Act, the River and Harbor Act, the Water Pollution Control Act, the Marine Protection Research and Sanctuaries Act, the Deep-Water Port Act, the Safe Drinking Water Act, the Superfund Amendments and Reauthorization Act of 1986, the Federal Insecticide, Fungicide and Rodenticide Act, the Mineral Lands and Leasing Act, the Surface Mining Control and Reclamation Act, the Oil Pollution Act of 1990, state and federal superlien and environmental cleanup programs and laws, U.S. Department Transportation regulations, laws regulating hazardous, radioactive and toxic materials and underground petroleum products storage tanks, and all similar state, federal and local laws and regulations.

Equipment - all equipment and fixtures of whatever kind or nature now owned or hereafter acquired by Borrower, including, without limitation, all machinery, vehicles, tools, dies, trade fixtures, furnishings and equipment, patterns, cranes, furniture, furnishings, office machines and equipment, material handling equipment, manufacturing equipment, conveyors, forklifts, machine systems, computers, and all other goods used in the operation of Borrower's business, together with all accessories, parts and additions now or hereafter affixed thereto or used in connection therewith.

ERISA - the Employee Retirement Income Security Act of 1974 and all rules and regulations promulgated thereunder.

Event of Default - any one of the events enumerated in Section 10.1 hereof.

Fixed Charge Coverage - a fraction in which the numerator is the sum of the net income of the Borrower (after provision for federal and state taxes) for the 12 month period preceding the applicable date plus the interest, lease and rental expenses of the Borrower for said period plus the sum of non-cash expenses or allowances for such period (including, without limitation, amortization or write down of intangible assets, depreciation and depletion) and less distributions and dividends and the denominator is the sum of the current portion of the long term Debt of Borrower as of the applicable date plus the interest, lease and rental expenses for the 12 month period preceding the applicable date.

GAAP - generally accepted accounting principles in the United States of America in effect from time to time consistently applied.

General Intangibles - all general intangibles of Borrower, whether now owned or hereafter acquired, including, without limitation, all choses in action, causes of action, corporate or other business records, deposit accounts, inventions, designs, patents (including, but not limited to, patent number 5,249,332, dated October 5, 1993, for a pavement sweeper, whose inventor is

Kenneth R. Wilkerson, and patent number 5,409,512, dated April 25, 1995, for an air filtration system, whose inventors are Kenneth R. Wilkerson and Donald W. Thomack), patent applications, trademarks, trade names, trade secrets, goodwill, copyrights, registrations, licenses, franchises, customer lists, tax refund claims, computer programs, all claims under guaranties, performance and payments bonds or bonds for the furnishing of labor and materials, security interests or other security held by or granted to Borrower to secure payment of any of the Accounts by an Account Debtor, all rights to indemnification, and all other intangible property of every kind and nature.

Guarantors - (1) Ernest R. Schwarze and Margaret K. Schwarze, jointly and severally, and (2) Mark R. Schwarze, individually.

Inventory - all inventory of whatever kind or nature of Borrower, now owned or hereafter acquired by Borrower, and wherever located, including, without limitation, all goods held for sale or lease or furnished or to be furnished under contracts, and any raw materials, goods in transit, work in process or finished goods, supplies, returned or repossessed goods, together with all goods and materials used or consumed in Borrower's business.

Inventory Cap - the maximum value that can be given to the Loan Value of Inventory pursuant to this Agreement. The Inventory Cap shall be \$2,400,000.

Lien - any interest in property (real, personal or mixed, and tangible or intangible) securing an obligation owed to, or a claim by, a Person other than the owner of the property, whether such interest is based on the common law, statute or contract, and including, but not limited to, the security interest, security title or Lien arising from a security agreement, mortgage, deed of trust, deed to secure debt, encumbrance, pledge, conditional sale or trust receipt or a lease, consignment or bailment for security purposes. The term "Lien" shall include covenants, conditions, restrictions, leases and other encumbrances affecting any property. For the purpose of this Agreement, Borrower shall be deemed to be the owner of any property which it has acquired or holds subject to a conditional sale agreement or other arrangement pursuant to which title to the property has been retained by or vested in some other Person for security purposes.

Line of Credit Loan - the loan in principal amounts of up to \$3,375,000, advanced by the Bank to the Borrower from time to time evidenced by the Note(s) described in Section 2.1 of this Agreement (and any substitutions therefor, extensions thereof, or renewal thereof).

Loan or Loans - the Loans made to Borrower pursuant to this Agreement, including, without limitation, the Line of Credit Loan, the Term Loan, and the Supplemental Line of Credit Loan.

Loan Account - the loan accounts established on the books of Bank pursuant to Article II hereof.

Loan Documents - this Agreement, the Mortgage, the Assignment, the Notes, the Guaranty Agreement, and each and every mortgage, deed of trust, guarantee, note, security agreement, financing statement or other instrument executed and delivered to evidence the Loans or any other Obligation, to constitute collateral for the Loans or any other Obligation, or to evidence security for the Loans or any other Obligation, and any and all other agreements, instruments, and documents heretofore, now or hereafter, executed by Borrower and delivered to Bank in respect to the transactions contemplated by this Agreement.

Loan Value of Accounts - at any time, an amount which is not more than 85% of aggregate Eligible Accounts of Borrower.

Loan Value of Ford Inventory - at any time an amount which is not more than one hundred percent (100%) of the Eligible Ford Inventory of Borrower.

Loan Value of Inventory - an amount which is not more than 60% of Borrower's Eligible Inventory.

Maximum Rate - the maximum non-usurious rate of interest permitted by Applicable Law that any time, or from time to time, may be contracted for, taken, reserved, charged or received on the Debt in question or, to the extent permitted by Applicable Law, under such Applicable Laws that may hereafter be in effect and which allow a higher maximum non-usurious interest rate than Applicable Laws now allow. Notwithstanding any other provision hereof, the Maximum Rate shall be calculated on a daily basis (computed on the actual number of days elapsed over a year of 365 or 366 days, as the case may be).

Mortgage - that certain Mortgage and Security Agreement executed by Borrower in favor of Bank wherein Borrower grants to Bank a mortgage on and security interest in certain real estate of Borrower located at 5010 Beechmont Road, Huntsville, Alabama, said real estate being more particularly described in the Mortgage.

Multiemployer Plan - has the meaning set forth in Section 4001(a)(3) of ERISA.

Note(s) - each promissory note executed and delivered by Borrower to Bank evidencing all or part of the Loans, as further described hereinafter.

Obligations - all Loans and all other advances, debts, liabilities, obligations, covenants and duties owing, arising, due or payable from Borrower to Bank of any kind or nature, present or future, whether or not evidenced by any note, guaranty or other instrument, whether arising under this Agreement or any of the other Loan Documents or otherwise, whether direct or indirect (including those acquired by assignment), absolute or contingent, primary or secondary, due or to become due, now existing or hereafter arising and however evidenced or acquired. The term includes, without limitation, all interest, charges, expenses, fees, attorneys' fees and any other sums chargeable to Borrower under any of the Loan Documents and all rights Bank may at any time or

times have to reimbursement in connection with any letter of credit or guaranty issued for Borrower's benefit.

Permitted Liens - any Lien of a kind specified in Section 7.2 of this Agreement.

Person - an individual, partnership, corporation, joint stock company, firm, land trust, business trust, limited liability company, unincorporated organization, or other business entity, or a government or agency or political subdivision thereof.

Plan - an employee benefit plan now or hereafter maintained for employees of Borrower that is covered by Title IV of ERISA.

Pledged Note - those certain negotiable promissory notes representing an aggregate principal amount of \$350,000, issued by Kenneth Wilkerson in favor of Borrower, which notes are assigned to Bank as collateral for the Loans pursuant to the Assignment.

Prohibited Transaction - any transaction set forth in Section 406 of ERISA or Section 4975 of the Internal Revenue Code of 1986.

Purchased Assets - the assets and properties of Enviro Whirl Technologies, Inc., to be purchased by Borrower pursuant to the Acquisition Agreement.

Reportable Event - any of the events set forth in Section 4043(b) of ERISA.

Solvent - as to any Person, means such Person (i) owns property, real, personal, and mixed, whose aggregate fair saleable value is greater than the amount required to pay all of such Person's Debt (including contingent debts), and (ii) is able to pay all of its Debt as such Debt matures and (iii) has capital sufficient to carry on its business and transactions and all business and transactions in which it is about to engage.

Special Collection Account - the bank account referred to in Section 4.2 of this Agreement.

Subordinated Debt - the Debt of the Borrower owed to the Guarantor or to any Affiliate which is fully subordinated to the Loans (including principal, interest, and agreed charges) in a manner satisfactory to the Bank (which may be either according to its terms or by separate agreement) and which Debt arises from the Borrower's actual receipt of cash and not from "in kind" or non cash consideration.

Subsidiary - any corporate entity or partnership, or other business entity, controlling interest of which is owned by the Borrower.

Supplemental Line of Credit Loan -- the Loan in principal amounts of up to \$1,000,000 advanced by the Bank to the Borrower from time to time evidenced by the Note(s) described in Section 2.2 of this Agreement (and any substitutions therefor, extensions thereof, or renewal thereof).

Tangible Net Worth - the aggregate of the (a) par or stated value of all outstanding capital stock; (b) capital surplus; and (c) retained earnings, less (x) any surplus resulting from any write-up of assets subsequent to the date of this Agreement; (y) the book value of all intangible assets of Borrower, including, without limitation, any goodwill (including any amount, however, designated, representing the excess of the purchase price paid for assets or stock acquired over the value assigned thereto on the books of Borrower), noncompetition agreement, consulting agreement, patents, trademarks, tradenames and copyrights, and (z) the amount paid for any treasury stock reflected as a reduction of the capital surplus or retained earnings accounts.

Term Loan - the Loan in the principal amount of \$600,000 evidenced by the Note described in Section 2.3 of this Agreement (and any substitutions therefor, extensions thereof or renewals thereof).

1.2. Accounting Terms. All accounting terms used herein shall be construed in accordance with GAAP.

1.3. Interpretation. The terms "herein", "hereof", and "hereunder", and other words of similar import refer to this Agreement as a whole and not to any particular section, paragraph or subdivision. Any pronouns used shall be deemed to cover all genders. Whenever the singular or plural number is used herein, it shall equally include the other. All references to statutes and related regulations shall include any amendments of same and any successor statutes and regulations. All references to any instruments or agreements, including, without limitation, references to any of the Loan Documents shall include any and all modifications or amendments thereto and any and all extensions or renewals thereof.

1.4. Uniform Commercial Code. All other terms contained in this Agreement shall, unless otherwise defined herein or unless the context otherwise indicates, have the meanings provided for by the Uniform Commercial Code of the State of Alabama.

ARTICLE II THE LOANS

2.1. Line of Credit Loan.

(a) Subject to all terms set forth herein but only for so long as no Event of Default exists and until demand by Bank, Bank agrees, from time to time and on the terms hereinafter set forth, to loan to Borrower, when requested by Borrower, principal amounts aggregating up

to the lesser of (i) \$3,375,000 or (ii) the Aggregate Loan Values as determined by the Bank from the periodic reports submitted by Borrower to the Bank. Notwithstanding any other provision hereof, the Loan Value of Inventory shall not at any time exceed the Inventory Cap. Within the aforesaid limits, Borrower may borrow, make payments, and reborrow under this Agreement, subject to the provisions hereof.

(b) The obligation to repay the Line of Credit Loan shall be evidenced by one or more Notes payable to the order of the Bank and maturing **ON DEMAND**. Amounts due under the Note(s) and otherwise under this Agreement and under the Loan Documents shall be reflected in the Loan Account.

(c) Upon Bank's request, Borrower shall submit a Borrower's Report in the form attached hereto as Exhibit "A-1" (or in such other form as may be furnished by Bank from time to time) on the date of this Agreement and at least monthly thereafter during the term of this Agreement. In addition, should Bank (i) at any time in good faith deem itself insecure with respect to the Loan or (ii) believe that the Aggregate Loan Values exceed the outstanding principal balance or (ii) should an Event of Default exist, then Bank may require more frequent submittal of Borrower's Reports. Bank may, in its sole discretion, require that each advance made under the Line of Credit Loan be effected by Borrower's submitting (and the Bank's receiving) a Borrower's Report at least one banking day prior to the date Borrower desires the advance to be made. Bank shall, if all the terms and provisions of this Agreement have been met, including, without limitation, the absence of an Event of Default hereunder, make such advances. Each such Borrower's Report shall be signed by an officer or employee of Borrower authorized by Borrower to execute such reports, whose name(s) shall be included in a certificate furnished to the Bank. At its discretion, Bank may make advances to Borrower under the Line of Credit Loan without specific request by automatic advance based on availability in accordance with procedures established by Bank.

(d) If the outstanding principal amount of the Line of Credit Loan at any time exceeds the lesser of \$3,375,000 or the Aggregate Loan Values as determined by the Bank in accordance with the provisions of this Agreement, Borrower shall immediately pay the Bank an amount equal to such excess as a payment on the principal amount of the Line of Credit Loan.

2.2. Supplemental Line of Credit Loan (Ford Motor Chassis).

(a) Subject to all terms set forth herein but only for so long as no Event of Default exists and until demand by Bank, Bank agrees, from time to time and on the terms hereinafter set forth, to loan to Borrower, when requested by Borrower, principal amounts aggregating up to the lesser of (i) \$1,000,000 or (ii) the Loan Value of Ford Inventory, said loan being referred to herein as the "Supplemental Line of Credit". Within the aforesaid limits, Borrower may borrow, make payments, and reborrow under this Agreement, subject to the provisions hereof.

(b) The obligation to repay the Supplemental Line of Credit Loan shall be evidenced by one or more Notes payable to the order of the Bank and maturing **ON DEMAND**.

Amounts due under the Note(s) and otherwise under this Agreement and under the Loan Documents shall be reflected in the Loan Account.

