

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of The Securities Act of 1934

Date of Report (Date of earliest event reported): July 31, 1998

HEICO CORPORATION

(Exact name of registrant as specified in its charter)

FLORIDA  
(State or other  
jurisdiction of  
incorporation)

1-4604  
(Commission  
File Number)

65-0341002  
(I.R.S. Employer  
Identification No.)

3000 TAFT STREET, HOLLYWOOD, FLORIDA 33021  
(Address of principal offices)

Registrant's telephone number, including area code: 954/987-6101

ITEM 2. ACQUISITION OR DISPOSITION OF ASSETS

Pursuant to a Stock Purchase Agreement dated June 9, 1998 (the "Stock Purchase Agreement"), the Registrant acquired, effective July 31, 1998, through its 80% owned subsidiary, HEICO Aerospace Holdings Corp., all of the outstanding capital stock of McClain International Inc. ("McClain") from all of its shareholders. In consideration for this acquisition, the Registrant paid \$41,000,000 in cash. The purchase price is subject to adjustment based on the actual net worth of McClain as of July 31, 1998. Concurrent with the purchase of the capital stock of McClain, the Registrant purchased from one of McClain's selling shareholders McClain's headquarters and manufacturing facility for \$2,500,000 in cash. The purchase prices of the capital stock and related real estate were determined through arms-length negotiations. This acquisition is being accounted for using the purchase method of accounting.

McClain designs, manufactures, and overhauls FAA-approved aircraft jet engine replacement components.

In connection with this acquisition, two of the former shareholders entered into consulting, non-competition and employment agreements with McClain.

The source of the purchase price was \$11 million from available funds, \$9 million from an additional investment advance by Lufthansa Technik AG (Lufthansa), which owns 20% of HEICO Aerospace Holdings Corp., and \$25 million from proceeds of a \$120 million revolving credit facility entered into by the Registrant on July 30, 1998, with SunTrust Bank, South Florida, N.A.

ITEM 7. FINANCIAL STATEMENTS, PRO FORMA FINANCIAL INFORMATION AND EXHIBITS

- (a) Financial statements of businesses acquired  
The financial statements of McClain International Inc. required by Rule 3-05(b) of Regulation S-X are included as Exhibits 99.1 and 99.2.
- (b) Pro forma financial information  
The following unaudited pro forma consolidated condensed financial information is furnished in accordance with Article 11 of Regulation S-X:
- Introductory note to unaudited pro forma consolidated condensed financial statements (page 3).  
Unaudited pro forma consolidated condensed balance sheet as of April 30, 1998 (page 4).  
Unaudited pro forma consolidated condensed statement of operations for the six months ended April 30, 1998 (page 5).  
Unaudited pro forma consolidated condensed statement of operations for the year ended October 31, 1997 (page 6).

(c)

Exhibits

- 2. Stock Purchase Agreement dated as of June 9, 1998 among HEICO Aerospace Holdings Corp., McClain International Inc., Randolph S. McClain, Janet M. Wallace and Paul R. Schwinne (without schedules).
- 10.1 Agreement for the Sale and Purchase of Real Property by and among Randolph S. McClain and HEICO Aerospace Holdings Corp.
- 10.2 Credit Agreement among HEICO Corporation and SunTrust Bank, South Florida, N.A., as Agent, dated as of July 30, 1998.
- 99.1 Financial statements of McClain International Inc., for the six months ended June 30, 1998 (Unaudited).
- 99.2 Financial statements of McClain International Inc. for the years ended December 31, 1997 and December 31, 1996.

HEICO CORPORATION AND SUBSIDIARIES  
INTRODUCTORY NOTE TO UNAUDITED  
PRO FORMA CONSOLIDATED CONDENSED FINANCIAL STATEMENTS

The following unaudited pro forma consolidated condensed balance sheet and statements of operations utilize the historical financial condition and results of operations of HEICO Corporation and subsidiaries (the Company) as of April 30, 1998 and for the six months then ended and for the year ended October 31, 1997. The unaudited pro forma consolidated condensed financial statements have been prepared on the basis summarized below:

1. The unaudited pro forma consolidated condensed balance sheet as of April 30, 1998, assumes that the Company's acquisition of all of the outstanding capital stock of McClain International, Inc., and the related real estate had been consummated as of that date.
2. The unaudited pro forma consolidated condensed statement of operations for the six months ended April 30, 1998, assumes that the Company's acquisition of all of the outstanding capital stock of McClain International, Inc., and the related real estate had been consummated as of the beginning of the six-month period ended April 30, 1998.
3. The unaudited pro forma consolidated condensed statement of operations for the year ended October 31, 1997, assumes that the company's acquisition of all of the outstanding capital stock of McClain International, Inc., and the related real estate had been consummated as of the beginning of the year ended October 31, 1997.

The unaudited pro forma consolidated condensed statements of operations are not necessarily indicative of actual operating results had the acquisition been made at the beginning of the period presented or of future results of operations.

HEICO CORPORATION AND SUBSIDIARIES  
PRO FORMA CONSOLIDATED CONDENSED BALANCE SHEET  
as of April 30, 1998  
(unaudited)

	HEICO CORPORATION(1)	MCCLAIN INTERNATIONAL, INC.(2)	PRO FORMA ADJUSTMENTS	PRO FORMA COMBINED
	-----	-----	-----	-----
<b>ASSETS</b>				
Current assets:				
Cash and cash equivalents	\$ 21,774,000	\$ 1,555,000	\$ (12,135,000)(3)	\$ 11,194,000
Short-term investments	5,108,000	-	-	5,108,000
Accounts receivable, net	15,027,000	2,387,000	-	17,414,000
Inventories	23,068,000	1,140,000	(25,000)(4)	24,183,000
Prepaid expenses and other current assets	2,309,000	12,000	-	2,321,000
Deferred income taxes	1,215,000	-	-	1,215,000
	-----	-----	-----	-----
Total current assets	68,501,000	5,094,000	(12,160,000)	61,435,000
Property, plant and equipment, net	9,674,000	1,267,000	2,400,000 (5)	13,341,000
Intangible assets, net	13,070,000	-	37,779,000 (4)	50,849,000
Unexpended bond proceeds	4,617,000	-	-	4,617,000
Deferred income taxes	331,000	-	-	331,000
Other assets	3,394,000	164,000	(128,000)(6)	3,430,000
	-----	-----	-----	-----
Total assets	\$ 99,587,000	\$ 6,525,000	\$ 27,891,000	\$ 134,003,000
	=====	=====	=====	=====
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>				
Current liabilities:				
Current maturities of long-term debt	\$ 377,000	\$ -	\$ -	\$ 377,000
Trade accounts payable	6,434,000	240,000	-	6,674,000
Accrued expenses and other current liabilities	9,150,000	171,000	5,000 (4)	9,326,000
Income taxes payable	893,000	-	-	893,000
	-----	-----	-----	-----
Total current liabilities	16,854,000	411,000	5,000	17,270,000
	-----	-----	-----	-----
Long-term debt and capital leases	10,333,000	-	25,000,000 (4)	35,333,000
	-----	-----	-----	-----
Other non-current liabilities	2,932,000	-	-	2,932,000
	-----	-----	-----	-----
Minority interest in consolidated subsidiary	4,375,000	-	9,000,000 (4)	13,375,000
	-----	-----	-----	-----
Commitments and contingencies:				
Shareholders' equity:				
Preferred stock, none issued	-	-	-	-
Common stock	126,000	111,000	(111,000)(7)	126,000
Capital in excess of par value	35,910,000	198,000	(198,000)(7)	35,910,000
Unrealized gain on investments	379,000	-	-	379,000
Retained earnings	31,176,000	5,805,000	(5,805,000)(7)	31,176,000
	-----	-----	-----	-----
	67,591,000	6,114,000	(6,114,000)	67,591,000
Less: Note receivable from employee savings and investment plan	(2,498,000)	-	-	(2,498,000)
	-----	-----	-----	-----
Total shareholders' equity	65,093,000	6,114,000	(6,114,000)	65,093,000
	-----	-----	-----	-----
Total liabilities and shareholders' equity	\$ 99,587,000	\$ 6,525,000	\$ 27,891,000	\$ 134,003,000
	=====	=====	=====	=====

See accompanying notes to unaudited pro forma consolidated condensed financial statements

HEICO CORPORATION AND SUBSIDIARIES  
PRO FORMA CONSOLIDATED CONDENSED STATEMENT OF OPERATIONS  
For the six months ended April 30, 1998  
(unaudited)

	HEICO CORPORATION (1)	MCCLAIN INTERNATIONAL, INC. (8)	PRO FORMA ADJUSTMENTS	PRO FORMA COMBINED
	-----	-----	-----	-----
Net sales	\$ 42,456,000	\$ 6,718,000	\$ -	\$ 49,174,000
	-----	-----	-----	-----
Operating costs and expenses:				
Cost of sales	26,996,000	3,008,000 *	-	30,004,000
Selling, general and administrative expenses	7,481,000	910,000 *	330,000 (9)	8,721,000
	-----	-----	-----	-----
Total operating costs and expenses	34,477,000	3,918,000	330,000	38,725,000
	-----	-----	-----	-----
Income from operations	7,979,000	2,800,000	(330,000)	10,449,000
Interest expense	(253,000)	-	(844,000) (10)	(1,097,000)
Interest and other income	1,099,000	77,000	(367,000) (11)	809,000
	-----	-----	-----	-----
Income before income taxes and minority interest	8,825,000	2,877,000	(1,541,000)	10,161,000
Income tax expense	2,990,000	-	520,000 (12)	3,510,000
	-----	-----	-----	-----
Net income before minority interest	5,835,000	2,877,000	(2,061,000)	6,651,000
Minority interest	1,102,000	-	302,000 (13)	1,404,000
	-----	-----	-----	-----
Net income	\$ 4,733,000	\$ 2,877,000	\$ (2,363,000)	\$ 5,247,000
	=====	=====	=====	=====
Net income per share				
Basic	\$ 0.38			\$ 0.42
	=====			=====
Diluted	\$ 0.31			\$ 0.34
	=====			=====
Weighted average number of common shares outstanding				
Basic	12,452,808			12,452,808
	=====			=====
Diluted	15,509,149			15,509,149
	=====			=====

See accompanying notes to unaudited pro forma consolidated condensed financial statements

\*Amounts have been reclassified to conform to classifications within HEICO Corporation's Consolidated Condensed Statement of Operations

HEICO CORPORATION AND SUBSIDIARIES  
PRO FORMA CONSOLIDATED CONDENSED STATEMENT OF OPERATIONS  
For the twelve months ended October 31, 1997  
(unaudited)

	HEICO CORPORATION (14)	MCCLAIN INTERNATIONAL, INC. (15)	PRO FORMA ADJUSTMENTS	PRO FORMA COMBINED
Net sales	\$ 63,674,000	\$ 11,081,000	\$ -	\$ 74,755,000
Operating costs and expenses:				
Cost of sales	43,045,000	5,061,000	-	48,106,000
Selling, general and administrative expenses	11,515,000	2,247,000	59,000 (9)	13,821,000
Total operating costs and expenses	54,560,000	7,308,000	59,000	61,927,000
Income from operations	9,114,000	3,773,000	(59,000)	12,828,000
Interest expense	(477,000)	-	(1,688,000) (10)	(2,165,000)
Interest and other income	1,722,000	103,000	(634,000) (11)	1,191,000
Income before income taxes and minority interest	10,359,000	3,876,000	(2,381,000)	11,854,000
Income tax expense	3,340,000	-	582,000 (12)	3,922,000
Net income before minority interest	7,019,000	3,876,000	(2,963,000)	7,932,000
Minority interest	-	-	454,000 (13)	454,000
Net income	\$ 7,019,000	\$ 3,876,000	\$ (3,417,000)	\$ 7,478,000
Net income per share:				
Basic	\$ 0.58			\$ 0.62
Diluted	\$ 0.49			\$ 0.52
Weighted average number of common shares outstanding				
Basic	12,040,359			12,040,359
Diluted	14,418,308			14,418,308

See accompanying notes to unaudited pro forma consolidated condensed financial statements

HEICO CORPORATION AND SUBSIDIARIES  
NOTES TO UNAUDITED PRO FORMA CONSOLIDATED CONDENSED FINANCIAL STATEMENTS

(1) As reported in the Company's Form 10-Q as of and for the six-month period ended April 30, 1998.

(2) Represents McClain's balance sheet as of June 30, 1998.

(3) Represents the net decrease in cash resulting from the purchase costs and a cash distribution to McClain shareholders of \$1.3 million as follows:

Proceeds from revolving credit facility	\$ 25,000,000
Proceeds from investment advance from Lufthansa	9,000,000
Distribution of excess cash to McClain shareholders prior to closing	(1,300,000)
McClain purchase costs, including estimated purchase price adjustment based on net worth at closing of \$1.2 million and estimated acquisition costs of \$.1 million	(44,835,000)
	-----
	\$ (12,135,000)
	=====

(4) Represents adjustments to record acquired assets and assumed liabilities based on their fair market values and the excess of cost over the fair value of net assets acquired from the acquisition. The origin of the purchase costs is as follows:

Purchase costs:	
Cash paid from available funds	\$ 10,835,000
Cash paid from revolving credit proceeds	25,000,000
Cash paid from investment by Lufthansa	9,000,000
	-----
Total purchase costs	\$ 44,835,000
	=====
Allocation of purchase costs:	
Cash and cash equivalents	\$ 255,000
Accounts receivable	2,387,000
Inventories	1,115,000
Other current assets	12,000
Plant and equipment	1,167,000
Related real estate	2,500,000
Other assets	36,000
Liabilities assumed	(416,000)
	-----
Subtotal	7,056,000
Excess of costs over the fair value of net assets acquired	37,779,000
	-----
Total allocation of purchase costs	\$ 44,835,000
	=====

(5) Represents the purchase of the related real estate for \$2.5 million, net of a \$.1 million reduction in the equipment to record the allocation of purchase costs as set forth in 4 above.

- (6) Represents the transfer of a life insurance policy effected prior to acquisition.
- (7) Represents the elimination of McClain's stockholders' equity.
- (8) Represents McClain's statement of operations for the six months ended June 30, 1998.
- (9) Represents the amortization of the excess of costs over the fair value of net assets acquired over 30 years net of elimination of bonuses paid to shareholders.

	SIX MONTHS ENDED APRIL 30, 1998	TWELVE MONTHS ENDED OCTOBER 31, 1997
	-----	-----
Amortization of the excess of costs over the value of net assets acquired	\$ 630,000	\$ 1,259,000
Elimination of excess cash paid to shareholders	(300,000)	(1,200,000)
	-----	-----
	\$ 330,000	\$ 59,000
	=====	=====

- (10) Represents interest expense incurred at a rate of 6.75% in connection with the use of proceeds from the revolving credit facility.
- (11) Represents the elimination of investment income from the \$10.8 million cash used for the acquisition and elimination of interest income on assets not acquired as follows:

	SIX MONTHS ENDED APRIL 30, 1998	TWELVE MONTHS ENDED OCTOBER 31, 1997
	-----	-----
Lost investment income on \$10.8 million at a rate of 5.35% at April 30, 1998, and 4.90% at October 31, 1997	\$ (290,000)	\$ (531,000)
Elimination of interest income on assets not acquired	(77,000)	(103,000)
	-----	-----
	\$ (367,000)	\$ (634,000)
	=====	=====

- (12) Represents the incremental Federal and state income taxes associated with the increase in pre-tax income from the acquisition.
- (13) Represents the incremental minority interest of Lufthansa in the net income of McClain International, Inc.
- (14) As reported in the Company's Form 10K/A Amendment No. 1 for the fiscal year ended October 31, 1997.
- (15) Represents McClain's statement of operations for the year ended December 31, 1997.



SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

HEICO CORPORATION

Date: August 4, 1998

BY: /S/ THOMAS S. IRWIN

-----  
Thomas S. Irwin  
Executive Vice President  
Chief Financial Officer

# EXHIBIT INDEX

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EXHIBIT	DESCRIPTION
- - - - -	- - - - -
2.	Stock Purchase Agreement dated as of June 9, 1998 among HEICO Aerospace Holdings Corp., McClain International Inc., Randolph S. McClain, Janet M. Wallace and Paul R. Schwinne (without schedules).
10.1	Agreement for the Sale and Purchase of Real Property by and among Randolph S. McClain and HEICO Aerospace Holdings Corp.
10.2	Credit Agreement among HEICO Corporation and SunTrust Bank, South Florida, N.A., as Agent, dated as of July 30, 1998.
99.1	Financial statements of McClain International Inc., for the six months ended June 30, 1998 (Unaudited).
99.2	Financial statements of McClain International Inc. for the years ended December 31, 1997 and December 31, 1996.

MCCLAIN INTERNATIONAL, INC.

STOCK PURCHASE AGREEMENT

JUNE 9, 1998

AMONG

HEICO AEROSPACE HOLDINGS CORP.

MCCLAIN INTERNATIONAL, INC.,

RANDOLPH S. MCCLAIN,

JANET M. WALLACE

AND

PAUL R. SCHWINNE

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EXHIBITS

- A. McClain Consulting Agreement
- B. Schwinne Employment Agreement
- C. Opinion of Counsel to the Company and the Sellers
- D. Opinion of Counsel to the Buyer
- E. Division of Purchase Price Consideration
- F. Real Property Purchase Agreement
- G. Escrow Agreement

(iv)

## STOCK PURCHASE AGREEMENT

This Stock Purchase Agreement is entered into as of June \_\_, 1998, among HEICO Aerospace Holdings Corp., a Florida corporation ("BUYER"), McClain International, Inc., a Georgia corporation (the "COMPANY"), RANDOLPH S. MCCLAIN ("MCCLAIN"), JANET M. WALLACE ("WALLACE") and PAUL R. SCHWINNE ("SCHWINNE") (McClain, Wallace and Schwinne are sometimes referred to in this Agreement individually as a "SELLER" and collectively as the "SELLERS").

### PRELIMINARY STATEMENTS

A. The Sellers collectively own all of the issued and outstanding capital stock (the "SHARES") of the Company.

B. The Buyer desires to acquire from the Sellers, and the Sellers desire to sell to the Buyer all of the Shares of the Company on the terms and subject to the conditions set forth in this Agreement.

### AGREEMENT

In consideration of the preliminary statements and the respective covenants, representations and warranties contained in this Agreement, the parties agree as set forth below.

#### ARTICLE I.

##### DEFINITIONS

Each term which is defined on SCHEDULE 1 to this Agreement shall have the meaning ascribed thereto on SCHEDULE 1.

#### ARTICLE II.

##### PURCHASE OF SHARES; CONSIDERATION

2.1 SHARES TO BE PURCHASED. On the terms and subject to the conditions set forth herein, on the Closing Date, the Sellers shall sell, transfer, assign, convey and deliver to the Buyer, all of Sellers' right, title and interest in and to all of the Shares.

2.2 CONSIDERATION. Subject to adjustment as provided in SECTIONS 2.4 and 6.3 hereof, the aggregate purchase price for all of the Shares shall be Forty One Million Dollars (\$41,000,000) (the "PURCHASE PRICE"). Such Purchase Price consideration shall be payable in cash and shall be divided among each Seller in the manner set forth on EXHIBIT "E" hereto.

##### 2.3 SS.338(H)(10) ELECTION.

(a) The Sellers will join with the Buyer in making an election under ss.338(h)(10) of the Code and Treasury Regulations ss.1.338(h)(10)-1(d) and any corresponding elections under any applicable state and local Laws (collectively, a "SS.388(H)(10) ELECTION") with respect to the purchase and sale of the Shares from the Sellers hereunder. Subject in all respect to SECTION 2.3(B) hereof, the Sellers will pay any Tax attributable to the making of the ss.338(h)(10) Election and the Sellers, jointly and

severally, will indemnify the Buyer and the Company from and against any Losses arising out of any failure to pay such Tax.

(b) Notwithstanding anything herein to the contrary, the Buyer and the Sellers have agreed to elect to treat the sale of shares contemplated hereby as a sale of assets under IRC SECTION 338(H)(10). Buyer shall indemnify the Sellers for the tax liabilities attributable to the income tax rate differential between the applicable long-term capital gains rate of 20% and the maximum individual ordinary income tax rate of 39.6% arising from the reclassification of capital gains to ordinary income as a result of this election. This provision shall survive the Closing.

(c) The Sellers will be responsible for preparing and filing all Federal and State income Tax Returns of the Company relating to pre-Closing Tax periods. The Buyer will be responsible for preparing and filing all Federal and State income Tax Returns of the Company relating to periods other than pre-Closing Tax periods. After the Closing has occurred, the Buyer will cause the Company to provide, or cause to be provided, to the Sellers, without charge, any information that may reasonably be requested by the Sellers in connection with the preparation of any Tax Returns relating to pre-Closing Tax periods. The Sellers will allow the Buyer an opportunity to review and comment on such Tax Returns (including any amended Returns). The Sellers will take no positions on the Tax Returns of the Company that relate to pre-Closing Tax periods that would adversely affect the Company after the Closing Date. The income of the Company will be apportioned to the period up to the close of business as of the Closing Date (or within three business days of the Closing Date) and the period from and after the Closing Date in accordance with the provisions of ss.1362(e)(6)(i) of the Code by closing the books of the Company as of the Closing Date.

(d) SCHEDULE 2.3 hereto sets forth an allocation of the "Modified Adjusted Deemed Sales Price", as defined in Treasury Regulations ss.1.338(h)(10)-(f), among the assets of the Company (the "ALLOCATION SCHEDULE"). On the Closing Date, the Sellers and the Buyer shall exchange completed and executed copies of IRS Form 8023-A (or other applicable form), required schedules thereto, and any similar forms required by any state or local Tax Authority. If any changes are required to these forms as a result of information which is first available after the Closing Date, the Sellers and the Buyer will in good faith use commercially reasonable efforts to promptly agree on such changes. The Sellers and the Buyer each agree to file all Tax Returns in accordance with the Allocation Schedule.

2.4 PURCHASE PRICE ADJUSTMENT. The Purchase Price shall be reduced or increased (the "PURCHASE PRICE ADJUSTMENT") by either adding (x) the excess, if any, of the dollar amount of the Company's net shareholders' equity, computed in accordance with generally accepted accounting principles consistently applied with the Company's prior practices ("GAAP") but without giving effect to any purchase accounting adjustments attributable to the sale of Shares contemplated hereby (the "CLOSING DATE NET WORTH") as of the Closing Date OVER \$3,446,000, OR subtracting (y) the excess, if any, of \$3,446,000 OVER the dollar amount of the Closing Date Net Worth, as applicable.

2.5 CLOSING DATE BALANCE SHEET. As soon as practical (and in no event later than four months after the Closing Date), Buyer shall cause to be prepared and delivered to the Sellers (i) a balance sheet for the Company dated as of the Closing Date (the "CLOSING DATE BALANCE SHEET"), and (ii) a calculation of the Purchase Price Adjustment.

2.6 DISPUTES. The following clauses (i) and (ii) set forth the procedures for resolving disputes among the parties with respect to the determination of the Purchase Price Adjustment:



(i) Within thirty (30) days after delivery to the Sellers of Buyer's calculation of the Purchase Price Adjustment pursuant to this Article II, the Sellers may deliver to Buyer a written report (a "SELLERS' REPORT") prepared by the Sellers' accountants (the "SELLERS' ACCOUNTANTS") advising Buyer either that the Sellers' Accountants (A) agree with the Buyer's calculations of the Purchase Price Adjustment, or (B) deem that one or more adjustments are required. The costs and expenses of the services of the Sellers' Accountants shall be borne by the Sellers. If Buyer's accountants ("BUYER'S ACCOUNTANTS") shall concur with the adjustments proposed by the Sellers' Accountants, or if Buyer shall not object thereto in writing delivered to the Sellers within thirty (30) days after Buyer's receipt of the Sellers' Report, the calculations of the Purchase Price Adjustment set forth in such Sellers' Report shall become final and shall not be subject to further review, challenge or adjustment absent fraud. If the Sellers do not submit a Sellers' Report within the 30-day period provided herein, then the Purchase Price Adjustment as calculated by Buyer shall become final and shall not be subject to further review, challenge or adjustment absent fraud.

(ii) In the event that the Sellers submit a Sellers' Report and Buyer's Accountants and the Sellers' Accountants are unable to resolve the disagreements set forth in such report within (30) days after the date of the Sellers' Report, then such disagreements shall be referred to a recognized firm of independent certified public accountants selected by mutual agreement of the Sellers' Accountants and Buyer's Accountants (the "SETTLEMENT ACCOUNTANTS"), and the determination of the Settlement Accountants shall be final and shall not be subject to further review, challenge or adjustment absent fraud. The Settlement Accountants shall use their best efforts to reach a determination not more than forty-five (45) days after such referral. The costs and expenses of the services of the Settlement Accountants shall be shared equally between Sellers and Buyer.

### ARTICLE III.

#### REPRESENTATIONS AND WARRANTIES OF THE BUYER

In order to induce the Company and the Sellers to enter into this Agreement and to consummate the transactions contemplated hereby, as of the date hereof and as of the Closing Date, the Buyer makes the representations and warranties set forth below to the Company and the Sellers.

3.1 ORGANIZATION. Buyer is a corporation duly organized, validly existing and in good standing under the laws of the State of Florida. Buyer has all requisite right, power and authority to execute, deliver and perform this Agreement and to consummate the transactions contemplated hereby.

3.2 AUTHORIZATION; ENFORCEABILITY. The execution, delivery and performance of this Agreement by the Buyer and the consummation by the Buyer of the transactions contemplated hereby have been duly authorized by all requisite corporate action on the part of the Buyer. This Agreement and all other documents to be executed by the Buyer pursuant to this Agreement have been and will be duly authorized, executed and delivered by them, as applicable, and constitute, and upon execution will constitute, the legal, valid and binding obligations of the Buyer, as applicable, enforceable against Buyer in accordance with their respective terms, except to the extent that their enforcement is limited by bankruptcy, insolvency, reorganization or other laws relating to or affecting the enforcement of creditors' rights generally and by general principles of equity.

3.3 NO VIOLATION OR CONFLICT. Except as set forth on SCHEDULE 3.3, the execution, delivery and performance of this Agreement by the Buyer and the consummation by the Buyer of the transactions contemplated hereby: (a) do not and will not violate or conflict with any provision of law or regulation, or any writ, order, judgment or decree of any court or governmental or regulatory authority, or any provision of the Buyer's Articles of Incorporation or Bylaws; and (b) do not and will not, with or without the passage of time or the giving of notice, result in the breach of, or constitute a default, cause the acceleration of performance, or require any consent under, or result in the creation of any lien, charge or encumbrance upon any property or assets of the Buyer pursuant to any material instrument or agreement to which the Buyer is a party or by which the Buyer or any of their respective properties may be bound or affected.

3.4 BROKERS. The Buyer has not employed any financial advisor, broker or finder and has not incurred and will not incur any broker's, finder's, investment banking or similar fees, commissions or expenses, in connection with the transactions contemplated by this Agreement.

3.5 CONSENTS AND APPROVALS. Except for appropriate filings under the Exchange Act and under the Hart-Scott-Rodino Antitrust Improvements Act, as amended (the "HSR ACT"), no consent, approval, waiver or authorization of, or registration, qualification or filing with or notice to any federal, state or local governmental or regulatory authority is required to be made by the Buyer in connection with the execution, delivery or performance of this Agreement by the Buyer or the consummation by them of the transactions contemplated hereby.

3.6 PURCHASE PRICE PROCEEDS. Buyer has either (i) sufficient liquid funds or (ii) a written proposal from a financial institution to provide such funds, to enable Buyer to close on the acquisition of Sellers' shares.

#### ARTICLE IV.

##### REPRESENTATIONS AND WARRANTIES OF THE COMPANY AND THE SELLERS

In order to induce the Buyer to enter into this Agreement and to consummate the transactions contemplated hereby, as of the date hereof and as of the Closing Date, the Company and each of the Sellers, jointly and severally, make the representations and warranties set forth below to the Buyer.

4.1 OWNERSHIP OF SHARES. Each Seller is the record and beneficial owner of the Shares as set forth on SCHEDULE 4.1, free and clear of any and all Encumbrances.

4.2 POWER AND AUTHORITY. The Sellers have all requisite right, power and authority to enter into this Agreement and each Ancillary Document to be entered into by them pursuant hereto and to sell, transfer and deliver the Shares owned by them to the Buyer and perform their obligations hereunder and thereunder.

4.3 ORGANIZATION OF THE COMPANY. The Company is a corporation duly organized, validly existing and in good standing under the laws of the State of Georgia. Neither the ownership nor the leasing of the Company's properties nor the conduct of its businesses requires the Company to qualify to transact business as a foreign corporation in any jurisdiction. The Company has all requisite right, power and authority to (a) own or lease and operate its properties and assets, (b) conduct its business as presently conducted, and (c) engage in and consummate the transactions contemplated hereby.

4.4 AUTHORIZATION; ENFORCEABILITY. This Agreement and all other documents to be executed and delivered by the Company or any of the Sellers pursuant to this Agreement have been and will be duly authorized, executed and delivered by them, as applicable, and constitute, and upon execution will constitute, the legal, valid and binding obligations of the Company and each of the Sellers, as applicable, enforceable against them, as applicable, in accordance with their respective terms, except to the extent that their enforcement is limited by bankruptcy, insolvency, reorganization or other laws relating to or affecting the enforcement of creditors' rights generally and by general principles of equity.

4.5 NO VIOLATION OR CONFLICT. The execution, delivery and performance of this Agreement by the Company and the Sellers and the consummation by the Company and the Sellers of the transactions contemplated hereby: (a) do not and will not violate or conflict with any provision of law or regulation, or any writ, order, judgment or decree of any court or governmental or regulatory authority, or any provision of the Company's Articles or Certificate of Incorporation or Bylaws, or other organizational documents or any license, franchise or permit to which any Seller or the Company is a party or by which any of them is bound; and (b) do not and will not, with or without the passage of time or the giving of notice, result in the breach of, or constitute a default, cause the acceleration of performance or require any consent under, or result in the creation of any lien, charge or encumbrance upon any property or assets of the Company pursuant to any instrument or agreement to which any of the Sellers or the Company is a party or by which any of the Sellers or the Company or their respective properties or assets may be bound or affected, other than instruments or agreements as to which consent shall have been obtained at or prior to the Closing, each of which instruments or agreements is listed on SCHEDULE 4.5 hereto.

4.6 CONSENTS AND APPROVALS. No consent, approval, waiver or authorization of, or registration, qualification or filing with or notice to any federal, state or local governmental or regulatory authority, or any other Person, is required to be made by any of the Sellers or the Company in connection with the execution, delivery or performance of this Agreement by the Company or by the Sellers or the consummation by the Company or the Sellers of the transactions contemplated hereby, except for the consents of governmental authorities to the assignment of the Material Agreements set forth on SCHEDULE 4.28, all of which will be received prior to the Closing.

4.7 BROKERS. None of the Sellers nor the Company has employed any financial advisor, broker or finder, and none of them has incurred or will incur any broker's, finder's, investment banking or similar fees, commissions or expenses in connection with the transactions contemplated by this Agreement.

4.8 CAPITALIZATION. The Sellers together own 100% of the issued and outstanding capital stock and securities of the Company.

4.9 FINANCIAL STATEMENTS. The Sellers have delivered to Buyer true and complete copies of audited balance sheet and related statements of income, cash flows and changes in stockholder equity (collectively "FINANCIAL Statements") with respect to the Company and its business as of and for the year ended December 31, 1997 and unaudited Financial Statements as of and for the four months ended April 30, 1998, and said Financial Statements are attached hereto as SCHEDULE 4.9. All of such Financial Statements present fairly the financial condition and results of operations of the Company for the dates or periods indicated thereon. Except for the omission of certain notes and the absence of year-end adjustments (consisting only of normal recurring adjustments) in the unaudited interim Financial Statements, all of such Financial Statements have been prepared in accordance with GAAP applied on a consistent basis throughout the periods indicated.

4.10 ABSENCE OF UNDISCLOSED LIABILITIES. Except as set forth on SCHEDULE 4.10 hereto and except as and to the extent reflected in the unaudited interim Financial Statements, the Company has no liabilities, commitments or obligations of any nature whatsoever, whether accrued, contingent or otherwise and whether due or to become due (other than liabilities, commitments or obligations incurred since April 30, 1998 in the ordinary course of business consistent with past practices to Persons other than the Sellers or Affiliates of the Company or the Sellers, none of which are material) or any unrealized or anticipated losses from any commitments of the Company, and there is no basis for assertion against the Company of any such liability, commitment, obligation or loss.

4.11 SUBSIDIARIES AND INVESTMENTS. The Company has no Investments. The Company has no Subsidiaries.

4.12 INVENTORIES. The Inventories of the Company shown on the balance sheets included in the Financial Statements and the unaudited interim Financial Statements and the Inventories of the Company as of the Closing Date, are stated and will be stated at not more than the lower of cost or market. The Company has and will continue to have adequate quantities and types of inventory to enable it to conduct its businesses consistent with past practices and anticipated operations.