(c) Upon Bank's request, Borrower shall submit a Borrower's Report in the form attached hereto as Exhibit "A-2" (or in such other form as may be furnished by Bank from time to time) on the date of this Agreement and at least monthly thereafter during the term of this Agreement. In addition, should Bank (i) at any time in good faith deem itself insecure with respect to the Loan or (ii) believe that the Aggregate Loan Values exceed the outstanding principal balance or (ii) should an Event of Default exist, then Bank may require more frequent submittal of Borrower's Reports. Bank may, in its sole discretion, require that each advance made under the Supplemental Line of Credit Loan be effected by Borrower's submitting (and the Bank's receiving) a Borrower's Report at least one banking day prior to the date Borrower desires the advance to be made. In addition, Borrower shall furnish to Bank a continuous flow of information to assure that only those vehicle units constituting Eligible Ford Inventory are the subject of advances under the Supplemental Line of Credit.

(d) If the outstanding principal amount of the Supplemental Line of Credit Loan at any time exceeds the lesser of \$1,000,000 or the Loan Value of Ford Inventory as determined by the Bank in accordance with the provisions of this Agreement, Borrower shall immediately pay the Bank an amount equal to such excess as a payment on the principal amount of the Supplemental Line of Credit Loan.

2.3. Term Loan. The Bank agrees to loan to Borrower the principal sum of \$600,000.00 (the "Term Loan"). The Term Loan shall be represented by a Note payable to the order of Bank and in form and substance acceptable to Bank. The Term Loan shall be repaid in monthly installments of principal of \$10,000 per month, beginning on June 3, 1997, and continuing on the same day of each month through May 3, 2002, at which time all remaining principal, interest and other fees shall be due and payable. Together with each principal payment, Borrower shall pay all accrued but unpaid interest. The applicable interest rate on the Term Loan shall change as and when the Base Rate changes from time to time.

2.4. Computation of Interest; Default Rate. The principal balance of each of the Loans shall bear interest at a rate equal to Base Rate plus one and one-half percent (1.5%), said rate to change when and as the Base Rate changes. Interest shall be paid to Bank on the amount of the Loans outstanding and shall be payable monthly in arrears on the first day of each month beginning with May 3, 1997, and continuing on the same day of each month thereafter through and until such time as there remains no unpaid principal balance on the amounts advanced to Borrower. Interest on the Loans shall be calculated based on a 360 day year (i.e., computed on the actual number of days elapsed over a year of 360 days unless reference to a 365 or a 366-day year is necessary in order not to exceed the highest rate permitted by Applicable Law). From and after the occurrence of an event of default, the principal amount of the Loans outstanding from time to time shall, subject to the provisions of the following subsection, bear interest at the Default Rate. Borrower acknowledges and agrees that the provisions herein and in the Notes relating to the Default Rate represent a fair and

reasonable estimate by Borrower and Bank of a fair average compensation for the loss that may be sustained by Bank due to the failure of Borrower to make timely payments with respect to the Obligations and for the cost and expenses that may be incurred by Bank by reason of the occurrence of an Event of Default, the parties recognizing that the damages caused by such extra administrative expenses and loss of the use of funds is impracticable or extremely difficult to ascertain or estimate. Interest at the Default Rate shall be paid without prejudice to the rights of Bank to collect any other amounts provided to be paid hereunder.

2.5. Advance of Funds. Each borrowing under the Loans shall be effected by crediting the amount thereof to the regular checking account of Borrower maintained with the Bank or with another bank approved by the Bank.

2.6. Facility Fee and Administrative Fee. Borrower shall pay to Bank a facility fee of \$3000 for the Line of Credit Loan and a facility fee of \$1000 for the Supplemental Line of Credit Loan (collectively, the "Facility Fee") which shall be deemed fully earned at the closing of the transactions contemplated hereby, shall be paid concurrently with the initial Loan hereunder and shall not be subject to rebate except as may be required by any Applicable Law. Borrower shall pay to Bank a fee of \$50.00 per unit for each Ford Motor Company chassis or vehicle that becomes part of Eligible Ford Inventory during such time as the Supplemental Line of Credit is outstanding (the "Administrative Fee"). The Facility Fee and the Administrative Fee shall compensate Bank for the costs associated with the origination, structuring, processing, approving, administering, and closing of the transactions contemplated by this Agreement, including, but not limited to, administrative, general overhead and lost opportunity costs, but not including any out-of-pocket or other expenses for which Borrower has agreed to reimburse Bank pursuant to any other provisions of this Agreement or any of the other Loan Documents, such as, by way of example, legal fees and other expenses as provided in Sections 12.1 through 12.3.

2.7. Loan Account. Bank shall enter disbursements hereunder or under the Notes as debits to one or more Loan Accounts and shall also record in the Loan Accounts all payments made by Borrower and all proceeds of Collateral which are finally paid to Bank, and may record therein, in accordance with customary accounting practice, all charges and expenses properly chargeable to Borrower hereunder.

2.8. Prepayment. Borrower shall have the right to prepay the indebtedness represented the Term Loan at any time in full or in part without premium or penalty. Borrower shall have the right to prepay the indebtedness represented by the Line of Credit Loan and the Supplemental Line of Credit Loan at any time without premium or penalty.

2.9. Term. This Agreement shall remain in force and effect until the Loans, and any renewals or extensions, and all interest thereon and costs provided for herein with regard to either of them have been indefeasibly paid or satisfied in full and until the Bank has no further obligation to advance funds to any Borrower hereunder. The indemnities provided for in Article XI shall survive the payment in full of the Loans and the Obligations and the termination of this Agreement.

2.10. Payments. All sums paid to the Bank by Borrower hereunder shall be paid directly to the Bank in immediately available funds including, but not limited to, automatic electronic withdrawals or transfers from Borrower's accounts. The Bank shall send Borrower statements of all amounts due hereunder, which statements shall be considered correct and conclusively binding on the Borrower unless the Borrower notifies the Bank to the contrary within sixty (60) days of its receipt of any statement which it deems to be incorrect. The Bank may, in its sole discretion, (a) charge against any deposit account of the Borrower all or any part of any amount due hereunder, including, without limitation, the fees and expenses of the Bank to be paid by Borrower as provided for in Sections 12.1 through 12.4 of this Agreement, any advances made by Bank to protect the Collateral, and any commitment or servicing fee due the Bank, and (b) advance to Borrower, and charge to the Loans, a sum sufficient each month to pay all interest accrued on the Loans and fees and expenses due under this Agreement, including, without limitation, the fees and expenses of the Bank to be paid by Borrower as provided for in Sections 12.1 through 12.4 of this Agreement, any advances made by Bank to protect the Collateral, and any commitment or servicing fee due the Bank, during or for the immediately preceding month or any month prior. Borrower shall be deemed to have requested an advance under the Loans upon the occurrence of an overdraft in any of Borrower's checking accounts maintained with the Bank or another bank owned by SouthTrust Corporation.

2.11. Application of Payments. Borrower irrevocably waives the right to direct the application of any and all payments and collections at any time or times hereafter received by Bank from or on behalf of Borrower or from any of the Collateral, and Borrower does hereby irrevocably agree that Bank shall have the continuing exclusive right to apply such payments and collections received at any time or times hereafter by Bank or its agent against the Obligations, in such manner as Bank may deem advisable, notwithstanding any entry by Bank upon any of its books and records. If as the result of collections of Accounts or for any other reason, a credit balance exists in the Loan Account, such credit balance shall not accrue interest in favor of Borrower but shall be available to Borrower at any time or times for so long as no Event of Default exists.

2.12. Use of Proceeds. The proceeds of the Term Loan shall be used for the purchase of the assets of Enviro Whirl Technologies, Inc. pursuant to the terms of the Acquisition Agreement and the Acquisition Documents and for no other purpose. The proceeds of the Line of Credit Loan shall be used to repay existing Debt of Borrower owed to the Bank and for working capital purposes and for no other purpose. The proceeds of the Supplemental Line of Credit Loan shall be used to purchase Eligible Ford Inventory and for no other purpose.

2.13. Commitment Period. Without changing the Line of Credit Loan and the Supplemental Line of Credit Loan from demand loans, the Borrower agrees that the present commitment of the Bank under said Loans shall not extend beyond May 1, 1998, and if an Event of Default has not occurred earlier and/or demand sooner made, the Bank may, in its sole discretion, demand payment of said loans on May 1, 1998.

2.14. Limitations. Notwithstanding any provision in this Agreement, the Bank may, in its sole discretion, at any time limit the amount of the Line of Credit Loan and the Supplemental Line of Credit Loan advanced to the Borrower to an amount less than the Aggregate Loan Values and/or the Loan Value of Ford Inventory, respectively. **Notwithstanding any other provision of this Agreement and notwithstanding any course of dealing or conduct on the part of the parties hereto, the Line of Credit Loan and the Supplemental Line of Credit Loan shall be fully due and payable ON DEMAND without further notice from, or action by, Bank. Time is of the essence of this Agreement.**

ARTICLE III CONDITIONS OF LENDING

Bank shall not be obligated to make the Loans, or any advance under the Loans, unless at the time thereof the following conditions shall have been met:

3.1. Corporate Proceedings. All proper corporate proceedings shall have been taken by Borrower to authorize this Agreement and the transactions contemplated hereby.

3.2. Documentation. All instruments and proceedings in connection with the transactions contemplated by this Agreement shall be satisfactory in form and substance to Bank, and Bank shall have received on the date of this Agreement copies of all documents, including records of corporate proceedings, which it may have requested in connection therewith, including, without limitation, certified copies of resolutions adopted by the Board of Directors of the Borrower, certificates of good standing, and certified copies of the Articles of Incorporation and By-Laws, and all amendments thereto, of the Borrower.

3.3. Loan Documents. Bank shall have received executed copies of all instruments evidencing security for the Loans and copies of the insurance policies and related certificates of insurance referred to in Sections 6.1, 9.5 and 9.6 of this Agreement.

3.4. No Default. No event shall have occurred or be continuing which constitutes an Event of Default or which would constitute an Event of Default with the giving of notice or the lapse of time or both; and neither the business nor assets nor the condition, financial or otherwise, of any Borrower shall have been adversely affected in any material manner as the result of any fire, explosion, accident, strike, riot, condemnation, act of God, or any other event or development.

3.5. Reports. Bank shall have received all reports and information from Borrower called for under the Agreement as and when due.

3.6. Opinion of Counsel. Bank shall have received on the date of this Agreement an opinion from counsel to Borrower satisfactory to Bank which is in the form of Exhibit "B" hereto

and with respect to such other matters relating to the transactions contemplated hereby as the Bank may reasonably request.

3.7. Incumbency Certificate. Bank shall have received an incumbency certificate, dated as of the date of this Loan Agreement, executed by the Secretary or Assistant Secretary of Borrower, which shall identify by name and title and bear the signature of the officer of such Borrower authorized to sign this Loan Agreement and the Notes on behalf of the Borrower. The Bank shall be entitled to rely upon such incumbency certificate in completing the transactions contemplated herein or in any Loan Document and in all its other dealings with Borrower.

3.8. Consents. Bank shall have received consents and agreements of the landlords of each of the premises leased by Borrower on which the Collateral is located as provided in Section 4.1 hereof, all in form satisfactory to Bank.

3.9. Lien Search. Bank shall have received a report from the Uniform Commercial Code Division of the Secretary of State and other appropriate recording offices of each state in which any Borrower does business or has property indicating that there are no Liens against that portion of the Collateral constituting personal property except the Liens permitted by Section 7.2 hereof.

3.10. Guaranties. Each Guarantor shall have executed and delivered in favor of Bank his unconditional guaranty of the Obligations, and each said Guaranty Agreement shall be in form and substance satisfactory to Bank.

3.11. Life Insurance. Bank shall have received the original life insurance policy on the life of Ernest R. Schwarze in the face amount of not less than \$500,000 and the original life insurance policy(ies) on the life of Mark R. Schwarze aggregating the face amount of \$500,000, each issued by an insurance underwriter acceptable to Bank, together with instruments indicating that said policies have not been assigned to any other entity and that said policies are assignable to Bank as collateral for the Loans, and such assignments, pledge agreements, and instruments as Bank shall require evidencing assignment of said policies to Bank as collateral for the Loans.

3.12. Disbursement Authorization. Borrower shall have delivered to Bank such disbursement authorizations, draw requests, and other documents and writings as Bank shall have requested evidencing Borrower's request for disbursement of funds.

3.13. Seller Lien Search. Bank shall have received a report from the Alabama Secretary of State indicating that there are no Liens against the Purchased Assets.

3.14. Pledged Note. Borrower shall have received the original executed of the Pledged Note, together with such assignments endorsed in blank with respect to said Pledged Note as Bank shall request.

3.15. Acquisition Closing. The transactions contemplated by the Acquisition Agreement shall have closed and Bank shall be satisfied that Borrower has good and marketable title to the Purchased Assets free and clear of all liens and claims of every description. Bank shall have received copies of the Acquisition and the Acquisition Documents.

3.16. Additional Documents. Bank shall have received such additional legal opinions, certificates, proceedings, instruments and other documents as the Bank or its counsel may reasonably request to evidence (i) compliance by Borrower with legal requirements, (ii) the truth and accuracy, as of the date of this agreement, of the representations of Borrower contained herein, and (iii) the due performance or satisfaction by the Borrower, at or prior to the date hereof, of all agreements required to be performed and all conditions required to be satisfied by Borrower pursuant hereto.

ARTICLE IV

SECURITY FOR LOANS AND SPECIAL COLLECTION ACCOUNT

4.1. Security. The Loans, each Note and the Obligations shall be secured by each of the following:

(a) A security interest in Borrower's Accounts, General Intangibles, Equipment, and Inventory and other properties and interests as provided for in Section 8.1 and other parts of Article VIII hereof, subject only to permitted liens as defined herein;

(b) The assignment of proceeds of life insurance policies in the face amount of \$500,000 on the life of Ernest R. Schwarze and in the amount of \$500,000 on the life of Mark R. Schwarze referred to in Section 3.11 of this Agreement;

(c) The unconditional guarantee of Guarantors;

(d) A pledge and assignment of the Pledged Note pursuant to the Assignment Agreement; and

(e) A mortgage on and security interest in the Real Estate pursuant to the Mortgage.