4.13 ACCOUNTS AND NOTES RECEIVABLE. The Company has delivered to Buyer a true and complete aged list of unpaid accounts and notes receivable owing to the Company as of April 30, 1998. All of such accounts and notes receivable constitute only bona fide, valid and binding claims arising in the ordinary course of the Company's business, subject to no valid defenses, counterclaims or setoffs, and are current and collectible in accordance with their terms.

4.14 CONDUCT OF BUSINESS. Except as disclosed on SCHEDULE 4.14 hereto, since December 31, 1997, the Company has conducted its businesses only in the ordinary and usual course consistent with past practices and there has not occurred any material adverse change in its condition (financial or otherwise), results of operations, properties, assets, liabilities, business or prospects. Without limiting the generality of the foregoing, except as disclosed on SCHEDULE 4.14, since December 31, 1997, the Company has not:

(a) declared or paid any dividends or other distribution (whether in cash, stock or other property) with respect to its capital stock, or otherwise transferred or agreed to transfer any assets to any of its shareholders or Affiliates, except for cash distributions or compensation bonuses paid to its shareholders (as long as such distributions do not reduce the Closing Date Net Worth below \$3,446,000).

(b) suffered any damage, destruction or loss, whether or not covered by insurance, which has had or could have an adverse effect on any of its properties, assets, business or prospects;

(c) voluntarily or involuntarily sold, transferred, surrendered, abandoned or disposed of any of its assets or property rights (tangible or intangible), other than inventory and minor amounts of personal property, in the ordinary course of business consistent with past practices at a price equal to the greater of fair market value or book value;

(d) disclosed any proprietary or confidential information to any third party;

(e) granted or made any mortgage or pledge or subjected itself or any of its properties or assets to any Encumbrance, except Permitted Encumbrances;

(f) created, incurred or assumed any liability or indebtedness, for borrowed money or entered into any capitalized lease obligations;

(g) made or committed to make any capital expenditures;

(h) applied any of its assets to the direct or indirect payment, discharge, satisfaction or reduction of any amount payable directly or indirectly to or for the benefit of any Seller or any Affiliate thereof or to the prepayment of any such amounts, or otherwise entered into or modified any arrangement with any Affiliate of the Company or any Seller;

(i) written off the value of any inventory or any accounts receivable or increased the reserves for obsolete, damaged, spoiled or otherwise not usable inventory or doubtful or uncollectible receivables;

(j) granted any increase in the compensation payable or to become payable to directors, officers or employees (including, without limitation, any such increase pursuant to any bonus, pension, profit-sharing or other plan or commitment or otherwise), other than merit increases to officers and employees (other than the Sellers and their Affiliates) in the ordinary course of business and consistent with past practices;

(k) altered the manner of keeping its books, accounts or records, or changed in any manner the accounting practices therein reflected;

(l) accelerated or delayed collection of notes or accounts receivable in advance of or beyond their regular dates or the dates when the same could have been collected in the ordinary course of business consistent with past practices;

(m) allowed its levels of inventory to vary in any material respect from the levels customarily maintained;

(n) experienced any other event or condition of any character which has had or could have, individually or in the aggregate, a material adverse effect on the condition (financial or otherwise), results of operations, assets, liabilities, properties, business or prospects of the Company, or on employee, customer or supplier relations;

(o) engaged in or agreed to engage in any of the transactions or occurrences which would be prohibited prior to the Closing under SECTION 5.3(B); or

(p) agreed, whether in writing or otherwise, to do any of the foregoing.

4.15 COMPLIANCE WITH LAWS. The Company has conducted its business in compliance with all federal, state, local and foreign laws, ordinances, regulations, judgments, rulings, orders and other requirements applicable to it, including without limitation those relating to (a) the development, testing, manufacture, packaging, distribution and marketing of products, (b) employment, safety and health, and (c) environmental protection, building, zoning and land use. No governmental authority has asserted that the Company is not in compliance with any such laws, ordinances, regulations, judgments, rulings, orders and other requirements. The Company is not subject to any order, judgment or decree of any court or governmental authority. The Buyer has been furnished with true and correct copies of all reports of inspections of the Company's businesses and properties through the date hereof under all applicable federal, state, foreign and local laws and regulations. Except as set forth on SCHEDULE 4.15, there has

been no inspection of the Company's businesses and properties conducted by insurance companies, consultants, or any other Persons. All deficiencies noted in any such reports have been corrected. The representations made in this Section 4.15 are made solely to the knowledge of Paul R. Schwinne, Randolph S. McClain and Janet M. Wallace (the "Sellers' Knowledge").

4.16 LITIGATION. Except as set forth on SCHEDULE 4.16, to the Sellers' Knowledge, there are no actions, suits, investigations, claims or proceedings pending or threatened within the past three years prior to Closing before any court, governmental or regulatory authority or arbitrator: (a) affecting the Company (as plaintiff or defendant) which: (i) could, individually or in the aggregate, have an adverse effect on the condition (financial or otherwise), results of operations, properties, assets, liabilities, business or prospects of the Company; or (ii) without limiting the generality of the foregoing (A) threatens to revoke, vary, modify or terminate any of the Governmental Authorizations or to declare any of them invalid in any respect; (B) involves any of the Intangible Property; (C) involves any claim against the Company under any warranty, whether express or implied, on products repaired, overhauls or services sold by the Company; (D) involves any claim against the Company for injury to persons, animals or property suffered as a result of the sale, manufacture or distribution of any product or performance of any repairs, overhauls or services by the Company including, but not limited to, claims arising out of the defective or unsafe nature of its products or services; or (E) involves a claim for specific performance, injunctive relief or other equitable remedies; or (b) which questions the legality or propriety of the transactions contemplated by this Agreement; and there exist no facts or circumstances to the Sellers' Knowledge creating a reasonable basis for the institution of any such action, suit, investigation, claim or proceeding described in clauses (a) or (b) above. No action, suit, investigation, claim or proceeding of the kind described in clauses (a) and (b) above have been pending, settled or adjudicated during the three years preceding the date of this Agreement, except as set forth on SCHEDULE 4.16.

4.17 TITLE TO AND CONDITION OF PERSONAL PROPERTY. The Company has, and will have at Closing, good, valid and marketable title to all of the Purchased Assets, including, without limitation, each item of equipment and other personal property, tangible and intangible, included as an asset in the unaudited interim Financial Statements dated April 30, 1998 (other than inventory disposed of in the ordinary course of business consistent with past practices since April 30, 1998 to Persons other than the Sellers or Affiliates of the Company or any of or the Sellers) and to each item of equipment and other personal property, tangible and intangible, acquired since April 30, 1998, free and clear of any Encumbrances whatsoever except for Permitted Encumbrances. SCHEDULE 4.17 contains a detailed list as of April 30, 1998 of all machinery, equipment, vehicles, furniture and other personal property owned by the Company and used by the Company in the operation of its business, having an original cost of \$2,000 or more, except as set forth on Schedule 4.17. All tangible personal property owned by the Company or used by the Company in the operation of its business is in good operating condition and in a good state of maintenance and repair, ordinary wear and tear excepted, and is adequate for the business conducted by the Company. Except for the licenses to use certain Rights specifically identified on SCHEDULE 4.19, there are no properties or assets, tangible or intangible, owned by any Person other than the Company which are used in connection with the business of the Company. The Sellers make no warranty as to assets that are owned by the Company but have been fully depreciated to the extent of depreciable value or that have been written off UNLESS such assets are utilized in the operation of the business. The Sellers' liability for any misrepresentations as to operating condition of machinery, equipment, vehicles and other tangible personal property is limited to its fair market value.

4.18 REAL PROPERTY. The Company does not own any real property. The real property currently used by the Company in the conduct of its business (the "REAL PROPERTY") is subject to a lease which will be cancelled, without penalty to the Company, effective with the Closing.

4.19 INTANGIBLE PROPERTY. Set forth on SCHEDULE 4.19 is a list and description of all foreign and domestic patents, patent rights, trademarks, service marks, trade names, brands and copyrights (whether or not registered and, if applicable, including pending applications for registration) owned, used, licensed or controlled by the Company and all goodwill associated therewith (collectively, the "RIGHTS"). Except as set forth on SCHEDULE 4.19, to the Sellers' Knowledge: (a) the Company is the sole and exclusive owner of all right, title and interest in and to all of the Rights and in and to each invention, formula, software, trade secret, technology, product, composition, formula, know-how, method or process used by the Company (together with the Rights, hereinafter collectively referred to as "INTANGIBLE PROPERTY"), and has the exclusive right to use and license the same, free and clear of any claim or conflict with the rights of others; (b) no royalties, honorariums or fees are payable by the Company to any Person by reason of the ownership or use of any of the Intangible Property; (c) there have been no claims made within the past three years against the Company asserting the invalidity, abuse, misuse, or unenforceability of any of the Intangible Property, and no grounds for any such claims exist; (d) the Company has not made any claim of any violation or infringement by others of its rights in the Intangible Property, and no grounds for any such claims exist; (e) the Company has not received any notice within the past three years that it is in conflict with or infringing upon the asserted rights of others in connection with the Intangible Property and neither the use of the Intangible Property nor the operation of its businesses is infringing or has infringed upon any rights of others; (f) the Intangible Property is sufficient and includes all rights necessary for the Company to lawfully conduct its businesses as presently being conducted; (g) no interest in any of the Company's rights to any Intangible Property has been assigned, transferred, licensed or sublicensed by the Company to any Person other than the Buyer pursuant to this Agreement; (h) to the extent that any item constituting part of the Intangible Property has been registered with, filed in or issued by, as the case may be, any government or other regulatory authority, such registrations, filings or issuances are listed on SCHEDULE 4.19 and were duly made and remain in full force and effect; and (i) no act or failure to act by the Company or any of its directors, officers, employees, attorneys or agents during the prosecution or registration of, or any other proceeding relating to, any of the Intangible Property or of any other fact which could render invalid or unenforceable, or negate the right to issuance of any of the Intangible Property. To the extent any of the Intangible Property constitutes proprietary or confidential information, the Company has adequately safeguarded such information from disclosure. Except as otherwise indicated on SCHEDULE 4.19, all of the Intangible Property is assignable to the Buyer without alteration or impairment.

4.20 GOVERNMENTAL AUTHORIZATIONS. Set forth on SCHEDULE 4.20 is a list of all authorizations, consents, approvals, franchises, licenses and permits required under applicable law or regulation for the operation of the business of the Company as presently operated (the "GOVERNMENTAL AUTHORIZATIONS"). All the Governmental Authorizations have been duly issued or obtained and are in full force and effect, and the Company is in compliance with the terms of all the Governmental Authorizations. Neither the Company nor any of the Sellers have any knowledge of any facts which could be expected to cause them to believe that the Governmental Authorizations will not be renewed by the appropriate governmental authorities in the ordinary course. Each of the Governmental Authorizations may be assigned and transferred to the Buyer in accordance with this Agreement and will continue in full force and effect thereafter, in each case without (i) the occurrence of any breach, default or forfeiture of rights thereunder, or (ii) the consent, approval, or act of, or the making of any filings with, any Person.

4.21 OTHER PERSON AUTHORIZATIONS. Set forth on SCHEDULE 4.21 is a list of all authorizations, consents, approvals, franchises, licenses and permits required by any Person for the operation of the business of the Company as presently operated (the "OTHER PERSON AUTHORIZATIONS"). All of the Other Person Authorizations have been duly issued or obtained and are in full force and effect, and the Company is in compliance with the terms of all the Other Person Authorizations. Neither the Company nor any of the Sellers have any knowledge of any facts which could be expected to cause them to believe that the Other Person Authorizations will not be renewed by the appropriate Person in the ordinary course. Each of the Other Person Authorizations may be assigned and transferred to the Buyer in accordance with this Agreement and will continue in full force and effect thereafter, in each case without (i) the occurrence of any breach, default or forfeiture of rights thereunder, or (ii) the consent, approval, or act of, or the making of any filings with, any Person.

4.22 INSURANCE. Set forth on SCHEDULE 4.22 is a list of all insurance policies providing insurance coverage of any nature to the Company. The Company has previously delivered to the Buyer a true and complete copy of all of such insurance policies as amended. Such policies are sufficient for compliance by the Company with all requirements of law and all Material Agreements. All of such policies are in full force and effect and are valid and enforceable in accordance with their terms, and the Company has complied with all material terms and conditions of such policies, including the payment of premium payments. None of the insurance carriers has indicated to the Company an intention to cancel any such policy. The Company has no claim pending or anticipated against any of the insurance carriers under any of such policies and there has been no actual or alleged occurrence of any kind which may give rise to any such claim.

4.23 MAJOR CUSTOMERS AND SUPPLIERS; SUPPLIES. Set forth on SCHEDULE 4.23 is a list of all customers of the Company and all suppliers of goods or services to the Company during the fiscal years ended December 31, 1996 and December 31, 1997 and the four-month period ending April 30, 1998, and with respect to each, the name and address, dollar volume involved and nature of the relationship (including the principal categories of products purchased or sold). Except as indicated on SCHEDULE 4.23, all supplies and services necessary for the conduct of the Company's businesses as presently conducted and as proposed to be conducted may be readily obtained from alternate sources on comparable terms and conditions as those presently available to the Company. No facts, circumstances or conditions exist which create a reasonable basis for believing that the Company or the Buyer after the Closing Date would be unable to continue to procure and provide the supplies and services necessary to conduct its business on substantially the same terms and conditions as such supplies and services are currently procured and provided. To the Sellers' Knowledge, no significant customer or supplier of the Company has advised the Company within the past three years that it has terminated its relationship with the Company or advised the Company or any of the Sellers of its intention to terminate its relationship with the Company, decreased its purchases from or sales to the Company, or changed the terms upon which it purchases from or sells to the Company. The Company makes no warranty as to whether any particular customer will continue to purchase products from the Company following the Closing at existing sales volumes.

4.24 PERSONNEL. SCHEDULE 4.24 contains the names, job descriptions and annual salary rates (and the most recent date of any increase in salary rates) and other compensation of all employees, officers, directors and consultants of the Company (including compensation paid or payable by the Company under any Plans), and a list of all employee policies (written or otherwise), employee bonus or profit sharing plans, employee manuals or other written statements of rules or policies concerning employment, including working conditions, paid time off, vacation and sick leave, a complete copy of each of which (or a description, if unwritten) has been delivered to the Buyer. Neither the Buyer nor any



of its Affiliates shall have any liability or obligations under or with respect to the Workers Adjustment Retraining Notification Act in connection with any of the transactions contemplated in connection herewith.

4.25 LABOR RELATIONS. None of the employees of the Company is a member of any labor union, and the Company is not a party to, otherwise bound by or, to the Sellers' Knowledge, threatened, with any labor or collective bargaining agreement. None of the employees of the Company is known to be engaged in organizing any labor union or other employee group that is seeking recognition as a bargaining unit. Without limiting the generality of SECTION 4.25, (i) no unfair labor practice complaints are pending or, to the Sellers' Knowledge, threatened within the past three years against the Company, and (ii) no Person has made or threatened within the past three years to make any claim, and to the Sellers' Knowledge, no Person has made any claim and there is no basis for any claim, against the Company under any statute, regulation or ordinance relating to employees or employment practices, including without limitation those relating to age, sex and racial discrimination, conditions of employment, and wages and hours.

#### 4.26 EMPLOYMENT AGREEMENTS AND EMPLOYEE BENEFIT PLANS.

(a) EMPLOYMENT AGREEMENTS. Except as set forth on SCHEDULE 4.26A, there are no employment, consulting, severance or indemnification arrangements, agreements, or understandings between the Company and any officer, director, consultant or employee, except for oral agreements terminable at will ("EMPLOYMENT AGREEMENTS"). The Company has previously delivered to the Buyer true and complete copies of all of the Employment Agreements. No such Employment Agreement (i) will require any payment by the Buyer or any of its Affiliates or, except as disclosed on SCHEDULE 4.26A, the Company, to any director, officer or employee of the Company, or any other party, by reason of the transactions contemplated by this Agreement, or (ii) provides for the acceleration or change in the award, grant, vesting or determination of options, warrants, rights, severance payments, or other contingent obligations of any nature whatsoever of the Company in favor of any such parties. Except as set forth on SCHEDULE 4.26A, the terms of employment or engagement of all directors, officers, employees, agents, consultants and professional advisers of the Company are such that their employment or engagement may be terminated upon not more than two weeks notice given at any time without liability for payment of compensation or damages and the Company has not entered into any agreement or arrangement for the management of its business or any part thereof other than with its directors or employees. Except as set forth on Schedule 4.26, the Company has no unaccrued liability for any arrears of wages, bonuses or other employee benefits (including, without limitation, termination or severance pay, sick pay, personal days and holiday pay) for any of their employees.

#### (b) EMPLOYEE BENEFIT PLANS.

(i) The only employee benefit plan (within the meaning of Section 3(3) of the Employee Retirement Income Security Act of 1974, as amended ("ERISA")), stock purchase plan, stock option plan, fringe benefit plan, bonus plan or any other deferred compensation agreement or plan or funding arrangement or commitment, policy or practice (including a simplified employee pension plan) sponsored, maintained or to which contributions are made by the Company (a "PLAN") are described on SCHEDULE 4.26B. The Company has no "MULTIEMPLOYER PLAN," as such term is defined in ERISA. With respect to each Plan, the Company has delivered or made available to the Buyer current, accurate and complete copies of such Plan (including all other instruments relating thereto).

(ii) With respect to each Plan, (A) there are no actions, suits, proceedings, investigations or claims pending, or to the knowledge of the Company or the Sellers, threatened, and neither the Company nor the Sellers have any knowledge of any facts which could give rise to any such actions, suits, proceedings, investigations or claims; (B) neither the Company nor any employee or director thereof or any fiduciary of any Plan has, with respect to any such Plan, engaged in a prohibited transaction, as such term is defined in ERISA Section 406, which would subject the Company to any penalties or other liabilities resulting from prohibited transactions under ERISA Sections 409 or 502(i); (C) no event has occurred and no condition exists that would subject the Company to any penalty under ERISA Sections 502(c) or 502(l); (D) the Plan and the Company have complied with all applicable requirements of ERISA; and (E) all insurance premiums related to the Plan required to be paid as of the Closing Date have been or will be paid at or prior to the Closing Date.

(iii) With respect to any Plan which is an employee welfare benefit plan (within the meaning of ERISA Section 3(1)), the Plan does not prohibit the amendment or termination of the Plan, except that such amendment or termination may be subject to the terms of any applicable collective bargaining agreement.

(iv) No Plan has been: (A) terminated; (B) amended in any manner which would directly or indirectly increase the benefits accrued, or which may be accrued, by any participant thereunder; or (C) amended in any manner which would increase the cost to the Company or the Buyer of maintaining such Plan.

#### 4.27 TAX MATTERS.

(a) All federal, state, local and foreign Tax Returns and reports required to be filed with respect to the Company or its businesses or assets, including, without limitation, any consolidated federal income Tax returns filed on behalf of the affiliated group (as defined in Section 1504(a) of the Code) of which the Company is a member, and any combined income Tax return filed on behalf of a group of corporations of which the Company is a member, have been duly and timely filed as required, are true, correct and complete as filed, and reflect accurately all liability for Taxes for the periods to which such returns and documents relate, and all amounts showing as owing thereon have been paid. All Taxes upon the Company or upon its properties, assets, income or franchises which are due and payable, and all assessments and taxes upon any group of corporations of which the Company is a member or upon such group's properties, assets or income, through the Closing Date have been paid, except as reflected by accruals on the Closing Date Balance Sheet.

(b) All Taxes collectible or payable by the Company or relating to or chargeable against any of its assets, revenues or income through December 31, 1997 were fully collected and paid by such date and all similar items collectible or payable through the Closing Date will have been fully collected and paid by that date. No taxation authority has audited the records of the Company or given notice of its intention to audit the records of the Company. No claims or deficiencies have been asserted against the Company with respect to any Taxes which have not been paid or otherwise satisfied and there exists no reasonable basis for the making of any such claims. The Company has not waived any restrictions on assessment or collection of Taxes or consented to the extension of any statute of limitations relating to taxation.

#### 4.28 MATERIAL AGREEMENTS.

(a) SCHEDULE 4.28 sets forth a brief description of all material written and oral contracts or agreements to which the Company is a party or by which the Company or any of its assets or properties is bound or affected, including without limitation any:

(i) contract resulting in a commitment for expenditure or other obligation, or which provides for the receipt or potential receipt, involving in excess of \$15,000 in any instance, or series of related contracts that in the aggregate give rise to rights or obligations exceeding such amount;

(ii) indenture, mortgage, promissory note, loan agreement, guarantee or other agreement or commitment for the borrowing or lending of money or encumbrance of assets;

(iii) agreement which restricts the Company from engaging in any line of business or from competing with any other Person;

(iv) agreement or arrangement for the sale or lease of any of the assets, property or rights of the Company outside the ordinary course of business or requiring the consent of any party to the transfer and assignment of any assets, property and rights;

(v) agreement relating to any Intangible Property, including confidentiality or secrecy agreements;

(vi) agreement relating to the development, manufacture, distribution or sale of any products or products under development by the Company;

(vii) warranties made with respect to products manufactured, packaged, distributed or sold by the Company;

(viii) contract for the purchase or lease by the Company of goods, equipment, supplies or capital assets or the performance by others of services which the Company reasonably anticipates will involve the payment by the Company of more than \$10,000 after the date hereof or which extends beyond the Closing Date or contract for the purchase by the Company of raw materials which the Company reasonably anticipates will involve the payment by the Company of more than \$100,000 after the date hereof or which extends beyond the Closing Date;

(ix) contract for the sale of products of the Company which the Company reasonably anticipates will involve the payment of more than \$250,000 after the date hereof or which extends beyond the Closing Date;

(x) consignment, distributor, dealer, manufacturers representative or sales agency contract which the Company reasonably anticipates will involve the payment of more than \$10,000 after the date hereof or which extends beyond the Closing Date or advertising representative, advertising or public relations contract which the Company reasonably anticipates will involve the payment of more than \$25,000 after the date hereof or which extends beyond the Closing Date;

(xi) contract not made in the ordinary course of business consistent with past practices;

(xii) agreement, contract or arrangement with any Affiliates of the Company or

either Seller; or

(xiii) any other contract, agreement, instrument, arrangement or commitment that is material to the condition (financial or otherwise), results of operations, assets, properties, liabilities, business or prospects of the Company (collectively, and together with the Employment Agreements, Plans and all other agreements required to be disclosed on any Schedule to this Agreement, the "MATERIAL AGREEMENTS"). The Company has previously furnished to the Buyer true, complete and correct copies of all written agreements, as amended, required to be listed on SCHEDULE 4.28.

(b) None of the Material Agreements was entered into outside the ordinary course of business of the Company, contains any provisions that could reasonably be expected to impair or adversely affect in any material way the operations of the Company, or could reasonably be expected to be performed at a material loss.

(c) The Material Agreements are each in full force and effect and are the valid and legally binding obligations of the Company and, to the Company and the Sellers' knowledge, the other parties thereto, enforceable in accordance with their respective terms, subject only to bankruptcy, insolvency or similar laws affecting the rights of creditors generally and to general equitable principles. Neither the Company nor any of the Sellers have received notice of default by the Company under any of the Material Agreements, and the Company is not in default under any of the Material Agreements and no event has occurred which, with the passage of time or the giving of notice or both, would constitute a default by the Company thereunder. To the Company and the Sellers' knowledge, none of the other parties to the Material Agreements is in default thereunder, nor has an event occurred which, with the passage of time or the giving of notice or both, would constitute a default by such other party thereunder. Neither the Company nor any of the Sellers have received notice of the pending or threatened cancellation, revocation or termination of any of the Material Agreements, nor are any of them aware of any facts or circumstances which could reasonably be expected to lead to any such cancellation, revocation or termination.

(d) Except as otherwise indicated on SCHEDULE 4.28, each of the Material Agreements may survive the transfer to the Buyer pursuant to this Agreement and will continue in full force and effect under the current terms thereof, in each case without breaching the terms thereof or resulting in the forfeiture or impairment of any right thereunder and without the consent, approval or act of, or the making of any filing with any Person.

4.29 RELATED PARTIES. Except as disclosed on SCHEDULE 4.29, none of the Sellers nor any current director, officer or employee of the Company (individually a "RELATED PARTY" and collectively the "RELATED PARTIES") or any Affiliate of any of the Sellers or any Related Party: (a) owns, directly or indirectly, any interest in any Person which is a competitor, potential competitor, supplier or customer of the Company; (b) owns, directly or indirectly, in whole or in part, any property, asset or right, real, personal or mixed, tangible or intangible (including, but not limited to, any of the Intangible Property) which is utilized by or in connection with the business of the Company; (c) is a customer or supplier of the Company; or (d) directly or indirectly has an interest in or is a party to any contract, agreement, lease, arrangement or understanding, whether or not in writing, pertaining or relating to the Company,

except for employment, consulting or other personal service agreements which are listed on SCHEDULE 4.26A hereto.

4.30 ABSENCE OF CERTAIN BUSINESS PRACTICES. None of the Sellers, any Related Party, any Affiliate of the Sellers or of any Related Party, any agent of the Company, or any other Person acting on behalf of or associated with the Company, acting alone or together, has: (a) received, directly or indirectly, any rebates, payments, commissions, promotional allowances or any other economic benefits, regardless of their nature or type, from any customer, supplier, employee or agent of any customer or supplier, official or employee of any government (domestic or foreign) or other Person; or (b) directly or indirectly, given or agreed to give any money, gift or similar benefit to any customer, supplier, employee or agent of any customer or supplier, official or employee of any government (domestic or foreign), or any political party or candidate for office (domestic or foreign) or other Person who was, is or may be in a position to help or hinder the business of the Company (or assist the Company in connection with any actual or proposed transaction) which (i) may subject the Company to any damage or penalty in any civil, criminal or governmental litigation or proceeding, (ii) if not given in the past, may have had an adverse effect on the assets, business, operations or prospects of the Company or (iii) if not continued in the future, may adversely affect the assets, business, operations or prospects of the Company.

#### 4.31 PRODUCTS AND SERVICES.

(a) SCHEDULE 4.31A lists each product repair process or service under development, developed, manufactured, licensed, distributed or sold by the Company and any other products in which the Company has any proprietary rights or beneficial interest (the "PRODUCTS"). Each Product manufactured, repaired or serviced by the Company has been manufactured, repaired or serviced in accordance with (i) the specifications under which the Product is normally and has normally been manufactured, and (ii) without limiting the generality of SECTION 4.15, the provisions of all applicable laws, policies, guidelines and any other governmental requirements.

(b) SCHEDULE 4.31B sets forth (i) a list of all Products which at any time have been recalled, withdrawn or suspended by the Company, whether voluntarily or otherwise, including the date recalled, withdrawn or suspended and a brief description of the reasons therefor, and (ii) without limiting the generality of SECTION 4.16, a brief description of all completed or pending proceedings seeking the recall, withdrawal, suspension or seizure of any Product, and (iii) a list of all regulatory letters received by the Company or any of its agents relating to the Company or any of the Products or the Company's establishments.

(c) Except as set forth on SCHEDULE 4.31C, there exist no set of facts which could furnish a basis for the recall, withdrawal or suspension of any product registration, product license, repair or overhaul license, manufacturing license, wholesale dealers license, export license or other license, approval or consent of any governmental or regulatory authority with respect to the Company or any of the Products.

(d) The Company has previously delivered to the Buyer true and complete copies of all correspondence received or sent by or on behalf of the Company from or to any federal or state governmental or regulatory authority.

4.32 ENVIRONMENTAL MATTERS. No property owned, leased, used or occupied by the Company currently or in the past has been used by the Company or any other Person to manufacture, treat, store, or dispose of any hazardous substance or any other regulated material, and such property is free of all such

substances and materials. Without limiting the generality of SECTION 4.15, the Sellers and the Company, and any other Person for whose conduct either it or they are or may be responsible, are in compliance with all laws, regulations and other federal, state or local governmental requirements, and all applicable judgments, orders, writs, notices, decrees, permits, licenses, approvals, consents or injunctions relating to the generation, management, handling, transportation, treatment, disposal, storage, delivery, discharge, release or emission of any waste, pollutant or toxic, hazardous or other regulated substance (including, without limitation, asbestos, radioactive material and pesticides and the keeping and posting of all Material Safety Data Sheets and waste manifests) or to any other actions, omissions or conditions affecting the environment (the "ENVIRONMENTAL LAWS"). Without limiting the generality of SECTION 4.16, neither the Company nor any other Person for whose conduct it may be responsible has received any complaint, notice, order, or citation of any actual or alleged noncompliance with any Environmental Law, and there is no proceeding, suit or investigation pending or, to the Company's and the Sellers' knowledge, threatened against the Company or any such Person with respect to any violation or alleged violation of the Environmental Laws, and there is no reasonable basis for the institution of any such proceeding, suit or investigation.

4.33 LIST OF ACCOUNTS. Set forth on SCHEDULE 4.33 is: (a) the name and address of each bank or other institution in which the Company maintains an account (cash, securities or other) or safe deposit box; (b) the name and phone number of the Company's contact person at such bank or institution; (c) the account number of the relevant account and a description of the type of account; and (d) the persons authorized to transact business in such accounts.

4.34 CERTAIN CLAIMS. There are no claims existing or, to the best of the Company's and the Sellers' knowledge, threatened under or pursuant to any warranty, whether express or implied, on products or services sold by the Company. There are no claims existing and there is no basis for any claim against the Company for injury to persons, animals or property as a result of the sale, distribution or manufacture of any product or performance of any service by the Company including, but not limited to claims arising out of the defective or unsafe nature of its products or services.

4.35 DISCLOSURE. No representation or warranty of the Company or the Sellers contained in this Agreement, and no statement, notice, certificate or other document furnished by or on behalf of the Sellers or the Company to the Buyer or their agents pursuant hereto or in connection with the transactions contemplated hereby, contains or will contain any untrue statement of a material fact or omits to state a material fact necessary in order to make the statements contained herein or therein not misleading or omits or will omit to state a material fact necessary in order to provide a prospective purchaser of the Purchase Assets with full and proper information as to the business, assets, prospects, financial condition or results of operations of the Company.

#### ARTICLE V.

##### CERTAIN AGREEMENTS

5.1 PRESERVE ACCURACY OF REPRESENTATIONS AND WARRANTIES. Each of the parties hereto shall refrain from taking any action which would render any representation or warranty contained in this Agreement inaccurate as of the Closing Date.

## 5.2 CONSENTS OF THIRD PARTIES; GOVERNMENTAL APPROVALS.

(a) The Company, the Buyer and the Sellers will act diligently and reasonably to secure, before the Closing Date, the consent, approval or waiver, in form and substance reasonably satisfactory to the Buyer, from any party to any Material Agreement required to be obtained to satisfy the conditions set forth in SECTION 7.2(D); PROVIDED that the Company shall not make any agreement or understanding affecting the Company as a condition for obtaining any such consent or waivers except with the prior written consent of the Buyer (which consent shall not be unreasonably withheld).

(b) During the period prior to the Closing Date, the parties shall act diligently and reasonably, and shall cooperate with each other, to secure any consents and approvals of any Person required to be obtained by them in order to permit the consummation of the transactions contemplated by this Agreement, or to otherwise satisfy the conditions set forth in SECTION 7.2(H); PROVIDED that the Company shall not make any agreement or understanding affecting the Company as a condition for obtaining any such consents or approvals except with the prior written consent of the Buyer (which consent shall not be unreasonably withheld). Buyer shall pay any required fee under the HSR Act.

## 5.3 OPERATIONS PRIOR TO THE CLOSING DATE.

(a) Until the Closing, the Company shall operate and carry on its business only in the ordinary course and substantially as presently operated. Consistent with the foregoing, the Company shall (i) keep and maintain the Company's assets in good operating condition and repair, (ii) use its reasonable efforts consistent with good business practice to preserve the goodwill of the suppliers, contractors, licensors, employees, customers, distributors and others having business relations with it and (iii) continuously maintain insurance coverage substantially equivalent to that presently maintained by the Company. The Sellers shall use all reasonable efforts, consistent with past practices, to promote the Company's business and to maintain the reputation associated with the Company's business, and shall not take or omit to take any action which causes, or which is likely to cause, any deterioration of the Company's present business or relationships with suppliers or customers.

(b) Notwithstanding SECTION 5.3(A), except as expressly contemplated by this Agreement, or except with the express written approval of the Buyer the Company shall not:

(i) enter into or modify any contract, agreement, undertaking or commitment which would have been required to be set forth on SCHEDULE 4.28, if in effect on the date hereof or enter into any contract which cannot be assigned to the Buyer or a permitted assignee of the Buyer under SECTION 8.3;

(ii) sell, lease (as lessor), transfer or otherwise dispose of (including any transfers to any Seller or any of its or their Affiliates), or mortgage or pledge, or impose or suffer to be imposed any Encumbrance (except Permitted Encumbrances) on, any of the Company's Assets, other than inventory and minor amounts of personal property sold or otherwise disposed of in the ordinary course of business consistent with past practices;

(iii) accelerate or delay collection of any notes or accounts receivable in advance of or beyond their regular due dates or the dates when the same would have been collected in the ordinary course of business, consistent with past practices;

(iv) delay or accelerate payment of any account payable or other liability beyond or in advance of its due date or the date when such liability would have been paid in the ordinary course of business consistent with past practices;

(v) make, or agree to make, any distribution of assets (other than cash and/or life insurance to the extent permitted by the proviso to this SECTION 5.3) to any Seller or any of its or their Affiliates;

(vi) make any change in the compensation of its employees, other than changes made in accordance with normal compensation practices and consistent with past compensation practices;

(vii) allow its levels of inventory to vary in any material respect from the levels customarily maintained;

(viii) permit to lapse any of its rights to the Intangible Property listed on SCHEDULE 4.19;

(ix) issue, sell or authorize for issuance or sale any securities or enter into any commitment with respect to the foregoing;

(x) redeem, purchase or otherwise acquire, directly or indirectly, any shares of its capital stock or any option, warrant or other right to purchase or acquire any such shares;

(xi) declare or pay any dividend or other distribution (whether in cash, stock or other property) with respect to its capital stock;

(xii) create, incur or assume any liability or indebtedness for borrowed money, except in the ordinary course of business consistent with past practices but in no event in an aggregate amount exceeding \$20,000, except with respect to the Company's plans and commitments for the plant expansion in the amount not to exceed \$1.3 million dollars.

(xiii) make or commit to make any capital expenditures in excess of \$20,000 in the aggregate;

(xiv) cancel or waive any material debts, claims or rights or write off the value of any inventory or accounts receivable or increase the reserve for uncollectible receivables or obsolete, damaged or otherwise unsalable inventory, except as required by generally accepted accounting principles or by law;

(xv) make any loans, advances or capital contributions to any Person, except routine advances to employees in the ordinary course of their business in non-material amounts or enter into any termination or severance arrangement with any employee or consultant;

(xvi) take any action which could reasonably be expected to have a material adverse affect on the business, assets, operations or prospects of the Company or the Purchased Assets;

(xvii) apply any of its assets to the direct or indirect payment, prepayment, discharge, satisfaction or reduction of any amount payable, directly or indirectly, to or for the



benefit of any Affiliate of any Seller or the Company (except for salary and benefits as currently in effect and except in accordance with existing agreements and arrangements which have been disclosed to the other parties hereto in writing);

(xviii) guaranty any obligation of any Person or enter into or modify any arrangement with any Affiliate of any Seller or the Company;

(xix) agree, whether in writing or otherwise, to do any of the foregoing;

(xx) take any action that could cause the representations and warranties of the Company or the Sellers set forth herein not to be true and correct at and as of the Closing Date as if made at as of each such time;

PROVIDED, HOWEVER, that nothing herein shall prohibit the Company from (i) distributing its earnings (in the form of available cash and/or life insurance policies) or treating any such distributions as salary or bonus payments if and to the extent that such distributions could not reasonably be expected to result in a reduction of the Closing Date Net Worth below \$3,446,000 pursuant to SECTION 2.4 hereof, or (ii) continuing with the Company plans for the plant expansion.

5.4 ACQUISITION PROPOSALS. Except for the transactions contemplated by this Agreement, unless and until this Agreement shall have been terminated, neither the Sellers nor the Company shall, directly or indirectly (i) solicit, encourage, initiate or participate in any negotiations or discussions with respect to any offer or proposal to acquire all or substantially all of the business and properties of the Company, whether by merger, purchase of assets or otherwise, or (ii) except as required by law, disclose any information not customarily disclosed to any Person concerning the business and properties of the Company, afford to any Person (other than the Buyer and their designees) access to the properties, books or records of the Company or otherwise assist or encourage any Person, in connection with any of the foregoing. Without limiting the generality of the foregoing obligations of the Company and the Sellers, in the event the Company or any Seller shall receive any offer or proposal of the type referred to in clause (i) above, the Company shall promptly provide the Buyer with a reasonably detailed description of the terms and conditions thereof.

5.5 ACCESS. The Company shall: (i) afford to the other parties hereto and their agents and representatives reasonable access to the properties, books, records and other information of the Company, PROVIDED that such access shall be granted upon reasonable notice and at reasonable times during normal business hours in such a manner as not to unreasonably interfere with normal business operations; (ii) use its reasonable efforts to cause its personnel to assist the other parties hereto in their investigation of the Company; and (iii) furnish promptly to the other parties all information and documents concerning the business, assets, liabilities, properties and personnel of the Company as may be reasonably requested from time to time. In addition, from the date of this Agreement until the Closing Date, the Company shall cause one or more of its officers to confer on a regular basis with officers of the Buyer and to report on the general status of its ongoing operations.

5.6 INVESTIGATION. The representations, warranties and covenants set forth in this Agreement shall not be affected or diminished in any way by any investigation (or failure to investigate) at any time by or on behalf of the party for whose benefit such representations, warranties and covenants were made. All statements contained herein or in any schedule, certificate, exhibit, list or other document delivered pursuant hereto shall be deemed to be representations and warranties for purposes of this Agreement. To the extent that Larry Mendelson, Eric Mendelson or Bill Harlow ("BUYER'S

REPRESENTATIVES") have Knowledge and a reasonable person would have made a determination that the Sellers' (i) have made a material misrepresentation or (ii) are in material (a) violation of a covenant or (b) violation of a warranty prior to Closing ("Sellers' Breach"), Buyer's Representatives shall disclose in writing such Seller's Breach to the Buyer's board of directors and the Sellers prior to Closing.

5.7 NOTIFICATION. Each party to this Agreement shall promptly notify the other parties in writing of the occurrence, or threatened occurrence, of (i) any event that, with the lapse of time or notice or both, would constitute a breach of this Agreement by such party; (ii) any event that would cause any representation or warranty made by such party in this Agreement to be false or misleading in any respect; and (iii) any event which would have been required to be disclosed herein had such event occurred on or prior to the date of this Agreement. Each party shall promptly notify the other of any action, suit or proceeding that is instituted or threatened against such party to restrain, prohibit or otherwise challenge the legality of any transaction contemplated by this Agreement. The Company and the Sellers shall promptly notify the Buyer of any lawsuit, claim, proceeding or investigation that may be threatened, brought, asserted or commenced against the Company or which should have been listed in any Schedule hereto if such lawsuit, claim, proceeding or investigation had arisen prior to the date hereof. The updating of any schedule pursuant to this SECTION 5.7 shall not be deemed to release any party for the breach of any representation, warranty or covenant hereunder or of any other liability arising hereunder.

5.8 REASONABLE EFFORTS. Subject to the terms and conditions of this Agreement, each of the parties shall use its diligent and reasonable efforts in good faith to take or cause to be taken as promptly as practicable all reasonable actions that are within its control to cause to be fulfilled: (i) those conditions precedent to its obligations to consummate the transactions contemplated hereby; and (ii) those actions upon which the conditions precedent to the other party's obligations to consummate this Agreement are dependent.

#### ARTICLE VI.

##### ADDITIONAL AGREEMENTS

###### 6.1 CERTAIN TAX RETURNS AND INDEMNITY.

(a) The Buyer shall be liable for and shall pay all Taxes applicable to the Company and/or the Shares for all taxable periods beginning after the Closing Date, regardless of when assessed, and including any interest or penalties thereon.

(b) The Sellers shall be liable for and pay all income Taxes applicable to the Company and/or the Shares for all taxable periods ending on or before the Closing Date, regardless of when assessed, and including any interest or penalties thereon, and shall indemnify and hold harmless Buyer, the Company and all of their respective Affiliates with respect thereto.

###### 6.2 SURVIVAL.

(a) The representations and warranties of the parties hereto contained in this Agreement or in any exhibit or schedule to this Agreement shall survive the Closing Date, except (i) as expressly provided in SECTION 6.2(B) hereof, and (ii) to the extent Buyer's Representatives have made a determination of a Sellers' Breach (which breach shall be evidenced by a written notice to the Buyer's board of directors and the Sellers by Buyer's Representatives) and elect to close, in which case Buyer's

sole recourse against Sellers as to such Sellers' Breach shall be to terminate this Agreement and Buyer shall have no liability claim against the Sellers or the Company as to such Sellers' Breach.

(b) The Sellers shall have no liability under SECTION 6.3(A) hereof unless the indemnifying party receives notice in writing from Buyer of Buyer's claim thereunder on or before the 18th month anniversary of the Closing Date, PROVIDED, HOWEVER, that such time limitation shall not be applicable with respect to claims for (i) any claims with respect to Federal or state income Taxes under SECTION 6.3(A)(IV) hereof, and/or (ii) any claim with respect to a breach of any or all of SECTIONS 4.1, 4.2 or 4.4 hereof.

### 6.3 INDEMNIFICATION.

(a) BY THE SELLERS. Subject to the limitations set forth in SECTIONS 6.2 AND 6.3(D) hereof, and provided that the Closing has occurred, McClain, Wallace and Schwinne agree, jointly and severally, to indemnify and hold harmless the Buyer and its respective directors, officers, employees and agents from, against and in respect of, the full amount of any and all liabilities, damages, claims, deficiencies, fines, assessments, losses, taxes, penalties, interest, costs and expenses, including, without limitation, reasonable fees and disbursements of counsel (collectively, the "LOSSES"), arising from, relating to, caused from (whether in whole or in part), in connection with, or incident to:

(i) any breach, inaccuracy or violation of the Sellers' representations in SECTION 4.10 hereof (an "UNDISCLOSED LIABILITY BREACH");

(ii) any breach, inaccuracy or violation of any of the other representations, warranties, covenants or agreements of the Company or any of the Sellers contained in this Agreement, in any schedule or exhibit to this Agreement or in any document or certificate delivered by any of them at or prior to the Closing;

(iii) any and all loss or liability, including the costs and expenses of prosecution or defense incurred by the Buyer as a consequence of or relating to any claims and/or litigation relating to any matters before the Closing (A) against the Company, (B) relating to the Company, or (C) relating to the Shares;

(iv) any and all Taxes, due or claimed to be due (including, without limitation, Taxes on properties, income, franchises, licenses, sales, services and payrolls) by any federal, state, local and foreign authority applicable to the Company and/or the Shares in respect of or attributable to any and all periods ending on or before the Closing Date; and

(v) any and all actions, suits, proceedings, demands, assessments or judgments, costs and expenses incidental to any of the foregoing.

(b) BY THE BUYER. Subject to the limitations set forth in SECTION 6.4(D) hereof, and provided that the Closing has occurred, the Buyer agrees to indemnify and hold harmless the Company (and its directors, officers, employees and agents) and the Sellers from, against and in respect of, the full amount of any and all Losses arising from, in connection with, or incident to:

(i) any breach, inaccuracy or violation of any of the representations, warranties, covenants or agreements of the Buyer contained in this Agreement, in any schedule or exhibit to this Agreement or in any document or certificate delivered by the Buyer at or prior to the Closing;

(ii) any and all actions, suits, proceedings, demands, assessments or judgments, costs and expenses incidental to any of the foregoing.

(c) INDEMNITY PROCEDURE. A party or parties responsible for indemnifying another party against any matter pursuant to this Agreement is referred to herein as the "INDEMNIFYING PARTY," and a party or parties entitled to indemnity is referred to as the "INDEMNIFIED PARTY."

(i) An Indemnified Party under this Agreement shall, with respect to claims asserted against such party by any third party, give written notice to each Indemnifying Party of any liability which might give rise to a claim for indemnity under this Agreement within 30 business days of the receipt of any written claim from any such third party, and with respect to other matters for which the Indemnified Party may seek indemnification, give prompt written notice to each Indemnifying Party of any liability which might give rise to a claim for indemnity; PROVIDED, HOWEVER, that any failure to give such notice will not waive any rights of the Indemnified Party except to the extent the rights of the Indemnifying Party are materially prejudiced or the ability of the Indemnifying Party to cure a claim or mitigate damages is materially prejudiced.

(ii) As to any claim, action, suit or proceeding by a third party, the Indemnifying Party shall be entitled, together with the Indemnified Party, to participate in the defense, compromise or settlement of any such matter through the Indemnifying Party's own attorneys and at its own expense. With regard to claims of third parties for which indemnification is payable hereunder, such indemnification expense shall be paid by the Indemnifying Party subject to the limitations in Sections 6.3(c)(iv) and 6.3(d); (i) the Indemnified Party shall provide such cooperation and such access to its books, records and properties as the Indemnifying Party shall reasonably request with respect to such matter; (ii) the parties hereto agree to cooperate with each other in order to ensure the proper and adequate defense thereof; and (iii) it being understood that the Indemnified Party shall control any such defense, all at the Indemnifying Party's expense to the extent of such limitations..

(iii) An Indemnifying Party shall not make any settlement of any claims without the written consent of the Indemnified Party, which consent shall not be unreasonably withheld. Without limiting the generality of the foregoing, it shall not be deemed unreasonable to withhold consent to a settlement involving injunctive or other equitable relief against the Indemnified Party or its assets, employees or business.

(iv) With regard to claims of third parties for which indemnification is payable hereunder, such indemnification shall be paid by the Indemnifying Party upon the earliest to occur of: (i) the entry of a judgment against the Indemnified Party and the expiration of any applicable appeal period, or if earlier, five days prior to the date that the judgment creditor has the right to execute the judgment or if earlier the date that the Indemnified Party must post any bond with respect to any judgment or other judicial ruling; (ii) the entry of an unappealable judgment or final appellate decision against the Indemnified Party; (iii) a settlement of the claim; or (iv) with respect to indemnities for Tax liabilities, upon the issuance of any resolution by a taxation authority to the extent the Buyer is subject to an attachment, a lien, or the taxing authority can pursue collection without adjudication. With regard to other claims for which indemnification is payable hereunder, such indemnification shall be paid promptly by the Indemnifying Party upon demand by the Indemnified Party.

(v) Any indemnification payment pursuant to SECTION 6.3(A) hereof shall constitute a reduction in the Purchase Price hereunder.

(d) LIMITATIONS.

(i) The Sellers shall be obligated to indemnify under SECTION 6.3(A)(I) with respect to Undisclosed Liability Breaches only if and to the extent the aggregate of all of the Sellers' liability with respect thereto exceeds \$100,000. In addition, in no event shall the aggregate indemnity liability of the Sellers with respect to Undisclosed Liability Breaches together with breaches under subparagraph (iii) of this SECTION 6.3(D) exceed \$5,000,000.

(ii) There shall not be any limit on the Sellers' indemnity liability with respect to (x) Sellers' liability under SECTION 6.1(B) hereof, and/or (y) Losses attributable to fraud and/or intentional misconduct by Sellers, the Company and/or the Company's Affiliates prior to the Closing Date. For purposes of this Subsection 6.3(d)(ii), fraud and intentional misconduct shall not include negligent misrepresentations or omissions to state a fact or misstatements made or omissions made by Sellers or the Company acting in good faith.

(iii) The Sellers shall be obligated to indemnify under clauses (ii) through (v) of SECTION 6.3(A) hereof only if and to the extent the aggregate of all of Sellers' liability with respect thereto exceeds \$1,000,000. In addition, in no event shall the aggregate liability of Sellers thereunder together with breaches under SECTION 6.3(D)(I) exceed \$5,000,000. The limitations in this SECTION 6.3(D)(III) shall not apply to any breach of any of the covenants of Sellers hereunder under Sections 5.1, 5.3, 5.4, 5.5, 5.7, 6.4, 6.5, 6.6 and 6.7 ("COVENANT BREACHES"), Federal or state income Tax liability of Sellers hereunder, to any Undisclosed Liability Breaches (\$100,000 threshold limitation of Section 6.3(d)(i)) or to any breaches of SECTIONS 4.1, 4.2 or 4.4 hereof (collectively "TITLE/AUTHORITY BREACHES") or to Sections 6.3(d)(iv) and 6.3(d)(v) regardless of whether such Covenant Breaches, income Tax liability, Undisclosed Liability Breaches and/or Title/Authority Breaches would also be subject to indemnification under clauses (ii) through (v) of SECTION 6.3(A) hereof.

(iv) Sellers' liability for any claims by third parties (or related legal fees) against the Company or Buyer relating to Product Liability Claims shall be limited to the proceeds of the Company's Product Liability Insurance which names the Sellers as additional insured, provided that the Product Liability Insurance is enforceable in all respects and such policy provides liability protection to the Company or the Buyer against said Product Liability Claims up to and including an aggregate of five million dollars (\$5,000,000). Product liability Claims covered by Product Liability Insurance are not subject to the basket and the limitations of SECTIONS 6.3(D)(I) AND (III). Sellers agree that if the Product Liability Insurance policy is not enforceable, Sellers shall be liable for any Product Liability Claims subject to the limitations of Section 6.3(d)(i) and for a term not to exceed eighteen months from the date of Closing.

(v) Sellers' liability for any claims by third parties (or related legal fees) against the Company or Buyer relating to Environmental Liability Claims shall be limited to the proceeds of the Company's Environmental Liability Insurance which names Sellers as additional insured, provided that the Environmental Liability Insurance is enforceable in all respects and such policy provides liability protection to the Company or the Buyer against said Environmental Liability Claims up to and including an aggregate of ten million dollars. Environmental Liability

Claims covered by Environmental Liability Insurance are not subject to the basket and the limitations of SECTIONS 6.3(D)(I) AND (III). Sellers agree that if the Environmental Liability Insurance policy is not enforceable, Sellers shall be liable for any Environmental Liability Claims subject to the limitations of Section 6.3(d)(i) and for a term not to exceed eighteen months from the date of Closing.

Sellers shall have no liability to pay Buyer's or the Company's counsel, or to reimburse Buyer for same, or pay for any misrepresentation or warranty violation until the third party claim is adjudicated and a liability is imposed upon the Company or the Buyer and the applicable basket amounts set forth in SECTIONS 6.3(D)(I)-(III) are exceeded, except as otherwise set forth in Section 6.3(d)(ii).

(e) INDEMNIFICATION PAYMENTS NET OF TAXES. All sums payable by an Indemnifying Party as indemnification under this SECTION 6.4 shall be paid free and clear of all deductions or withholdings (including any taxes or governmental charges of any nature) unless the deduction or withholding is required by law, in which event or in the event the Indemnified Party shall incur any liability for tax chargeable or assessable in respect of any such payment, the Indemnifying Party shall pay such additional amounts as shall be required to cause the net amount received by the Indemnified Party to equal the full amount which would otherwise have been received by it had no such deduction or withholding been made or no such liability for taxes been incurred, except to the extent the reimbursement constitutes taxable revenue.

#### 6.4 NONCOMPETITION; STANDSTILL.

(a) Each of the Sellers severally represent and the Company acknowledges that in furtherance of the sale of the Shares to the Buyer and in order to assure the Buyer that the Buyer will retain the value and goodwill of the Shares and the business so sold, each of the Company and the Sellers agree not to utilize their special knowledge of the business of the Company and their relationships with customers, suppliers and others to compete with the Buyer in any business which is the same as the business as conducted by the Company or the Buyer, including, without limitation, the design, manufacture and/or sale of FAA/PMA (including any successor term which may be used to describe such term) parts (the "PROHIBITED BUSINESS"). For a period of seven years beginning on the Closing Date, neither the Company, nor any Seller shall, directly or indirectly, assist in the creation or development of, engage or have an interest, anywhere in the United States of America or any other geographic area where the Company does business or in which its Products are marketed, alone or in association with others, as principal, officer, agent, employee, director, partner or stockholder (except as an employee or consultant of the Buyer or any of their Affiliates), or through the investment of capital, lending of money or property, rendering of services or advice or otherwise, in any business competitive with or similar to the Prohibited Business. During the same period, neither the Company nor any Seller shall, nor shall they permit any of their employees, agents or others under any of their control to, directly or indirectly, on behalf of the Company or any Seller or any other Person, (i) call upon, accept business from, or solicit the business of any Person who is, or who had been at any time during the preceding two years, a customer of the Company or otherwise divert or attempt to divert any business from the Buyer; or (ii) recruit or otherwise solicit or induce any person who was an employee of, or otherwise engaged by, the Buyer or the Company at any time between January 1, 1997 and the Closing Date to terminate his or her employment or other relationship with the Company or the Buyer, or hire any person who has left the employ of the Company or the Buyer during the preceding two years. Neither the Company nor any Seller shall at any time, directly or indirectly, use or purport to authorize any Person to use any name, mark, logo, trade dress or other identifying words or images which are the same as or similar to those used currently or in the past by the Company in connection with any product or service, whether or not

such use would be in a business competitive with that of the Buyer. The ownership or control of up to five percent of the outstanding voting securities or securities of any class of a company with a class of securities registered under the Exchange Act shall not be deemed to be a violation of the provisions of this SECTION 6.4(A). This provision shall be subject to defenses available to McClain or Schwinne under the McClain Consulting Agreement or the Schwinne Employment Agreement attached as Exhibits A and B hereto.

(b) Each of the Sellers and the Company hereby agrees that for a period ending on the date which is ten years from the Closing neither any Seller nor the Company nor any Affiliate, successor or assign of any of them (regardless of whether such Person is an Affiliate on the date hereof) will (a) acquire, offer to acquire, or agree to acquire, directly or indirectly, by purchase or otherwise, control of Buyer, (b) make, or in any way participate, directly or indirectly, as advisor or otherwise, in any "solicitation" of "proxies" or consents to vote (as such terms are used in the proxy rules of the Commission), or seek to advise or influence any Person with respect to the voting of any voting securities of Buyer, in opposition to any proposed actions of the Board of Directors of Buyer or in opposition to any nominees for Directors of Buyer which nominees have been nominated by Buyer, its management or its Board of Directors, (c) seek or assist any other party in seeking representation on the Board of Directors of Buyer through the election to the Board of Directors of individuals(s) not nominated and supported by Buyer, its management and Board of Directors, (d) pursue or publicly announce an interest in pursuing an acquisition of control of Buyer or an alteration of the composition of Buyer's Board of Directors or (e) advise or otherwise act, alone or in concert with others, directly or indirectly, to seek to control or influence the management, Board of Directors or policies of Buyer.

6.5 CONFIDENTIALITY. The Company and the Sellers acknowledge that the Intangible Property and all other confidential or proprietary information with respect to the business and operations of the Company are valuable, special and unique assets included within the Purchased Assets. The Company and the Sellers shall not, and shall cause their respective Affiliates to not, at any time, disclose, directly or indirectly, to any Person, or use or authorize or purport to authorize any Person to use any confidential or proprietary information with respect to the Company or the Buyer, whether or not for the Company's or any Seller's own benefit, without the prior written consent of the Buyer, including without limitation, information as to the financial condition, results of operations, customers, suppliers, products, products under development, inventions, sources, leads or methods of obtaining new products or business, Intangible Property, pricing methods or formulas, cost of supplies, marketing strategies or any other information relating to the Company or the Buyer which could reasonably be regarded as confidential, but not including information which is or shall become generally available to the public other than as a result of disclosure by the Company or a Seller or any of their agents, Affiliates or representatives or a person to whom any of them has provided such information.

6.6 CONTINUING OBLIGATIONS. The restrictions set forth in SECTIONS 6.4, and 6.5 are considered by the parties to be reasonable for the purposes of protecting the value of the business and goodwill of the Company and the Buyer. The parties hereto acknowledge that the Buyer would be irreparably harmed and that monetary damages would not provide an adequate remedy to the Buyer in the event the covenants contained in SECTIONS 6.4, and 6.5 were not complied with in accordance with their terms. Accordingly, the Company and the Sellers agree that any breach or threatened breach by any of them of any provision of SECTIONS 6.4 AND 6.5 shall entitle the Buyer to injunctive and other equitable relief without the posting of any bond or security to secure the enforcement of these provisions, in addition to any other remedies which may be available to the Buyer, and that the Buyer shall be entitled to receive from the Company and the Sellers reimbursement for all attorneys' fees and expenses incurred by the Buyer in enforcing these provisions. In addition to its other rights and remedies, the Buyer shall

have the right to require the Company and any Seller who breaches any of the covenants contained in SECTIONS 6.4 AND 6.5 to account for and pay over to the Buyer, as the case may be, all compensation, profits, money, accruals and other benefits derived or received, directly or indirectly, by the Company or such Seller from the action constituting such breach. If the Company or any Seller breaches the covenant set forth in SECTION 6.4(A), the running of the noncompete period described therein shall be tolled with respect to the Company or such Seller for so long as such breach continues. It is the desire and intent of the parties that the provisions of SECTIONS 6.4 AND 6.5 be enforced to the fullest extent permissible under the laws and public policies of each jurisdiction in which enforcement is sought. If any provisions of SECTIONS 6.4, and 6.5 relating to the time period, scope of activities or geographic area of restrictions are declared by a court of competent jurisdiction to exceed the maximum permissible time period, scope of activities or geographic area, the maximum time period, scope of activities or geographic area, as the case may be, shall be reduced to the maximum which such court deems enforceable. If any provisions of SECTIONS 6.4, and 6.5 other than those described in the preceding sentence are adjudicated to be invalid or unenforceable, the invalid or unenforceable provisions shall be deemed amended (with respect only to the jurisdiction in which such adjudication is made) in such manner as to render them enforceable and to effectuate as nearly as possible the original intentions and agreement of the parties.

6.7 MCCLAIN CONSULTING AND SCHWINNE EMPLOYMENT AGREEMENTS. At the Closing, (i) the Company and McClain shall enter into the Consulting and Non-Competition Agreement attached hereto as EXHIBIT A (the "MCCLAIN CONSULTING AGREEMENT"), and (ii) the Company and Paul R. Schwinne shall enter into the Employment and Non-Competition Agreement attached hereto as EXHIBIT B (the "SCHWINNE EMPLOYMENT AGREEMENT").

6.8 PUBLICITY. The parties agree to reasonably cooperate in issuing any press release or other public announcement or making any governmental filing concerning this Agreement or the transactions contemplated hereby. Nothing contained herein shall prevent any party from at any time furnishing any information to any governmental authority which it is by law or otherwise so obligated to disclose or from making any disclosure which its counsel deems necessary or advisable in order to fulfill such party's disclosure obligations under applicable law. Nothing contained herein shall prevent Buyer or Buyer's parent company, HEICO Corporation ("HEICO"), from at any time furnishing any information to the AMEX or to the public which it is required to disclose under the applicable rules of the AMEX or applicable securities laws.

6.9 PRODUCT LIABILITY INSURANCE. Sellers shall obtain a product liability insurance policy ("Product Liability Insurance") which shall provide product liability protection to the Company or the Buyer against product liability claims by third parties (including related legal fees) including claims relating to defectively designed, manufactured or assembled Products ("Product Liability Claims") and which names the Sellers as additional insured. Sellers represent that the Product Liability Insurance is enforceable in all respects against Product Liability Claims and such policy will provide liability protection to the Company or the Buyer up to and including an aggregate of five million dollars (the "Policy Amount"). Sellers agree that if the Product Liability Insurance policy is not enforceable against any and all Product Liability Claims, Sellers shall be liable for any such Product Liability Claims subject to the limitations of Section 6.3(d)(i) and for a term not to exceed eighteen months from the date of Closing. This Section 6.9 shall not be used to interpret or expand Sellers' liability hereunder or be used to expand the representations and warranties of Article IV herein; this Section 6.9 is subject to the limitations of Section 6.3(d)(iv).

6.10 ENVIRONMENTAL LIABILITY INSURANCE. Sellers shall obtain an environmental liability insurance policy ("Environmental Liability Insurance") which shall provide environmental liability



protection to the Company or the Buyer against environmental liability claims by third parties (including related legal fees) including claims relating to environmental contamination or hazardous waste of the Company's property ("Environmental Liability Claims") and which names the Sellers as additional insured. Sellers represent that the Environmental Liability Insurance is enforceable in all respects against Environmental Liability Claims and such policy will provide liability protection to the Company or the Buyer up to and including an aggregate of ten million dollars ("the Environmental Policy Amount"). Buyer shall pay the cost of such insurance in excess of a \$5 million dollar policy. Sellers agree that if the Environmental Liability Insurance policy is not enforceable against any and all Environmental Liability Claims, Sellers shall be liable for any such Environmental Liability Claims subject to the limitations of Section 6.3(d)(i) and for a term not to exceed eighteen months from the date of Closing. This Section 6.10 shall not be used to interpret or expand Sellers' liability hereunder or be used to expand the representations and warranties of Article IV herein; this Section 6.10 is subject to the limitations of Section 6.3(d)(v).

#### ARTICLE VII.

##### CLOSING; CONDITIONS PRECEDENT; TERMINATION

7.1 CLOSING. Subject to the satisfaction or waiver of the conditions set forth in SECTIONS 7.2 and 7.3 hereof, the consummation of the sale and purchase and the transfers and deliveries to be made pursuant to this Agreement (the "CLOSING") shall take place at 10:00 a.m. local time (but shall be deemed to have occurred at 12:01 a.m. local time) at the offices of Greenberg Traurig Hoffman Lipoff Rosen & Quentel, P.A., 1221 Brickell Avenue, 22nd Floor, Miami, Florida 33131 on July 31, 1998 (the "CLOSING DATE"), or at such other place, time or date as may be agreed to by the parties. All proceedings to be taken and all documents to be executed at the Closing shall be deemed to have been taken, delivered and executed simultaneously, and no proceeding shall be deemed taken nor documents deemed executed or delivered until all have been taken, delivered and executed.

(a) At the Closing, the Company and the Sellers shall deliver to the Buyer:

(i) A Copy of the Articles or Certificate of Incorporation of the Company certified as of a recent date by the Secretary of State of Georgia and a copy of the by-laws of the Company certified on the Closing Date by the secretary or an assistant secretary of the Company;

(ii) Certificate of existence of the Company issued as of a recent date by the Secretary of State of Georgia;

(iii) Incumbency certificates, duly executed and dated the Closing Date, with respect to the officers of the Company executing this Agreement;

(iv) Copies of the resolutions of the Board of Directors of the Company authorizing the execution, delivery and performance of this Agreement and the transactions contemplated hereby, certified by the secretary or an assistant secretary of the Company as of the Closing Date;

(v) Opinion of counsel to the Company and the Sellers, duly executed by them substantially in the form of EXHIBIT C;

(vi) Duly executed certificates of title (or like documents) with respect to any vehicles or other equipment included in the Purchased Assets for which a certificate of title is required in order to transfer title;

(vii) All consents, waivers or approvals obtained by the Company with respect to the Purchased Assets or the consummation of the transactions contemplated by this Agreement; and in particular, the Company shall have obtained each of the consents to the assignment or transfer of Material Agreements contemplated by SECTIONS 4.28 and 5.2(A) hereof;

(viii) The certificate contemplated by SECTION 7.2(F), duly executed by the Sellers and duly authorized officers of the Company;

(ix) A comfort letter, dated not more than two days prior to the Closing Date, from the Company's independent public accountants, in form and substance acceptable to Buyer and HEICO, and substantially in accordance with the form of comfort letter included on SCHEDULE 7.1.

(x) If required, audited Company Financial Statements as of and for two years ended December 31, 1996 and 1997, together with the consent of the Company's accountants, necessary for the Company's proper filing of a Current Report on Form 8-K with respect to the purchase of Shares contemplated hereby, and

(xi) Such other bills of sale, assignments and other instruments of transfer or conveyance as the Buyer may reasonably request or as may be otherwise necessary to evidence and effect the sale, assignment, transfer, conveyance and delivery of the Purchased Assets to the Buyer.

In addition to the above deliveries, the Company and the Sellers shall take all steps and actions as the Buyer may reasonably request or as may otherwise be necessary to put the Buyer in actual possession or control of the Shares.

(b) At the Closing, the Buyer shall deliver to the Company and/or the Sellers:

(i) A wire transfer or cashier's check for the amount of the Purchase Price LESS \$5,000,000, and deliver to the Escrow Agent the sum of Five Million Dollars (\$5,000,000) (the "Indemnity Escrow Deposit") in immediately available funds, which amount shall be held by the Escrow Agent pursuant to the terms and conditions of the Indemnity Escrow Agreement attached hereto as EXHIBIT G (the "Indemnity Escrow Agreement") and Section 7.2(n);

(ii) Copies of the Articles of Incorporation of the Buyer certified as of a recent date by the Secretary of State of the State of Florida and copies of the by-laws of the Buyer, certified on the Closing Date by the secretary or an assistant secretary of the Buyer;

(iii) Certificates of good standing of the Buyer issued as of a recent date by the Secretary of State of the State of Florida;

(iv) Incumbency certificates, duly executed and dated the Closing Date, with respect to the officers of the Buyer executing this Agreement;

(v) Copies of the resolutions of Boards of Directors of the Buyer authorizing the execution, delivery and performance of this Agreement and the transactions contemplated hereby, certified by the secretary or an assistant secretary of the Buyer, as of the Closing Date;

(vi) Opinion of counsel to the Buyer, duly executed by Greenberg Traurig, P.A., substantially in the form of EXHIBIT D;

(vii) The certificate contemplated in SECTION 7.3(C), duly executed by the duly authorized officers of the Buyer; and

(viii) The McClain Consulting Agreement and the Schwinne Employment Agreement all executed by the Buyer, as applicable.