Part of the Equipment may constitute motor vehicles and other vehicles subject to registration under the motor vehicle title registration statutes of Alabama and other states, and with respect to which the security interest of Bank therein is required to be registered on the vehicle title certificate. Borrower agrees to execute and deliver on a timely basis all such title certificates and instruments as shall be necessary to convey to Bank a first priority perfected security interest in all such motor vehicles and other Equipment. This paragraph shall not alter Borrower's obligation under Section 9.2 with respect to vehicles included in Inventory.

Part of the Equipment may be affixed to real estate owned or leased by Borrower and constitute fixtures under the Uniform Commercial Code. Borrower agrees that any such fixtures shall be included within the meaning of Equipment as used and defined herein and that the Bank is hereby granted a security interest in and a lien upon such fixtures.

Borrower agrees to execute and deliver, or cause the execution and delivery of, such security agreements, deeds of trust, mortgages, assignments, guaranties, consents, subordination agreements, and financing statements as may be required by Bank to evidence such security, all in form satisfactory to Bank, as well as such consents and agreements of the landlords of each of the premises leased by Borrower on which the Collateral is located, all in form satisfactory to Bank.

4.2. Special Collection Account. If requested in writing by Bank but only should (i) an Event of Default exist and be continuing, or (ii) Bank in good faith deems itself insecure with respect to the Loans, Borrower shall open a special collection account (the "Special Collection Account") with Bank, or with another bank designated by Bank, in which all funds received by Borrower from sales of Inventory, all refunds of taxes, all remittances by Borrower's Account Debtors, all bank wire transfers from Borrower's Account Debtors, and all other proceeds of Collateral, shall be deposited no later than the next regular banking day following receipt thereof. The Bank shall have the exclusive right to withdraw or debit funds from the Special Collection Account which may be accomplished by any directive signed by any officer of the Bank.

ARTICLE V

REPRESENTATIONS, WARRANTIES AND GENERAL COVENANTS.

Borrower represents, warrants and covenants to and with Bank, which representations, warranties and covenants shall survive until the Obligations are indefeasibly satisfied in full, that:

5.1. Organization and Qualification. The Borrower is a corporation duly organized, validly existing and in good standing under the laws of the state of its incorporation and has the corporate power to own its properties and to carry on its business as now being conducted; and is duly qualified to do business and is in good standing in every jurisdiction in which the character of the properties owned by it or in which the transaction of its business makes its qualification necessary.

5.2. Corporate Power and Authorization. Borrower has full power and authority to enter into this Agreement, to borrow hereunder, to execute and deliver the Notes and the other Loan Documents and to incur the obligations provided for herein, all of which have been authorized by all proper and necessary corporate action.

5.3. Enforceability. This Agreement and each of the other Loan Documents constitute, and each Note when executed and delivered for value received will constitute, a valid and

legally binding obligation of Borrower enforceable in accordance with their respective terms and will not violate, conflict with, or constitute any default under any law, government regulation, Borrowers' Articles of Incorporation or By-Laws, or any other agreement or instrument binding upon Borrower.

5.4. Pending Actions. Borrower is not a defendant, or a plaintiff against whom a counterclaim or crossclaim has been asserted, in any civil or criminal action, suit or litigation, and no action or investigation is pending or, so far as Borrower's officers and directors know, threatened before or by any court or administrative agency which might result in any material adverse change in the financial condition, operations or prospects of Borrower.

5.5. Financial Statements. All financial statements and reports furnished by Borrower to Bank are complete and correct and fairly present the financial condition of Borrower and the results of its operations and transactions as of the dates and for the periods referred to and have been prepared in accordance with GAAP applied on a consistent basis throughout the periods involved. There are no liabilities, direct or indirect, fixed or contingent, of Borrower as of the date of such financial statements which are not reflected therein or in the notes thereto. Neither said financial statements nor any other financial statements, reports, and information furnished by Borrower to Bank contains any untrue statement of a material fact or omits a material fact necessary to make the statements contained therein or herein not misleading. There is no fact which Borrower has failed to disclose to Bank in writing which materially affects adversely or, so far as Borrower can now foresee, will materially affect adversely the Collateral, business, prospects, profits or condition (financial or otherwise) of Borrower or the ability of Borrower to perform this agreement.

5.6. Title to Properties. Borrower has good and marketable title to all of its assets, other than the Collateral, subject to no Lien, mortgage, pledge, encumbrance, or charge of any kind except inchoate Liens arising by operation of law for obligations which are not yet due and except for the Liens and security interests described on Exhibit "C" to this Agreement. Borrower enjoys peaceable and undisturbed possession under all leases under which it is operating, and none of such leases contain any provisions which may materially and adversely affect or impair the operations of the Borrower, and all of such leases are valid and subsisting and in full force and effect.

5.7. Pension Plans. Except as set forth on Exhibit "E", Borrower has not established and is not a party to any Plan or to any stock option or deferred compensation plan or contract for the benefit of its employees or officers, any pension, profit sharing or retirement plan, stock redemption agreement, or any other agreement or arrangement with any officer, director or stockholder, members of their families, or trusts for their benefit. Borrower is in compliance with all applicable provisions of ERISA. Neither Borrower nor any of its Subsidiaries has received any notice to the effect that it is not in full compliance with any of the requirements of ERISA and the regulations promulgated thereunder. No fact or situation that could result in a material adverse change in the financial condition of Borrower, including, but not limited to, any Reportable Event or Prohibited Transaction, exists in connection with any Plan. Neither Borrower nor any of its Subsidiaries has any withdrawal liability in connection with a Multiemployer Plan.

5.8. Taxes. Borrower has filed all federal, state and local tax returns which are required to be filed and has paid, or made adequate provision for the payment of, all taxes which have or may become due pursuant to said returns or to assessments received by Borrower, including, without limitation, all applicable federal, state, and local employee withholding taxes.

5.9. Title to Collateral. Except for the security interests granted herein or reflected on Exhibit "C" to this Agreement, Borrower is, or as to Collateral to be acquired after the date hereof will be, the sole owner of the Collateral free from any adverse Liens, security interests or other encumbrances. Borrower shall defend the Collateral against all claims and demands of all other parties who at any time claim any interest in the Collateral.

5.10. Place of Business. Borrower's chief executive office is as indicated on Exhibit "D" hereof and it has not changed the location of its chief executive office within the last five (5) years, except as reflected on Exhibit "D". The Inventory and Equipment is and shall be located only at the locations listed on Exhibit "D" to this Agreement. Except as indicated on said exhibit, the real estate constituting each said location is owned by Borrower. With respect to locations not owned by Borrower, said exhibit sets forth the name and address of each landlord, the location of the property, and the remaining term of the lease. Borrower has separately furnished to Bank true and correct copies of the lease agreements for each said parcel.

5.11. Full Disclosure. All information furnished by Borrower to the Bank concerning the Borrower, its financial condition, the Collateral, or otherwise for the purpose of obtaining credit or an extension of credit, is, or will be at the time the same is furnished, accurate and correct in all material respects and complete insofar as completeness may be necessary to give the Bank a true and accurate knowledge of the subject matter.

5.12. Borrower's Name. Borrower has not changed its name or been known by any other name within the last five (5) years, nor has it been the surviving corporation in a merger effected within the last five (5) years. Except as reflected on Exhibit "H", Borrower does not now use nor has it ever used any trade or fictitious name in the conduct of its business.

5.13. Existing Debt. Borrower is not in default with respect to any of its existing Debt or with respect to any material agreement to which Borrower is a party.

5.14. Insolvency. Borrower is now and, after giving effect to the transactions contemplated hereby, at all times will be, Solvent.

5.15. Subsidiaries. Borrower has no Subsidiaries.

5.16. Environmental Matters. Borrower is in compliance with all Environmental Regulations and with all other federal, state and local laws and regulations relating to the environment and pollution, including such laws and regulations regulating hazardous, radioactive and toxic materials and underground petroleum products storage tanks. No assessment, notice of

(primary or secondary) liability or notice of financial responsibility, and no notice of any action, claim, investigation, proceeding, or inquiry to determine such liability or responsibility, or the amount thereof, or to impose civil penalties has been received by Borrower, and there are no facts, conditions or circumstances known to Borrower which could result in any investigation or inquiry if all such facts, conditions, and circumstances, if any, were fully disclosed to the applicable governmental authority. Borrower has paid any environmental excise taxes due and payable, including without limitation, those imposed pursuant to Sections 4611, 4661, or 4681 of the Internal Revenue Code of 1986, as amended from time to time. Borrower has not obtained and is not required to obtain any permits, licenses, or similar authorizations to construct, occupy, operate or use any buildings, improvements, fixtures or equipment in connection with its business by reason of any Environmental Regulations. No oil, toxic or hazardous substances or solid wastes have been disposed of or released by Borrower in connection with the operation of its business and Borrower will not dispose of or release oil, toxic or hazardous substances or solid wastes at any time in its operation of its business (the terms "hazardous substance" and "release" shall have the meanings specified in the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended ("CERCLA"), and the terms "solid waste" and "disposal", "dispose" or "disposed" shall have the meanings specified in the Resource Conservation and Recovery Act of 1976, as amended ("RCRA"), except that if such acts are amended to broaden the meanings thereof, the broader meaning shall apply herein).

5.17. Ownership. All issued and outstanding capital stock of the Borrower is owned by Mark Schwarze, Ernest R. Schwarze, and Margaret Schwarze. Except as set forth above, there are not outstanding any warrants, options, or rights to purchase any shares of capital stock of Borrower, nor does any Person have a Lien upon any of the capital stock of Borrower.

5.18. Inventory. All Inventory has been produced, and during the term hereof will be produced, in compliance with the requirements of the Federal Fair Labor Standards Act. No Inventory, in excess of \$10,000.00 is now, nor shall any Inventory at any time or times hereafter be, stored with a bailee, warehouseman or similar party without Bank's prior written consent and, if Bank gives such consent, Borrower will concurrently therewith cause any such bailee, warehouseman, or similar party to issue and deliver to Bank, in form and substance acceptable to Bank, warehouse receipts therefor in Bank's name. No Inventory, in excess of \$10,000.00, is or will be consigned to any Person without Bank's prior written consent, and, if such consent is given, Borrower shall, prior to the delivery of any Inventory on consignment, (i) provide Bank with all consignment agreements to be used in connection with any consigned inventory, all of which shall be acceptable to Bank, (ii) prepare, execute and file appropriate financing statements with respect to any such consigned inventory, showing Bank as assignee, (iii) conduct a search of all filings made against the consignee in all jurisdictions in which any consigned Inventory is to be located and deliver to Bank copies of the results of all such searches and (iv) notify, in writing, all the creditors of the consignee which are or may be holders of Liens in the Inventory to be consigned that Borrower expects to deliver certain inventory to the consignee, all of which inventory shall be described in such notice by item or type.

5.19. Labor Relations. Neither Borrower nor any of its Subsidiaries is a party to any collective bargaining agreement, and there are no material grievances, disputes or controversies with any union or any other organization of Borrower's employees, or threats of strikes, work stoppages or any asserted pending demands for collective bargaining by any union or organization.

5.20. Trade Relations. There exists no actual or threatened termination, cancellation or limitation of, or any modification or change in, the business relationship between Borrower and any customer or any group of customers whose purchases individually or in the aggregate are material to the business of Borrower, or with any material supplier, and there exists no present condition or state of facts or circumstances which would materially affect adversely Borrower or prevent Borrower from conducting such business after the consummation of the transaction contemplated by this Agreement in substantially the same manner in which it has heretofore been conducted.

5.21. Partnerships. Borrower is not a partner or joint venturer with any other Person or a participant in any business enterprise other than its own for which it is generally liable, nor does Borrower have any contingent liabilities of any description other than as indicated in the financial statements heretofore delivered to Bank.

5.22. Surety Obligations. Except as reflected on Exhibit "I", Borrower is not obligated as guarantor, surety or indemnitor under any note, guaranty, surety or similar bond or other contract issued or entered into any agreement to assure payment, performance or completion of performance of any undertaking or obligation of any Person.

5.23. No Approval. No authorization or approval or other action by, and no notice to or filing with, any federal, state, or local government body, agency, or authority is required for the due execution, delivery, and performance by Borrower of this Agreement, the Notes, or the Loan Documents.

5.24. Racketeering. Borrower is not engaged in any activity that might constitute a pattern of racketeering activity or in any other conduct that might subject all or a material portion of Borrower's assets to forfeiture.

5.25. Patents, Trademarks, Copyrights and Licenses. Borrower owns or possesses all the patents, trademarks, service marks, trade names, copyrights and licenses necessary for the present and planned future conduct of its business without any known conflict with the rights of others. All patents owned or used by Borrower are listed on Exhibit "F" attached hereto and made a part hereof.

5.26. Representations True. No representation or warranty by the Borrower contained herein or in any certificate or other document furnished by the Borrower pursuant hereto contains any untrue statement of material fact or omits to state a material fact necessary to make such representation or warranty not misleading in light of the circumstances under which it was made.