7.2 CONDITIONS PRECEDENT TO THE OBLIGATIONS OF THE BUYER. The obligations of the Buyer to consummate the transactions contemplated by this Agreement are subject to the satisfaction at or prior to the Closing of the following conditions.

(a) REPRESENTATIONS AND WARRANTIES TRUE. The representations and warranties of the Company and the Sellers contained in this Agreement and in any certificate or other document delivered pursuant to this Agreement shall be true and correct in all material respects (except for representations and warranties which are by their terms qualified by materiality, which shall be true and correct in all respects) as of the Closing Date with the same force and effect as though made on and as of such date.

(b) COVENANTS PERFORMED. All of the terms, covenants and conditions of this Agreement to be performed or complied with by the Company or the Sellers on or prior to the Closing Date shall have been duly performed or complied with in all respects.

(c) NO MATERIAL ADVERSE CHANGE. There shall not have occurred any event or condition of any character which has adversely affected or may adversely affect in any material respect the Buyer's ability to operate the business of the Company as such business is currently being operated, and no event or condition shall have occurred which has adversely affected or may adversely affect in any material respect the Purchased Assets or the condition (financial or otherwise) of the Company or the Company's assets, liabilities, earnings, book value, business, operations or prospects.

(d) CONSENTS. The Company shall have obtained all authorizations consents and approvals of Persons reasonably necessary or desirable to consummate the transactions contemplated by this Agreement, each of which shall have been obtained without the imposition of any adverse terms or condition.

(e) DUE DILIGENCE. The Buyer's due diligence review with respect to the Company shall be satisfactory to the Buyer in its sole discretion.

(f) COMPANY'S AND SELLERS' CERTIFICATE. The Company and the Sellers shall have delivered to the Buyer a certificate executed by the President of the Company and each Seller, dated the Closing Date, certifying in such detail as the Buyer may reasonably request, that the conditions specified in SECTIONS 7.2(A), (B) and (C) above have been fulfilled and as to such other matters as the Buyer may reasonably request.

(g) GOVERNMENTAL CONSENTS. All consents and approvals required by governmental authorities for the consummation of the transactions contemplated by this Agreement shall have been

obtained. All of such consents and approvals shall have been obtained without the imposition of any conditions which would adversely affect the Buyer or the Company.

(h) NO LITIGATION. No litigation, arbitration or other proceeding shall be pending or, to the knowledge of the parties, threatened by or before any court, arbitration panel or governmental authority; no law or regulation shall have been enacted after the date of this Agreement; and no judicial or administrative decision shall have been rendered; in each case, which enjoins, prohibits or materially restricts, or seeks to enjoin, prohibit or materially restrict, the consummation of the transactions contemplated by this Agreement.

(i) ENVIRONMENTAL AUDIT. The results of the environmental audit performed on behalf of the Buyer shall be satisfactory to the Buyer in all respects.

(j) DELIVERIES. Each of the items specified in SECTION 7.1(A) shall have been executed and/or delivered, as applicable, to the Buyer.

(k) APPROVALS. Approval of the Board of Directors of HEICO Aerospace Holdings Corp..

(l) REAL PROPERTY PURCHASE AGREEMENT. McClain and Buyer shall have consummated the sale of real property contemplated by that certain Real Property Purchase Agreement, dated as of the date hereof, a copy of which is attached hereto as EXHIBIT "F" (the "REAL PROPERTY PURCHASE AGREEMENT").

(m) CONSTRUCTION CONTRACT. A copy of the plans and contract shall be provided to the Buyer and is subject to Buyer's approval.

(n) INDEMNITY ESCROW AGREEMENT. The Buyer, the Company and the Sellers shall have entered into an Indemnity Escrow Agreement in the form of EXHIBIT G hereto; pursuant to which Buyer shall escrow as of the Closing Date, Five Million Dollars (\$5,000,000) (the "Escrowed Funds"). The Escrowed Funds shall be held in escrow during the period beginning on the Closing Date and continue for a period of eighteen months from the Closing Date. The Escrow Funds shall be used to satisfy any indemnification payments pursuant to Section 6.3(a) which shall constitute a reduction in the Purchase Price. Randy S. McClain shall have the authority to (i) manage the Escrow Funds and (ii) withdraw any earnings on such funds as long as such withdrawal does not result in a reduction in the Escrow Funds. Sellers shall maintain the Escrow Funds balance of \$5,000,000 at all times until the expiration of the Escrow Agreement, except for appropriate reductions resulting from indemnification payments pursuant to Section 6.3.

(o) PRODUCT LIABILITY INSURANCE. Sellers shall deliver to Buyer a Product Liability Insurance policy in compliance with the provisions set forth in Section 6.9.

(p) ENVIRONMENTAL LIABILITY INSURANCE. Sellers shall deliver to Buyer an Environmental Liability Insurance policy in compliance with the provisions set forth in Section 6.10.

7.3 CONDITIONS PRECEDENT TO THE OBLIGATIONS OF THE COMPANY AND THE SELLERS. The obligations of each of the Company and the Sellers to consummate the transactions contemplated by this Agreement are subject to the satisfaction at or prior to the Closing of the following conditions.

(a) REPRESENTATIONS AND WARRANTIES TRUE. The representations and warranties of the Buyer contained in this Agreement or in any certificate or other document delivered pursuant to this Agreement shall be true and correct in all material respects (except for representations and warranties which are by their terms qualified by materiality, which shall be true and correct in all respects) as of the Closing Date with the same force and effect as though made on and as of such date.

(b) COVENANTS PERFORMED. The terms, covenants and conditions of this Agreement to be performed or complied with by the Buyer on or prior to the Closing Date shall have been duly performed or complied with in all respects.

(c) THE BUYER'S CERTIFICATE. The Buyer shall have delivered to the Company a certificate executed by their President, dated the Closing Date, certifying in such detail as the Company may reasonably request, that the conditions specified in SECTIONS 7.3(A) and (B) above have been fulfilled.

(d) NO LITIGATION. No litigation, arbitration or other proceeding shall be pending or, to the knowledge of the parties, threatened by or before any court, arbitration panel or governmental authority; no law or regulation shall have been enacted after the date of this Agreement; and no judicial or administrative decision shall have been rendered; in each case, which enjoins, prohibits or materially restricts, or seeks to enjoin, prohibit or materially restrict, the consummation of the transactions contemplated by this Agreement.

(e) DELIVERIES. Each of the items specified in SECTION 7.1(B) shall have been executed and/or delivered, as applicable, to the Company and/or the Sellers.

(f) REAL PROPERTY PURCHASE AGREEMENT. The transactions contemplated by the Real Property Purchase Contract shall have been consummated.

(g) CONSULTING AND EMPLOYMENT AGREEMENTS. The McClain Consulting Agreement and Schwinne Employment Agreement shall have been executed by Buyer and the Company and delivered to McClain and Schwinne, as applicable.

(h) PRODUCT LIABILITY INSURANCE. Sellers shall deliver to Buyer a Product Liability Insurance policy in compliance with the provisions set forth in Section 6.9

(i) ENVIRONMENTAL LIABILITY INSURANCE. Sellers shall deliver to Buyer an Environmental Liability Insurance policy in compliance with the provisions set forth in Section 6.10.

7.4 TERMINATION. Anything contained in this Agreement to the contrary notwithstanding, this Agreement may be terminated at any time prior to the Closing Date:

(a) by the mutual consent of the Board of Directors of the Buyer and the Board of Directors of the Company;

(b) by the Buyer, or the Sellers if the Closing shall not have occurred on or before August 31, 1998 (or such later date as may be mutually agreed to in writing by the Buyer and the Sellers), PROVIDED that the failure of the Closing to occur by such date is not the result of the failure of the party (or any of its Affiliates) seeking to terminate this Agreement to perform or fulfill its obligations hereunder (time is of the essence);

(c) by the Buyer in the event of any material breach by the Company or any Seller of any of their respective agreements, representations or warranties contained herein and the failure of the Company to cure such breach within 14 days after receipt of notice from the Buyer requesting such breach to be cured;

(d) by the Company in the event of any material breach by the Buyer of any of the Buyer's agreements, representations or warranties contained herein and the failure of the Buyer to cure such breach within 14 days after receipt of notice from the Company requesting such breach to be cured; or

(e) by the Buyer or the Company if any court of competent jurisdiction in the United States or any other United States governmental authority or regulatory body shall have issued an order, decree or ruling or taken any other action permanently restraining, enjoining or otherwise prohibiting the consummation of the transactions contemplated hereby.

7.5 NOTICE OF TERMINATION. Any party desiring to terminate this Agreement pursuant to SECTION 7.4 shall give notice of such termination to the other parties to this Agreement.

7.6 EFFECT OF TERMINATION. In the event that this Agreement shall be terminated pursuant to SECTION 7.4, all further obligations of the parties under this Agreement shall be terminated without further liability of any party to the other, PROVIDED that nothing herein shall relieve any party from liability for its breach or violation of this Agreement. Without limiting the generality of any other provision herein, the terms of SECTIONS 8.10 through 8.12 and 8.16 hereof shall survive any such termination.

#### ARTICLE VIII.

#### MISCELLANEOUS

8.1 NOTICES. Any notice, request, demand or other communication required or permitted under this Agreement shall be in writing and shall be delivered personally or sent by prepaid overnight courier for next business day delivery to the parties at the addresses set forth below their names below (or at such other addresses as shall be specified by the parties by like notice).

IF TO THE COMPANY OR ANY SELLER: c/o McClain International Inc.  
4785 Roosevelt Highway  
College Park, Georgia 30320  
Attn: President

WITH A COPY TO: Charles B. Pyke, Jr. Esq.  
Pyke & Associates P.C.  
5180 Buffington Road  
Atlanta, GA 30349

And Michael Smith, Esq.  
Gambrell & Stolz  
Suite 1230, Northpark 400 Tower  
1000 Abernathy Road N.E.  
Atlanta, GA 30328

IF TO THE BUYER OR HEICO:

HEICO Aerospace Holdings Corp.  
825 Brickell Bay Drive  
Suite 1644  
Miami, Florida 33131  
Attn: President

WITH A COPY TO:

Greenberg Traurig Hoffman Lipoff Rosen &  
Quentel, P.A.  
1221 Brickell Avenue  
Miami, Florida 33131  
Attn: Bruce Macdonough, Esq.

Such notices, demands, claims and other communications shall be deemed given when actually received or in the case of delivery by overnight service with guaranteed next business day delivery, the next business day or the day designated for delivery.

8.2 ENTIRE AGREEMENT. This Agreement and the exhibits and schedules to this Agreement contain every obligation and understanding among the parties relating to the subject matter hereof and merge all prior discussions, negotiations and agreements, if any, among them, and none of the parties shall be bound by any representations, warranties, covenants, or other understandings, other than as expressly provided or referred to herein. The Sellers reserve the right to supplement or substitute any of the Schedules hereto up to seven business days prior to the Closing Date, without being in breach hereof, except if Buyer notifies the Sellers of a Sellers' Breach subsequent to such time, in which case such breach may be added to the Schedules.

8.3 ASSIGNMENT. This Agreement may not be assigned by any party without the written consent of each other party. Subject to the preceding sentence, this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors, heirs, personal representatives, legal representatives, and permitted assigns.

8.4 WAIVER AND AMENDMENT. Any representation, warranty, covenant, term or condition of this Agreement which may legally be waived, may be waived, or the time of performance thereof extended, at any time by the party hereto entitled to the benefit thereof, and any term, condition or covenant hereof may be amended by the parties hereto at any time. Any such waiver, extension or amendment shall be evidenced by an instrument in writing executed on behalf of the appropriate party by a person who has been authorized by such party to execute waivers, extensions or amendments on its behalf. No waiver by any party hereto, whether express or implied, of its rights under any provision of this Agreement shall constitute a waiver of such party's rights under such provisions at any other time or a waiver of such party's rights under any other provision of this Agreement. No failure by any party hereto to take any action against any breach of this Agreement or default by another party shall constitute a waiver of the former party's right to enforce any provision of this Agreement or to take action against such breach or default or any subsequent breach or default by such other party.

8.5 NO THIRD PARTY BENEFICIARY. Except with respect to the officers, directors, employees and agents expressly referenced in SECTION 6.5, nothing expressed or implied in this Agreement is intended, or shall be construed, to confer upon or give any Person other than the parties hereto and their respective heirs, personal representatives, legal representatives, successors and permitted assigns, any rights or remedies under or by reason of this Agreement.

8.6 SEVERABILITY. In the event that any one or more of the provisions contained in this Agreement shall be declared invalid, void or unenforceable, the remainder of the provisions of this Agreement shall remain in full force and effect, and such invalid, void or unenforceable provision shall be interpreted as closely as possible to the manner in which it was written.



8.7 EXPENSES. Each party agrees to pay, without right of reimbursement from any other party, the costs incurred by it incident to the performance of its obligations under this Agreement and the consummation of the transactions contemplated hereby, including, without limitation, costs incident to the preparation of this Agreement, and the fees and disbursements of counsel, accountants and consultants employed by such party in connection herewith.

8.8 HEADINGS. Article titles and headings to sections herein are inserted for convenience of reference only and are not intended to be a part of or to affect the meaning or interpretation of this Agreement. The schedules and exhibits referred to herein shall be construed with and as an integral part of this Agreement to the same extent as if they were set forth verbatim herein. The specification of any dollar amount in the representations or warranties contained in this Agreement or the inclusion of any specific item in any schedule hereto is not intended to imply that such amounts, or higher or lower amounts, or the items so included or other items, are or are not material, and neither party shall use the fact of the setting of such amounts or the inclusion of any such item in any dispute or controversy between the parties as to whether any obligation, item or matter not described herein or included in a Schedule is or is not material for purposes of this Agreement.

8.9 COUNTERPARTS. This Agreement may be executed in any number of counterparts, each of which shall be deemed an original but all of which together shall constitute one and the same instrument. Any facsimile copy of a manually executed original shall be deemed a manually executed original.

8.10 LITIGATION; PREVAILING PARTY. In the event of any litigation with regard to this Agreement, the prevailing party shall be entitled to receive from the non-prevailing party and the non-prevailing party shall pay upon demand all reasonable attorneys fees and legal expenses for the prevailing party.

8.11 INJUNCTIVE RELIEF. It is possible that remedies at law may be inadequate and, therefore, the parties hereto shall be entitled to equitable relief including, without limitation, injunctive relief, specific performance or other equitable remedies in addition to all other remedies provided hereunder or available to the parties hereto at law or in equity.

8.12 GOVERNING LAW AND VENUE. This Agreement shall be construed and enforced in accordance with the laws of the State of Florida except for the provisions of Sections 6.4, 6.5, 6.6 and 6.7 which shall be governed by the laws of the State of Florida and venue shall be Dade County, Florida, without reference to the choice of law principles thereof. Except with respect to claims related to breaches of Sections 6.4, 6.5, 6.6 and 6.7, this Agreement shall be subject to the exclusive jurisdiction of the courts of the State of Georgia located in Fulton County, Georgia or the United States District Court for the Northern District of Georgia. The parties to this Agreement irrevocably and expressly agree to submit to the jurisdiction of the courts of the State of Georgia (Florida in the case of Sections 6.4, 6.5, 6.6 and 6.7) for the purpose of resolving any disputes among the parties relating to this Agreement or the transactions contemplated hereby. The parties irrevocably waive, to the fullest extent permitted by law, any objection which they may now or hereafter have to the laying of venue of any suit, action or proceeding arising out of or relating to this Agreement, or any judgment entered by any court in respect hereof brought in Fulton County, Georgia, and further irrevocably waive any claim that any suit, action or proceeding brought in Fulton County, Georgia has been brought in an inconvenient forum.

8.13 RISK OF LOSS. Prior to the Closing, the risk of loss or damage to, or destruction of any or all of the Company's property and assets, including, without limitation, the Purchased Assets, shall remain with the Company.

8.14 FURTHER ASSURANCES. On the Closing Date, the Company shall (i) deliver to the Buyer such other bills of sale, deeds, endorsements, assignments and other good and sufficient instruments of conveyance and transfer, in form reasonably satisfactory to the Buyer and its counsel, as the Buyer may reasonably request or as may be otherwise reasonably necessary to vest in the Buyer all the right, title and interest of the Company in, to or under any or all of the Purchased Assets, and (ii) take all steps as may be reasonably necessary to put the Buyer in actual possession and control of all the Purchased Assets. From time to time following the Closing, the Company and the Sellers shall execute and deliver, or cause to be executed and delivered, to the Buyer such other instruments of conveyance and transfer as the Buyer may reasonably request or as may be otherwise necessary to more effectively convey and transfer to, and vest in, the Buyer and to put the Buyer in possession of, any part of the Purchased Assets, and, in the case of licenses, certificates, approvals, authorizations, agreements, contracts, leases, easements and other commitments included in the Purchased Assets which cannot be transferred or assigned effectively without the consent of third parties which consent has not been obtained prior to the Closing, to cooperate with the Buyer at its request in endeavoring to obtain such consent promptly.

8.15 REMEDIES CUMULATIVE. No remedy made available by any of the provisions of this Agreement is intended to be exclusive of any other remedy, and each and every remedy shall be cumulative and shall be in addition to every other remedy given hereunder or now or hereafter existing at law or in equity.

8.16 PARTICIPATION OF PARTIES; CONSTRUCTION. The parties hereto acknowledge that this Agreement and all matters contemplated herein, have been negotiated among all parties hereto and their respective legal counsel and that all such parties have participated in the drafting and preparation of this Agreement from the commencement of negotiations at all times through the execution hereof. This Agreement shall be construed and interpreted without regard to any presumption or other rule or interpretation against the party who may have had primary responsibility for drafting this Agreement.

8.17 TIME OF ESSENCE. Time shall be of the essence for each and every provision of this Agreement.

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

HEICO AEROSPACE HOLDINGS CORP., A FLORIDA CORPORATION

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

MCCLAIN INTERNATIONAL, INC. A GEORGIA CORPORATION

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

-----  
RANDOLPH S. MCCLAIN

-----  
JANET M. WALLACE

-----  
PAUL R. SCHWINNE

SCHEDULE 1

DEFINITIONS

In addition to terms defined elsewhere in this Agreement, the following terms when used in this Agreement shall have the meanings indicated below:

"AGREEMENT" means this Asset Purchase Agreement together with all exhibits and schedules referred to herein.

"ALLOCATION SCHEDULE" has the meaning specified in SECTION 2.3(D).

"BUYER'S ACCOUNTANTS" has the meaning specified in SECTION 2.6.

"BUYER'S REPRESENTATIVES" has the meaning specified in SECTION 5.6.

"CLOSING" has the meaning specified in SECTION 7.1.

"CLOSING DATE" has the meaning specified in SECTION 7.1.

"CLOSING DATE BALANCE SHEET" has the meaning specified in SECTION 2.5.

"CLOSING DATE NET WORTH" has the meaning specified in SECTION 2.4.

"CODE" means the Internal Revenue Code of 1986, as amended.

"COVENANT BREACHES" has the meaning specified in SECTION 6.3(D)(III).

"EMPLOYMENT AGREEMENTS" has the meaning specified in SECTION 4.26(A).

"ENCUMBRANCE" means any lien, claim, charge, security interest, mortgage, pledge, easement, conditional sale or other title retention agreement, defect in title, covenant or other encumbrance or restriction of any kind.

"ENVIRONMENTAL LAWS" has the meaning specified in SECTION 4.32.

6.10. "ENVIRONMENTAL LIABILITY CLAIMS" has the meaning specified in Section

Sections 6.10. "ENVIRONMENTAL LIABILITY INSURANCE" has the meaning specified in

6.10. "ENVIRONMENTAL POLICY AMOUNT" has the meaning specified in Sections

"ERISA" has the meaning specified in SECTION 4.26(B).

"FINANCIAL STATEMENTS" has the meaning specified in SECTION 4.9.

"GAAP" shall have the meaning specified in SECTION 2.4.

4.20. "GOVERNMENTAL AUTHORIZATIONS" has the meaning specified in SECTION

"HEICO" has the meaning specified in SECTION 6.8.

"HSR ACT" has the meaning specified in SECTION 3.5.

"INDEMNIFIED PARTY" has the meaning specified in SECTION 6.3(C).

"INDEMNIFYING PARTY" has the meaning specified in SECTION 6.3(C).

"INTANGIBLE PROPERTY" has the meaning specified in SECTION 4.19.

"INVESTMENT" means, with respect to any Person, any advances, loans or extensions of credit to any other Person, any purchases or commitments to purchase any stock, bonds, notes, debentures or other securities of any other Person, and any other investment in any other Person, including partnerships, joint ventures or other similar arrangement with any Person.

"KNOWLEDGE" or "KNOWN" means, with respect to any representation or warranty or other statement in this Agreement qualified by the knowledge of any party, that such party has made a due and diligent investigation as to the matters that are the subject of such representation, warranty or other statement. Where reference is made to the knowledge of the Sellers or the Company, such reference shall be deemed to include the directors, officers and managerial employees of the Company, all of whom shall be deemed to have conducted the investigation required by this definition.

"LOSSES" has the meaning specified in SECTION 6.3(A).

"MATERIAL AGREEMENTS" has the meaning specified in SECTION 4.28.

"MCCLAIN CONSULTING AGREEMENT" has the meaning specified in SECTION 6.7.

"MULTIEMPLOYER PLAN" has the meaning specified in SECTION 4.23(B).

"NON-COMPETE BREACHES" has the meaning specified in SECTION 8.12.

"OTHER PERSON AUTHORIZATIONS" has the meaning specified in SECTION 4.21.

"PERMITTED ENCUMBRANCES" means liens for taxes which are not yet due and payable.

"PERSON" means any natural person, corporation, unincorporated organization, partnership, association, joint stock company, joint venture, trust or government, or any agency or political subdivision of any government, or any other entity.

"PLAN" has the meaning specified in SECTION 4.26(B).

"POLICY AMOUNT" has the meaning specified in SECTION 6.9.

"PRODUCTS" has the meaning specified in SECTION 4.31(A).

"PRODUCT LIABILITY CLAIMS" has the meaning specified in SECTION 6.9.

"PRODUCT LIABILITY INSURANCE" has the meaning specified in SECTION 6.9.

"PROHIBITED BUSINESS" has the meaning specified in SECTION 6.4(A).

"PURCHASE PRICE" has the meaning specified in SECTION 2.2.

2.4. "PURCHASE PRICE ADJUSTMENT" has the meaning as specified in SECTION

"REAL PROPERTY" has the meaning specified in SECTION 4.18.

7.2(L). "REAL PROPERTY PURCHASE AGREEMENT" has the meaning specified in SECTION

"RELATED PARTY" has the meaning specified in SECTION 4.29.

"RIGHTS" has the meaning specified in SECTION 4.19.

"SS.388(H)(10) ELECTION" has the meaning specified in SECTION 2.3(A).

"SELLERS' ACCOUNTANTS" has the meaning specified in SECTION 2.6(I).

"SELLERS' BREACH" has the meaning specified in SECTION 5.6.

"SELLERS' KNOWLEDGE" has the meaning specified in SECTION 4.15.

"SELLERS' REPORT" has the meaning specified in SECTION 2.6(I).

"SETTLEMENT ACCOUNTANTS" has the meaning specified in SECTION 2.6(II).

6.7. "SCHWINNE EMPLOYMENT AGREEMENT" has the meaning specified in SECTION

"SHARES" has the meaning specified on page one, item A.

"SUBSIDIARY" of any Person means any Person, whether or not capitalized, in which such Person owns, directly or indirectly, an equity interest of 50% or more, or any Person which may be controlled, directly or indirectly, by such Person, whether through the ownership of voting securities, by contract, or otherwise.

"TAX" means any federal, state, local or foreign income, gross receipts, property, sales, use, transfer, gains, license, excise, employment, payroll, withholding or minimum tax, or any other tax custom, duty, governmental fee or other like assessment or charge of any kind whatsoever, together with any interest or any penalty, addition to tax or additional amount imposed by any foreign, federal, state, local or other governmental authority or regulatory body.

"TAX RETURN" means any return, report or similar statement required to be filed with respect to any Taxes (including any attached schedules), including, without limitation, any information return, claim for refund, amended return and declaration of estimated Tax.

6.3(D)(III). "TITLE/AUTHORITY BREACHES" has the meaning specified in SECTION

6.3(A)(I). "UNDISCLOSED LIABILITY BREACHES" has the meaning specified in SECTION

## AGREEMENT FOR THE SALE AND PURCHASE

## OF REAL PROPERTY

THIS AGREEMENT FOR THE SALE AND PURCHASE OF REAL PROPERTY ("Agreement"), made as of this \_\_\_\_\_ day of \_\_\_\_\_ 1998, by and among Randolph S. McClain ("Seller") and HEICO Aerospace Holdings Corp., a Florida corporation ("Purchaser")

## WITNESSETH:

WHEREAS, Seller wishes to sell to Purchaser, and Purchaser wishes to purchase from Seller, certain real property upon terms and conditions hereinafter set forth.

NOW, THEREFORE, for and in consideration of the premises and the Earnest Money and other valuable consideration, in hand paid by Purchaser to Seller, the receipt and sufficiency of which is acknowledged, Seller and Purchaser covenant and agree as follows:

## 1. SALE OF PROPERTY

Seller agrees to sell to Purchaser, and Purchaser agrees to purchase from Seller, upon the terms and conditions hereinafter provided, that certain real property consisting of 4.043 acres and a one story metal building which constitutes the McClain International, Inc. ("McClain") headquarters facility (the "Property") located at 4785 Roosevelt Highway, College Park, Georgia 30320, lying and being located in Land Lots 108, 9th District, Fulton County, Georgia, and being more particularly described in EXHIBIT "A" hereto (which also includes a plat of the Property), together with all improvements located thereon, and all fixtures, permits, licenses, bonds, and rights in and to surrounding dedicated streets.

## 2. PURCHASE PRICE AND TIME OF PAYMENT

The purchase price to be paid by Purchaser to Seller for the Property ("Purchase Price") shall be Two Million Five Hundred Thousand and 00/100ths Dollars (\$2,500,000.00), subject to the prorations and adjustments as hereinafter provided. Purchaser shall pay the Purchase Price by certified or cashier's check or wire transfer at the closing of the transaction contemplated by this Agreement (the "Closing"). The parties acknowledge and agree that Seller is in the process of expanding its headquarters facility located on the Property (the "Facility Expansion"). In this regarding, the Purchase Price shall be increased by an amount equal to all actual costs of the Facility Expansion incurred through the date of closing to the extent such costs are funded by Seller or through construction financing which Seller will pay off at closing, in an amount not to exceed One Million Three Hundred Thousand and 00/100ths Dollars (\$1,300,000.00). In the event Seller utilizes construction financing, Purchaser may elect to assume or pay off such financing at closing in an amount not to exceed One Million Three Hundred Thousand and 00/100ths Dollars (\$1,300,000.00), in which event the Purchase Price shall remain Two Million Five Hundred Thousand and 00/100ths Dollars (\$2,500,000.00).

## 3. DELIVERY OF DOCUMENTS

Seller shall immediately provide within no later than three business days (or has already provided) Purchaser with copies of all documentation Seller has in its possession or control regarding the Property. Said documentation shall include, without limitation, to the extent available:

- (a) the most recent as-built and boundary surveys;
- (b) the most recent title insurance policies in effect;
- (c) a copy of a Phase I environmental report when it is prepared;
- (d) all tax bills for the Property for the past two years;
- (e) as-built plans;
- (f) any notices by any governmental agency of code, law or regulation violations or other legal violations;
- (g) all insurance policies in effect; and
- (h) all service contracts.

## 4. FEASIBILITY AND INSPECTION PERIOD

Purchaser shall have until Closing to confirm engineering, architectural and market feasibility ("Feasibility and Inspection Period").

Seller will permit representatives of Purchaser to enter upon the Property for the purposes of conducting tests, inspections, or examinations that Purchaser desires in regard to the feasibility of the Property, including (but not by way of limitation) said tests, borings, percolation tests and other tests, inspections, or examinations as Purchaser may request to determine subsurface or topographic conditions of the Property. Purchaser shall hold Seller harmless for any damages resulting from the failure by Purchaser or the representatives of Purchaser to exercise reasonable care in the conduct of such tests, inspections, or examinations. If Purchaser, in its sole and absolute discretion, shall conclude from the results of said tests or for any other reason or factor (or for no specific reason) that the Property is not feasible

or desirable for Purchaser's intended purpose, and shall so notify Seller in writing of Purchaser's conclusion on or before the end of the Feasibility and Inspection Period, this Agreement shall be terminated and be of no further force or effect, and no party shall have any rights or claims against one another which might otherwise result from this Agreement.



## 5. EXAMINATION OF TITLE AND DEFECTS IN TITLE

Purchaser shall have until Closing in which to obtain a survey and examine Seller's title of the Property. Purchaser shall be entitled to treat survey defects as title defects. In the event Seller is notified of any such objectionable matter within five (5) days prior to Closing, Seller agrees to promptly employ its good faith best efforts to procure a cure for same. However, except for loans relating to the expansion of the headquarters facility, Seller shall be obligated to satisfy or pay off any liens or deeds to secure debts encumbering the Property. In the event, however, Seller does not cure any objectionable matter prior to Closing, then at Purchaser's option, Purchaser may either (i) take title to the Property despite the existence of such matter, or (ii) terminate this Agreement, in which event neither Purchaser nor Seller shall have any further liability, obligations or rights with regard to this Agreement which shall then become null and void and of no further force and effect. Any title exceptions to the Property existing prior to the Purchaser's title inspection to which Purchaser does not object, or to which Purchaser waives its objection are referred to herein as "Permitted Exceptions" or "Permitted Title Exceptions". In the event that any title exceptions or survey matters arise between Purchaser's title search and the Closing that affect the marketability or insurability of the title to the Property or which adversely affect the use of the Property for Purchaser's intended use, Purchaser may after the discovery thereof notify Seller, in which event Seller shall promptly employ his good faith best efforts to procure a cure for same, as required above, and upon the failure of Seller to effectuate a cure, then Purchaser may elect any of the options set forth in subclauses (i) or (ii) above. In the event that Seller shall tender to Purchaser in writing a cure for any title objection or defect not waived by Purchaser, then Purchaser shall be deemed to have accepted such cure if the same is not rejected by written notice delivered to Seller prior to Closing.

## 6. CONDITIONS PRECEDENT

It is agreed that Purchaser's obligations hereunder are conditioned upon the satisfaction of the following conditions:

(a) The timely performance by Seller of each and every obligation imposed on Seller herein;

(b) Closing Deliveries. Seller shall have delivered to Purchaser at Closing each of the following, together with any additional items which Purchaser may reasonably request to effect the transactions contemplated herein;

(i) full and complete possession of the Property and related property, free from the possession of any and all other persons;

(ii) a limited warranty deed (the "Deed") conveying an unencumbered, good, valid, marketable and indefeasible fee simple title to the Property to Purchaser such that Purchaser's title company will insure at standard rates without the standard printed exceptions and the Permitted Exceptions. The Deed shall be in proper form for recordation, duly executed by

Seller, with the signature of the Seller being acknowledged and notarized in the appropriate place, and otherwise in form and substance satisfactory to Purchaser and its counsel;

(iii) an Affidavit executed by Seller under penalty of perjury, to the effect that Seller is not a foreign person within the meaning of Section 1445 of the Internal Revenue Code of 1986, as amended, and the regulations promulgated thereunder, and setting forth Seller's taxpayer identification number and address as set forth in EXHIBIT "B";

(iv) a bill of sale conveying all of Seller's right, title and interest in all personal property relating to the real estate (if any), a quitclaim assignment of all intangible rights including insurance proceeds if a fire or other casualty has occurred prior to Closing, an assignment of all warranties affecting the Property, a closing statement, any necessary state, county, and city real estate transfer tax declarations for the Property, and such additional instruments of sale, transfer, conveyance, and assignment duly executed by Seller as of the Closing, as counsel to Purchaser shall deem necessary or appropriate;

(v) a Seller's affidavit in the form attached hereto as EXHIBIT "C" ("Seller's Affidavit");

(vi) any other documents or agreements contemplated hereby and/or necessary or appropriate to consummate the transactions contemplated hereby, including those documents that are exhibits hereto; and

(vii) all other matters of conveyance and documentation described by this Agreement.