ARTICLE VI
GENERAL COVENANTS

Borrower agrees and covenants that until the Obligations have been indefeasibly paid in full and until the Bank has no further obligation to make advances under the Loans, Borrower shall:

6.1. Insurance. Maintain insurance with insurance companies satisfactory to Bank on such of its properties, in such amounts and against such risks as is customarily maintained in similar businesses operating in the same vicinity, and shall file with Bank upon request, from time to time, a detailed list of the insurance then in effect, stating the names of the insurance companies, the amounts and rates of the insurance, dates of expiration thereof, and the properties and risks covered thereby, and, within 30 days after notice in writing from Bank, shall obtain such additional insurance as Bank may reasonably request. All such policies shall name the Bank as a named insured and provide that any losses payable thereunder shall (pursuant to loss payable clauses, in form and content acceptable to the Bank, to be attached to each policy) be payable to the Bank. Borrower hereby assigns to the Bank all right to receive proceeds, directs any insurer to pay all proceeds directly to the Bank, and authorizes the Bank to endorse any check or draft for such proceeds and apply the same toward satisfaction of the Obligations. The Borrower shall furnish to the Bank insurance certificates, in form and substance satisfactory to the Bank, evidencing compliance by it with the terms of this Section and, upon the request of the Bank at any time, the Borrower shall furnish the Bank with photostatic copies of the policies required by the terms of this Section. The Borrower will cause each insurer under each of the policies to agree (either by endorsement upon such policy or by letter addressed to the Bank) to give the Bank at least 30 days' prior written notice of the cancellation of such policies in whole or in part or the lapse of any coverage thereunder. Borrower agrees that it will not take any action or fail to take any action which action or inaction would result in the invalidation of any insurance policy required hereunder. At the Bank's request, at least 10 days after the date the premiums on each such policy or policies shall become due and payable, the Borrower shall furnish to the Bank evidence of the payment of such premiums. Borrower shall furnish to the Bank such evidence of insurance as Bank may require.

6.2. Corporate Existence; Qualification. Maintain its corporate existence and, in each jurisdiction in which the character of the property owned by it or in which the transaction of its business makes its qualification necessary, maintain good standing.

6.3. Taxes. During each fiscal year, accrue all current tax liabilities of all kinds, all required withholding of income taxes of employees, all required old age and unemployment contributions, all required payments to employee benefit plans, and pay the same when they become due.

6.4. Compliance with Laws. Comply with all Applicable Laws, including, without limitation, Environmental Regulations, and pay all taxes, assessments, charges, claims for labor,

supplies, rent, and other obligations. Specifically, Borrower shall pay when due all taxes and assessments upon the Collateral, this Agreement, the Notes, or any Loan Document, including, without limitation, any stamp taxes or intangibles taxes imposed by virtue of the transactions outlined herein.

6.5. Annual Financial Statements. Within 120 days after the close of each fiscal year, furnish Bank with annual audited financial statements of Borrower consisting of balance sheets, operating statements and such other statements as Bank may reasonably request, for the period(s) involved, prepared in accordance with GAAP consistently applied for the period involved and for the preceding fiscal year and certified as correct by independent certified public accountants acceptable to the Bank. At the time of furnishing said financial statements, Borrower shall furnish Bank with a certificate from the President and the chief financial officer of Borrower stating that they have reviewed this Agreement and the affairs of the Borrower and that to the best of their knowledge and belief they are unaware of the occurrence of an event which constitutes an Event of Default hereunder or which would constitute such an Event of Default with the giving of notice or the lapse of time or both, and, if so, stating the facts with respect thereto, said certificate to be in the form of Exhibit "G" hereto.

6.6. Interim Financial Statements. Within 45 days after the close of each calendar month, furnish Bank with unaudited monthly and year-to-date financial statements of Borrower, consisting of balance sheets, income statements, inventory reports, account receivable aging reports, operating statements and a listing of all contingent liabilities of the Borrower for the periods involved and such other statements as Bank may request, prepared in accordance with GAAP applied on a basis consistent with the financial statement(s) previously furnished to Bank, taken from the books and records of Borrower, and certified as correct by the chief financial officer of Borrower. At the time of furnishing such financial statements, as of the end of each fiscal quarter, Borrower shall furnish Bank with a certificate from the President or chief financial officer of Borrower stating that he has reviewed this Agreement and the affairs of the Borrower and that to the best of his knowledge and belief he is unaware of the occurrence of an event which constitutes an Event of Default hereunder or which would constitute such an Event of Default with the giving of notice or the lapse of time or both, and if so, stating the facts with respect thereto. Said certificate shall further confirm that Borrower was at the time of issuance of said quarterly financial statement and has at all times since been Solvent. Unless otherwise specified by Bank, said certificate shall be in the form set forth on Exhibit "G" hereto.

6.7. Visits and Inspections. Permit persons designated by Bank to inspect any and all of the property and corporate and financial books and records of Borrower and to discuss its affairs with its officers and employees at such reasonable times as Bank shall request and furnish Bank with such miscellaneous information as it may request.

6.8. Payments on Notes. Duly and punctually pay the principal and interest on the Notes, in accordance with the terms of this Agreement and of the Notes, and pay all other Debt of Borrower reflected on the financial statements delivered to Bank and referred to in Section 5.5 hereof

and all other Debt incurred after the date hereof in accordance with the terms of such Debt, it being understood, however, that this Section shall not be deemed to permit any Debt in violation of the provisions of Sections 7.1 and 7.2 hereof.

6.9. Conduct of Business. Conduct its business as now conducted and do all things necessary to preserve, renew and keep in full force and effect its rights, privileges and franchises necessary to continue its business.

6.10. Maintenance of Properties. Keep its properties in good repair, working order and condition, reasonable wear and tear excepted, and from time to time make all needed and proper repairs, renewals, replacements, additions, and improvements thereto and comply with the provisions of all leases to which it is a party or under which it occupies property so as to prevent any loss or forfeiture thereof or thereunder.

6.11. Additional Documents. Join the Bank in executing any security agreements, assignments, consents, financing statements or other instruments, in form satisfactory to the Bank, as the Bank may from time to time request in connection with the Collateral and the other security for the Loans referred to in Section 4.1 hereof.

6.12. Notice to Bank. Immediately notify the Bank of (i) any event causing a material loss or depreciation in value of the Collateral and the amount of such loss or depreciation, (ii) if Borrower becomes aware of the occurrence of any Event of Default or of any fact, condition or event that, with the giving of notice or passage of time, or both, could become an Event of Default or of the failure of the Borrower to observe any of its undertakings hereunder. or (iii) any material lawsuit involving Borrower.

6.13. Collateral Reports. Furnish to Bank at least monthly (and more frequently if requested by Bank) a detailed accounts receivable aging report, and an inventory report, all in form and substance, and containing such detail and information, as Bank shall request.

6.14. Subordination of Debt. Provide Bank with a debt subordination agreement, in form and substance satisfactory to Bank, executed by Borrower and any Person who is an officer, director, shareholder or Affiliate of Borrower to whom Borrower is or hereafter becomes indebted, subordinating in right of payment and claim all of such Debt and any future advances thereon to the full and final payment of the Obligations.

6.15. Collection of Accounts. Diligently pursue collection of all Accounts and other amounts due Borrower by others, including Affiliates of Borrower.

6.16. Life Insurance Policy. Pay all premiums due with respect to the life insurance policies referred to in Section 3.11 of this Agreement and do all such other things as shall be necessary to maintain said life insurance, and the pledge thereof to Bank, in full force and effect.

6.17. Other Documents. Comply with each and every provision contained in the Mortgage and in the Assignment.

6.18. Landlord and Storage Agreements. Provide Bank with copies of all agreements between Borrower and any landlord or warehouseman which owns any premises at which any inventory or other Collateral may, from time to time, be kept.

6.19. Auditors; Insurance Representatives and Agents. Furnish the Bank with a copy of each letter written to the Borrower by its independent certified public accountant concerning internal controls and management review immediately upon receipt of same and any comments made by the Borrower with respect thereto.

6.20. ERISA Compliance. (i) At all times make prompt payment of contributions required to meet the minimum funding standards set forth in ERISA with respect to each Plan; (ii) promptly after the filing thereof, furnish to Bank copies of an annual report required to be filed pursuant to ERISA in connection with each Plan and any other employee benefit plan of it and its Affiliates; (iii) notify Bank as soon as practicable of any Reportable Event and of any additional act or condition arising in connection with any Plan which Borrower believes might constitute grounds for the termination thereof by the Pension Benefit Guaranty Corporation or for the appointment by the appropriate United States district court of a trustee to administer the Plan; and (iv) furnish to Bank, promptly upon Bank's request therefor, such additional information concerning any Plan or any other such employee benefit plan as may be reasonably requested.

6.21. Bank Accounts. Maintain its principal bank accounts with the Bank or another bank designated by the Bank.

6.22. Business Records. Keep, and cause each Subsidiary to keep, adequate records and books of account with respect to its business activities in which proper entries are made in accordance with GAAP reflecting all its financial transactions.

6.23. Financial Covenants. Maintain on a fiscal quarterly basis at all times that this Agreement is in effect and in conformance with the following covenants for Borrower as indicated: (i) a ratio of Debt to Tangible Net Worth of not more than 4 to 1 beginning on December 31, 1997; (ii) Fixed Charge Coverage of not less than 1.1 to 1; and (iii) a ratio of Current Assets to Current Liabilities of not less than 1 to 1.

6.24. Filings. Deliver to Bank a copy of any filings with any governmental body, agency or authority which could materially adversely affect the Borrower's business (except for tax returns filed in the ordinary course of business).

ARTICLE VII
NEGATIVE COVENANTS

Until the Obligations have been indefeasibly repaid and satisfied in full and until the Bank has no further obligation to make advances under the Loans, without the prior written consent of Bank, the Borrower shall not:

7.1. Indebtedness. Except as permitted or contemplated by this Agreement, create, incur, assume or suffer to exist any Debt or obligation for money borrowed, or guarantee, or endorse, or otherwise be or become contingently liable in connection with the obligations of any Person (including, without limitation, any Affiliate), except:

7.1.1. Indebtedness for taxes not at the time due and payable or which are being actively contested in good faith by appropriate proceedings and against which reserves deemed adequate by Bank have been established by Borrower, but only if the non-payment of such taxes being contested does not result in a Lien upon any property of Borrower that has priority over the Lien held by Bank;

7.1.2. Contingent liabilities arising out of the endorsement of negotiable instruments in the ordinary course of collection or similar transactions in the ordinary course of business;

7.1.3. Accounts payable to trade creditors which are not aged more than one hundred twenty (120) days from due date and current operating expenses (other than for borrowed money) which are not more than ninety (90) days past due, in each case incurred in the ordinary course of business and paid within such time period, unless the same are actively being contested in good faith and by appropriate and lawful proceedings and Borrower shall have set aside such reserves, if any, with respect thereto as have been recommended by independent public accountants;

7.1.4. Debt to third parties for purchase money borrowing incurred in connection with the purchase of capital assets used in the business of Borrower not to exceed \$100,000 during any fiscal year of Borrower in the aggregate for all Borrowers; and

7.1.5. Existing Debt reflected on the financial statements of Borrower referred to in Section 5.5 of this Agreement;

7.1.6. Debt for money borrowed from the Bank; and

7.1.7. Contingent liabilities arising under Guarantees, Sureties and indemnification(s) in the aggregate not more than \$300,000 without prior approval of Bank.

7.2. Liens and Security Interests. Create, incur, assume, or suffer to exist any mortgage, security deed, deed of trust, security interest, pledge, encumbrance, Lien or charge of any

kind (including charges on property purchased under conditional sales or other title-retention agreements) on any of its property or assets, now owned or hereafter acquired, except

7.2.1. Liens for taxes not yet due or which are being contested in good faith by appropriate proceeding and against which reserves deemed adequate by Bank have been set up (excluding any Lien imposed pursuant to any of the provisions of ERISA);

7.2.2. Other Liens, charges and encumbrances incidental to the conduct of its business or the ownership of its property and assets and created by operation of law;

7.2.3. Purchase money Liens and encumbrances created to secure the indebtedness permitted by Section 7.1.4 hereof;

7.2.4. Liens, charges and encumbrances in favor of the Bank; and

7.2.5. Liens, charges and encumbrances reflected on Exhibit "C" to this Agreement (which Liens include certain royalty payments and rights of first refusal that exist with respect to Borrower's parents and other intellectual property rights).

7.3. Dividends and Distributions. Declare any dividends on any shares of any class of its capital stock, or apply any of its property or assets to the purchase, redemption or other retirement of, or set apart any sum for the payment of any dividends on, or for the purchase, retirement of, or make any other distribution by reduction of capital or otherwise in respect of, any shares of any class of capital stock of the Borrower.

7.4. Affiliate Transactions. Purchase, acquire or lease property from, or sell, transfer or lease any property to, any Affiliate of Borrower (including from any fellow Borrower), except in the ordinary course of Borrower's business and under terms and conditions which would apply if disinterested parties were involved.

7.5. Financing Statements. Permit any financing statement (except Bank's financing statements) to be on file with respect to the Collateral.

7.6. Location of Collateral. Change the locations at which the Collateral is maintained; change the name, identity, or corporate structure of Borrower; adopt or make use of any fictitious or trade name not disclosed elsewhere in this Agreement; or change the location of its chief executive office.

7.7. Destruction of Collateral. Waste or destroy the Collateral or use it in violation of any statute or ordinance.

7.8. Merger or Consolidation. Enter into any merger or consolidation or acquire all or substantially all of the assets of any Person; or sell, lease, or otherwise dispose of any of its assets

in an aggregate amount exceeding \$100,000 (on an aggregate basis for all Borrowers) during any fiscal year, except sales in the ordinary course of its business.

7.9. Loans or Advances. Make loans or advances or pay any management or similar fees to any Person, except for the loan evidenced by the Pledged Note.

7.10. Capital Expenditures. Make any Capital Expenditures (on a consolidated basis for all Borrowers) in any fiscal year exceeding a total of \$300,000.

7.11. Acquisitions. Purchase or acquire the obligations or stock of or any other interest in any Person, except (i) direct obligations of the United States of America, (ii) certificates of deposit or other investments issued by the Bank or by any bank designated in writing by the Bank or (iii) stock of publicly held corporations or other corporations in an aggregate amount not to exceed \$50,000.

7.12. Prepayment of Debt. Prepay any Debt except Debt to the Bank; provided, however, the Borrower may take ordinary trade discounts on purchases made in the ordinary course of business.