Each parties' obligation to close this transaction is conditioned upon (i) the sale of stock of McClain, pursuant to that certain McClain International, Inc. Stock Purchase Agreement, and (ii) assumption of the construction obligations to third party contractors or builders relating to the expansion of the McClain headquarters facility on the Property in an amount not to exceed One Million Three Hundred Thousand and 00/100ths Dollars (\$1,300,000.00) including (i) Purchaser's reimbursement of Seller's out of pocket costs and (ii) the amount of construction financing assumed or paid off by Purchaser at Closing.

#### 7. CLOSING

The closing will be held in the offices of Purchaser's counsel, Charles B. Pyke, Jr., Esq., Pyke & Associates, P.C., 5180 Buffington Road, Atlanta, GA 30349, simultaneously with the Closing of the McClain stock referenced in Section 6 herein.

At the Closing, the parties will execute and deliver all deeds and other documents necessary to consummate the sale and purchase of the Property pursuant to the terms of this Agreement. Seller at the Closing will pay all amounts required for transfer taxes arising from the conveyance of the Property. Purchaser shall pay for the cost of recording the limited warranty deed, all costs of title examination and survey, certification and all premiums for title insurance

obtained by Purchaser. Each party shall be responsible for his or its own attorney's fees, except as provided in Section 13 herein below.

#### 8. WARRANTIES AND REPRESENTATIONS OF SELLER

Seller warrants to Purchaser as follows:

(a) Seller agrees to deliver to Purchaser the documents required by Section 3 herein, to the extent in Seller's possession;

(b) The Property will be in substantially the same condition at time of Closing as of date hereof, normal wear and tear excepted;

(c) Seller will not further sell, encumber, convey, assign or contract to sell, convey, assign, pledge, encumber or lease all or any part of the Property, nor restrict the use of all or any part of the Property, nor take or cause to be taken any action or conflict with this Agreement at any time between the date of execution of this Agreement and (i) Closing, or (ii) the earlier termination of this Agreement pursuant to its terms, except to the extent related to the McClain headquarters facility expansion;

(d) Seller is not a "foreign person" as that term is defined in the I.R.C.ss. 1445(f)(3), nor is the sale of the Property subject to any withholding requirements imposed by the Internal Revenue Code, including, but not limited to, Section 1445 thereof;

(e) There are no parties in possession of the Property other than McClain, and there are no leases affecting the Property other than the lease between McClain and Seller which will be cancelled as of Closing;

(f) Seller has not received notice of and is not aware of any suits, judgments, or violations relating to or at the Property of any zoning, building, fire, health, pollution, environmental protection, or waste disposal ordinance, code, law or regulation which has not been heretofore corrected; that there is no suit or judgment presently pending or, to the best knowledge and belief of Seller, threatened which would create a lien upon the Property in the hands of Purchaser after Closing; and Seller shall give prompt notice to Purchaser of any such suit or judgment filed, entered or threatened prior to Closing;

(g) There are no service contracts or other contracts affecting the Property that are not terminable at will;

(h) There are no pending or to the best of Seller's knowledge, no threatened or contemplated eminent domain proceedings affecting the Property or any part thereof; and Seller shall give prompt notice to Purchaser of any such proceedings which occur or are threatened prior to Closing;

(i) No valid claims, rights to offsets or litigation, actual or threatened, to the knowledge of Seller, exist with regard to the Property; and

(j) The foregoing Representations and Warranties shall not merge into the deed and shall survive closing.

#### 9. POSSESSION OF PROPERTY

Seller shall deliver possession of the Property to Purchaser on the date of Closing in the same condition as it presently exists.

#### 10. PRORATIONS

At the Closing, all state, county and municipal ad valorem taxes, if any, with respect to the Property for the year in which the transaction is consummated will be prorated as of the date of Closing. If the amount of such taxes is not known at the time of the Closing, proration of such taxes will be made upon the basis of the most recent ascertainable tax statement, and the parties shall re-prorate such taxes upon such time as the taxes for the current year are known. This provision shall survive closing.

#### 11. AS IS

Purchaser has previously reviewed and considered the nature of this transaction and the Feasibility and Inspection Period will give Purchaser the opportunity to thoroughly investigate the Property and all aspects of the transaction. In electing to proceed with the transaction, Purchaser shall have determined that the Property is satisfactory to Purchaser in all respects and is purchasing the Property in "as is" condition. Purchaser acknowledges and agrees that the Purchase Price was negotiated on the basis of this being an "as is" transaction; and the "as is" nature of the transaction was a material inducement for Seller to enter into this Agreement. Purchaser has and will rely solely on Purchaser's own independent investigations and inspections, and Purchaser has not relied and will not rely on any representation of Seller other than as expressly set forth in this Agreement. Purchaser further acknowledges and agrees that, except for the specific representations made by Seller in this Agreement, Seller made no representations, is not willing to make any representations, nor held out any inducements to Purchaser other than those (if any) exclusively set forth in this Agreement; and Seller is not and shall not be liable or bound in any manner by any express or implied warranties, guaranties, statements, representations or information pertaining to the Property, except as may be specifically set forth in this Agreement.

#### 12. RADON GAS

Radon is a naturally occurring radioactive gas that, when it has accumulated in a building in sufficient quantities, may present health risks to persons who are exposed to it over time. Levels of radon that exceed federal and state guidelines have been found in buildings in Georgia.

Additional information regarding radon and radon testing may be obtained from the county public health unit for Fulton County, Georgia.

### 13. LITIGATION

In the event of any litigation under this Agreement, the prevailing party shall be entitled to recover reasonable legal fees and court cost at all trial and appellate levels.

### 14. TIME

Time shall be of the essence for each and every provision of this Agreement.

### 15. SECTION 1031 EXCHANGE

Purchaser agrees to cooperate with Seller in order to facilitate any effort by Seller to structure the sale of the Property as part of a so-called "like kind exchange" (the "Exchange") pursuant to Section 1031 of the Internal Revenue Code of 1986, as amended. Without limiting the foregoing, Seller will have the right, without the consent of Purchaser, to transfer and assign Seller's interest under this Agreement to a qualified intermediary to the extent necessary to facilitate the Exchange. If Seller so elects to effect an Exchange, the obligation of Purchaser to participate in the Exchange shall be subject to the conditions that (i) the Closing will not be delayed or affected by reason of the Exchange; (ii) the Exchange shall not alter, in any manner, the rights of Seller and Purchaser under this Agreement; (iii) Purchaser shall not be required to acquire or hold title to any real property for purposes of consummating the Exchange; and (iv) Purchaser shall not incur any liability or expenses of any nature in connection with the Exchange.

### 16. PRIOR DISCUSSIONS AND AMENDMENTS

This Agreement supersedes all prior discussions and agreements between Seller and Purchaser with respect to the conveyance of the Property and all other matters contained herein and constitutes the sole and entire agreement between Seller and Purchaser with respect thereto. This Agreement may not be modified or amended unless such amendment is set forth in writing and signed by both Seller and Purchaser. All Exhibits referenced herein are deemed incorporated herein by this reference, whether attached hereto or not.

### 17. SURVIVAL OF PROVISIONS

All covenants, warranties, representations, and agreements set forth in this Agreement will survive the Closing of the purchase and sale of the Property, and will survive the execution of all deeds and other documents at any time executed and delivered under, pursuant to, or by reason of this Agreement, for a period of 18 months following Closing.

#### 18. SUCCESSORS AND ASSIGNS

This Agreement shall apply to, inure to the benefit of, and be binding upon and enforceable against Seller and Purchaser and their respective successors and assigns to the same extent as if specified at length throughout this Agreement. Purchaser shall have the right to assign its interest in this Agreement, or any portion thereof, provided, however, that no such assignment shall be effective as to Seller until an executed counterpart of the instrument of assignment has been delivered to Seller.

#### 19. COUNTERPARTS

This Agreement may be executed in several counterparts, each of which shall be deemed an original, and all of such counterparts together shall constitute one and the same instrument.

#### 20. TIME OF THE ESSENCE

Time is of the essence of this Agreement.

#### 21. GOVERNING LAW

This Agreement has been entered into and shall be construed and enforced in accordance with the laws of the State of Georgia without reference to the choice of law principles thereof. This Agreement shall be subject to the exclusive jurisdiction of the courts of the State of Georgia located in Fulton County, Georgia or the United States District Court for the Northern District of Georgia. The parties to this Agreement agree that any breach of any term or condition of this Agreement shall be deemed to be a breach occurring in the State of Georgia by virtue of a failure to perform an act required to be performed in the State of Georgia and irrevocably and expressly agree to submit to the jurisdiction of the courts of the State of Georgia for the purpose of resolving any disputes among the parties relating to this Agreement or the transactions contemplated hereby. The parties irrevocably waive, to the fullest extent permitted by law any obligations which they may now or hereafter have to the laying of venue of any suit, action or proceeding arising out of or relating to this Agreement, or any judgment entered into by any court in respect hereof brought in Fulton County, Georgia and further irrevocably waive any claim that any suit, action or proceeding brought in Fulton County has been brought in an inconvenient forum.

#### 22. NOTICES

All notices, requests, demands and other communications required or permitted to be given or made under this Agreement shall be in writing and shall be deemed delivered on (a) the date of personal delivery or transmission by telegram or facsimile transmission, (b) the first business day after the date of delivery to a nationally recognized overnight courier service, or (c) the third business day after the date of deposit in the United States mail, as follows, or to such other address, person or entity as any party shall designate by notice to the others in accordance therewith:

TO SELLER:

Randolph S. McClain  
c/o McClain International, Inc.  
4785 Roosevelt Highway  
College Park, GA 30320  
(770) 964-4022  
Fax: (770) 969-7163

WITH A COPY TO:

Charles B. Pyke, Jr., Esq.  
Pyke & Associates, P.C.  
5180 Buffington Road  
Atlanta, GA 30349  
(404) 768-6470  
Fax: (404) 768-7402

AND

Michael M. Smith, Esq.  
Gambrell & Stolz, LLP  
1000 Abernathy Road, Suite 1230  
Norcross, GA 30329  
(404) 589-3419  
Fax: (404) 489-3400

TO PURCHASER:

HEICO Aerospace Holdings Corp.  
825 Brickell Bay Drive  
Suite 1644  
Miami, FL 33131  
Attn: William S. Harlow  
(305) 374-1745  
Fax: (305) 374-6742

WITH A COPY TO:

Rick Giusto, Esq.  
Greenberg, Traurig, P.A.  
1221 Brickell Avenue  
Miami, FL 33131  
(305) 579-0500  
Fax: (305) 579 0717

The time in which a response or action in response to any Notice must be given or taken shall run from the time of actual receipt of such Notice.

### 23. CONSTRUCTION

No provisions of this Agreement shall be construed by any Court or other judicial authority against any party hereto by reason of such party's being deemed to have drafted or structured such provision.

### 24. RISK AND LOSS

Any risk and loss with respect to the Property shall remain with the Seller until Closing.

In the event that any action or proceeding is filed (or notice of such action or proceeding given) under which all of the Property or any portion thereof may be taken under the right of eminent domain, then Purchaser shall have the option of either: (i) cancelling this Agreement or (ii) closing as provided herein except that Seller shall at Closing assign to Purchaser all of Seller's interest in any proceeds received or which may be received by reason of such taking and Purchaser shall take title to the Property subject to such condemnation proceedings.

In the event that all or any portion of the building on the Property is damaged by fire or other casualty and is not restored or repaired, then Purchaser shall have the option of: (i) cancelling this Agreement, or (ii) closing as provided herein except that Seller shall at Closing assign to Purchaser all of Seller's interest in any and all insurance proceeds received or receivable by reason of such casualty.

### 25. BROKERS

Seller and Purchaser covenant that they have dealt with no broker or finder in connection with this transaction. However, Seller covenants and agrees that should any claim be asserted for any broker's commission by, through or on account of the acts of Seller or his representatives, Seller shall indemnify and hold harmless Purchaser from any and all liabilities and expenses incurred in connection therewith including, without limitation, reasonable attorneys' fees and court costs. Likewise, Purchaser covenants and agrees that should any claim be asserted by, through or on account of the acts of Purchaser or its representatives, Purchaser shall indemnify and hold Seller harmless from any all liabilities and expenses incurred in connection therewith including, without limitation, reasonable attorneys' fees and court costs. The provisions of this Section 25 shall survive the Closing.



IN WITNESS WHEREOF, Seller and Purchaser have hereunto set their hands  
and affixed their seals as of the day and year first above written.

PURCHASER:

HEICO Aerospace Holdings Corp.,  
a Florida corporation

/S/ VICTOR H. MENDELSON  
-----

By: VICTOR H. MENDELSON  
Its: VICE PRESIDENT

[CORPORATE SEAL]

SELLER:

/S/RANDOLPH S. MCCLAIN (SEAL)  
-----

Randolph S. McClain

EXHIBIT LIST

Exhibit "A" Legal Description and Plat  
Exhibit "B" Affidavit of Non-Foreign Residence Status  
Exhibit "C" Seller's Affidavit

EXHIBIT "A"

LEGAL DESCRIPTION AND PLAT

EXHIBIT "B"

AFFIDAVIT OF NON-FOREIGN RESIDENCE STATUS

Section 1445 of the Internal Revenue Code provides that a transferee (buyer) of a United States Real Property interest must withhold tax if the transferor (seller) is a foreign person, as that term is defined by said Section, and by the Income Tax Regulations adopted pursuant thereto. To inform the transferee (buyer) that the withholding of tax is not required upon my disposition of the United States Real Property owned or held by the me, 4785 Roosevelt Highway, College Park, Georgia 30320, as further described in a limited warranty deed of even date to HEICO Aerospace Holdings Corp., I hereby certify the following:

1. I have had an opportunity to determine, from my accountant, or from other sources, the meaning and effect of Section 1445 of the Internal Revenue Code, including the definition of "foreign person" under the Internal Revenue Code and Regulations;

2. I am not a nonresident alien for purposes of U.S. income taxation;

3. My U. S. taxpayer identifying number (Social Security number is

4. My home address is:\_\_\_\_\_

I understand that this certification may be disclosed to the Internal Revenue Service by the transferee and that any false statement I have made here could be punished by fine, imprisonment, or both.

Under penalty of perjury I declare that I have examined this certification and to the best of my knowledge and belief it is true, correct, and complete.

I understand that this certification may be relied upon by the aforementioned Buyer and the attorney closing this sale so that the property is transferred free of any claim for taxes owed the U.S. Government.

Sworn to and subscribed before  
me this \_\_\_\_\_ Day of \_\_\_\_\_, 1998.

AFFIANT:

-----  
Notary Public

-----  
Randolph S. McClain

[Notary Seal]

EXHIBIT "C"

SELLER'S AFFIDAVIT

BEFORE ME came in person Randolph S. McClain (hereinafter referred to as "Deponent"), who, having been duly sworn and on oath, deposed and said as follows:

1. That Deponent is personally familiar with the matters set forth herein.

2. That Randolph S. McClain (hereinafter referred to as "Owner"), is the owner of the fee simple estate in and to the improved real property (hereinafter referred to as the "Property") located in Fulton County, Georgia, more particularly described in EXHIBIT "A" attached hereto and by this reference made a part hereof.

3. That except as set forth in EXHIBIT "B" attached hereto and by this reference made a part hereof, there are no unpaid or unsatisfied security deeds, mortgages, claims of lien, special assessments for sewerage or streets or ad valorem taxes which constitute or could constitute a lien against the Property or any part thereof.

4. That there is no outstanding indebtedness for equipment, appliances or other fixtures owned by Owner attached to or located in or on the Property.

5. That there are no disputes concerning the location of the lines and corners of the Property.

6. That except as set forth in said EXHIBIT "B" attached hereto, there are no pending suits, proceedings, judgments, bankruptcies, liens or executions against Owner in either Fulton County or any other county of the State of Georgia which do or could adversely affect title to the Property.

7. That no work, improvements or repairs have been undertaken by or at the instance of Owner (or any agents or representatives of Owner) on the Property or any part thereof during the ninety-five (95) days immediately preceding the date of the making of this Affidavit for which payment has not been made; and there are no outstanding bills for labor or materials used in making improvements or repairs upon the Property at the instance of Owner (or any agents or representatives of Owner) or for the services of architects, surveyors or engineers incurred in connection therewith.

8. That Owner is in exclusive possession of the Property and that no other parties have any claim to possession of the Property, except as set forth in said EXHIBIT "B" attached hereto.

9. That this Affidavit is made for the purposes of inducing HEICO Aerospace Holdings Corp. to purchase the Property.

-----  
Randolph S. McClain

Sworn to and subscribed before me, a Notary Public in and for the State of Georgia at large by Randolph S. McClain, known personally to me, who, being duly sworn and on oath, deposed and said that, to the best of his knowledge and belief, the within and foregoing statements are true and correct this \_\_\_\_\_ day of \_\_\_\_\_, 1998.

-----  
Notary Public

Commission Expiration Date:

[NOTARIAL SEAL]

-----

CREDIT AGREEMENT

AMONG

HEICO CORPORATION,

SUNTRUST BANK, SOUTH FLORIDA, N.A., AS AGENT,

AND

THE LENDERS PARTY HERETO

-----

DATED AS OF JULY 30, 1998

\$120,000,000.00 REVOLVING CREDIT FACILITY

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## CREDIT AGREEMENT

THIS CREDIT AGREEMENT (the "Agreement") is made and entered into as of this 30th day of July, 1998, by and between HEICO CORPORATION, a Florida corporation (together with its successors and permitted assigns, "Borrower"), the lenders which are or may in the future be listed on the signature pages hereof (together with their successors and permitted assigns, individually a "Lender" and collectively the "Lenders,") and SUNTRUST BANK, SOUTH FLORIDA, NATIONAL ASSOCIATION, as agent for the Lenders (together with any successor agent appointed pursuant to the provisions herein, the "Agent").

### BACKGROUND

Borrower has applied to Lenders for a revolving line of credit availability in the maximum aggregate principal amount of One Hundred Twenty Million and No/100 Dollars (\$120,000,000.00). Lenders have agreed to the request of Borrower upon the terms and conditions described in this Agreement.

NOW, THEREFORE, in consideration of the premises and the mutual agreements, covenants, and conditions herein, Borrower, the Lenders, and Agent agree as follows:

### SECTION 1. DEFINITIONS.

1.1 DEFINED TERMS. Except as otherwise expressly provided in this Agreement, the following capitalized terms shall have the respective meanings ascribed to them for all purposes of this Agreement:

"ACQUISITION" means the acquisition by the Borrower or any of its Consolidated Subsidiaries of any business; of a controlling interest in the capital stock or partnership or membership interests in any business; or of all or substantially all the assets of any business.

"ADVANCE" has the meaning specified in Subsection 2.1(a) hereof.

"AGENT" means SunTrust Bank, South Florida, National Association, in its capacity as agent hereunder and under the other Loan Documents, together with any successor agent appointed pursuant to the provisions hereof.

"AGREEMENT" means this Credit Agreement, as the same may be amended, supplemented, restated, replaced, or otherwise modified from time to time in accordance with the provisions hereof.

"APPLICABLE REVOLVER MARGIN" means the amount set forth below with respect to LIBOR Rate Advances or Base Rate Advances for the respective Total Funded Debt to EBITDA ratio of the Borrower and its Consolidated Subsidiaries calculated at the end of the most recently ended fiscal quarter, with Total Funded Debt calculated as of such quarter end and EBITDA calculated for the

four consecutive fiscal quarters then ended, all in accordance with GAAP applied on a Consistent Basis:

APPLICABLE REVOLVER MARGIN

Type of Borrowing		
TOTAL FUNDED DEBT TO EBITDA	BASE RATE ADVANCES	LIBOR RATE ADVANCES
less than 1.0 to 1.0	0.0%	.75%
greater than or equal to 1.0 to 1.0 but less than 2.0 to 1.0	0.0%	1.00%
greater than or equal to 2.0 to 1.0 but less than 2.5 to 1.0	0.0%	1.125%
greater than or equal to 2.5 to 1.0 but less than 3.0 to 1.0	0.0%	1.25%
greater than or equal to 3.0 to 1.0 but less than 3.5 to 1.0	.25%	1.75%
greater than or equal to 3.5 to 1.0	.50%	2.00%

The Applicable Revolver Margin shall be determined based on the financial statements delivered pursuant to Subsections 8.1(a) and (b), and any change in the Applicable Revolver Margin shall be effective as of the beginning of and for the fiscal quarter of Borrower in which such financial statements were required to be delivered pursuant to Section 8.1(a) and (b), and within a reasonable time after Agent's receipt of such financial statements any adjustments required shall be made retroactive to the effective date of any change in the Applicable Revolver Margin pursuant to this paragraph; provided that, subject to the truth of the representations and warranties in Section 6.4, the Applicable Revolver Margin shall be determined based upon the financial statements referenced in Section 6.4 until any change in the Applicable Revolver Margin becomes effective pursuant to this Section.

"APPLICABLE TERM LOAN MARGIN" means the amount set forth below with respect to LIBOR Rate Term Loans or Base Rate Term Loans for the respective Total Funded Debt to EBITDA ratio of the Borrower and its Consolidated Subsidiaries calculated at the end of the most recently ended fiscal quarter, with Total Funded Debt calculated as of such quarter end and EBITDA calculated for the four consecutive fiscal quarters then ended, all in accordance with GAAP applied on a Consistent Basis:

# APPLICABLE TERM LOAN MARGIN

Type of Loan		
TOTAL FUNDED DEBT TO EBITDA	BASE RATE	LIBOR RATE
-----	TERM LOANS	TERM LOANS
-----	-----	-----
less than 1.0 to 1.0	0.25%	1.00%
greater than or equal to 1.0 to 1.0 but less than 2.0 to 1.0	0.25%	1.25%
greater than or equal to 2.0 to 1.0 but less than 2.5 to 1.0	0.25%	1.375%
greater than or equal to 2.5 to 1.0 but less than 3.0 to 1.0	0.25%	1.50%
greater than or equal to 3.0 to 1.0 but less than 3.5 to 1.0	.50%	2.00%
greater than or equal to 3.5 to 1.0	.75%	2.25%

The Applicable Term Loan Margin shall be determined based on the financial statements delivered pursuant to Subsections 8.1(a) and (b), and any change in the Applicable Term Loan Margin shall be effective as of the beginning of and for the fiscal quarter of Borrower in which such financial statements were required to be delivered pursuant to Section 8.1(a) and (b), and within a reasonable time after Agent's receipt of such financial statements any adjustments required shall be made retroactive to the effective date of any change in the Applicable Term Loan Margin pursuant to this paragraph; provided that, subject to the truth of the representations and warranties in Section 6.4, the Applicable Term Loan Margin shall be determined based upon the financial statements referenced in Section 6.4 until any change in the Applicable Term Loan Margin becomes effective pursuant to this Section.

"APPLICATION" means any application delivered to Agent for or in connection with issuance of any Letter of Credit pursuant to Section 4 hereof, in Agent's standard form for such Letters of Credit.

"ASSIGNMENT AND ACCEPTANCE AGREEMENT" has the meaning specified in Subsection 13.17 hereof.

"BASE RATE" shall mean the higher of (i) the rate which Agent announces from time to time as its prime lending rate, as in effect from time to time, and (ii) the Federal Funds Rate, as in effect from time to time, plus one-half of one percent (1/2%) per annum (any changes in such rates to be effective as of the date of any change in such rate). The Agent's prime lending rate is a reference rate and does not necessarily represent the lowest or best rate actually charged to any customer. Agent may make commercial loans or other loans at rates of interest at, above, or below the Agent's prime lending rate.

"BASE RATE ADVANCE" means an Advance that bears interest at a rate determined by reference to the Base Rate, as provided in Subsection 2.5(a)(ii) hereof.

"BASE RATE TERM LOAN" has the meaning set forth in Section 3.3(a).

"BOND DOCUMENTS" has the meaning set forth in Section 5.3.

"BORROWER" means Heico Corporation, a Florida corporation, and its successors and permitted assigns.

"BORROWER'S COLLATERAL" has the meaning set forth in Section 5.1.

"BORROWER SECURITY AGREEMENTS" has the meaning set forth in Section 5.1.

"BORROWING" denotes the aggregation of Advances of one or more Lenders to be made to the Borrower pursuant to Section 2 on a single date.

"BORROWING CERTIFICATE" has the meaning defined in Section 7.3.

"BUSINESS DAY" means a day that is not a Saturday, a Sunday, or a day on which Agent is closed pursuant to authorization or requirement of law.

"CAPITAL EXPENDITURES" means, with respect to any Person for any period, the sum, without duplication, of the aggregate amount of all expenditures of such Person during such period which, in accordance with GAAP, is required to be included in, or is properly included by such Person as additions to, property, plant or equipment (including leasehold improvements) or other similar fixed asset accounts of such Person.

"CAPITAL LEASE" shall mean, as applied to any Person, any lease of any property (whether real, personal or mixed) by such Person as lessee which would, in accordance with GAAP, be required to be classified and accounted for as a capital lease on a balance sheet of such Person.

"CHANGE IN CONTROL" shall mean, as applied to the Borrower and each Subsidiary, that, (a) the Mendelson Reporting Group (as identified in the reports filed with the U.S. Securities and Exchange Commission) shall cease beneficially to own and control at least fifteen (15%) of the combined voting power of all classes of capital stock of the Borrower, or (b) Laurans A. Mendelson shall cease to be employed as President and Chief Executive Officer of the Borrower or shall cease actively to manage the Borrower and its Subsidiaries (however, should Laurans A. Mendelson die or become disabled, such death or disability alone shall not constitute a Change in Control if and only if both Eric A. Mendelson and Victor H. Mendelson continue to be employed as executive officers of the Borrower and continue actively to manage the Borrower and its Subsidiaries), or (c) during any period of twelve (12) consecutive calendar months (i) more than fifty percent (50%) of the members of the Board of Directors of the Borrower who were members on the first day of such period shall have resigned or been removed or replaced, other than as a result of death, disability, or change in personal circumstances, or (ii) any Person or "Group" (as defined in Section 13(d)(3) of the Securities Exchange Act of 1934, as amended, but excluding (A) any employee benefit or stock ownership plans of the Borrower, and (B) members of the Board of Directors and executive officers of the Borrower as of the date of this Agreement, members of the immediate families of such members and executive officers, and family trusts and partnerships established by or for the benefit of any of the foregoing individuals) shall have acquired more than fifty percent (50%) of the combined voting power of all classes of common stock of the Borrower or of any Subsidiary, except that the Borrower's purchase of its common stock outstanding on the date hereof which results in one or more of the Borrower's shareholders of record as of the date of this Agreement controlling more than fifty percent (50%) of the combined voting power of all classes of the common stock of the Borrower shall not constitute a Change in Control.

"CLOSING DATE" means the last date on which this Agreement is executed and delivered by Borrower and by Agent and Agent as Lender.

"COMMITMENT FEE" has the meaning defined in Section 2.8(a).

"COMMITMENT FEE PERCENTAGE" shall mean the per annum rate set forth below for the respective Total Funded Debt to EBITDA ratio of the Borrower and its Consolidated Subsidiaries calculated at the end of the most recently ended fiscal quarter of the Borrower, with Total Funded Debt calculated as of such quarter end and EBITDA calculated for the four consecutive fiscal quarters then ended, all in accordance with GAAP applied on a Consistent Basis:

TOTAL FUNDED DEBT TO EBITDA -----	COMMITMENT FEE PERCENTAGE -----
less than 1.0 to 1.0	.20%
greater than or equal to 1.0 to 1.0 but less than 2.0 to 1.0	.25%
greater than or equal to 2.0 to 1.0 but less than 2.5 to 1.0	.275%
greater than or equal to 2.5 to 1.0 but less than 3.0 to 1.0	.30%

greater than or equal to 3.0 to 1.0	
but less than 3.5 to 1.0	.375%
greater than or equal to 3.5 to 1.0	.40%

The Commitment Fee Percentage, like the Applicable Revolver Margin and the Applicable Term Loan Margin, shall be determined based on the financial statements delivered pursuant to Subsections 8.1(a) and (b), and any change in the Commitment Fee Percentage shall be effective as of the beginning of and for the fiscal quarter of Borrower in which such financial statements were required to be delivered pursuant to Section 8.1(a) and (b), and within a reasonable time after Agent's receipt of such financial statements any adjustments required shall be made retroactive to the effective date of any change in the Commitment Fee Percentage pursuant to this paragraph; provided that, subject to the truth of the representations and warranties in Section 6.4, the Applicable Commitment Fee Percentage shall be determined based upon the financial statements referenced in Section 6.4 until any change in the Applicable Commitment Fee Percentage becomes effective pursuant to this Section.

"COMPLIANCE CERTIFICATE" has the meaning defined in Section 8.1(g).

"CONSISTENT BASIS" means, in reference to the application of Generally Accepted Accounting Principles, that the accounting principles observed in the current period are comparable in all material respects to those applied in the preceding period.

"CONSOLIDATED NET INCOME" for any period means the net income (or loss) of Borrower and its Subsidiaries on a consolidated basis for such period (taken as a single accounting period) determined in conformity with GAAP applied on a Consistent Basis.

"CONSOLIDATED NET WORTH" means the consolidated net worth of the Borrower and its Consolidated Subsidiaries determined in accordance with GAAP applied on a Consistent Basis.

"CONSOLIDATED SUBSIDIARY" means at any date any Subsidiary or other entity the accounts of which would be consolidated with those of the Borrower in its consolidated financial statements as of such date.

"CONTINUE," "CONTINUATION," and "CONTINUED" refer to a continuation of an Advance from one Interest Period to the next Interest Period.

"CONVERT," "CONVERSION," and "CONVERTED" refer to a conversion of an Advance of one Type into an Advance of the other Type, whether optional or obligatory, or the conversion of an Advance into a Term Loan, whether optional or obligatory.

"CURRENT ASSETS" means current assets as defined by GAAP.

"CURRENT LIABILITIES" means current liabilities as defined by GAAP.

"DEFAULT RATE" has the meaning specified in Subsection 2.5(a)(iii) hereof.



"EASTERN TIME" means the time of day in effect in the Eastern Time Zone of the Continental United States.

"EBITDA" means with respect to the Borrower and its Consolidated Subsidiaries, measured on a consolidated basis, the sum of (i) Consolidated Net Income before minority interest, plus (ii) taxes, plus (iii) interest expense plus (iv) depreciation and amortization expense (including with respect to all of the foregoing, the historical pro forma results of acquired businesses), all as defined and determined in accordance with GAAP applied on a Consistent Basis.

"ENCUMBRANCE" means any lien, claim, security interest, pledge, hypothecation, charge, or encumbrance of any nature or kind.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended from time to time.

"EVENT OF DEFAULT" means any of the events specified in Section 10 hereof.

"FEDERAL FUNDS RATE" means a fluctuating interest rate per annum equal to the weighted average of the rates per annum, rounded upward to the nearest one-hundredth of one percent (1/100%), on overnight federal funds transactions with members of the Federal Reserve System, arranged by federal funds brokers, as published for such day (or if such day is not a Business Day, for the next preceding Business Day) by the Federal Reserve Bank of Atlanta, or, if such rate is not published for any day which is a Business Day, the average of the quotations for such day for such transactions received by Agent from three (3) federal funds brokers of recognized standing selected by Agent.

"FIXED CHARGE COVERAGE RATIO" means the ratio of (i) EBITDA, plus operating lease payments, less cash Capital Expenditures to (ii) cash dividends, plus interest expense, plus current maturities of Total Funded Debt, plus operating lease payments, plus payments into cash collateral accounts, for the Borrower and its Consolidated Subsidiaries, all calculated at the end of each fiscal quarter of the Borrower for the four consecutive quarters then ended, on a consolidated basis and in accordance with GAAP applied on a Consistent Basis.

"GENERALLY ACCEPTED ACCOUNTING PRINCIPLES" or "GAAP" means those principles of accounting set forth in Opinions of the Financial Accounting Standards Board or the American Institute of Certified Public Accountants which are applicable in the circumstances as of the date of any report required herein or as of the date of an application of such principles as required herein.

"GUARANTOR(S)" means individually and collectively, all present and all hereafter acquired or formed direct or indirect Subsidiaries of the Borrower, including without limitation, HEICO Aerospace Holdings Corp., a Florida corporation (hereinafter, "HEICO Aerospace Holdings Corp."), HEICO Aerospace Corporation, a Florida corporation, Jet Avion Corporation, a Florida corporation, LPI Industries Corporation, a Florida corporation, Aircraft Technology, Inc., a Florida corporation, ATI Heat Treat Corporation, a Florida corporation, Jet Avion Heat Treat Corporation, a Florida corporation, N.A.C. Acquisition Corporation, a Florida corporation, Northwings Accessories Corp., a Florida corporation, HEICO Aviation Products Corp., a Florida corporation, Trilectron Industries, Inc., a New York corporation, HEICO International Corporation, a U.S. Virgin Islands corporation, HEICO East Corporation, a Florida corporation, HEICO-NEWCO, Inc., a Florida corporation, HEICO Engineering Corporation, a Florida corporation, HEICO--Jet Corporation, a Florida corporation, HEICO Bearings Corp., a Florida corporation, McClain Property Corp., a Florida corporation, and PTM Acquisition Corporation, a Florida corporation, as to all of the Obligations (as herein defined). All of the above Guarantors shall jointly and severally guarantee payment, collection and performance of all of the Obligations.

"GUARANTIES" means collectively, the absolute unconditional and continuing guaranties executed by each Guarantor in favor of Agent for the benefit of Lenders, as modified and/or reaffirmed from time to time, guaranteeing repayment of the Obligations, as specified in Section 5.2.

"INDEBTEDNESS" of any Person means (a) all indebtedness of such Person for borrowed money or for the deferred purchase price of property or services (other than current trade liabilities incurred in the ordinary course of business and payable in accordance with customary practices), (b) all obligations of such Person under conditional sale or other title retention agreements relating to assets purchased by such Person, (c) all other indebtedness of such Person evidenced by notes, bonds, debentures, or similar instruments, (d) all obligations of such Person under Capital Leases, (e) all obligations of such Person in respect of letters of credit or acceptances issued or created for the account of such Person, and (f) all net obligations of such Person under interest rate and currency hedging agreements.

"INTEREST PERIOD" means, for each LIBOR Rate Advance, the period commencing on the date such Advance is made, Converted from an Advance of another Type, or Continued as an Advance of the same Type, and ending on the numerically corresponding day one, two, three, or six months thereafter as Borrower may select; provided however that:

(a) If an Interest Period would otherwise expire on a day that is not a Business Day, such Interest Period shall expire on the next succeeding Business Day; PROVIDED that if any Interest Period would otherwise expire on a day that is not a Business Day but is a day of the month after which no further Business Day occurs in such month, such Interest Period shall expire on the next preceding Business Day;

(b) Any Interest Period that begins on the last Business Day of a calendar month (or on a day for which there is no numerically corresponding day in the calendar month at the end of such Interest Period) shall end on the last Business Day of a calendar month;

(c) No Interest Period shall extend beyond the Termination Date; and

(d) The aggregate number of different Interest Periods shall not be greater than six (6) (for purposes of this provision, Interest Periods of the same duration, but commencing on different dates, shall be treated as different Interest Periods).

"INTEREST RATE HEDGE AGREEMENT" means any interest rate swap agreement, interest rate cap agreement, interest rate collar agreement, or other similar agreement or arrangement designed to protect Borrower against fluctuations in interest rates.

"LENDERS" means, collectively, the Persons identified as "Lenders" which are, or from time to time may become, listed on the signature pages of this Agreement, together with their successors and permitted assigns pursuant to Subsection 13.17 hereof, and "Lender" means any one of the Lenders.

"LENDING OFFICE" means, with respect to Agent or a Lender, the office of Agent or such Lender specified as its "Lending Office" on the signature pages hereto or in the Assignment and Acceptance Agreement pursuant to which a Lender becomes a Lender, or such other office of such Lender as such Lender may from time to time specify in writing to Agent or such other office of Agent as Agent may from time to time specify in writing to Borrower and the Lenders.

"LETTER OF CREDIT" means any letter of credit (whether a standby letter of credit or commercial documentary letter of credit) issued by the Agent pursuant to the provisions of Section 4 of this Agreement.

"LETTER OF CREDIT OBLIGATIONS" means, at any particular time, the sum of (i) the aggregate maximum amount then available to be drawn under the Letters of Credit and (ii) (without duplication) all obligations of the Borrower pursuant to the Letters of Credit and all reimbursement obligations with respect to the Letters of Credit pursuant to this Agreement and pursuant to any Letter of Credit Reimbursement Agreements.

"LETTER OF CREDIT REIMBURSEMENT AGREEMENT" has the meaning set forth in Section 4.3(a).

"LETTER OF CREDIT SUBLIMIT" means an amount equal to Fifteen Million U.S. Dollars (U.S. \$15,000,000.00).

"LIBOR" means, for any Interest Period, with respect to LIBOR Rate Advances, the offered rate for deposits in U.S. Dollars, for a period comparable to the Interest Period and in an amount comparable to the Agent's portion of such Advances, appearing on the Telerate Screen Page 3750, as of 11:00 A.M. (London, England time) on the day that is two Business Days prior to the first day of the Interest Period. If two or more of such rates appear on the Telerate Screen Page 3750, the rate for that Interest Period shall be the arithmetic mean of such rates. If the foregoing rate is unavailable from the Telerate Page 3750 for any reason, then such rate shall be determined by the Agent on any other interest rate reporting service of recognized standing designated in writing by the Agent to Borrower and the other Lenders; in any such case rounded, if necessary, to the next higher 1/100 of 1.0%, if the rate is not such a multiple.

"LIBOR ADJUSTED RATE" means, for any Interest Period, the interest rate per annum (rounded upwards, if necessary, to the next highest 1/100 of 1%) obtained by dividing (i) LIBOR BY (ii) an amount equal to 1 MINUS the LIBOR Reserve Requirement.

"LIBOR RATE ADVANCE" means an Advance that bears interest at a rate determined by reference to the LIBOR Adjusted Rate as provided in Subsection 2.5(a)(i) hereof.

"LIBOR RATE TERM LOAN" has the meaning set forth in Section 3.3(b) hereof.

"LIBOR RESERVE REQUIREMENT" means, for any day, the percentage (expressed as a decimal and rounded upwards, if necessary, to the next higher 1/100 of 1%) in effect for such day as prescribed by the Board of Governors of the Federal Reserve System (or any successor) for determining the maximum reserve requirement (including without limitation any basic, supplemental, or emergency reserves) for Agent in respect of Eurocurrency liabilities or any similar category of liabilities.

"LOAN" means any Advance or any Term Loan hereunder, and "Loans" means collectively, the Advances and the Term Loans made hereunder.

"LOAN DOCUMENTS" means this Agreement, the Revolving Credit Notes, the Term Loan Notes, any Tax Indemnification Agreements, the Guaranties, the Borrower Security Agreements, each of the Subsidiary Security Agreements, the Foreign Subsidiary Stock Pledge Agreement, all Security Documents, all fee letters or other written agreements between the Borrower and the Agent with respect to fees, and any and all financing statements, other security agreements, instruments or documents delivered or to be delivered by the Borrower or any of the Subsidiaries pursuant to this Agreement (as the same may be amended, renewed, restated, reaffirmed, increased, replaced, or otherwise modified from time to time).

"MATERIAL ADVERSE EFFECT" means a material adverse effect upon (a) the business, operations, properties, assets, prospects, or financial condition of Borrower and its Consolidated Subsidiaries taken as a whole, or (b) the validity or enforceability of this Agreement or any of the other Loan Documents or the rights or remedies of Agent or the Lenders hereunder or thereunder, or (c) the ability of the Borrower to perform its obligations under this Agreement, or (d) the ability of the Borrower or any of the Subsidiaries or Guarantors to perform their respective obligations under any of the Loan Documents.

"NET PROCEEDS" shall mean 100% of all cash or cash equivalent proceeds received by the Borrower or any Subsidiary (other than from the Borrower or any Subsidiary) from (i) the issuance of any common or preferred stock or any other debt or equity securities, or any other additions to the equity, or contributions to the capital, of the Borrower or any Subsidiary (provided that cash proceeds received by the Borrower or any Subsidiary from the issuance of stock upon the exercise of stock options shall be excluded from Net Proceeds up to an aggregate amount not exceeding U.S. \$2,000,000.00 per fiscal year of the Borrower, and provided further that in the event the Borrower or any Subsidiary makes a permitted Acquisition in which the Acquisition consideration consists of an issuance of capital stock of the Borrower or a Subsidiary and cash is acquired as part of the assets of such acquired company, such cash shall not be included in "Net Proceeds"), or (ii) any sale, lease, sale and leaseback, assignment, or other disposition of any asset or property of the Borrower or any Subsidiary in any such transaction in which proceeds of U.S. \$1,000,000.00 or greater were realized by the Borrower or any Subsidiary (other than the sale of inventory or equipment in the ordinary course of business), or (iii) any insurance or condemnation awards relating to any asset or property owned or leased by the Borrower or any Subsidiary (except to the extent the proceeds of such insurance or condemnation award are used to repair or replace the asset or property to which they relate and for which they were received, and except as otherwise required by the Bond Documents); in each case net of all reasonable out-of-pocket costs incurred and paid by the Borrower or such Subsidiary in connection with such transaction; provided that any capital injected into any Subsidiary by HEICO Aerospace Holdings Corp.'s current shareholder, Lufthansa Technik AG, shall not be included in Net Proceeds unless such capital injection has the effect of increasing Lufthansa Technik AG's voting control of such Subsidiary to, or occurs at any time when Lufthansa Technik AG holds voting control in such Subsidiary of, thirty percent (30%) or more of the outstanding capital stock of such Subsidiary.

"OBLIGATIONS" shall have the meaning defined in Section 5.1 hereof.

"PERMITTED ACQUISITIONS" shall have the meaning defined in Section 2.3.

"PERMITTED PRIOR LIENS" shall have the meaning defined in Section 5.4.

"PERMITTED LIENS" shall have the meaning defined in Section 5.4.

"PERSON" means any corporation, limited liability company, business entity, natural person, firm, joint venture, partnership, trust, unincorporated organization, association, government, or any department or agency of any government.

"PRO RATA PORTION" means, with respect to a Lender, the quotient obtained by dividing the Revolving Credit Commitment of the Lender by the aggregate Revolving Credit Commitments of all the Lenders.

"PURCHASE MONEY INDEBTEDNESS" shall mean, as applied to any Person, debt (excluding trade payables incurred in the ordinary course of business) incurred or assumed for the purpose of financing all or any part of the acquisition cost of any equipment or real property for use in the ordinary course of business of such Person, but not including inventory or any other property, in each case entered into in compliance with this Agreement.

"REAL ESTATE DEBT" shall mean, as applied to any Person, debt incurred or assumed which was incurred for the purpose of financing all or any part of the cost of acquisition or improvement of any real property for use in the ordinary course of business of such Person, entered into in compliance with this Agreement.

"REQUIRED LENDERS" means at any time the Lenders owning or holding in the aggregate at least sixty-six and two-thirds percent (66 2/3%) of the aggregate amount of the Revolving Credit Commitments, or if the Revolving Credit Commitments have been terminated, the Lenders holding at least sixty-six and two-thirds percent (66 2/3%) of the aggregate unpaid principal amount of the Loans outstanding hereunder.

"REVOLVING CREDIT COMMITMENT" means the amount set forth and designated as the Revolving Credit Commitment on the signature pages hereto with respect to a Lender, as the same may be increased or decreased from time to time as a result of any reduction thereof pursuant to Section 2.10(b), or any amendment thereof pursuant to Section 13.10, or, if there has been a full or partial assignment of a Revolving Credit Commitment pursuant to the provisions of Subsection 13.17 hereof, as may be reflected on the records of Agent with respect to such assignment based on the respective Assignment and Acceptance Agreement.

"REVOLVING CREDIT FACILITY" means the commitments of the Lenders to make Advances to Borrower pursuant to Subsection 2.1 hereof.

"REVOLVING CREDIT NOTES" has the meaning specified in Subsection 2.4 hereof, and "Revolving Credit Note" means any one of the Revolving Credit Notes.

"REVOLVING CREDIT TERMINATION DATE" means the date three (3) years after the Closing Date hereunder (or such later date as may be agreed to by Lender pursuant to Section 2.7), or, if such day is not a Business Day, the next succeeding Business Day, or such earlier date on which all amounts outstanding hereunder and under the Revolving Credit Notes shall be due and payable pursuant to the terms hereof.

"SENIOR FUNDED DEBT" shall mean Total Funded Debt of the Borrower and its Subsidiaries less Subordinated Debt, all calculated on a consolidated basis and in accordance with GAAP applied on a Consistent Basis.

"SOLVENT" means, with respect to any Person, that as of the date of determination, both (a)(i) the then fair saleable value of the property of such Person is (y) greater than the total amount of liabilities (including contingent obligations to the extent required to be reflected as liabilities in the financial statements of such Person pursuant to GAAP) of such Person and (z) greater than the amount that will be required to pay the probable liabilities of such Person's then existing debts as they become absolute and matured considering all financing alternatives and potential asset sales reasonably available to such Person; (ii) such Person's capital is not unreasonably small in relation to its business or any contemplated or undertaken transaction; and (iii) such Person does not intend to incur, or believe or reasonably should believe that it will incur, debts beyond its ability to pay such debts as they become due and (b) such Person is solvent within the meaning given that term and similar terms under applicable laws relating to fraudulent transfers.

"SUBORDINATED DEBT" means subordinated debt of the Borrower and any of its Subsidiaries calculated on a consolidated basis and in accordance with GAAP applied on a Consistent Basis.

"SUBSIDIARY" means, for any Person, any corporation, partnership, or other entity of which fifty percent (50%) or more of the securities or other ownership interests having ordinary voting power to elect the board of directors or having direct power to perform functions similar to that of a board of directors is at the time directly or indirectly owned or controlled by such Person. Unless the context clearly indicates otherwise, the term "Subsidiary" refers to a Subsidiary of Borrower existing on the date of execution hereof or becoming a Subsidiary at any time thereafter.

"SUBSIDIARY SECURITY AGREEMENTS" has the meaning set forth in Section 5.3.

"TAX INDEMNIFICATION AGREEMENTS" means any documentary stamp tax and intangible tax agreements executed by Borrower in favor of a Lender from time to time.

"TERM LOAN" shall have the meaning set forth in Section 3.1.

"TERM LOAN NOTES" shall have the meaning set forth in Section 3.5.

"TERM LOAN AVAILABILITY" means, at any particular time, the aggregate of all of the Lenders' Revolving Credit Commitments minus the sum of: (i) all outstanding Advances net of the aggregate Advance(s) to be converted to Term Loan(s) at the time of determination, plus (ii) the aggregate amount of the original principal balances of all Term Loans previously made under this Agreement plus (iii) the aggregate amount of all outstanding Letter of Credit Obligations.

"TOTAL CAPITALIZATION" means, as measured on a consolidated basis, Total Funded Debt plus Consolidated Net Worth, determined in accordance with GAAP, of the Borrower and its Consolidated Subsidiaries.

"TOTAL CREDIT AVAILABILITY" means, at any particular time, the aggregate of all of the Lenders' Revolving Credit Commitments minus the sum of: (i) all outstanding Advances plus (ii) the aggregate amount of the original principal balances of all Term Loans made under this Agreement plus (iii) the aggregate amount of all outstanding Letter of Credit Obligations.

"TOTAL FUNDED DEBT" shall mean and include, without duplication, the following obligations of the Borrower and any of its Subsidiaries: (i) any liability or obligation for borrowed money that under GAAP is required to be shown on the balance sheet as a liability; (ii) Indebtedness that is secured by any security interest on property owned by the Borrower or any Subsidiary (such as capitalized leases, asset securitization vehicles, conditional sales contracts and similar title retention arrangements), irrespective of whether or not the Indebtedness secured thereby shall have been assumed by the Borrower or such Subsidiary; (iii) guarantees, endorsements (other than endorsements of negotiable instruments for collection in the ordinary course of business), and other contingent liabilities, whether direct or indirect (such as by way of a letter of credit issued for the account of the Borrower or a Subsidiary) in connection with the obligations for borrowed money, stock, or dividends of any person; (iv) obligations under any contract providing for the making of loans, advances, or capital contributions to any person in order to enable such person primarily to maintain working capital, net worth, or any other balance sheet condition or to pay debts, dividends, or expenses; and (v) obligations under any contract which, in economic effect, is substantially equivalent to a guarantee of loans, advances or capital contributions of another person, all as determined for the Borrower and its Subsidiaries on a consolidated basis, in accordance with GAAP applied on a Consistent Basis.

"TYPE" refers to the distinction among Advances bearing interest based on the LIBOR Adjusted Rate and the Base Rate and to the distinction among Base Rate Term Loans and LIBOR Rate Term Loans.



1.2 OTHER DEFINITIONAL PROVISIONS; ACCOUNTING TERMS.

(a) OTHER DEFINITIONAL PROVISIONS. The terms "material" and "materially" shall have the meanings ascribed to such terms under Generally Accepted Accounting Principles as such would be applied to the business of Borrower or others, except as the context shall clearly otherwise require; (b) all of the terms defined in this Agreement shall have such defined meanings when used in other documents issued under, or delivered pursuant to, this Agreement unless the context shall otherwise require; (c) words in singular shall include the plural and words in plural shall include the singular, unless the context clearly requires otherwise; (d) accounting terms to the extent not otherwise defined shall have the respective meanings given them under, and shall be construed in accordance with, Generally Accepted Accounting Principles; (e) the words "hereby," "hereto," "hereof," "herein," "hereunder" and words of similar import when used in this Agreement shall refer to this Agreement as a whole and not to any particular provision of this Agreement; (f) words of any gender shall include all other genders; and (g) whenever in this Agreement any of the parties hereto is referred to, such reference shall be deemed to include the successors and assigns of such parties unless the context shall expressly provide otherwise.

(b) ACCOUNTING TERMS. Any accounting terms used in this Agreement which are not specifically defined shall have the meanings customarily given them in accordance with GAAP; PROVIDED, HOWEVER, that, (i) unless otherwise provided or unless the context indicates otherwise, all accounting terms shall refer to the Borrower and the Subsidiaries on a consolidated basis, and (ii) in the event that changes in GAAP shall be mandated by the Financial Accounting Standards Board, or any similar accounting body of comparable standing, or shall be recommended by the Borrower's certified public accountants, then Borrower shall obtain the prior written consent of the Required Lenders, which consent shall not be unreasonably withheld, before implementing such changes, and to the extent that such changes would modify such accounting terms or the interpretation or computation thereof, such changes shall be followed in defining such accounting terms only from and after such date as the Borrower and the Agent and Lenders shall have amended this Agreement to the extent necessary to reflect any such changes in the financial covenants and other terms and conditions of this Agreement.

SECTION 2. THE REVOLVING CREDIT FACILITY;  
AMOUNT AND TERMS OF ADVANCES.

2.1 THE REVOLVING CREDIT FACILITY.

(a) Each Lender severally agrees, on the terms and conditions set forth herein, that prior to the Revolving Credit Termination Date, and so long as there exists no Event of Default or circumstance of which the Borrower has knowledge which with the giving of notice or passage of time would become an Event of Default, it will, upon the request of Borrower, make advances to Borrower ("Advances") in an aggregate amount not to exceed at any time outstanding the lesser of (A) such Lender's Revolving Credit Commitment or (B) such Lender's Pro Rata Portion of Total Credit Availability; it being understood and agreed that at no time shall the sum of (i) all outstanding Advances plus (ii) the aggregate original principal amounts of all Term Loans made hereunder plus (iii) the aggregate amount of all outstanding Letter of Credit Obligations, ever exceed the aggregate of the Revolving Credit Commitments of the Lenders. During such period, subject to the limits set forth herein, Borrower may borrow, repay, and reborrow in accordance with the terms hereof.

(b) If at any time the aggregate principal amounts outstanding under the Advances of any Lender plus (i) the aggregate original principal balances of Term Loans made by such Lender hereunder and plus (ii) such Lender's Pro Rata Portion of the aggregate outstanding Letter of Credit Obligations, exceeds the Revolving Credit Commitment of such Lender, Borrower shall prepay, without premium or penalty (other than as expressly set forth in Subsection 2.10), the Advances so as to cause the aggregate outstanding amounts thereunder plus (i) the aggregate original principal balances of Term Loans made by such Lender hereunder plus (ii) such Lender's Pro Rata Portion of the aggregate outstanding Letter of Credit Obligations to be equal to or less than such Lender's Revolving Credit Commitment.

(c) Subject to the further terms and conditions of this Agreement, Borrower may request an Advance under the Revolving Credit Facility by means of a LIBOR Rate Advance or a Base Rate Advance, and Borrower may Convert an Advance of one Type into an Advance of another Type (as provided in Subsection 2.13 hereof), or Continue an Advance of one Type as an Advance of the same Type (as provided in Subsection 2.13 hereof); provided, however, that there shall be no more than six (6) LIBOR Rate Advances outstanding at any one time hereunder. All Advances shall be made, Converted, or Continued by the Lenders simultaneously and proportionately to their Pro Rata Portion of the aggregate Revolving Credit Commitments.

2.2 MAKING OF ADVANCES AND FUNDING MECHANICS.

(a) The Advances shall be made upon irrevocable notice from Borrower to Agent (effective upon receipt) no later than 12:00 p.m. (Eastern Time) three (3) Business Days prior to the date of any proposed LIBOR Rate Advances and no later than 12:00 p.m. (Eastern Time) one (1) Business Day prior to the date of any proposed Base Rate Advances (with any notice given after the specified time being deemed to have been given on the following Business Day). Each such notice shall be given in writing or by telephone, telex, facsimile transmission, or cable, confirmed immediately in writing, specifying the proposed (i) date of Borrowing, which shall be a Business Day, (ii) aggregate amount of Borrowing, (iii) Type of Advances, (iv) in the case of LIBOR Rate Advances, the initial Interest Period for such Advances, and (v) manner of receipt of the funds, and shall be accompanied by a Borrowing Certificate executed by the chief financial officer of Borrower as required by Subsection 7.3 hereof. Each request for a LIBOR Rate Advance shall be in the aggregate minimum amount of \$5,000,000.00 or an integral multiple of \$1,000,000.00 in excess thereof, provided that no more than six LIBOR Rate Advances may be outstanding at any time hereunder. Each request for a Base Rate Advance shall be in the aggregate minimum amount of \$1,000,000.00 or an integral multiple of \$1,000,000.00 in excess thereof.

(b) Notwithstanding the foregoing, Borrower may not select any LIBOR Rate Advances if the obligation of any of the Lenders to make LIBOR Rate Advances is suspended pursuant to Subsections 2.13(b)(iii) or 2.14(c) or (d) hereof.

(c) Neither Agent nor any Lender shall incur any liability to Borrower in acting upon any telephonic notice referred to above that Agent believes in good faith to have been given by the President, Chief Executive Officer, Chief Financial Officer, Secretary, Assistant Secretary, Treasurer, or Assistant Treasurer of Borrower, or other Person designated by Borrower to Agent as authorized to borrow on behalf of Borrower or for otherwise acting in good faith under this Subsection, and, upon funding of Advances by Agent or any Lender in accordance with this Agreement pursuant to any telephonic notice, Borrower shall be deemed to have received Advances hereunder.

(d) Each notice of a proposed Borrowing shall be irrevocable and binding on Borrower. Borrower shall indemnify each Lender against any loss, costs, or expense incurred by such Lender as a result of any failure of Borrower to fulfill on or before the date specified for an Advance all conditions for such Borrowing set forth in Section 7 hereof, or as a result of any purported revocation of such Borrowing request or any other reason for nonfunding of such Advance, including, without limitation, any loss (including loss of anticipated profits), cost, or expense incurred by reason of the liquidation or reemployment of deposits or other funds acquired by such Lender to fund the Advance, when such Advance is not made on such date, as more fully described in Subsection 2.10 hereof.

(e) Agent shall give each Lender notice of each request for Advances in writing or by telephone, telex, facsimile transmission, or cable, not later than 2:00 p.m. (Eastern Time) on the date of receipt of such request, provided that if the request was not received prior to 12:00 p.m. (Eastern Time), Agent shall give such notice no later than 9:00 a.m. (Eastern Time) on the following Business Day. Not later than 12:00 p.m. (Eastern Time) on the date specified in such notice, each Lender shall make available to Agent, at its Lending Office, in immediately available funds, the

Lender's Pro Rata Portion of such Borrowing. After Agent's receipt of such funds, Agent will make such funds available to Borrower no later than 2:00 p.m. (Eastern Time) on the date specified in the notice, or if such date is not a Business Day then on the next Business Day after such date. Each Advance shall be made to the Borrower by crediting the amount of the Advance to the general deposit account of Borrower maintained with Agent, except as otherwise specified in writing by Borrower.

(f) Unless Agent shall have received notice from a Lender prior to the date of any proposed Borrowing that such Lender will not make available to Agent such Lender's Pro Rata Portion of the Borrowing, Agent may assume that the Lender has made such portion available to Agent on the date of such Borrowing in accordance with the provisions hereof. Agent may, in reliance upon such assumption (but shall not be required to), make available to Borrower a corresponding amount. If and to the extent that the Lender shall not have so made such Pro Rata Portion available to Agent, the Lender and Borrower severally agree to repay to Agent forthwith upon demand, to the extent not collected from the other, such corresponding amount together with interest thereon, for each day from the date such amount is made available to Borrower until the date such amount is repaid to Agent at (i) in the case of Borrower, the interest rate applicable at the time to the Advances comprising the Borrowing, and (ii) in the case of the Lender, the Federal Funds Rate. If the delinquent Lender shall repay to Agent such amount (with interest), the amount so repaid shall constitute the Lender's Advance as part of such Borrowing for purposes of this Agreement. If Borrower shall repay to Agent such corresponding amount, such payment shall not relieve the delinquent Lender of its obligations hereunder.

(g) The failure of any Lender to make an Advance to be made by it as part of any Borrowing, when required to do so by the provisions hereof, shall not relieve any other Lender of its obligation hereunder to make its Advance on the date of such Borrowing, but no Lender shall be responsible for the failure of any other Lender to make the Advance to be made by such other Lender. Nothing herein shall prejudice any rights or remedies that Borrower may have against any Lender as a result of any failure by such Lender to make an Advance hereunder.

2.3 USE OF PROCEEDS. Advances shall be used by Borrower for working capital and general corporate purposes, including asset and stock Acquisitions only to the extent permitted by this Section 2.3 and Subsections (a) and (b) hereunder and not in violation of or causing an Event of Default to occur under any other provision of this Agreement ("Permitted Acquisitions").

(a) PERMITTED ACQUISITIONS. The nature of any business acquired with the proceeds of Advances shall be substantially similar to that of Borrower or any of its Consolidated Subsidiaries existing as of the date of this Agreement. Borrower must obtain the prior written consent of the Required Lenders to use the proceeds of Advances for an Acquisition if (a) the cash portion of the Acquisition consideration exceeds U.S. \$25,000,000.00 (provided that the Required Lenders have consented to the McClain Acquisition and the PTM International Acquisition as defined below subject to the provisions of Section 2.3(b)); or (b) the aggregate cash portion of the gross purchase prices of all Acquisitions (excluding the McClain Acquisition and the PTM International Acquisition as defined below) made or to be made with the proceeds of Advances during any four consecutive fiscal quarters of the Borrower exceeds, or including any proposed Acquisition will exceed, U.S. \$25,000,000.00.

Without such prior written consent of the Required Lenders, no such Acquisitions referred to in the immediately preceding sentence are permitted to be made by the Borrower or any Subsidiary. In an Acquisition by the Borrower or any Subsidiary of 100% of the stock of a company or all or substantially all of the assets of a company, which Acquisition is otherwise permitted hereunder, the Borrower or such Subsidiary shall be entitled to assume the following kinds of Indebtedness of the target company: (i) Real Estate Debt, (ii) equipment related debt, (iii) Capital Leases, and (iv) Purchase Money Indebtedness; but shall not assume additional long-term Indebtedness without the prior written consent of the Required Lenders. In an Acquisition by the Borrower or any Subsidiary of less than 100% of the stock of a company, which Acquisition is otherwise permitted hereunder, the Borrower or such Subsidiary shall be entitled to assume the kinds of Indebtedness of the target company listed in (i) through (iv) in the previous sentence, as well as other short-term revolving debt; provided that all debt so assumed shall be on a non-recourse basis to the Borrower and its Subsidiaries. Any Acquisition not specifically permitted by the terms of this Section shall not be a Permitted Acquisition. No proceeds of any Advance shall be used for any Acquisition which is not a Permitted Acquisition.

(b) THE MCCLAIN ACQUISITION AND THE PTM INTERNATIONAL ACQUISITION. Without limiting the foregoing, it is specifically agreed that the Lenders have consented to the following Acquisitions, which shall constitute Permitted Acquisitions hereunder: (A) the acquisition by HEICO Aerospace Holdings Corp. of all of the stock of McClain International, Inc., a Georgia corporation, to be paid in cash, substantially on the terms provided in the executed Stock Purchase Agreement, dated June 9, 1998, and the acquisition by McClain Property Corp., a wholly owned subsidiary of HEICO Aerospace Holdings Corp., from Randolph McClain of certain real property used in the business of McClain International, Inc. upon the terms set forth in the Agreement for the Sale and Purchase of Real Property dated June 9, 1998, copies of which agreements have been provided to Agent, provided that the combined total acquisition price of these transactions shall not exceed U.S. \$45,000,000.00, and provided further that such transactions close within ninety (90) days after the Closing Date (the "McClain Acquisition"), and (B) the Acquisition by PTM Acquisition Corporation, a wholly owned subsidiary of HEICO Aerospace Holdings Corp., of substantially all of the assets of PTM International, Inc., a Florida corporation for a total acquisition price not to exceed \$20,000,000.00, to be paid in cash, substantially on the terms set forth in the executed Asset Purchase Agreement, dated June 2, 1998, a copy of which was provided to Agent, provided that such Acquisition closes within ninety (90) days after the Closing Date (the "PTM International Acquisition"); in each case provided that within two Business Days after the closing date of such Acquisition, Borrower shall execute and deliver and cause all of its Subsidiaries including any such newly acquired Subsidiary to execute and deliver to Agent for the benefit of the Lenders such documents, agreements and instruments as Agent shall require to comply with the provisions of this Agreement, including without limitation Section 5.

2.4 REVOLVING CREDIT NOTES; LOAN ACCOUNTS.

(a) The aggregate indebtedness of Borrower to the Lenders resulting from the Advances shall be evidenced by a promissory note of Borrower to each of the Lenders in a principal amount equal to such Lender's Revolving Credit Commitment payable to the order of such Lender, in substantially the form of Exhibit "A" hereto (as may be amended, renewed, increased, restated, replaced, or otherwise modified from time to time, the "Revolving Credit Notes"). Each such Lender is irrevocably authorized by each Borrower to endorse on the schedule attached to its Note(s) (or on a continuation of such schedule attached to such schedule and made a part thereof), or otherwise record in such Lender's internal records, an appropriate notation evidencing the date and amount of each Advance from such Lender, the interest rate and Interest Period of such Advance, each payment and prepayment of principal of any such Advance, each payment of interest on any such Advance and the other information provided for on such schedule and each Lender's record shall be prima facie evidence; provided, however, that the failure of a Lender to make, or an error in making, a notation thereon with respect to any Loan shall not limit, expand or otherwise affect the obligations of the Borrower hereunder or under any such Note to such Lender; provided further that in the event of any Loans evidenced both by Loan Accounts, as provided in Section 2.4(b) hereof, and by Note(s), the Loan Accounts shall govern as prima facie evidence of the amount of the Loans made by the Lenders and the Agent to the Borrower and the interest and payments thereon.

(b) The Advances made by each Lender shall be evidenced by one or more loan accounts or records (the "Loan Accounts") maintained by such Lender in the ordinary course of business. The Loan Accounts maintained by the Agent, as Lender, and each Lender shall be prima facie evidence of the amount of the Advances, as the case may be, made by the Lenders to the Borrower and the interest and payments thereon. Any failure to record or any error in doing so shall not, however, limit, expand or otherwise affect the obligations of the Borrower hereunder.

2.5 INTEREST RATES.

(a) Borrower shall pay interest on the unpaid principal amounts of Advances from the date of such Advances until such principal amounts shall be paid in full, at the following rates per annum:

(i) with respect to LIBOR Rate Advances, a rate equivalent to the LIBOR Adjusted Rate for the Interest Period for such Advances plus a per annum percentage equivalent to the Applicable Revolver Margin then in effect for LIBOR Rate Advances, as adjusted from time to time;

(ii) with respect to Base Rate Advances, a rate equivalent to the Base Rate in effect from time to time, which rate shall be adjusted daily to reflect changes in the Base Rate, with each adjustment to be effective on the day the change occurs, plus a per annum percentage equivalent to the Applicable Revolver Margin then in effect for Base Rate Advances, as adjusted from time to time;

(iii) after the maturity or due date of the Advances (whether by acceleration or otherwise), a rate equivalent to two percent (2%) per annum above the rate per annum required to be paid on such Advances pursuant to paragraphs (i) or (ii) above (the "Default Rate").

(b) Borrower shall pay interest in respect of any other obligations (other than Advances and interest thereon) of Borrower under the Loan Documents after the date when due at a rate per annum equal to two percent (2%) per annum above the higher of the two rates per annum described in paragraphs (i) or (ii) above, and all such interest accrued shall be due and payable on the earlier of the applicable interest payment date or demand.

2.6 REPAYMENT. Interest and principal of the Advances shall be paid to Agent for the ratable account of the Lenders as follows:

(a) Interest on the LIBOR Rate Advances shall be paid in arrears on the dates the LIBOR Rate Advances are Converted, Continued, or paid, and on the Revolving Credit Termination Date, and for LIBOR Rate Advances for Interest Periods longer than three months, also on the last day of each three month period commencing from the first day of the Interest Period and ending prior to the date such LIBOR Rate Advance is Converted, Continued, or paid, and shall be paid to and including each of such dates.