7.13. Lease Transactions. Enter into any sale and lease-back arrangement, either directly or indirectly.

7.14. Amendments. Amend any instrument evidencing a Lien, charge or encumbrance listed on Exhibit "C" hereto.

7.15. Bonuses. No bonuses to any employees, officers and directors of the Borrower without prior written Bank approval.

7.16. Deposit of Funds. During such time as the same is required by the terms of Section 4.2, deposit proceeds of the Collateral into any account other than the Special Collection Account.

7.17. Adverse Transactions. Enter into any transaction, or permit any Subsidiary to enter into any transaction, which materially and adversely affects or may materially and adversely affect the Collateral or Borrower's ability to repay the Obligations or permit or agree to any material extension, compromise or settlement or make any change or modification of any kind or nature with respect to any Account, including any of the terms relating thereto, other than discounts and allowances in the ordinary course of business.

7.18. Subsidiary Acquisitions. Hereafter create any Subsidiary or divest itself of any material assets by transferring them to any Subsidiary.

7.19. Subsidiary Divestitures. Transfer, sell, pledge, encumber or otherwise assign any shares of stock or other interest in any Subsidiary or permit any Subsidiary to sell or otherwise dispose of all of substantially all of its assets.

7.20. Partnerships or Joint Ventures. Become or agree to become a general or limited partner in any general or limited partnership or a joint venturer in any joint venture.

7.21. Subordinated Debt. Make any payment (principal or interest) with respect to Subordinated Debt, or with respect to any Debt that would be Subordinated Debt but for the absence of a subordination agreement in effect with respect thereto, except that Borrower shall be entitled to make payments with respect to such Debt to the extent provided in any subordination agreement in effect with respect thereto, but only during such time as no default or Event of Default exists hereunder.

ARTICLE VIII GRANT OF SECURITY INTEREST.

8.1. Security Interest. As security for the payment of the Loans and all other Obligations, now existing or in the future incurred, and including any extensions or renewals or changes in form of the Loans, and any other Debt of Borrower to the Bank, and all costs and expenses of collection thereof, including, without limitation, attorneys' fees, Borrower hereby assigns to Bank and grants to Bank a security interest in and Lien upon the following:

- (a) All of Borrower's Accounts;
- (b) All of Borrower's General Intangibles;
- (c) All of Borrower's Inventory;
- (d) All of Borrower's Equipment;
- (e) All of proceeds and products, as the case may be, of Borrower's Accounts, General Intangibles, Equipment, and Inventory.
- (f) All monies and other property of any kind, real, personal, or mixed, and tangible or intangible, now or at any time or times hereafter, in the possession or under the control of Bank or a bailee of Bank;
- (g) All accessions to, substitutions for and all replacements, products and cash and non-cash proceeds of (a) through (f) above, including, without limitation, proceeds of and unearned premiums with respect to insurance policies insuring any of the Collateral;

(h) All books and records (including, without limitation, customer lists, credit files, magnetic, digital and laser tapes and disks, electronic and computer storage media, computer programs, print-outs, and other computer materials and records) of Borrower pertaining to any of (a) through (g) above.

8.2. Sale of Inventory. Until the occurrence of an Event of Default hereunder or until demand, whichever occurs first, Borrower may use and dispose of the Inventory in the ordinary course of business where such is not inconsistent with this Agreement, provided that the ordinary course of business does not include a transfer in partial or total satisfaction of Debt nor a transfer (other than a sale on terms and conditions which would apply if disinterested parties were involved) to an Affiliate of Borrower.

8.3. Notice to Account Debtors. Should an Event of Default occur or should Bank in good faith deem itself insecure with respect to the Loans, Bank shall have the right to notify the Account Debtors obligated on any or all of the Accounts to make payment thereof directly to Bank and to take control of all proceeds of any such Accounts. Any such notice by the Bank to such Account Debtors shall be given by an officer of the Bank. Borrower, if requested by Bank, shall stamp or cause to be stamped on each Account item in legible letters "Pledged to SouthTrust Bank of Alabama, National Association" and shall turn over physical possession of the Accounts to Bank. Borrower authorizes Bank to sign and endorse Borrower's name upon any check, draft, money order, or other form of payment of any Account item and to sign and endorse satisfactions and releases of Account items in Borrower's name. Until such time as Bank elects to exercise the right to collect and enforce said Accounts, Borrower is authorized, as agent of the Bank, to collect and enforce said Accounts in Borrower's name. The costs of such collection and enforcement, including attorney's fees and out-of-pocket expenses and all other expenses and liabilities resulting therefrom, shall be borne solely by Borrower whether the same are incurred by the Bank or Borrower.

8.4. Verification of Accounts. Whether or not an Event of Default has occurred, any of Bank's officers, employees or agents shall have the right, at any time or times hereafter, in the name of Bank, or any designee of Bank or Borrower, to verify the validity, amount or any other matter relating to any Accounts by mail, telephone, telegraph, or otherwise. Borrower shall cooperate fully with Bank in an effort to facilitate and promptly conclude any such verification process.

8.5. Post Office Box. Should an Event of Default occur or should Bank in good faith deem itself insecure with respect to the Loans, Borrower agrees to acquire at its expense a post office box in the City of Huntsville, Alabama, or Bank lock box to which the Bank and its designees alone shall have access. The Borrower agrees to give notice to all of its Account Debtors to mail payments due to the Borrower to such post office box. The Borrower agrees that the Bank, or its designees, may open such post office box, may receive, open and dispose of all mail addressed to the Borrower at such post office box, and may deposit any payments contained in such mail in the Special Collection Account. The Borrower agrees to give all required instructions to the U.S. Postal Service authorities to enable the Bank or its designees to attain access to such post office box of the

Borrower, agrees that it will not attempt to remove any mail from such post office box, and agrees to execute such additional agreements as the Bank may reasonably require in connection with such post office box. Borrower agrees to instruct all of its Account Debtors which make any payments on the Accounts by bank wire to wire such payments to the Special Collection Account.

8.6. Governmental Accounts. If any of Borrower's Accounts in excess of \$10,000 arise out of contracts with the United States or any department, agency, or instrumentality thereof, Borrower will immediately notify the Bank thereof in writing, and upon Bank's request, Borrower shall execute any instruments and take any steps required by the Bank in order that all monies due and to become due under such Account shall be assigned to the Bank and notice thereof given to the Government under the Federal Assignment of Claims Act.

8.7. Accounts Evidenced by Instruments. If (i) any of Borrower's Accounts, in excess of \$25,000 in any specific instance or in excess of \$250,000 in the aggregate, are or should become evidenced by promissory notes, trade acceptances, chattel paper, chattel mortgages, conditional sales contracts, or other instruments, or (ii) should an Event of Default exist and be continuing, Borrower will immediately deliver all said promissory notes, trade acceptances, chattel paper, chattel mortgages, conditional sales contracts and other instruments to Bank, endorsed or assigned with recourse to the Bank's order and, regardless of the form of such endorsement or assignment, Borrower hereby waives presentment, demand, notice of dishonor, protest and notice of protest and all other notices with respect thereto.

8.8. Lease of Records. Borrower hereby leases to the Bank, and the Bank hires from Borrower, for a term which shall be effective so long as the Loans or other Obligations secured hereby are owing to the Bank by Borrower and until the Bank has no further obligation under the Agreement, all of Borrower's present and future books of Accounts, computer printouts, magnetic, digital and laser tapes and disks, computer and electronic storage media, computer software programs, trial balance records, ledgers and cabinets in which they are located, reflected or maintained, in any way relating to the Collateral, and all present and future supporting evidence and documents relating thereto in the form of written applications, credit information, account cards, payment records, trial balances, correspondence, delivery receipts, certificates and the like, as well as the past and current information stored in computer software programs for and on Borrower's behalf by third parties. Borrower, if requested by Bank, agrees to legend all of the foregoing to indicate the lease thereof to the Bank. If an Event of Default occurs, then, in addition to all of the other rights and remedies of the Bank herein, the Bank will have the right forthwith or at any time thereafter to remove from Borrower's premises all of the foregoing and keep and retain the same in Bank's possession until the Loans and other Obligations secured hereby shall have been fully paid and discharged and the Bank has no further obligation under the Agreement. The provisions of this Section shall not be deemed to diminish or contravene the security interest of the Bank in the Borrower's General Intangibles or in the property, materials, and interests described in this Section but shall be deemed to be in addition to any rights the Bank may have with respect to the Borrower's grant of a security interest in its General Intangibles to the Bank. Bank agrees that the rights set

forth in this Section 8.8 shall be exercised by Bank only upon the occurrence of an Event of Default or should Bank in good faith deem itself insecure with respect to the Loan.

8.9. License of Rights. Bank is hereby granted a license or other right to use, without charge, Borrower's labels, patents, copyrights, rights of use of any name, trade secrets, tradenames, trademarks and advertising matter or any property of a similar nature as it pertains to the Collateral, in advertising for sale and in selling any Collateral, and Borrower's rights under all licenses and all franchise agreements shall inure to Bank's benefit. Bank agrees not to use any of the rights granted under this section 8.9 of this Agreement unless an Event of Default occurs.

8.10. Attorney-in-Fact. Borrower hereby irrevocably designates, makes, constitutes and appoints Bank (and all Persons designated by Bank) as Borrower's true and lawful attorney (and agent-in-fact) and Bank, or Bank's agent, may, without notice to Borrower and in either Borrower's or Bank's name, but at the cost and expense of Borrower:

8.10.1. At such time or times hereafter as Bank or said agent, in its sole discretion, may determine, endorse Borrower's name on any checks, notes, acceptances, drafts, money orders or any other evidence of payment or proceeds of the Collateral which come into the possession of Bank or under Bank's control; and

8.10.2. At such time or times as Bank or its agent in its sole discretion may determine necessary (and irrespective of whether an Event of Default exists), Bank shall (I) demand payment of the Accounts from the Account Debtors, enforce payment of the Accounts by legal proceedings or otherwise, and generally exercise all of Borrower's rights and remedies with respect to the collection of the Accounts; (ii) settle, adjust, compromise, discharge or release any of the Accounts or other Collateral; (iii) sell or collect any of the Accounts or other Collateral upon such terms, and for such amounts and at such time or times as Bank deems advisable; (iv) take possession, in any manner, of any item of payment or proceeds relating to any Collateral and apply the same to the Obligations; (v) prepare, file and sign Borrower's name to a proof of claim in bankruptcy or similar document against any Account Debtor or to any notice of lien, assignment or satisfaction of lien or similar document in connection with any of the Collateral; (vi) receive, open and dispose of all mail addressed to Borrower and to notify postal authorities to change the address for delivery thereof to such address as Bank may designate; (vii) endorse the name of Borrower upon any of the items of payment or proceeds relating to any Collateral and deposit the same to the account of Bank or any other bank on account of the Obligations; (viii) endorse the name of Borrower upon any chattel paper, document, instrument, invoice, freight bill, bill of lading or similar document or agreement relating to the Accounts, Inventory and any other Collateral; (ix) use Borrower's stationery and sign the name of Borrower to verifications of the Accounts and notices thereof to Account Debtors; (x) use the information recorded on or contained in any data processing equipment and computer hardware and software relating to the Accounts, Inventory, and any other Collateral and to which Borrower has access; (xi) make and adjust claims under policies of insurance; and (xii) for and in the name of Borrower to give instructions and direct any bank or financial institution in which proceeds of the Collateral are deposited to turn over said proceeds to Bank; and (xiii) do all

other acts and things necessary, in Bank's determination, to fulfill Borrower's obligations under this Agreement.

8.10.3 Bank agrees not to use any of the rights granted in this section 8.10 of this Agreement unless an Event of Default occurs.

**ARTICLE IX
ADDITIONAL REPRESENTATIONS, COVENANTS, AND
AGREEMENTS RELATING TO COLLATERAL**

9.1. Reliance on Statements. With respect to all Accounts, Borrower represents and warrants to Bank that Bank may rely, in determining which Accounts are Eligible Accounts, on all statements and representations made by Borrower with respect to any Account or Accounts, and unless otherwise indicated in writing to Bank, that with respect to each Account:

9.1.1. It is genuine and in all respects what it purports to be, and it is not evidenced by a judgment;

9.1.2. It arises out of a completed, bona fide sale and delivery of goods or rendition of services by Borrower in the ordinary course of its business and in accordance with the terms and conditions of all purchase orders, contracts or other documents relating thereto and forming a part of the contract between Borrower and the Account Debtor;

9.1.3. It is for a liquidated amount maturing as stated in the duplicate invoice covering such sale or rendition of services, a copy of which has been furnished or is available to Bank;

9.1.4. Such Account, and Bank's security interest therein, is not, and will not be in the future, subject to any offset, Lien, deduction, defense, dispute, counterclaim or any other adverse condition except for disputes resulting in returned goods where the amount in controversy is deemed by Bank to be immaterial, and each such Account is absolutely owing to Borrower and is not contingent in any respect or for any reason;

9.1.5. Borrower has made no agreement with any Account Debtor thereunder for any deduction therefrom, except discounts or allowances which are granted by Borrower in the ordinary course of its business for prompt payment and which are reflected in the calculation of the net amount of each respective invoice related thereto;

9.1.6. There are no facts, events or occurrences which in any way impair the validity or enforceability thereof or tend to reduce the amount payable thereunder from the face amount of the invoice and statements delivered to Bank with respect thereto;

9.1.7. To the best of Borrower's knowledge, the Account Debtor thereunder (I) had the capacity to contract at the time any contract or other document giving rise to the Account was executed and (ii) such Account Debtor was and is Solvent;

9.1.8. Borrower has no knowledge of any fact or circumstance which would impair the validity or collectibility of the Account, and to the best of Borrower's knowledge there are no proceedings or actions which are threatened or pending against any Account Debtor thereunder which might result in any material adverse change in such Account Debtor's financial condition or the collectibility of such Account; and

9.1.9. Borrower will have paid or provided for the payment of all taxes arising from the transaction creating the Account.