(b) Interest on the Base Rate Advances shall be paid quarterly in arrears on the last day of each January, April, July and October of each year, and on the Revolving Credit Termination Date, and shall be paid to and including each of such dates; provided that all interest accrued at the Default Rate shall be payable on the earlier of the applicable interest payment dates or demand.

(c) Advances shall be Converted or Continued as provided herein, and all outstanding principal, if not sooner paid, shall be paid on the Revolving Credit Termination Date.

2.7 REVOLVING CREDIT TERMINATION DATE. All Borrowings outstanding under the Revolving Credit Facility shall be due and payable in full on the Revolving Credit Termination Date. The Borrower shall not request and the Lenders will not be required to make or consider requests for Revolving Credit Advances after the Revolving Credit Termination Date. The Borrower may, by written notice to the Agent (which shall promptly deliver a copy to each of the Lenders), given not more than one hundred twenty (120) days nor less than ninety (90) days prior to the first anniversary date of the Closing Date, and again not more than one hundred twenty (120) days nor less than ninety (90) days prior to the second anniversary date of the Closing Date, request that the Lenders extend the then scheduled Revolving Credit Termination Date. Upon delivery of such notice by the Borrower, the Required Lenders shall determine, in their sole and absolute discretion, whether to extend the Revolving Credit Termination Date for one (1) additional year on the same terms and conditions as set forth in this Agreement, and Agent shall give written notice to Borrower on or before the anniversary date of the Closing Date prior to which such notice from the Borrower was delivered, as to whether

the Required Lenders have elected so to extend the Revolving Credit Termination Date for one (1) additional year. If the Required Lenders elect to make any such extension of the Revolving Credit Termination Date, and assuming Borrower elects to accept such extension, Borrower, at its expense, shall and shall cause its Subsidiaries to, execute such amendments to this Agreement and other documents as shall be reasonably required by Agent on behalf of the Lenders in connection with any such extension. Nothing contained herein shall obligate the Lenders to make any such extension of the Revolving Credit Termination Date, or obligate Borrower to accept any such extension.

2.8 FEES.

(a) As further consideration for making the Revolving Credit Facility available, Borrower shall pay to Agent, for the ratable account of the Lenders, a fee (the "Commitment Fee") from the date of this Agreement to the Revolving Credit Termination Date equal to a percentage per annum equal to the Commitment Fee Percentage of Total Credit Availability. Such Commitment Fee shall be computed on the basis of the average daily Total Credit Availability, and the Commitment Fee Percentage applicable thereto shall be adjusted to reflect changes in the Commitment Fee Percentage from time to time, with each adjustment to be effective on the day the change occurs. The Commitment Fee shall be payable quarterly in arrears three (3) Business Days after the last day of each January, April, July, and October of each year, and on the Revolving Credit Termination Date, and shall be payable to and including the last days of such months and on the Revolving Credit Termination Date.

(b) Borrower shall also pay to Agent such underwriting and syndication, agency, termination, and other fees as Agent and Borrower shall separately agree from time to time.

2.9 PAYMENTS AND COMPUTATIONS.

(a) Borrower shall make each payment hereunder not later than 11:00 a.m. (Eastern Time) on the day when due to Agent at its Lending Office in immediately available funds, free and clear of any defenses, set-offs, counterclaims, or withholdings or deductions for taxes. Agent will promptly thereafter cause to be distributed like funds ratably to the Lenders, in each case to be applied in accordance with the terms of this Agreement.

(b) Unless Agent shall have received notice from Borrower prior to the date on which any payment is due to the Lenders hereunder that Borrower will not make such payment in full, Agent may assume that Borrower has made such payment in full to Agent on such date. Agent may, in reliance upon such assumption, cause to be distributed to each Lender on the Business Day following the date when due an amount equal to the amount then due to such Lender. If and to the extent Borrower shall not have made such payment in full to Agent, each such Lender shall repay to Agent forthwith on demand such amount distributed to such Lender together with interest thereon, for each day from the date such amount is distributed to such Lender until the date such Lender repays such amount to Agent, at the Federal Funds Rate.

(c) Unless otherwise specified herein, or unless otherwise determined by the



Required Lenders in their sole discretion, all payments shall be applied by the Lenders first to interest and other charges then accrued under this Agreement (to be allocated pro rata among the Advances according to amount accrued), and then to principal of the Advances. If Agent receives funds for application to the Advances under circumstances for which the Loan Documents or Borrower (to the extent permitted by the Loan Documents) do not specify the Advances to which such funds are to be applied, Agent may elect to distribute such funds for application to the Advances to each Lender ratably in accordance with such Lender's Pro Rata Portion of all outstanding Advances, in repayment or prepayment of such of the outstanding Advances of such Lender, as Agent shall determine in its discretion.

(d) Borrower hereby authorizes Agent, if and to the extent that any payments owed hereunder are not made when due, to charge such payments from time to time against any or all of Borrower's accounts with the Agent, in which event the Agent will give prompt notice to Borrower of such charge; provided, however, that the failure to give such notice shall not affect the validity of such charge.

(e) Interest and any fees hereunder shall be computed on the basis of a year of 360 days, but charged for the actual number of days elapsed. Each determination by Agent of an interest rate hereunder shall be conclusive and binding for all purposes, absent manifest error.

(f) Notwithstanding anything contained herein to the contrary, in no event shall any interest rate provided for herein exceed the maximum rate of interest allowed by applicable law, as amended from time to time. Neither the Lenders nor Agent intend to charge any amount of interest or other fees or charges in the nature of interest that exceeds the maximum amount allowed by applicable law. If any payment of interest or in the nature of interest, together with all other payments of interest or in the nature of interest, would cause the foregoing interest rate limitation to be exceeded, then such excess payment shall be credited as a payment of principal, unless Borrower notifies Agent in writing that the excess payment must be returned to Borrower, together with interest at the rate specified in Section 687.04(2), Florida Statutes, or any successor statute.

(g) Each payment and prepayment by Borrower of principal or interest shall be made in such coin or currency of the United States of America as at the time of payment is legal tender for the payment of public and private debts. If any installment of principal or interest becomes due and payable on a day other than a Business Day, the due date thereof shall be extended to the next succeeding Business Day (except as otherwise provided with respect to LIBOR Rate Advances in the definition of "Interest Period"), and, in the case of principal, interest shall be payable on such principal during the extension at the annual rate then in effect for such principal before maturity or default.

#### 2.10 PREPAYMENTS UNDER REVOLVING CREDIT FACILITY; REDUCTION OF REVOLVING CREDIT COMMITMENTS.

(a) PREPAYMENTS UNDER REVOLVING CREDIT FACILITY.

(i) Borrower shall be entitled to pay LIBOR Rate Advances only on the last day of the Interest Period applicable thereto, without premium or penalty, upon at least three (3) Business Days prior notice to Agent, each notice stating the proposed date, Advances to be paid, and aggregate principal amount of the payment.

(ii) Borrower shall be entitled to prepay Base Rate Advances in whole or in part, at any time, without premium or penalty, upon at least two (2) Business Days prior notice to Agent, each notice stating the proposed date, Advances to be prepaid, and aggregate principal amount of the prepayment.

(iii) Any payment or prepayment of LIBOR Rate Advances shall be in the minimum principal amount of \$5,000,000.00 or an integral multiple of \$1,000,000.00 in excess thereof. Any payment or prepayment of Base Rate Advances shall be in the minimum principal amount of \$1,000,000.00 or an integral multiple of \$1,000,000.00 in excess thereof.

(iv) Mandatory Prepayments: If the Borrower or any Subsidiary receives any Net Proceeds, the Borrower shall prepay outstanding Term Loans and Advances in an amount equal to 100% of such Net Proceeds simultaneously with the Borrower's receipt of such Net Proceeds. Such mandatory prepayment shall be applied first to the prepayment of all Term Loans outstanding, with such prepayments applied first to Base Rate Term Loans in the order in which such Base Rate Term Loans were made and then to LIBOR Rate Term Loans (subject to the provisions of Sections 2.11 and 3.7 and pursuant to all of the terms of this Agreement). After prepayment of all outstanding Term Loans, such mandatory prepayment shall be applied to Base Rate Advances in the order in which such Advances were made, and then to the prepayment of LIBOR Rate Advances (subject to the provisions of Section 2.11 and pursuant to all of the terms of this Agreement). Prepayments with respect to Loans with the same Interest Period shall apply pro rata to the Lenders extending such Loans. The Borrower shall give the Agent not less than five Business Days' prior written notice of the date on which any prepayment will be made pursuant to this Section 2.10(a)(iv) (which date shall be no later than the date five Business Days before payment is due and payable pursuant hereto.)

(b) REDUCTION OF REVOLVING CREDIT COMMITMENTS.

(c) At any time after the date one year after the Closing Date, upon at least five (5) Business Days' prior written notice to the Agent, Borrower shall have the right, without premium or penalty (subject to the provisions of Sections 3.7 and 2.11 with respect to any LIBOR Rate Term Loans or LIBOR Rate Advances required to be prepaid as provided below), to terminate the Revolving Credit Commitments, in part or in whole, provided that any partial termination of the Revolving Credit Commitments pursuant to this Section 2.10(b) shall be in an amount of at least U.S. \$10,000,000.00 or an integral multiple of U.S. \$10,000,000.00.

(i) Any reduction of Revolving Credit Commitments pursuant to this Section 2.10(b) shall apply to proportionately, automatically and permanently reduce the Revolving Credit Commitments of each of the Lenders based upon each Lender's Pro Rata Portion.

(ii) If at any time the aggregate outstanding Advances, Term Loans and Letter of Credit Obligations exceed the total aggregate amount of the Revolving Credit Commitments, the Borrower shall immediately cause an amount equal to such excess to be applied as follows in the order of priority indicated: (A) first, to the prepayment of outstanding Base Rate Term Loans in the order in which such Base Rate Term Loans were made, (B) second, to the prepayment of LIBOR Rate Term Loans (subject to the provisions of Sections 2.11 and 3.7) in the order in which such LIBOR Rate Term Loans were made, (C) third, to the prepayment of outstanding Base Rate Advances in the order in which such Base Rate Advances were made, and (D) fourth, to the prepayment of LIBOR Rate Advances (subject to the provisions of Sections 2.11) in the order in which such LIBOR Rate Advances were made. Prepayments with respect to Loans with the same Interest Period shall apply pro rata to the Lenders extending such Loans.

#### 2.11 LIBOR RATE COMPENSATION AND INDEMNITY.

(a) COMPENSATION: In the event that all or any portion of any LIBOR Rate Advance is repaid, prepaid, Converted, or Continued prior to the end of the Interest Period applicable to such Advance, regardless of whether such payment is optional or obligatory, or in the event that any LIBOR Rate Advance is not borrowed, Converted, or Continued as specified in a notice given pursuant to Subsection 2.2 or 2.13 hereof for any reason, including the failure of any conditions precedent, Borrower shall be required to pay to Agent, for the ratable account of the Lenders, compensation as follows. Borrower shall be required to pay an amount equal to the excess, if any, of (i) the amount of interest which otherwise would have accrued on the portion of the LIBOR Rate Advance repaid, prepaid, Converted, Continued, or not borrowed, Converted, or Continued from and after the date of such payment, prepayment, Conversion, Continuation, or failure to borrow, Convert, or Continue, to the last day of the applicable Interest Period (or, in the case of a failure to borrow, Convert, or Continue to the last day of the Interest Period which would have commenced) at the applicable rate of interest for such Advance specified herein, over (ii) the amount of interest which would have accrued on such LIBOR Rate Advance or portion thereof from and after the date of such payment, prepayment, Conversion, Continuation, or failure to borrow, Convert, or Continue, to the last day of the applicable Interest Period at the applicable rate of interest for such Advance specified herein, but calculated with respect to a LIBOR Adjusted Rate based on an amount substantially equal to the amount paid, prepaid, Converted, Continued, or not borrowed, Converted, or Continued, and an Interest Period substantially equal to the number of days remaining in the applicable Interest Period. Whether or not the foregoing calculation results in a charge to be paid by Borrower, Borrower shall also pay all actual out-of-pocket expenses other than those taken into account in the foregoing calculation incurred by Agent and the Lenders (excluding any internal expenses) and reasonably attributable to such payment, prepayment, Conversion, Continuation, or failure to borrow, Convert, or Continue. Borrower acknowledges that Lenders are relying on the LIBOR Rate Advance remaining outstanding or being borrowed, Converted, or Continued for the entire Interest Period selected, and that the foregoing compensation represents reasonable liquidated damages and is not a penalty. The foregoing compensation shall apply with respect to all payments, prepayments, Conversions, and Continuations of LIBOR Rate Advances and all failures to borrow, Convert, or Continue into LIBOR Rate Advances, whether optional or obligatory (including any required principal payments and any required Conversions pursuant to the provisions of Subsection 2.14 hereof), and shall include any prepayment, repayment, Conversion, or Continuation after default or acceleration of

the Revolving Credit Notes.

(b) INDEMNITY: The Borrower agrees to indemnify each Lender and to hold each Lender harmless from any loss or expense which such Lender may sustain or incur as a consequence of (i) failure by the Borrower to borrow, Convert into or Continue LIBOR Rate Advances after the Borrower has given a notice requesting the same in accordance with the provisions of this Agreement, (ii) failure by the Borrower to make any prepayment after the Borrower has given a notice thereof (or is required to make prepayment) in accordance with the provisions of this Agreement or (iii) the making of a prepayment of LIBOR Rate Advances on a day which is not the last day of an Interest period with respect thereto. Such indemnification may include, without limitation, any loss or expense incurred by reason of the liquidation or reemployment of deposits or other funds obtained to fund or maintain a LIBOR Rate Advance during any Interest Period, which any Lender may incur as a consequence of such failure to borrow, Convert or Continue, as the case may be. A certificate by Agent as to the amount of such loss, expense or increased cost shall, when submitted to the Borrower, be conclusive, in the absence of manifest error, unless the Borrower shall have provided the Agent with written notice of the Borrower's objection to all or any portion of such certificate not later than ten (10) days after the date on which such certificate is submitted to the Borrower. Any such LIBOR Rate Advance shall not be deemed paid or satisfied until all such additional amounts are paid. Agent agrees to provide the Borrower with such information as the Borrower may reasonably request with respect to the calculation of any losses or expenses. The covenants contained in this Subsection 2.11(b) shall survive the termination of this Agreement and the payment of the Revolving Credit Notes, the Term Loan Notes, any Letter of Credit Reimbursement Agreement, and all other amounts payable hereunder.

#### 2.12 SHARING OF PAYMENTS, ETC.

(a) If any Lender shall obtain from Borrower payment of any principal of or interest on any Advance owing to it or payment of any other amount under this Agreement or any other Loan Document through the exercise of any right of set-off, banker's lien, counterclaim, similar right, or otherwise (other than from Agent as provided herein), and, as a result of such payment, such Lender shall have received a greater percentage of the principal of or interest on the Advances or other amounts then due hereunder by Borrower to such Lender than its ratable percentage of such amounts pursuant to its Revolving Credit Commitment, it shall promptly purchase from such other Lenders participations in (or, if and to the extent specified by such Lender, direct interests in) the Advances or such other amounts, respectively, owing to such other Lenders (or in interest due thereon, as the case may be) in such amounts, and make such other adjustments from time to time as shall be equitable, to the end that all the Lenders shall share the benefit of such excess payment (net of any expenses which may be incurred by such Lender in obtaining or preserving such excess payment) pro rata in accordance with the unpaid principal of and interest on the Advances or such other amounts, respectively, owing to each of the Lenders. To such end all the Lenders shall make appropriate adjustments among themselves (by the resale of participations sold or otherwise) if such payment is rescinded or must otherwise be restored.

(b) Nothing contained herein shall require any Lender to exercise any set-off, banker's lien, or other right or shall affect the right of any Lender to exercise, and retain the benefits

of exercising, any such right with respect to any other indebtedness or obligation of Borrower. If, under any applicable bankruptcy, insolvency, or other similar law, any Lender receives a secured claim in lieu of a set-off to which this Subsection applies, such Lender shall, to the extent practicable, exercise its rights in respect of such secured claim in a matter consistent with the rights of the Lenders entitled under this Subsection to share in the benefits of any recovery on such secured claim.

#### 2.13 CONVERSION AND CONTINUATION OF ADVANCES; FAILURE TO SELECT INTEREST PERIOD.

(a) Borrower may, upon notice given to Agent (effective upon receipt) no later than 12:00 p.m. (Eastern Time) at least three (3) Business Days prior to the date of a proposed Conversion into or Continuation of LIBOR Rate Advances and not later than 12:00 p.m. (Eastern Time) one (1) Business Day prior to a proposed Conversion into Base Rate Advances, and subject to the provisions hereof, Convert Advances of one Type into Advances of the other Type or Continue an Advance of one Type as Advances of the same Type at any time and from time to time on any Business Day; PROVIDED, HOWEVER, that (1) any Conversion or Continuation of LIBOR Rate Advances shall be made on, and only on, the last day of the Interest Period for the LIBOR Rate Advances being Converted or Continued, (ii) any Conversion or Continuation of any Advances into a LIBOR Rate Advances shall be in an aggregate amount not less than the minimum amount specified in Subsection 2.2(a), and (iii) no Conversion or Continuation of Advances shall result in a greater number of different Interest Periods for LIBOR Rate Advances than is permitted in the definition of "Interest Period." Each such notice of Conversion or Continuation shall be given in writing or by telephone, telex, facsimile transmission, or cable, confirmed immediately in writing, specifying, within the restrictions specified above, the date of such Conversion or Continuation, the Advances to be Converted or Continued, the portion thereof to be Converted or Continued, and the Type of Advances into which they will be Converted or Continued, and if such Conversion or Continuation is into LIBOR Rate Advances, the duration of the Interest Period for such Advances. Each notice of Conversion or Continuation shall be irrevocable and binding on Borrower.

(b) (i) If Borrower shall fail to give a notice of Conversion or Continuation in respect of LIBOR Rate Advances prior to the end of the Interest Period applicable thereto as provided in paragraph (a) hereof, or to select the duration of any Interest Period for any LIBOR Adjusted Rate, such LIBOR Rate Advances will automatically, on the last day of the then existing Interest Period therefor, convert into Base Rate Advances.

(ii) Upon the occurrence and during the continuance of any Event of Default, (i) all LIBOR Rate Advances will automatically, on the last days of the then existing Interest Periods therefor, Convert into Base Rate Advances and (ii) the obligation of Lenders to make, Continue, or Convert Advances into LIBOR Rate Advances shall be suspended.

(iii) LIBOR Rate Advances may be subject to automatic Conversion into Base Rate Advances, as provided in Subsection 2.14(c) and (d).

#### 2.14 INCREASED COSTS, CAPITAL ADEQUACY, ILLEGALITY, ETC.

(a) If either (i) the introduction, after the date hereof, of or any change, after the

date hereof, in any law or regulation or in the interpretation or administration of any law or regulation by any court or administrative or governmental authority charged with the interpretation of administration thereof or (ii) the compliance with any guideline issued from or request made by any such governmental authority, after the date hereof, including, without limitation, any central bank (whether or not having the force of law), (x) subjects any Lender or any corporation controlling a Lender to any tax of any kind whatsoever with respect to this Agreement or any Advance, or changes the basis of taxation of payments to such Lender or corporation of principal, commissions, fees, interest, or any other amount payable hereunder (except for (A) taxes on or measured by the overall net income of such Lender or branch, office, or agency through which such Lender is acting for purposes of this Agreement, (B) changes in the rate of such taxes, or (C) taxes for which such Lender is indemnified under Subsection 13.2; (y) imposes, modifies, or holds applicable any reserve, special deposit, compulsory loan, or similar requirement against assets held by, or deposits or other liabilities in or for the account of, advances or loans by, or other credit or commitment therefor extended by, or any other acquisition of funds by, any office of any Lender which are not otherwise included in any determination of the Base Rate or LIBOR Adjusted Rate or interest payable hereunder; or (z) imposes on any Lender or any corporation controlling a Lender any other condition, and as a result there shall be any increase in the cost to such Lender or corporation of agreeing to make or making, funding, or maintaining Advances by an amount deemed by such Lender to be material, then Borrower shall from time to time, upon notice from such Lender, pay to such Lender additional amounts sufficient to compensate such Lender for such increased cost.

(b) If any Lender determines that compliance with any law or regulation or with any guideline or request from any central bank or other governmental authority (whether or not having the force of law) concerning capital adequacy or otherwise has or would have the effect of reducing the rate of return on the capital of such Lender or the corporation controlling the Lender as a consequence of, or with reference to, such Lender's commitment hereunder or its making or funding or maintaining Advances below the rate which such Lender or corporation could have achieved but for such compliance (taking into account the policies of such Lender or such corporation with regard to capital) by an amount deemed by such Lender material, Borrower shall from time to time, upon notice from such Lender, pay to such Lender additional amounts sufficient to compensate such Lender or corporation for such reduction, PROVIDED, however, that such additional amounts shall be determined on a reasonable basis and be similarly charged to corporations or other entities similar to Borrower who are then borrowers from such Lender pursuant to agreements having provisions similar to this Subsection 2.14(b), to the extent permitted by such provisions. Each Lender agrees promptly to notify Borrower and Agent of any circumstances that would cause Borrower to pay additional amounts pursuant to this paragraph, provided that the failure to give such notice shall not affect Borrower's obligation to pay such additional amounts hereunder.

(c) If, with respect to any LIBOR Rate Advances, the Required Lenders notify Agent that the LIBOR Adjusted Rate for any Interest Period for such Advances will not adequately reflect the cost to such Lenders of making, funding, or maintaining the LIBOR Rate Advances for such Interest Period, Agent shall forthwith so notify Borrower whereupon (i) each LIBOR Rate Advance will automatically, on the last day of the then existing Interest Period therefor, Convert into a Base Rate Advance and (ii) the obligation of the Lenders to make, Continue, or Convert Advances into LIBOR Rate Advances shall be suspended until Agent notifies Borrower that the Required

Lenders have determined that the circumstances causing such suspension no longer exist.

(d) Notwithstanding any other provision of this Agreement, if the introduction of or any change in or in the interpretation of any law or regulation shall make it unlawful or any central bank or other governmental authority shall assert that it is unlawful, for any Lender to perform its obligations hereunder to make LIBOR Rate Advances or to continue to fund or maintain LIBOR Rate Advances hereunder, then, on notice thereof and demand therefor by such Lender through the Agent, (i) each LIBOR Rate Advance of such Lender will automatically, upon such demand, Convert into a Base Rate Advance and (ii) the obligation of such Lender to make, Continue, or Convert Advances into LIBOR Rate Advances shall be suspended until Agent shall notify Borrower that the Lender has determined that the circumstances causing such suspension no longer exist.

#### 2.15 TAXES; GROSS-UP; FOREIGN LENDERS.

(a) All payments made by the Borrower under this Agreement, the Revolving Credit Notes, the Term Loan Notes or under or in connection with any Letter of Credit Reimbursement Agreement shall be made free and clear of, and without deduction or withholding for or on account of any present or future income, stamp or other taxes, levies, imposts, duties, charges, fees, deductions or withholdings, now or hereafter imposed, levied, collected, withheld or assessed by any governmental authority, excluding net income taxes and franchise taxes (imposed in lieu of net income taxes) imposed on the Agent or any Lender as a result of a present or former connection between the Agent or such Lender and the jurisdiction of said governmental authority imposing such tax or any political subdivision or taxing authority thereof or therein (other than any such connection arising solely from the Agent or such Lender having executed, delivered or performed its obligations or received a payment under, or enforced, this Agreement, the Revolving Credit Notes, the Term Loan Notes or any Letter of Credit Reimbursement Agreement). If any such non-excluded taxes, levies, imposts, duties, charges, fees, deductions or withholdings ("Non-Excluded Taxes") are required to be withheld from any amounts payable to the Agent or any Lender hereunder or under the Revolving Credit Notes, Term Loan Notes or any Letter of Credit Reimbursement Agreement, the amounts so payable to the Agent or such Lender shall be increased to the extent necessary to yield to the Agent or such Lender (after payment of all Non-Excluded Taxes) interest or any such other amounts payable hereunder at the rates or in the amounts specified in this Agreement and the Revolving Credit Notes, Term Loan Notes or Letter of Credit Reimbursement Agreement; PROVIDED, HOWEVER, that the Borrower shall not be required to increase any such amounts payable to any Lender that is not organized under the laws of the United States of America or a state thereof if such Lender fails to comply with the requirements of paragraph (b) of this subsection. Whenever any Non-Excluded Taxes are payable by the Borrower, as promptly as possible thereafter the Borrower shall send to the Agent for its own account or for the account of such Lender, as the case may be, a certified copy of an original official receipt received by the Borrower showing payment thereof. If the Borrower fails to pay any Non-Excluded Taxes when due to the appropriate taxing authority or fails to remit to the Agent the required receipts or other required documentary evidence, the Borrower shall indemnify the Agent and the Lenders for any incremental taxes, interest or penalties that may become payable by the Agent or any Lender as a result of any such failure. The agreements in this Subsection 2.15(a) shall survive the termination of this Agreement and the payment of the Revolving Credit Notes, Term Loan Notes, Letter of Credit Reimbursement Agreements, and all other amounts payable

hereunder.

(b) Each Lender that is not incorporated under the laws of the United States of America or a state thereof shall:

(i) deliver to the Borrower and the Agent (A) two (2) duly completed copies of United States Internal Revenue Service form 1001 or 4224, or successor applicable form, as the case may be, and (B) an Internal Revenue Service Form W-8 or W-9, or successor applicable form, as the case may be;

(ii) deliver to the Borrower and the Agent two (2) further copies of any such form or certification on or before the date that any such form or certification expires or becomes obsolete and after the occurrence of any event requiring a change in the most recent form previously delivered by it to the Borrower; and

(iii) obtain such extensions of time for filing and complete such forms or certifications as may reasonably be requested by the Borrower or the Agent,

unless in any such case an event (including, without limitation, any change in treaty, law or regulation) has occurred prior to the date on which any such delivery would otherwise be required which renders all such forms inapplicable or which would prevent such Lender from duly completing and delivering any such form with respect to it and such Lender so advises the Borrower and the Agent. Such Lender shall certify (i) in the case of a Form 1001 or 4224, that it is entitled to receive payments under this Agreement without deduction or withholding of any United States federal income taxes and (ii) in the case of a Form W-8 or W-9, that it is entitled to an exemption from United States backup withholding tax. Each Person that shall become a Lender or a participant pursuant to Section 13.17 shall, upon the effectiveness of the related transfer, be required to provide all of the forms and statements required pursuant to this Subsection 2.15(b), provided that in the case of a participant such participant shall furnish all such required forms and statements to the Lender from which the related participation shall have been purchased.

### SECTION 3. CONVERSION OF ADVANCES TO TERM LOANS.

3.1 TERM LOAN FACILITY. Each Lender severally agrees, on the terms and conditions set forth herein, that on or prior to the Revolving Credit Termination Date, and so long as there exists no Event of Default or circumstance which with the giving of notice or passage of time would become an Event of Default, it will, upon request of the Borrower or when required hereunder, make term loans to the Borrower as may be necessary to permit the Conversion of Advances to term loans as permitted or required hereunder (each such loan, a "Term Loan"), in an aggregate amount not to exceed at any time outstanding such Lender's Pro Rata Portion of Term Loan Availability; PROVIDED, that at no time shall the sum of (i) all outstanding Advances plus (ii) the aggregate original principal amounts of all Term Loans made hereunder plus (iii) the aggregate amount of outstanding Letter of Credit Obligations, ever exceed the aggregate of the Revolving Credit Commitments of the Lenders. All Term Loans under this Agreement shall be made by the Lenders simultaneously and proportionately



to their respective Pro Rata Portions.

3.2 CONVERSION OF ADVANCES TO TERM LOANS. In the event the aggregate principal balance of all outstanding Advances as of the date 365 days after the Closing Date equals or exceeds U.S. \$75,000,000.00, then Borrower shall be required to convert 50% of the then outstanding Advances to Term Loans pursuant to the provisions of this Section 3 ("Mandatory Term-Out"). Subject to the limitations and terms and conditions of this Agreement, Borrower shall have the option to convert outstanding Advances to Term Loans at any time or from time to time hereunder and shall have the option as of the Revolving Credit Termination Date to convert all or any part of then outstanding Advances to Term Loans ("Voluntary Term-Outs"). Upon any Mandatory Term-Out or any Voluntary Term-Out, subject to the provisions and restrictions contained in this Agreement, Borrower may choose to Convert Advances of one Type into Term Loans of the same or the other Type. Outstanding Base Rate Advances or LIBOR Rate Advances subject to Mandatory Term-Out or Voluntary Term-Out shall be converted to Base Rate Term Loans or LIBOR Rate Term Loans, as elected by the Borrower in its irrevocable notices given pursuant to Subsections 3.2(a) or 3.2(b) below, subject in each case to the provisions and restrictions contained in this Agreement (including without limitation the provisions of Section 2.11).

(a) MANDATORY TERM-OUT. In the event a Mandatory Term-Out is required pursuant to Section 3.2, then outstanding Advances in a total aggregate principal amount equal to Fifty Percent (50%) of all then outstanding Advances shall be converted to five-year fully amortizing Term Loans as of the date ten (10) Business Days after the date 365 days after the Closing Date (the "Conversion Date") pursuant to the terms hereof. Such Mandatory Term-Out shall apply first to all outstanding Base Rate Advances in the order in which such Advances were made, and to the extent required, to LIBOR Rate Advances (subject to the provisions of Section 2.11 and all of the provisions of this Agreement). Borrower may, upon irrevocable written notice given to Agent (effective upon receipt) no later than 12:00 p.m. (Eastern Time) at least three (3) Business Days prior to the Conversion Date, subject to the provisions and restrictions contained in this Agreement, specify the amount(s) and Type(s) of Term Loan(s) into which the Advances subject to a Mandatory Term-Out shall be converted, and in the case of LIBOR Rate Term Loans, the Interest Period for such Loans, and such specifications shall be honored subject to the provisions and restrictions of this Agreement. If Borrower does not timely give the irrevocable written notice provided in this Subsection 3.2(a), then all Advances subject to Mandatory Term-Out shall be Converted to a Base Rate Term Loan.

(b) VOLUNTARY TERM-OUTS. Borrower may exercise its option to make Voluntary Term Outs at any time, provided that there exists no Event of Default or circumstance which with the giving of notice or passage of time would become an Event of Default, by giving irrevocable written notice to the Agent that it so elects no later than 12:00 p.m. (Eastern Time) at least three (3) Business Days prior to the date of any proposed Term Loan (with any notice given after the specified time being deemed to have been given on the following Business Day). Such notice shall comply with the procedural requirements for a notice of Borrowing under the Revolving Credit Facility set forth in Section 2.2, and shall specifically set forth (i) the date of proposed Conversion to a Term Loan (such date or the date of conversion permitted hereunder, if different, being referred to as the "Conversion Date"), (ii) the amount(s), date(s) and Type of the Advance(s) to be Converted to Term Loans, (iii) the amount(s) and Type(s) of Term Loan(s) into which such Advance(s) shall be Converted, and (iv)

in the case of LIBOR Rate Term Loans, the Interest Period for such Loans, which specifications shall be honored subject to the provisions and restrictions contained in this Agreement. Borrower shall be entitled to Convert LIBOR Rate Advances to Term Loans only on the last day of the Interest Period applicable to such LIBOR Rate Advances, without premium or penalty. Each request for a Voluntary Term-Out of Base Rate Advances shall be in the aggregate minimum amount of \$5,000,000.00. or an integral multiple of \$1,000,000.00 in excess thereof. Each request for Voluntary Term-Out of LIBOR Rate Advances shall be in the aggregate minimum amount of \$5,000,000.00. or an integral multiple of \$1,000,000.00 in excess thereof.

3.3 INTEREST RATES OF TERM LOANS. Base Rate Term Loans and LIBOR Rate Term Loans shall have the meanings and shall bear interest and be made upon the terms and conditions as set forth below:

(a) "BASE RATE TERM LOAN" as used herein shall mean a fully amortizing Term Loan accruing interest at a rate equivalent to the Base Rate in effect from time to time, which rate shall be adjusted daily to reflect changes in the Base Rate, with each adjustment to be effective on the day the change occurs, plus a per annum percentage equivalent to the Applicable Term Loan Margin then in effect for Base Rate Term Loans, as adjusted from time to time.

(b) "LIBOR RATE TERM LOAN" as used herein shall mean a fully amortizing Term Loan, the Interest Period for which shall be as elected by the Borrower in its irrevocable notice given pursuant to Subsections 3.2(a) or 3.2(b), and which shall accrue interest at a per annum rate equal to the LIBOR Adjusted Rate for such Interest Period plus a per annum percentage equivalent to the Applicable Term Loan Margin then in effect for LIBOR Rate Term Loans, as adjusted from time to time.