9.2. Motor Vehicle Inventory; Manufacturers' Statements of Origin. Borrower covenants and agrees that none of the Eligible Ford Inventory has been titled under the motor vehicle registration statutes of any state and that Borrower has and will have appropriate manufacturers' statements of origin (MSO's) for each said item of Inventory. Borrower further agrees that at the request of Bank, all MSO's shall be maintained in Bank's possession and released at such time as that portion of the Supplemental Line of Credit Loan relating to the vehicles covered by said MSO's are paid off.

9.3. Affirmation of Representations. Each request for a loan or advance made by Borrower pursuant to this Agreement or any of the other Loan Documents shall constitute (I) an automatic representation and warranty by Borrower to Bank that there does not then exist any default or Event of Default and (ii) a reaffirmation as of the date of said request that all of the representations and warranties of Borrower contained in this Agreement and the other Loan Documents are true in all material respects except for any changes in the nature of Borrower's business or operations that would render the information contained in any exhibit attached hereto either inaccurate or incomplete, so long as Bank has consented to such changes or such changes are expressly permitted by this Agreement.

9.4. Waivers. Borrower hereby releases and waives any and all actions, claims, causes of action, demands and suits which it may ever have against the Bank as a result of any possession, collection, settlement, compromise or sale by Bank of any of the Accounts upon the occurrence of an Event of Default hereunder, notwithstanding the effect of such possession, collection, settlement, compromise or sale upon the business of Borrower. Said waiver shall include all causes of action and claims which may result from the exercise of the power of attorney conferred upon Bank in Section 8.10. The failure at any time or times hereafter to require strict performance by Borrower of any of the provisions, warranties, terms and conditions contained in this Agreement or any other agreement, document or instrument now or hereafter executed by Borrower, and delivered to the Bank, shall not waive, affect, or diminish any right of the Bank thereafter to demand strict compliance and performance therewith and with respect to any other provisions, warranties, terms and conditions contained in such agreements, documents or instruments, and any waiver of

default shall not waive or affect any other default, whether prior or subsequent thereto, and whether the same are of a different type. None of the warranties, conditions, provisions and terms contained in the Agreement or any other agreement, document or instrument now or hereafter executed by Borrower and delivered to the Bank shall be deemed to have been waived by any act or knowledge of the Bank, its agents, officers or employees, but only by an instrument in writing signed by an officer of the Bank and directed to the Borrower specifying such waiver.

9.5. Discharge of Taxes and Liens. At its option, the Bank may discharge taxes, Liens, security interests or other encumbrances at any time levied or placed on the Collateral and may pay for the maintenance and preservation of the Collateral. Borrower agrees to reimburse the Bank, on demand, for any payment made or expense incurred by Bank pursuant to the foregoing authorization, including, without limitation, attorney's fees.

9.6. Insurance. Without limiting any other provision hereof, Borrower will keep the Collateral insured in amounts equal to its full insurable value, with companies, and against such risks as may be satisfactory to the Bank. Borrower will pay the costs of all such insurance and deliver policies evidencing such insurance to the Bank with mortgagee loss payable clauses in favor of the Bank. Borrower hereby assigns to the Bank all right to receive proceeds, directs any insurer to pay all proceeds directly to the Bank, and authorizes the Bank to endorse any check or draft for such proceeds and apply the same toward satisfaction of the Loans and other Obligations secured hereby. All such insurance shall name Bank as an additional named insured and shall otherwise comply with the provisions of Section 6.1 as regards Borrower's other insurance coverages.

9.7. Complete Records: Inspection Rights. Borrower will at all times keep accurate and complete records of the Collateral, and the Bank or its agents shall have the right to call at Borrower's place or places of business at intervals to be determined by Bank, upon reasonable notice and during Borrower's regular business hours, and without hindrance or delay, to inspect and examine the Inventory and the Equipment and to inspect, audit, check, and make abstracts from the books, records, journals, orders, receipts, computer printouts, correspondence and other data relating to the Collateral or to any other transactions between the parties hereto.

9.8. U.C.C. Financing Statement. The Borrower agrees that a carbon, photographic or other reproduction of this Agreement or of a signed financing statement with respect to the Collateral shall be sufficient as a financing statement and may be filed as such by the Bank.

ARTICLE X EVENTS OF DEFAULT; CERTAIN REMEDIES

10.1. Events of Default. The occurrence of any one or more of the following events shall constitute an Event of Default hereunder:

10.1.1. Payment Default. If Borrower shall fail to make any payment of any installment of principal or interest on any Note when and as the same shall become due and payable, whether at maturity, upon demand, by declaration, upon acceleration, or otherwise; or

10.1.2. Fees and Expenses. If Borrower shall fail to pay when due any expense, fee or charge provided for in this Agreement and such failure shall continue for a period of thirty (30) days; or

10.1.3. Other Defaults. If Borrower shall fail for a period of thirty (30) days to perform, keep, or observe any covenant, agreement or provision of any of the following Sections of this Agreement: 6.4, 6.9, 6.10, 6.11, 6.14, 6.17, 6.18, 6.20, and 6.22; or if Borrower shall fail or neglect to perform, keep or observe, or shall default with respect to, any other covenant, agreement or provision contained in this Agreement (other than a covenant, agreement or provision a default in the performance of which is dealt with specifically elsewhere in this Section 10.1); or

10.1.4. Representations False. If any warranty, representation, or other statement made or furnished to Bank by or on behalf of Borrower or any Guarantor or in any of the Loan Documents proves to be false or misleading in any material respect when made or furnished.

10.1.5. Financial Difficulties. If the Borrower shall be involved in financial difficulties as evidenced -

(a) by its admission in writing of its inability to pay its debts generally as they become due or of its ceasing to be Solvent;

(b) by its filing a petition in bankruptcy or for reorganization or for the adoption of an arrangement under the U.S. Bankruptcy Code (as now or in the future amended) or any similar law regarding debtors rights and remedies or an admission seeking the relief therein provided;

(c) by its making a general assignment for the benefit of its creditors;

(d) by its consenting to the appointment of a receiver for all or a substantial part of its property;

(e) by its being adjudicated a bankrupt;

(f) by the entry of a court order appointing a receiver or trustee for all or a substantial part of its property without its consent, which order shall not be vacated, set aside or stayed within ninety (90) days from the date of entry; or

(g) by the assumption of custody or sequestration by a court of competent jurisdiction of all or substantially all of its property, which custody or sequestration shall not be suspended or terminated within 60 days from its inception; or

10.1.6. ERISA. If a Reportable Event shall occur which Bank, in its sole discretion, shall determine in good faith constitutes grounds for the termination by the Pension Benefit Guaranty Corporation of any Plan or for the appointment by the appropriate United States district court of a trustee for any Plan, or if any Plan shall be terminated or any such trustee shall be requested or appointed, or if Borrower is in "default" (as defined in Section 4219(c) (5) of ERISA) with respect to payments to a Multiemployer Plan resulting from Borrower's complete or partial withdrawal from such Plan.

10.1.7. Cancellation of Guaranty. If the cancellation, termination or limitation of any guaranty of Borrower's obligations under this Agreement or the Loans shall occur, or if any such guarantor shall be in default under or breach the terms of any guaranty agreement between the Bank and such guarantor; or if any such guarantor should die, dissolve or cease business; or if any subordination agreement executed by any creditor of Borrower or of any such guarantor in favor of the Bank should be canceled, terminated, or breached; or if any Guarantor's financial condition as represented in the last personal financial statement delivered to and received by Bank is substantially impaired; or

10.1.8. Default on Other Obligations. If Borrower shall default in payment of more than \$10,000 due on any Debt of Borrower to others or if Borrower or any Guarantor shall default under any loan or security agreement with others or under any material lease involving a payment of more than \$10,000 and any such default shall not be cured within 30 days after written notice to Borrower or Guarantor from Bank or any holder; or

10.1.9. Judgments. If a final judgment for the payment of money in excess of \$50,000 shall be rendered against the Borrower and the same shall remain undischarged for a period of 30 days during which execution shall not be effectively stayed, unless such judgment is fully covered by collectible insurance; or

10.1.10. Actions. If Borrower or any Guarantor shall be criminally indicted or convicted under any law that could lead to a forfeiture of any property of the Borrower or such Guarantor; or

10.1.11. Uninsured Losses; Unauthorized Dispositions. Any material loss, theft, damage or destruction not fully covered by insurance (as required by this Agreement and subject to such deductibles as Bank shall have agreed to in writing), or sale, lease or encumbrance of any of the Collateral or the making of any levy, seizure, or attachment thereof or thereon except in all cases as may be specifically permitted by other provisions of this Agreement; or

10.1.12. Adverse Changes. There shall occur any material adverse change in the financial condition or business prospects of Borrower or any Guarantor.

10.1.13. Collateral. If a creditor of Borrower shall obtain possession of any of the Collateral by any legal means; or

10.1.14. Business Disruption; Condemnation. There shall occur a cessation of a substantial part of the business of Borrower for a period which significantly affects Borrower's capacity to continue its business, on a profitable basis; or Borrower shall suffer the loss or revocation of any license or permit now held or hereafter acquired by Borrower which is necessary to the continued or lawful operation of its business; or Borrower shall be enjoined, restrained or in any way prevented by court, governmental or administrative order from conducting all or any material part of its business affairs; or any material lease or agreement pursuant to which Borrower leases, uses or occupies any of its properties shall be canceled or terminated prior to the expiration of its stated term; or any part of the Collateral shall be taken through condemnation or the value of such properties shall be impaired through condemnation; or

10.1.15. Bank Insecurity. Bank shall reasonably and in good faith deem itself insecure; or

10.1.16. Change in Control. If the President of the Borrower, Mark Schwarze, should resign or be removed or if there occurs a change in majority stock ownership of Borrower; or

10.1.17. Life Insurance Policy. If the premiums are not paid on the life insurance policy referred to in Section 3.11 of this Agreement or such life insurance policy is otherwise canceled or terminated or if the assignment thereof to the Bank is terminated in any manner; or

10.1.18. Subordination Agreements. If a breach or default shall occur with respect to any subordination agreement executed by any creditor of Borrower (including any Affiliate), or if any said agreement shall otherwise terminate or cease to have legal effect; or

10.1.19. Other Documents. If a default or event of default or breach occurs under any Loan Document (other than the breaches enumerated in Sections 10.1.1 through 10.1.18 above), or under or with respect to any of the Obligations, or under any other note, evidence of indebtedness, loan agreement, security agreement, guaranty, pledge, mortgage, assignment, or security document executed by Borrower and delivered to the Bank.

The Borrower agrees that default under any Loan Document shall constitute default with respect to all Loan Documents and vice versa.

10.2. Remedies. Upon or at any time after the occurrence of any one or more of the foregoing Events of Default, Bank or the holder of the Note(s) may at its option (i) proceed to protect and enforce its rights by suit in equity, action at law and/or the appropriate proceeding either for specific performance of any covenant or condition contained in the Note(s) or in any Loan Document, (ii) cease disbursing advances under the Line of Credit Note, and/or (iii) declare the unpaid balance of the Loans and Note(s) together with all accrued interest to be forthwith due and payable, and thereupon such balance shall become so due and payable without presentation, protest or further demand or notice of any kind, all of which are hereby expressly waived.

Without limiting the foregoing, upon the occurrence of any Event of Default, and at any time thereafter, Bank shall have the rights and remedies of a secured party under the Uniform Commercial Code in addition to the rights and remedies provided herein or in any other instrument or paper executed by Borrower. The Bank may require the Borrower to assemble the Equipment and the Inventory and to make the same available to the Bank at a place to be designated by the Bank which is reasonably convenient to both parties. Unless the Collateral is perishable or threatens to decline speedily in value, or is of a style customarily sold on a recognized market, the Bank will give Borrower reasonable notice of the time after which any private sale or other intended disposition thereof is to be made. The requirement of reasonable notice shall be met if such notice is mailed certified mail return receipt requested to the Borrower at least fifteen (15) days before the time of such sale or disposition. The Borrower shall pay the Bank on demand any and all expenses, including legal expenses and reasonable attorneys' fees, incurred or paid by the Bank in protecting or enforcing the Loans and all other Obligations secured hereby and other rights of the Bank hereunder, including its right to take possession of the Collateral.

The Bank shall not be liable for failure to collect the Accounts or to enforce any contract rights or for any action or omission on the part of the Bank, its officers, agents and employees, except willful misconduct. No remedy herein conferred upon, or reserved to, the Bank is intended to be exclusive of any other remedy or remedies, including those of any note or other evidence of Debt held by the Bank, and each and every remedy shall be cumulative and shall be in addition to every other remedy given hereunder or now or hereafter existing in law or in equity. Exercise or omission to exercise any right of the Bank shall not affect any subsequent right of the Bank to exercise the same.

Borrower waives notice prior to Bank's taking possession or control of any of the Collateral or any bond or security that might be required by any court prior to allowing Bank to exercise any of Bank's remedies, including, without limitation, the issuance of an immediate writ of possession.

The Borrower agrees that the Bank may apply the net proceeds received from the Collateral among the Loans and the Obligations toward satisfaction of the same in its sole discretion. Any such proceeds remaining after satisfaction in full of the Loans, the Obligations, and the other obligations and liabilities of the Borrower to the Bank shall be distributed as required by Applicable Laws.

10.3. Right of Set-Off. Upon and after the occurrence of any Event of Default, Bank may, and is hereby authorized by Borrower, at any time and from time to time, to the fullest extent permitted by Applicable Laws, and without advance notice to Borrower (any such notice being expressly waived by Borrower), set-off and apply any and all deposits (general or special, time or demand, provisional or final) at any time held and any other indebtedness at any time owing by Bank to, or for the credit or the account of, Borrower against any or all of the Loans and Obligations and other liabilities and obligations of Borrower now or hereafter existing whether or not such obligations have matured and irrespective of whether Bank has exercised any other rights that it has or may have with respect to such Loans and Obligations and other liabilities and obligations, including, without limitation, any acceleration rights. The aforesaid right of set-off may be exercised by Bank against Borrower or against any trustee in bankruptcy, debtor in possession, assignee for the benefit of the creditors, receiver, or execution, judgment or attachment creditor of Borrower, notwithstanding the fact that such right of set-off shall not have been exercised by Bank prior to the making, filing or issuance, or service upon Bank of, or of notice of, any such petition; assignment for the benefit of creditors; appointment or application for the appointment of a receiver; or issuance of execution, subpoena, order or warrant. Bank agrees to notify Borrower after any such set-off and application, provided that the failure to give such notice shall not affect the validity of such set-off and application. The rights of Bank under this Section are in addition to the other rights and remedies (including, without limitation, other rights of setoff) which Bank may have.

ARTICLE XI INDEMNIFICATION

11.1. Indemnification. Borrower agrees to defend, indemnify and hold harmless the Bank, its directors, officers, employees, accountants, attorneys, and agents, (the "Indemnitees") from and against any and all claims, demands, judgments, damages, actions, causes of action, injuries, orders, penalties, costs and expenses (including attorneys' fees and costs of court) of any kind whatsoever arising out of or relating to any breach or default by Borrower or any other Person (including any Guarantor) under this Agreement or any Loan Document or the failure of Borrower to observe, perform or discharge Borrower's duties hereunder or thereunder. Without limiting the generality of the foregoing, Borrower's obligation to indemnify Bank shall include indemnity from any and all claims, demands, judgments, damages, actions, causes of action, injuries, orders, penalties, costs and expenses arising out of or in connection with the activities of the Borrower, its predecessors in interest, third parties who have trespassed on Borrower's property, or parties in a contractual relationship with Borrower, whether or not occasioned wholly or in part by any condition, accident or event caused by an act or omission of the Indemnitees, which: (a) arise out of the actual, alleged or threatened discharge, dispersal, release, storage, treatment, generation, disposal, or escape of radioactive materials, radioactivity, pollutants or other toxic or hazardous substances, including any solid, liquid, gaseous, or thermal irritant or contaminant, including smoke, vapor, soot, fumes, acids, alkalis, chemicals, and waste (including materials to be recycled, reconditioned or reclaimed); or (b) actually or allegedly arise out of the use, specification, or inclusion of any product, material, or process containing chemicals or radioactive material, the

failure to detect the existence or proportion of chemicals or radioactive material in the soil, air, surface water or groundwater, or the performance or failure to perform the abatement of any pollution source or the replacement or removal of any soil, water, surface water, or groundwater containing chemicals or radioactive material; or (c) arises out of or relates to breach by Borrower of any of the provisions of Section 5.16 hereof relating to Environmental Regulations. In addition, Borrower will indemnify and hold Bank harmless from and against any liability, claim, cost or expense incurred by Bank or imposed against Bank for any stamp tax, intangible tax, or other tax, fee or charge imposed by any governmental entity arising out of or relating to the Note(s) or this Agreement or the transactions anticipated herein.

ARTICLE XII
COSTS AND EXPENSES; MISCELLANEOUS

12.1. Costs of Preparation; Brokers Fees. Borrower shall bear all expenses of the Bank in connection with investigation, review and approval of this transaction, the preparation of the Agreement and the Loan Documents, and the issuance and delivery of the Note(s) to Bank and also in connection with any amendment or modification thereto, including, without limitation, (i) all legal fees, expenses and disbursements and other actual third-party expense reimbursements incurred or sustained by Bank in connection with this transaction, (ii) all travel, appraisal, audit, search and filing fees incurred or sustained by Bank in connection with this transaction or the administration of the Loans; (iii) all recording and filing fees, intangibles taxes, documentary and revenue stamps, other taxes or other expenses and charges payable in connection with this Agreement, the Notes or any Loan Document and (iv) all costs, expenses, (including fees and expenses of outside consultants), related to the administration of this Agreement or any of the other Loan Documents and the transactions contemplated hereby and thereby and/or periodic audits and appraisals performed by Bank (not to exceed one during each twelve-month period unless an Event of Default exists or Bank deems itself insecure with respect to the Loans). The Borrower agrees to indemnify and save Bank harmless against all broker's and finder's fees, if any.

12.2. Other Costs and Expenses. If, at any time or times hereafter, whether before or after the occurrence of an Event of Default, the Bank employs counsel to advise or provide other representation with respect to this Agreement or any Loan Document, or to collect the balance of the Loans, or to take any action in or with respect to any suit or proceeding relating to this Agreement or any of the Loan Documents, or to protect, collect, or liquidate the Collateral or to attempt to enforce any security interest or Lien granted to the Bank by Borrower; then in any such events, all of the reasonable attorneys' fees arising from such services, and any expenses, costs and charges relating thereto, shall constitute additional obligations of Borrower payable on demand of the Bank.

12.3. Audit Fees. During the term of this Agreement, Borrower shall pay Bank a field examination fee of \$200 per person per day for each examination performed by Bank's field examination staff; for which Borrower must pay shall not exceed one during each twelve-month

period. provided, however that until the occurrence of an Event of Default or until Bank deems itself insecure with respect to the Loans, said examinations

12.4. Legal Counsel. Borrower acknowledges and agrees that legal counsel to Bank does not represent Borrower as Borrower's attorney, that Borrower has retained (or has had an opportunity to retain) counsel of its own choice and has not and will not rely upon any advice from Bank's counsel. In no event shall Borrower's reimbursement of expenses pursuant to this Agreement (even if effected by payment directly by Borrower to Bank's counsel) be deemed to establish any attorney-client relationship between Borrower and Bank's counsel.

12.5. No Waiver. No waiver of any Event of Default hereunder, and no waiver of any default or Event of Default under any other Loan Document shall extend to or shall affect any subsequent or other then existing default or shall impair any rights, remedies or powers of Bank. No delay or omission of Bank or any subsequent holder of the Notes to exercise any right, remedy, power or privilege hereunder after the occurrence of such default or Event of Default shall be construed as a waiver of any such default, or acquiescence therein.

12.6. Headings. Except for the definitions set forth in Section 1, the headings of the articles, sections, paragraphs and subdivisions of this Agreement are for convenience of reference only, are not to be considered a part hereof, and shall not limit or otherwise affect any of the terms hereof.

12.7. No Usury. In no event shall the amount of interest due or payable on the Loans under this Agreement or the Notes exceed the Maximum Rate and in the event any such payment is inadvertently paid by the Borrower or inadvertently received by the Bank, then such excess sum shall be credited as payment of principal, unless the Borrower elects to have such excess sum refunded to the Borrower forthwith. It is the express intent of the parties that the Borrower not pay and the Bank not receive, directly or indirectly, interest in excess of that which may be legally paid by the Borrower under Applicable Law.

12.8. Marshaling of Assets: Payments Set Aside. Bank shall be under no obligation to marshal any assets or securities in favor of Borrower or any Guarantor or any other Person or against or in payment of any or all of the Obligations. To the extent that sum credited against the Obligations is subsequently invalidated, declared to be fraudulent or preferential, set aside or required to be repaid to a trustee, receiver or any other party under any bankruptcy law, state or federal law, common law or equitable cause, then to the extent of such recovery, the Obligations or part thereof originally intended to be satisfied, and all Liens, rights and remedies therefor, shall be revived and continued in full force and effect as if such payment had not been made or such enforcement or setoff had not occurred.

12.9. Survival of Covenants. All covenants, agreements, representations and warranties made herein and in certificates or reports delivered pursuant hereto shall be deemed to

have been material and relied on by Bank, notwithstanding any investigation made by or on behalf of Bank, and shall survive the execution and delivery to Bank of any Note or Loan Document.

12.10. Addresses. Any notice or demand which by any provision of this Agreement is required or provided to be given shall be deemed to have been sufficiently given or served for all purposes by (I) being delivered in person to the party to whom the notice or demand is directed or (ii) by being sent as certified mail return receipt requested to the following address: If to Borrower, 1055 Jordan Road, Huntsville, Alabama 35811, Attn: Mark Schwarze; or if any other address shall at any time be designated by Borrower in writing to the holders of record of the Note(s) at the time of such designation to such other address; and if to Bank, Post Office Box 267, Huntsville, Alabama 35804, Attn: Commercial Lending Department; or if any other address shall at any time be designated in writing to Borrower, to such other address. Notwithstanding the foregoing, no notice shall be effective as to Bank until actually received by Bank. Any written notice that is not sent in conformity with the provisions hereof shall nevertheless be effect on the date that such notice is actually received by the noticed party.

12.11. Venue and Jurisdiction. Borrower agrees that any legal action brought by the Bank to collect the Loans or any Obligation or to assert any claim against Borrower under any Loan Document, or any part thereof, may be brought in any court in the State of Alabama having subject matter jurisdiction, waives its right to object to any such action on grounds it is brought in the improper venue, and irrevocably consents that any legal action or proceeding against it under, arising out of, or in any manner relating to the Loans, the Obligations, or any Loan Document may be brought in the Circuit Court of Madison County, Alabama or in any other Circuit Court of the State of Alabama or in the U.S. District Court for the Northern District of Alabama. Borrower, by the execution of this Agreement, expressly and irrevocably assents and submits to the personal jurisdiction of any such court in any such action or proceeding. Borrower consents to the service of process relating to any such action or proceeding by mail to the address set forth in this Agreement.

12.12. Benefits. All of the terms and provisions of this Agreement shall bind and inure to the benefit of the parties hereto and their respective successors and assigns. Borrower may not assign any of its rights or obligations hereunder without the prior written consent of the Bank.

12.13. Controlling Law. This Agreement shall be governed by and construed in accordance with the laws of the State of Alabama; provided, however, that if any of the Collateral shall be located in any jurisdiction other than Alabama, the laws of such jurisdiction shall govern the method, manner and procedure for foreclosure of Bank's lien upon such Collateral and the enforcement of Bank's other remedies in respect of such Collateral to the extent that the laws of such jurisdiction are different from or inconsistent with the laws of Alabama.

12.14. Participation. Borrower acknowledges that Bank may, at its option, sell participation interests in the Loans to participating banks. The amounts of any such participation shall be determined solely by the Bank. Borrower agrees with each present and future participant

in the Loans, the names and addresses of which will be furnished to Borrower, that if an Event of Default should occur, each present and future participant shall have all of the rights and remedies of Bank with respect to any deposit due from any participant to Borrower. The execution by a participant of a participation agreement with Bank, and the execution by Borrower of this Agreement, regardless of the order of execution, shall evidence an agreement between Borrower and said participant in accordance with the terms of this Section.

12.15. Miscellaneous. This Agreement and the instruments and agreements referred to herein or called for hereby supersede and incorporate all representations, promises, and statements, oral or written, made by the Bank in connection with the Loans. This Agreement may not be varied, altered, or amended except by a written instrument executed by an authorized officer of the Bank. This Agreement may be executed in any number of counterparts, each of which, when executed and delivered, shall be an original, but such counterparts shall together constitute one and the same instrument. Any provision in this Agreement which may be unenforceable or invalid under any law shall be ineffective to the extent of such unenforceability or invalidity without affecting the enforceability or validity of any other provisions hereof.

12.16. Joint and Several Liability. Except as set forth herein with respect to the various Loans, all obligations of each Person named as Borrower shall be joint and several obligations of all such Persons. All Collateral described herein shall serve as collateral for all of the Loans and Obligations of Borrower.

12.17. General Waivers. To the fullest extent permitted by Applicable Law, Borrower waives (i) presentment, demand and protest and notice of presentment, protest, default, nonpayment, maturity, release, compromise, settlement, extension or renewal of any or all commercial paper, accounts, contract rights, documents, instruments, chattel paper and guaranties at any time held by Bank on which Borrower may in any way be liable; (ii) notice prior to Bank's taking possession or control of any of the Collateral or any bond or security which might be required by any court prior to allowing Bank to exercise any of Bank's remedies, including the issuance of an immediate writ of possession; (iii) the benefit of all valuation, appraisal and exemption laws; (iv) any right Borrower may have upon payment in full of the Obligations to require Bank to terminate its security interest in the Collateral until the execution by Borrower of an agreement indemnifying Bank from any loss or damage Bank may incur as the result of dishonored checks or other items of payment received by Bank from Borrower or any Account Debtor and applied to the Obligations; and (v) notice of Bank's acceptance hereof or of any Loan Document.

12.18. Waiver of Right to Trial by Jury. Borrower and Bank hereby waive any right to trial by jury on any claim, counterclaim, setoff, demand, action or cause of action (a) arising out of or in any way pertaining or relating to this Agreement, the Notes, the Loan Documents, or any other instrument, document or agreement executed or delivered in connection with this agreement or (b) in any way connected with or pertaining or related to or incidental to any dealings of the parties hereto with respect to this agreement, the Notes, the Loan Documents, or any other instrument, document or agreement executed or delivered in

connection herewith or in connection with the transactions related thereto or contemplated thereby or the exercise of either party's rights and remedies thereunder, in all of the foregoing cases whether now existing or hereafter arising, and whether sounding in contract, tort or otherwise. Borrower and Bank agree that either or both of them may file a copy of this paragraph with any court as written evidence of the knowing, voluntary and bargained agreement between the parties irrevocably to waive trial by jury, and that any dispute or controversy whatsoever between them shall instead be tried in a court of competent jurisdiction by a judge sitting without a jury.

IN WITNESS WHEREOF, each of the Borrower and the Bank has caused this instrument to be executed by its duly authorized officer and the Borrower has caused its seal to be affixed as of the date first above written.


BORROWER:

SCHWARZE INDUSTRIES, INC.

By: 

Its President

Attest:


Its Chief Financial Officer

**FIRST LOAN MODIFICATION AGREEMENT AND
AMENDMENT TO LOAN DOCUMENTS**

THIS FIRST LOAN MODIFICATION AGREEMENT AND AMENDMENT TO LOAN DOCUMENTS (this "Amendment") is being entered into as of the 25TH day of August, 1998, by and between SOUTHTRUST BANK, N.A.(the "Bank") and SCHWARZE INDUSTRIES, INC., an Alabama corporation (the "Borrower").

P R E A M B L E

The Borrower is the maker of that certain Promissory Note dated April 22, 1997 in the amount of Three Million Three Hundred Seventy Five Thousand and No/100 Dollars (\$3,375,000.00) (the "Line of Credit Note"), which evidences a certain \$3,375,000.00 line of credit loan from Bank to Borrower (the "Line of Credit Loan"), and that certain Promissory Note dated April 22, 1997 in the amount of One Million and No/100 Dollars (\$1,000,000.00) (the "Supplemental Line of Credit Note"), which evidences a certain \$1,000,000.00 line of credit loan from Bank to Borrower (the "Supplemental Line of Credit Loan") (the Line of Credit Loan and the Supplemental Line of Credit Loan may be referred to collectively as the "Loans"). The Loans were extended pursuant that certain Loan and Security Agreement by and between the Bank and the Borrower dated April 22, 1997 (the "Loan Agreement") and are secured by, among other things, the Loan Agreement, Guaranties, and UCC-1's. Bank and Borrower have agreed to modify the Loans, and to amend certain documents and instruments evidencing, securing, relating to, guaranteeing or executed or delivered in connection with the Loan (collectively, the "Loan Documents"). Accordingly, the Bank and the Borrower have agreed that the Loans shall be modified and that the Loan Documents shall be amended as set forth below.

A G R E E M E N T

NOW, THEREFORE, in consideration of the premises, the mutual agreements of the parties as set forth herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, and to induce Bank to modify the Loans, the parties, intending to be legally bound hereby, agree as follows:

Section 1. Modification of Line of Credit Loan and Note.

The amount of the Line of Credit Loan shall be changed from \$3,375,000.00 to \$3,800,000.00. The applicable interest rate on the Line of Credit Loan shall be changed to SouthTrust Bank's Prime Rate plus one percent (1%). The maturity date of the Line of Credit Loan shall be changed to the date thirteen (13) months from the date hereof. All such amendments, among others, are set forth in that certain Amended and Restated Promissory Note in the amount of Three Million Eight Hundred Thousand and No/100 Dollars (\$3,800,000.00) dated as of the date hereof

(the "Amended Line of Credit Note") which shall replace the Line of Credit Note. Any reference in the Loan Documents to the "Line of Credit Note" or any note evidencing the Line of Credit Loan shall be deemed to be references to the Amended Line of Credit Note.

Section 2. Modification of Supplemental Line of Credit Loan and Note.

The amount of the Supplemental Line of Credit Loan shall be decreased from \$1,000,000.00 to \$500,000.00. The applicable interest rate on the Supplemental Line of Credit Loan shall be changed to SouthTrust Bank's Prime Rate plus one percent (1%). The maturity date of the Supplemental Line of Credit Loan shall be changed to the date thirteen (13) months from the date hereof. All such amendments, among others are set forth in that certain Amended and Restated Promissory Note in the amount of Five Hundred Thousand and No/100 Dollars (\$500,000.00) dated as of the date hereof (the "Amended Supplemental Line of Credit Note") which shall replace the Supplemental Line of Credit Note. Any reference in the Loan Documents to the "Supplemental Line of Credit Note" or any note evidencing the Supplemental Line of Credit Loan, shall be deemed to be references to the Amended Supplemental Line of Credit Note.

Section 3. Amendment of Loan Agreement.

(A) The Loan Agreement shall be and hereby is amended as follows:

- (1) Each reference to "\$3,375,000" (the original principal amount of the Line of Credit Loan), is hereby changed to \$3,800,000.
- (2) Each reference to "\$1,000,000" (the original principal amount of the Supplemental Line of Credit Loan), is hereby changed to \$500,000.
- (3) Each reference to "Eligible Ford Inventory" is hereby changed to "Eligible Truck Inventory."
- (4) Each reference to "Ford Inventory" is hereby changed to "Truck Inventory."
- (5) Each reference to "SouthTrust Bank of Alabama, National Association" is hereby changed to "SouthTrust Bank, N.A."
- (6) Page 3, definition of "Bank" - delete the words "of Alabama."
- (7) Page 5, definition of "Eligible Ford Inventory" - delete such definition in its entirety and insert the following in place thereof:

"Eligible Truck Inventory - Inventory of Borrower consisting of new current-year model, standard commercial light and medium duty cab and chassis, valued at net invoice price charged by the manufacturer and all of which Inventory is, at any given time, (a) not damaged or defective in any way; (b) not sold or segregated for sale and reflected as an Account of Borrower; (c) not consigned Inventory; (d) not located in a place other

than at the locations listed in Section 5.10 of this Agreement; and (e) not Inventory included in Eligible Inventory for purposes of this Agreement. Without limiting the generality of the foregoing, Inventory shall cease to be Eligible Truck Inventory at such time as it becomes work in process or is modified by Borrower in any way."

- (8) Page 7, definition of "Inventory Cap" - delete "\$2,400,000" and insert "\$2,800,000" in place thereof.
- (9) Page 7, definition of "Line of Credit Loan" - delete "\$3,375,000" and insert "\$3,800,000" in place thereof.
- (10) Page 8, definition of "Loan Value of Ford Inventory" - delete such definition in its entirety and insert the following in place thereof:

"Loan Value of Truck Inventory - at any time an amount which is not more than one hundred percent (100%) of the Eligible Truck Inventory of Borrower."
- (11) Page 8, definition of "Mortgage" - Upon the Closing of that certain \$2,400,000 term loan by Bank to Ernest R. Schwarze and Margaret K. Schwarze (the "Schwarze Term Loan"), the term "Mortgage" and the definition of "Mortgage" shall be deleted in its entirety.
- (12) Page 10, definition of "Supplemental Line of Credit Loan" - delete "\$1,000,000" and insert "\$500,000" in place thereof.
- (13) Page 10, definition of "Tangible Net Worth" - (i) delete the word "and" after the word "surplus" in line two thereof; and (ii) insert the phrase "and (d) the amount of any Subordinated Debt, " between the word "earnings" and "less" in line two thereof.
- (14) Page 10, definition of "Term Loan" - Upon the Closing of the Schwarze Term Loan, the term "Term Loan" and definition of "Term Loan" shall be deleted in its entirety.
- (15) Page 11, Section 2.1(b) - delete the words "ON DEMAND" and insert the phrase "on the date thirteen (13) months from the date of the Closing of such loan" in place thereof.
- (16) Page 11, Section 2.2 - delete the word "Ford Motor" from the heading thereof, and insert the word "Truck" in place thereof.
- (17) Page 11, Section 2.2(b) - delete the words "ON DEMAND" and insert the phrase "on the date thirteen (13) months from the date of the Closing of such loan" in place thereof.
- (18) Page 12, Section 2.3 - Upon the Closing of the Schwarze Term Loan, Section 2.3 shall be deleted in its entirety.
- (19) Page 12, Section 2.4 - (i) delete the words "and one-half" from line two thereof, and (ii) delete "(1.5%)" in line two thereof and insert "(1.0%)" in place thereof.

- (20) Page 13, Section 2.6 -(i) delete "\$3000" from line two thereof and insert "\$2,000" in place thereof; (ii) delete the phrase "a facility fee of \$1000" from line two thereof; and (iii) delete the word "collectively" from line three thereof.
- (21) Page 14, Section 2.13 - delete each reference to "May 1, 1998" and insert the phrase "the date thirteen (13) months from the date of the Closing of the Loan" in place thereof.
- (22) Page 15, Section 2.14 - delete the last two (2) sentences in their entirety.
- (23) Page 20, Section 5.15 - insert the phrase "except Sweeper Refurbers, Inc., an Alabama corporation" at the end thereof.
- (24) Page 21, Section 5.18 - (i) delete the reference to "10,000.00" in the line three thereof and insert "\$25,000.00" in place thereof; and (ii) delete the reference to "\$10,000.00" in line seven thereof and insert the phrase "\$25,000.00 per Person, not to exceed ten (10) Persons," in place thereof.
- (25) Page 24, Section 6.6 - delete line eight through the end of Section 6.6 and insert the sentence "Borrower shall notify Bank in writing of the occurrence of an event which constitutes an Event of Default with the giving of notice or the lapse of time or both and stating the facts with respect thereto" in place thereof.
- (26) Page 26, Section 6.19 - (i) delete the words "Insurance Representatives and Agents" from the heading thereof and (ii) delete the words "internal controls and" from line three thereof.
- (27) Page 26, Section 6.23 - delete "1997" at the end of line three thereof, and insert "1998" in place thereof.
- (28) Page 29, Section 7.18 - insert the words "except Sweeper Refurbers, Inc., an Alabama corporation (which is wholly owned by Borrower)" after the word "Subsidiary" in line one thereof.
- (29) Page 32, Section 8.6 - delete "\$10,000" and insert "\$25,000" in place thereof.
- (30) Page 32, Section 8.8 - delete this Section in its entirety.
- (31) Page 33, Section 8.10.3 - insert the phrase "or unless Borrower shall unreasonably withhold its consent" to the end thereof.
- (32) Page 37, Section 10.1.1 - insert the phrase "or if any Guarantor shall fail to make any payment of any installment of principal or interest on any obligation to Bank, including, without limitation, any payment under the Schwarze Term Loan; or" at the end thereof.
- (33) Page 37, Section 10.1.3 - insert the phrase " if Sweeper Refurbers, Inc. shall fail or neglect to perform, keep or observe, or shall default with respect to, any covenant, agreement or provision contained in that certain Security Agreement executed by Sweeper Refurbers, Inc. to secure the Loans; or" at the end thereof.

"10.1.20. Patents. If Bank's security interest in the patents identified on Exhibit "F" hereof are not perfected by September 17, 1998. Borrower and Guarantors represent, warrant, and agree that each will do, make, execute, record and deliver, or will cause to be done, made, executed, recorded, and delivered, all such additional and further acts, things, deeds, assurances and instruments as Bank may require to properly perfect its security interest in such patents."

Section 4. Effect on Loan Documents. Without limiting the generality of the foregoing, each reference in the Loan Documents to the Loan Agreement shall be deemed to be a reference to the Loan and Security Agreement, as amended hereby. Unless otherwise defined herein, all capitalized terms shall have the meaning as set forth in the Loan Agreement. Except as expressly set forth herein, all of the Loan Documents shall remain in full force and effect in accordance with their respective terms and shall continue to evidence, secure, guarantee or relate to, as the case may be, the Loans.

Section 5. Representations and Warranties. Except as amended hereby, each representation and warranty contained in the Loan Documents is hereby reaffirmed as of the date hereof. The Borrower hereby represents, warrants and certifies to Bank that no Event of Default nor any condition or event that with notice or lapse of time or both would constitute an Event of Default, has occurred and is continuing under any of the Loan Documents or the Loans, and that Borrower has no offsets or claims against Bank arising under, related to, or connected with the Loans, the Loan Agreement or any of the other Loan Documents.

Section 6. Additional Documentation; Expenses. Borrower shall provide to Bank, (i), certified resolutions properly authorizing the transactions contemplated hereby and the execution of this Amendment and all other documents and instruments being executed in connection herewith, and (ii) all other documents and instruments required by Bank, all in form and substance satisfactory to Bank. Borrower shall pay any recording and all other expenses incurred by Bank and Borrower in connection with the modification of the Loans and any other transactions contemplated hereby, including without limitation, title or other insurance premiums, survey costs, legal expenses, recording fees and taxes.

Section 7. Execution by Guarantors. Guarantors have executed this Amendment to evidence their consent to the modification and amendments as described herein, and to acknowledge the continuing effect of their respective Guaranties and the obligations contained therein.

IN WITNESS WHEREOF, the undersigned have caused this instrument to be duly executed as of the date first set forth above.

ATTEST:

By: Margaret K. Schwarze
Its: Secretary

[CORPORATE SEAL]

BORROWER:

SCHWARZE INDUSTRIES, INC.
an Alabama corporation

By: [Signature]
MARK SCHWARZE, Its President

WITNESS:

[Signature]

BANK:

SOUTHTRUST BANK, N.A.

By: [Signature]
Its: [Signature]

WITNESS:

[Signature]

[Signature]

[Signature]

GUARANTOR:

[Signature]
ERNEST R. SCHWARZE

[Signature]
MARGARET K. SCHWARZE

[Signature]
MARK SCHWARZE

STATE OF ALABAMA)
:
COUNTY OF MADISON)

I, Darlene Campbell, the undersigned, a Notary Public in and for said County in said State, hereby certify that Mark Schwarze, whose name as President of Schwarze Industries, Inc., a corporation, is signed to the foregoing instrument and who is known to me, acknowledged before me on this day that, being informed of the contents of such instrument, he, as such officer and with full authority, executed the same voluntarily for and as the act of said corporation.

Given under my hand this the 25th day of August, 1998.

Darlene Campbell
NOTARY PUBLIC
My Commission Expires: 10/17/2000

[NOTARIAL SEAL]

STATE OF ALABAMA)
:
COUNTY OF MADISON)

I, Darlene Campbell, the undersigned, Notary Public in and for said County in said State, hereby certify that Ernest R. Schwarze, Margaret K. Schwarze, and Mark Schwarze, whose names are signed to the foregoing instrument, and who are known to me, acknowledged before me on this day that, being informed of the contents of such instrument, they executed the same voluntarily.

Given under my hand this the 25th day of August, 1998.

Darlene Campbell
NOTARY PUBLIC
My Commission Expires: 10/17/2000

[NOTARIAL SEAL]

STATE OF ALABAMA)
 :
COUNTY OF MADISON)

I, _____, the undersigned, Notary Public in and for said County in said State, hereby certify that _____, whose name as _____ of SouthTrust Bank, N.A., is signed to the foregoing instrument and who is known to me, acknowledged before me on this day that, being informed of the contents of such instrument, _____, as such officer and with full authority, executed the same voluntarily for and as the act of said Bank.

Given under my hand this the 26 day of August, 1998.



NOTARY PUBLIC
My Commission Expires ~~My~~ Commission Expires 2-13-99

[NOTARIAL SEAL]