(c) TERM LOAN DEFAULT RATE. After the maturity or due date of any payment due under any Base Rate Term Loan or any LIBOR Rate Term Loan (whether by acceleration or otherwise), interest shall accrue at a rate equivalent to two percent (2%) per annum above the rate per annum required to be paid on such Term Loans pursuant to paragraphs (a) or (b) above (the "Default Rate").

3.4 TENOR AND AMORTIZATION. All Term Loans shall be fully amortizing term loans, commencing on the Conversion Date and maturing on the date earliest to occur of (i) the date five years after the Conversion Date, (ii) the date seven (7) years after the Closing Date, or (iii) such earlier date as may be requested by the Borrower in its notice of Conversion (each such maturity date, a "Term Loan Maturity Date").

3.5 TERM LOAN NOTES. The Term Loans shall be evidenced by promissory notes of the Borrower to each of the Lenders in a principal amount equal to such Lender's Pro Rata Share of the aggregate principal amount of such Term Loan, which promissory notes shall be in form and substance satisfactory to the Required Lenders (as may be amended, renewed, increased, restated, replaced, or otherwise modified from time to time, the "Term Loan Notes").

3.6 REPAYMENT. Interest and principal of the Term Loans shall be paid to the Agent for

the ratable account of the Lenders as follows:

(a) All outstanding principal of each Term Loan shall be due and payable in equal quarterly installments, each in the amount determined by dividing the initial principal amount of such Term Loan by a number equal to the total number of ninety (90) day periods occurring and ended during the time period commencing with the Conversion Date and ending with the Term Loan Maturity Date of such Term Loan, such installments being due and payable quarterly on the date ninety (90) days after the Conversion Date and each ninety (90) days thereafter (each such date a "Payment Date"), with the entire unpaid principal balance due and payable on or before the Term Loan Maturity Date of such Loan.

(b) Interest on the LIBOR Rate Term Loans shall be paid in arrears on the expiration date of each Interest Period, and on the Term Loan Maturity Date, and shall be paid to and including each of such dates, and for LIBOR Rate Term Loans for Interest Periods longer than three months, also on the last day of each three month period commencing from the first day of the Interest Period and ending prior to the Term Loan Maturity Date, and shall be paid to and including each of such dates.

(c) Interest on the Base Rate Term Loans shall be paid quarterly in arrears on each Payment Date for such Loan, and on the Term Loan Maturity Date, and shall be paid to and including each of such dates.

(d) All interest accrued at the Default Rate shall be payable on the earlier to occur of the applicable interest payment date or on demand.

3.7 PAYMENT, COMPUTATIONS AND OTHER TERMS. The terms and provisions of Sections 2.9, 2.10, 2.11, 2.12, 2.13, 2.14, 2.15, and the definition of "Interest Period" in Section 1.1, shall apply to Term Loans as modified by this Section 3. In applying the provisions of such Sections to Term Loans, such provisions shall be modified such that the word "Advances" throughout those Sections shall be read as "Term Loans", and the words "LIBOR Rate Advances" and "Base Rate Advances" throughout such Sections shall be read as "LIBOR Rate Term Loans" and "Base Rate Term Loans", respectively. Section 2.10(a)(i) as applied to LIBOR Rate Term Loans shall be read to mean that Borrower shall be entitled to prepay LIBOR Rate Term Loans only on the last day of the applicable Interest Period pursuant to the provisions thereof.

#### SECTION 4. LETTERS OF CREDIT.

4.1 LETTER OF CREDIT FACILITY; ISSUANCE OF LETTERS OF CREDIT. The Borrower shall give the Agent not less than five (5) Business Days prior written notice of a request for the issuance of a Letter of Credit, and the Agent shall promptly notify each Lender of such request. Upon receipt of the Borrower's properly completed and duly executed Applications, and subject to the terms of such Applications and to the terms of this Agreement, the Agent agrees to issue Letters of Credit on behalf of the Borrower in an aggregate face amount not in excess of the lesser of (a) the Letter of Credit Sublimit or (b) Total Credit Availability. No Letter of Credit shall have a maturity extending beyond

the earliest of (i) the Revolving Credit Termination Date or (ii) one year from the date of its issuance. Subject to such maturity limitations and so long as no Event of Default has occurred and is continuing or would result from the renewal of a Letter of Credit, upon written request of the Borrower, the Letters of Credit shall be renewed by the Agent. The Lenders shall participate ratably in any liability under the Letters of Credit and in any unpaid reimbursement obligations of the Borrower with respect to any Letter of Credit in their Pro Rata Portions. The amount of the Letter of Credit Obligations at any time outstanding shall reduce the amount of the aggregate Revolving Credit Commitments available, so that at no time shall the sum of (i) all outstanding Advances in the aggregate, plus (ii) the aggregate original principal balances of all Term Loans, plus (iii) the aggregate outstanding Letter of Credit Obligations, exceed the aggregate Revolving Credit Commitments, and at no time shall the sum of (a) all outstanding Advances made by any Lender plus (b) the aggregate original principal balances of all Term Loans made by such Lender, plus (c) such Lender's Pro Rata Portion of outstanding Letter of Credit Obligations exceed its Revolving Credit Commitment.

4.2 LETTER OF CREDIT FEES. In consideration for the issuance of each Letter of Credit, the Borrower shall pay:

(a) to the Agent for its own account, an application, processing and facing fee with respect to each Letter of Credit issued, in the amount of the greater of (i) 0.10% of the face amount of such Letter of Credit or (ii) \$250.00, which fee shall be due and payable on the date of issuance of each Letter of Credit; and

(b) to the Agent for the account of the Agent and the Lenders in accordance with their Pro Rata Portions, with respect to each Letter of Credit, a letter of credit fee, payable quarterly in advance, on the first day of each fiscal quarter of the Borrower, in an amount equal to the Applicable Revolver Margin for LIBOR Rate Advances multiplied by (on the basis of actual days elapsed in a 360-day year) the amount available to be drawn under such Letter of Credit from day to day during the previous quarter.

#### 4.3 REIMBURSEMENT OBLIGATIONS.

(a) The Borrower hereby agrees to reimburse Agent immediately upon demand by Agent, and in immediately available funds, for any payment or disbursement made by Agent under any Letter of Credit, in accordance with the terms of this Agreement and any such reimbursement agreement as the Agent may employ in the ordinary course of business for its own account, which the Borrower hereby agrees to sign and deliver to Agent, upon Agent's request, as a pre-condition to availability of any Letter of Credit hereunder (each such agreement, a "Letter of Credit Reimbursement Agreement"). In the event of any direct conflict between the terms of any Letter of Credit Reimbursement Agreement and the terms of this Agreement, the terms of this Agreement shall prevail. Payment shall be made by the Borrower with interest on the amount so paid or disbursed by Agent from and including the date payment is made under any Letter of Credit to and including the date of payment, at the lesser of (i) the highest lawful rate, and (ii) the Base Rate in effect from time to time; PROVIDED, HOWEVER, that if the Borrower would be permitted under the terms of Section 2, to borrow Advances in amounts at least equal to the reimbursement obligation for a drawing under any Letter of Credit, an Advance by each Lender, in an amount equal to such Lender's Pro Rata Portion,

shall automatically be deemed made on the date of any such payment or disbursement made by Agent in the amount of such obligation and subject to the terms of this Agreement.

(b) Upon an Event of Default hereunder, the Borrower hereby also agrees to pay to Agent immediately upon demand by Agent and in immediate available funds, as security for its reimbursement obligations in respect of the Letters of Credit under Section 4.3(a) hereof and any Letter of Credit Reimbursement Agreements and for any other amounts payable hereunder and under the Revolving Credit Notes and the Term Loan Notes, an amount equal to the aggregate amount available to be drawn under Letters of Credit then outstanding, irrespective of whether the Letters of Credit have been drawn upon. Any such payments shall be deposited in a separate account designated "Heico Letter of Credit Account" or such other designation as Agent shall elect. All such amounts deposited with Agent shall be and shall remain funds of the Borrower on deposit with Agent and may be invested by Agent as Agent shall determine. Such amounts may not be used by Agent to pay the drawings under the Letters of Credit; however, such amounts may be used by Agent as reimbursement of Letter of Credit drawings which Agent has paid. If any amounts in the Heico Letter of Credit Account shall have been deposited upon the occurrence of an Event of Default, and such Event of Default shall have been subsequently cured or waived and no other Event of Default exists, such amounts shall be returned to the Borrower upon Borrower's written request and the Borrower shall be relieved of its obligations under this Section 4.3(b) until an Event of Default once again occurs. During the existence of an Event of Default but after the expiration of any Letter of Credit that was not drawn upon, the Borrower may direct the Agent to use any cash collateral for any such expired Letter of Credit, if any, to reduce the amount of the Obligations. Any amounts remaining in the Heico Letter of Credit Account, after the Revolving Credit Termination Date and after the expiration of all Letters of Credit and after all Obligations have been paid in full, shall be repaid to the Borrower promptly after such expiration and such payment in full.

(c) The obligations of the Borrower under this Section 4.3 will continue until all Letters of Credit have expired and all reimbursement obligations with respect thereto have been paid in full by the Borrower and until all other Obligations shall have been paid in full.

(d) The Borrower shall be obligated to reimburse Agent upon demand for all amounts paid under the Letters of Credit as set forth in Section 4.3(a) hereof; provided, however, if the Borrower for any reason fails to reimburse Agent in full upon demand, whether by borrowing Advances to pay such reimbursement obligations or otherwise, the Lenders shall reimburse Agent in accordance with each Lender's Pro Rata Portions for amounts due and unpaid from the Borrower as set forth in Section 4.4 hereof; provided, however, that no such reimbursement made by the Lenders shall discharge the Borrower's obligations to reimburse Agent.

(e) The Borrower shall indemnify and hold Agent and each Lender, its officers, directors, representatives and employees harmless from loss of any claim, demand or liability which may be asserted against Agent or such indemnified party in connection with actions taken under the Letters of Credit or in connection therewith, and shall pay Agent for reasonable fees of attorneys (who may be employees of Agent) and legal costs paid or incurred by Agent in connection with any matter related to the Letters of Credit, except only for losses and liabilities incurred as a direct result of the gross negligence of wilful misconduct of Agent or such indemnified party. If the Borrower for any

reason fails to indemnify or pay Agent or such indemnified party as set forth herein in full, the Lenders shall indemnify and pay Agent upon demand, in accordance with each Lender's Pro Rata Portion of such amounts due and unpaid from Borrower. The provisions of this Section 4.3(e) shall survive the termination of this Agreement.

4.4 LENDERS' OBLIGATIONS. Each Lender agrees, unconditionally and irrevocable to reimburse Agent (to the extent Agent is not otherwise reimbursed by the Borrower in accordance with Section 4.3(a) hereof) on demand for such Lender's Pro Rata Portion of each draw paid by Agent under any Letter of Credit. All amounts payable by any Lender under this subsection shall include interest thereon at the Federal Funds Rate, from the date of the applicable draw to the date of reimbursement by such Lender. No Lender shall be liable for the performance or nonperformance of the obligations of any other Lender under this Section. The obligations of the Lenders under this Section shall continue after the Revolving Credit Termination Date and shall survive termination of any Loan Documents.

#### 4.5 AGENT'S OBLIGATIONS.

(a) Agent makes no representation or warranty, and assumes no responsibility with respect to the validity, legality, sufficiency or enforceability of any Application or any document relative thereto or to the collectibility thereunder. Agent assumes no responsibility for the financial condition of the Borrower and its Subsidiaries or for the performance of any obligation of the Borrower. Agent may use its discretion with respect to exercising or refraining from exercising any rights, or taking or refraining from taking any action which may be vested in it or which it may be entitled to take or assert with respect to any Letter of Credit or any Application.

(b) Except as set forth in subsection (c) below, Agent shall be under no liability to any Lender, with respect to anything the Agent may do or refrain from doing in the exercise of its judgment, the sole liability and responsibility of Agent being to handle each Lender's share on as favorable a basis as Agent handles its own share and to promptly remit to each Lender its share of any sums received by Agent under any Application. Agent shall have no duties or responsibilities except those expressly set forth herein and those duties and liabilities shall be subject to the limitations and qualifications set forth herein.

(c) Neither Agent nor any of its directors, officers, or employees shall be liable for any action taken or omitted (whether or not such action taken or omitted is expressly set forth herein) under or in connection herewith or any other instrument or document in connection herewith, except for gross negligence or willful misconduct, and no Lender waives its right to institute legal action against Agent for wrongful payment of any Letter of Credit due to Agent's gross negligence or willful misconduct. Agent shall incur no liability to any Lender, the Borrower or any Affiliate of the Borrower or Lender in acting upon any notice, document, order, consent, certificate, warrant or other instrument reasonably believed by Agent to be genuine or authentic and to be signed or sent by the proper party.

SECTION 5. COLLATERAL, GUARANTIES AND SUBORDINATION.

Payment of all Obligations shall be secured, guaranteed, and subordinated as provided in this Section 5 (all documents, instruments and agreements referred to herein or to be delivered pursuant to this Section 5 being referred to collectively as the "Security Documents"). All Security Documents shall be delivered on the Closing Date and as required pursuant to this Agreement thereafter.)

5.1 LIEN AND SECURITY INTEREST IN ALL ASSETS OF THE BORROWER. Payment of the Loans, any and all other obligations under the Loan Documents, and any other obligations of Borrower to Lenders presently existing or hereafter arising in connection with the Loan Documents (collectively, the "Obligations"), shall be secured by a first priority perfected lien and security interest (subject only to Permitted Prior Liens and such other Permitted Liens as receive mandated priority purely and solely by operation of law) in all assets (other than real property) of Borrower, now owned or hereafter acquired, including but not limited to all personal property, furniture, fixtures, equipment, machinery, motor vehicles, inventory, Parts Manufacturing Approvals (PMA's) issued by the Federal Aviation Administration, accounts, documents, contract rights, leases, chattel paper, instruments, trademarks, copyrights, licenses, royalties, other intellectual property, and general intangibles now owned or hereafter acquired or arising, and all proceeds thereof; together with an assignment of rents and leases as to any real property leases held by Borrower (all of the foregoing, collectively, the "Borrower's Collateral"). Notwithstanding anything to the contrary set forth herein, (i) "Borrower's Collateral" shall not include Borrower's interest in any leases of equipment in effect as of the date hereof, or the equipment covered by such leases, if (but only to the extent that) an encumbrance thereof would constitute an event of default under the terms of such leases, and (ii) the security interests granted by Borrower and the Subsidiaries with respect to financial assets (as such term is defined in the Florida UCC effective as of October 1, 1998) are not perfected, and until the occurrence of an Event of Default, Borrower and Subsidiaries shall not have any obligation to perfect a security interest in such financial assets. Borrower shall execute and deliver to Agent for the benefit of the Lenders such security agreements, assignments of rents and leases, and other security documents as Agent shall request, covering said Borrower's Collateral, all in form and substance satisfactory to Agent (collectively, the "Borrower Security Agreements"). The Borrower Security Agreements shall be sufficient, when notice thereof is properly filed or recorded in the appropriate jurisdictions, to grant to Agent for the benefit of the Lenders a first priority perfected lien and security interest in the property described therein, to the extent perfection may be achieved by recording, subject to no prior liens or encumbrances except in favor of Agent for the benefit of the Lenders, Permitted Prior Liens, and such other Permitted Liens as shall take mandated priority purely and solely by operation of law. Notwithstanding the previous sentence, Borrower and its Consolidated Subsidiaries shall be entitled from time to time to place inventory on consignment or deliver items of inventory to their customers for demonstration purposes, provided that the total aggregate fair market value of all such inventory on consignment or demonstration by Borrower and all of its Subsidiaries combined shall not at any time exceed U.S. \$5,000,000.00, and only in the event that an Event of Default has occurred hereunder, shall Borrower and its Subsidiaries be required to take such steps as may be necessary effectively to grant and perfect a security interest in such inventory on consignment or demonstration. The Borrower Security Agreement shall constitute the legal, valid, and binding agreement and obligations of the Borrower, enforceable against the Borrower and the Borrower's Collateral in accordance with its terms, except (i) as enforceability may be limited by applicable bankruptcy, insolvency, or reorganization laws affecting the enforcement of creditors' rights generally and (ii) as enforceability may be limited or qualified by general principles of equity. Borrower agrees to execute or otherwise provide to Agent for the benefit of the Lenders any and all modifications, financing statements, and other agreements, consents, and documents required by Agent now or in the future in connection therewith.

5.2 GUARANTIES. Payment of all of the Obligations presently existing or hereafter arising



shall be guaranteed, jointly and severally by each of the Guarantors, which guarantees shall be evidenced by the execution and delivery by Guarantors to the Agent for the benefit of the Lenders of absolute, continuing and unconditional guaranties in form and substance satisfactory to Agent (individually, a "Guaranty" and collectively, the "Guaranties"). In connection with the Guaranties set forth in this Agreement, Borrower represents and warrants that each of the Guaranties constitutes the valid and binding obligation of the respective Guarantor giving the same, enforceable against such Guarantor in accordance with its terms, and that good and sufficient consideration for each Guaranty has been received by the Guarantor due to the fact that each of the Guarantors shall materially benefit from the effectuation of this Agreement and the Loans and Letters of Credit hereunder, inasmuch as all of the Guarantors and the Borrower are wholly interrelated and dependent upon each other, and each Guarantor may receive proceeds from any Loan or Letter of Credit.

5.3 LIEN AND SECURITY INTEREST IN ALL ASSETS OF THE GUARANTORS. Payment of all obligations of each Guarantor under its Guaranty, and all Obligations hereunder shall be secured by a first priority perfected lien and security interest (subject only to Permitted Prior Liens and such other Permitted Liens as receive mandated priority purely and solely by operation of law) in all assets (other than real property) of such Guarantor, now owned or hereafter acquired, including but not limited to all personal property, furniture, fixtures, equipment, machinery, motor vehicles, inventory, Parts Manufacturing Approvals (PMA's) issued by the Federal Aviation Administration, accounts, documents, contract rights, leases, chattel paper, instruments, trademarks, copyrights, licenses, royalties, other intellectual property, and general intangibles now owned or hereafter acquired or arising, and all proceeds thereof; together with an assignment of rents and leases as to any real property leases held by such Guarantor (collectively, the "Subsidiary's Collateral"). Notwithstanding anything to the contrary set forth herein : (i) "Subsidiary's Collateral" shall not include any Subsidiary's interest in any leases of equipment in effect as of the date hereof, or the equipment covered by such leases, if (but only to the extent that) an encumbrance thereof would constitute an event of default under the terms of such leases; and (ii) any property of HEICO Aerospace Corp. which is encumbered by a security interest granted to the trustee to secure repayment or credit enhancement of the HEICO Aerospace Corporation Industrial Development Revenue Bonds - Series 1996 - Broward County, Florida (October 19, 1996), any property of HEICO Aerospace Corporation which is encumbered by a security interest granted to the trustee to secure repayment or credit enhancement of the HEICO Aerospace Corporation Industrial Development Refunding Bonds - Series 1988 - Broward County, Florida (March 28, 1988), any property of Trilectron Industries, Inc. which is encumbered by a security interest granted to the trustee to secure repayment or credit enhancement of the Trilectron Industries, Inc. Industrial Development Revenue Bonds - Series 1997A - - Manatee County, Florida (March 27, 1997), and/or any property of Trilectron Industries, Inc. which is encumbered by a security interest granted to the trustee to secure repayment or credit enhancement of the Trilectron Industries, Inc. Industrial Development Revenue Bonds - Series 1997C - Manatee County, Florida (November 3, 1997) (all of the documents executed with the foregoing industrial development bonds, collectively, the "Bond Documents"), shall not be deemed "Subsidiary's Collateral" if (but only to the extent that) an encumbrance on such property would constitute an event of default under the terms of the Bond Documents.

Borrower shall cause each Guarantor to execute and deliver to Agent for the benefit of the Lenders such security agreements, assignments of rents and leases, and other security

documents as Agent shall request, covering said Subsidiary's Collateral, all in form and substance satisfactory to Agent (collectively, "Subsidiary Security Agreements"). The Subsidiary Security Agreements shall be sufficient, when notice thereof is properly filed or recorded in the appropriate jurisdictions, to grant to Agent for the benefit of the Lenders a first perfected lien and security interest in the property described therein, subject to no prior liens or encumbrances except in favor of Agent for the benefit of the Lenders, Permitted Prior Liens, and such other Permitted Liens as shall take mandated priority purely and solely by operation of law. Each Subsidiary shall be permitted to place inventory on consignment or deliver inventory to its customers on demonstration to the extent permitted and subject to the limitations and requirements set forth in Section 5.1. Each of the Subsidiary Security Agreements shall constitute the legal, valid, and binding agreement and obligations of the respective Subsidiary party thereto, enforceable against such Subsidiary and the Subsidiary's Collateral in accordance with its terms, except (i) as enforceability may be limited by applicable bankruptcy, insolvency, or reorganization laws affecting the enforcement of creditors' rights generally and (ii) as enforceability may be limited or qualified by general principles of equity. Borrower shall cause each Guarantor to execute or otherwise provide to Agent for the benefit of the Lenders any and all modifications, financing statements, and other agreements, consents, and documents required by Agent now or in the future in connection therewith.

5.4 SUBORDINATION; PERMITTED PRIOR LIENS AND PERMITTED LIENS. The liens and security interests granted to Agent for the benefit of the Lenders pursuant to the Borrower Security Agreements and the Subsidiary Security Agreements shall be subordinate only to (a) those liens listed in Schedule 5.4 attached to this Agreement, to which Permitted Prior Liens the Agent hereby consents in writing, (b) any liens in the nature of purchase money security interests securing Purchase Money Indebtedness in equipment acquired in the ordinary course of business of the Borrower and its Subsidiaries that are Guarantors, (c) Capital Leases of equipment, (d) Indebtedness assumed in a Permitted Acquisition to the extent and only to the extent permitted pursuant to Section 2.3, (e) such other prior long-term debt as may be assumed with the specific prior written consent of the Required Lenders ((a) through (e) collectively, the "Permitted Prior Liens"), and (f) such other Permitted Liens as may have mandated priority arising purely and solely by operation of law. All of the Borrower's Collateral and all of the Subsidiary's Collateral of each Guarantor shall be free and clear of all liens, claims, or Encumbrances of any kind, except only for (i) the Permitted Prior Liens and (ii) any other liens permitted pursuant to Section 9.2 ("Permitted Liens"), which Permitted Liens shall be subordinate in priority to all liens and security interests granted to Agent for the benefit of the Lenders pursuant to the Borrower Security Agreements and the Subsidiary Security Agreements except as otherwise mandated purely and solely by operation of law.

5.5 CROSS-COLLATERAL; CROSS DEFAULT. The Obligations and any other obligations under the Loan Documents or the Guaranties shall be and constitute secured "Liabilities" or "Obligations" as defined in, and secured pursuant to, any other security agreement now existing or hereafter entered into between Borrower and the Agent for the benefit of the Lenders.

5.6 SPECIAL PROVISIONS WITH RESPECT TO LUFTHANSA TECHNIK AG, A MINORITY SHAREHOLDER OF HEICO AEROSPACE HOLDINGS CORP. The Subsidiary Security Agreement given by Heico Aerospace Holdings Corp. shall provide that the net proceeds realized by Agent upon a sale or other disposition of the Collateral (as defined therein), or any part thereof, after deduction of the

expenses of retaking, holding, preparing for sale, selling or the like, and reasonable attorneys' fees and other expenses incurred by Agent shall be applied to payment of (or held as a reserve against) the Liabilities (as defined therein), whether or not then due, and in such order of application as Agent may from time to time elect, notwithstanding the existence of any other security interests in the Collateral, subject to the provisions of Article 18 of that certain Shareholders Agreement dated as of October 30, 1997 by and among HEICO Aerospace Holdings Corp., Borrower and Lufthansa Technik AG, as in effect as of October 30, 1997, if applicable and to the extent legally enforceable, and shall further provide that Agent shall account to Debtor for any surplus realized upon such sale or other disposition, after satisfaction of all creditors of Debtor, and Debtor shall remain liable for any deficiency.

5.7 PLEDGE OF STOCK OF FOREIGN SUBSIDIARIES. The Borrower and each Subsidiary of Borrower which owns or hereafter acquires any Subsidiary organized under the laws of any jurisdiction outside of the 50 states of the United States of America ("Foreign Subsidiary") shall pledge and grant a first priority security interest in all stock of such Foreign Subsidiary owned or acquired by Borrower or any Subsidiary (provided that in the event that such pledge and security interest will result in an inclusion in income in the nature of a deemed dividend to the Borrower pursuant to Sections 951 and 956 of the United States Internal Revenue Code of 1986, as amended, then the Borrower or such Subsidiary acquiring the Foreign Subsidiary shall pledge and grant a first priority security interest in 65% of the stock of such Foreign Subsidiary owned or acquired by Borrower or such Subsidiary) to Agent for the Benefit of Lenders as collateral security for, (i) in the case of a Foreign Subsidiary directly owned by the Borrower, the Obligations of the Borrower, or (ii) in the case of a Foreign Subsidiary of a Subsidiary, the obligations of such Subsidiary under its Guaranty. Such pledge of stock shall be pursuant to a stock pledge and security agreement in form and substance satisfactory to Agent and the Required Lenders (a "Foreign Subsidiary Stock Pledge Agreement"), and Borrower and any such Subsidiary owning or acquiring a Foreign Subsidiary shall execute and deliver all such other documents, and take all such further actions, including without limitation delivering physical possession to Agent for the benefit of Lenders of all stock certificates representing stock of such Foreign Subsidiary owned by Borrower or any Subsidiary, duly endorsed in blank, so as effectively to grant and perfect a first priority lien and security interest in such stock. The provisions of this Section 5.7 shall apply to Borrower's Subsidiary HEICO International corporation, a U.S. Virgin Islands corporation ("HIC"), and Borrower shall pledge and grant to Agent for the benefit of the Lenders pursuant to the Foreign Subsidiary Stock Pledge Agreement a first priority security interest in 65% of the stock of HIC owned by Borrower. Borrower hereby further covenants and agrees that Borrower will not at any time, and will not permit any Subsidiary of Borrower to, convey, transfer or assign any cash, cash equivalents or other property or assets of any kind to HIC (other than commissions earned in the ordinary course of business of HIC; provided that Pledgor will cause HIC to dividend or distribute to Borrower all such commissions within twenty-four (24) hours after the time received by HIC).

## SECTION 6. REPRESENTATIONS AND WARRANTIES.

To induce Agent and the Lenders to enter into this Agreement and to make the Advances hereunder, Borrower represents and warrants to Agent and the Lenders (which representations and warranties shall survive the delivery of the documents mentioned herein and the making of the Loan or Loans contemplated hereby) as follows:

6.1 CORPORATE EXISTENCE; COMPLIANCE WITH LAW; NAME HISTORY. Each of Borrower and its Subsidiaries is a corporation duly incorporated and organized, validly existing, and in good standing under the laws of the jurisdiction of its incorporation. Each of Borrower and its Subsidiaries has all requisite power (corporate and otherwise) to own and operate its properties and to carry on its business as now being conducted, is duly qualified as a foreign corporation to do business in every jurisdiction in which the nature of its business or the ownership of its properties makes such qualification necessary and is in good standing in such jurisdictions, and has all licenses and permits necessary to carry on and conduct its business in all states and localities wherein it now operates. Each of Borrower and its Subsidiaries is, and for so long as this Agreement remains in effect will remain, in compliance with all other requirements of law, rule, or regulation applicable to it or to its business, including without limitation any and all city, county, state, or federal legal or regulatory requirements, requirements of any governmental protective agencies, Federal Aviation Administration, Office of Safety and Health Administration, Federal and State land sales statutes, regulations governing Developments of Regional Impact (DRI's), any and all equal opportunity laws or regulations, and any and all court or regulatory orders, or other legal, judicial, or regulatory requirements applicable to it or its business, except in each case where the lack of such circumstance would not have a Material Adverse Effect. Borrower does not have any direct or indirect Subsidiaries, except for those described on Schedule 6.1 hereto. Except as set forth in Schedule 6.1 hereto, neither Borrower nor any of its Subsidiaries has merged, changed its name, or done business under a fictitious name during the past five years.

6.2 CORPORATE POWER AND AUTHORIZATION TO EXECUTE LOAN DOCUMENTS; NO CONFLICT; NO CONSENT. Each of Borrower and the Guarantors has the corporate power and authority to execute and deliver the Loan Documents to be executed by it and to perform its obligations thereunder and has taken all corporate action necessary to authorize the execution, delivery, and performance of such Loan Documents and to authorize the transactions contemplated thereby. The execution, delivery, and performance by each of Borrower and each Guarantor of the Loan Documents to be executed by it does not: (a) contravene, conflict with, result in the breach of, or constitute a violation of or default under (i) the certificate of incorporation or bylaws of Borrower or such Guarantor, (ii) any applicable law, rule, regulation, judgment, order, writ, injunction, or decree of any court or governmental authority, except where the lack of such circumstance would not have a Material Adverse Effect, or (iii) any agreement or instrument to which Borrower or any Guarantor is a party or by which Borrower or any Guarantor or any of its property may be bound or affected, except where the lack of such circumstance would not have a Material Adverse Effect; or (b) result in the creation of any lien, charge, or encumbrance upon any property or assets of Borrower or any Guarantor pursuant to any of the foregoing. No consent, license, or authorization of, or filing with, or notice to, any Person or

entity (including, without limitation, any governmental authority), is necessary or required in connection with the execution, delivery, performance, validity, or enforceability of the Loan Documents and the transactions as contemplated thereunder, except for consents, licenses, authorizations, filings, and notices which have already been obtained or performed and of which Agent has been provided written notice, which are referred to or disclosed in the Loan Documents, or except which the failure to have would not have a Material Adverse Effect. Any consents, licenses, authorizations, filings, or notices which have been obtained remain in full force and effect.

6.3 ENFORCEABLE OBLIGATIONS. The Loan Documents constitute legal, valid, and binding agreements and obligations of Borrower and each Guarantor, enforceable against Borrower and each Guarantor in accordance with their respective terms.

#### 6.4 FINANCIAL CONDITION.

(a) The consolidated financial statements (including the notes thereto) as of April 30, 1998, of Borrower and its Subsidiaries, copies of which have been furnished to Agent and Lenders, are correct, complete in all material respects, and fairly present the financial condition of Borrower and its Consolidated Subsidiaries as of the date of the financial statements and fairly present the results of the operations of Borrower and its Consolidated Subsidiaries, taken as a whole, for the period covered thereby, subject to non-material changes resulting from normal, recurring year-end adjustments.

(b) The financial statements described above have been prepared in accordance with Generally Accepted Accounting Principles applied on a Consistent Basis maintained throughout the period involved. There has been no material adverse change in the business, operations, properties, or financial condition of Borrower and its Consolidated Subsidiaries, taken as a whole, since the date of such financial statements.

(c) Borrower and its Consolidated Subsidiaries, when taken as a whole, do not have any material direct or contingent liabilities, liabilities for taxes, long-term leases, or unusual forward or long-term commitments as of the date of this Agreement which are not disclosed by, provided for, or reserved against in the foregoing financial statements or referred to in notes thereto, and at the date of this Agreement there are no material unrealized or anticipated losses of Borrower and its Subsidiaries, when taken as a whole.

6.5 NO LITIGATION. Except as set forth in Schedule 6.5 hereto, there is no suit or proceeding at law or in equity or other proceeding or investigation (including proceedings by or before any court, arbitrator, governmental or administrative commission, board, bureau, or other administrative agency) pending, or to the knowledge of Borrower threatened, against Borrower, against any of its Subsidiaries, or against any of its or their properties, existence, or revenues which, individually or in the aggregate, if adversely determined, is reasonably likely to have a Material Adverse Effect, or, regardless of outcome, which would be required to be disclosed in notes to any consolidated balance sheets as of the date hereof of Borrower and its Consolidated Subsidiaries prepared in reasonable detail in accordance with Generally Accepted Accounting Principles.

#### 6.6 INVESTMENT COMPANY ACT; REGULATION.

(a) Neither Borrower nor any of its Subsidiaries is an "investment company," an "affiliated person" of, or "promoter" or "principal underwriter" for, any "investment company," or a company "controlled" by an "investment company," and Borrower is not an "investment advisor" or an "affiliated person" of an "investment advisor" (as each of the quoted terms is defined or used in the Investment Company Act of 1940, as amended). Neither the making of the Advances or Loans, nor the establishment of the credits hereunder, nor the application of the proceeds or repayment thereof by Borrower, nor the consummation of the other transactions contemplated hereby, will violate the provisions of the foregoing Act or any rule, regulation, or order promulgated thereunder.

(b) Neither Borrower nor any of its Subsidiaries is subject to regulation under any state or local public utilities code or federal, state, or local statute or regulation limiting the ability of Borrower or any Subsidiary to incur indebtedness for money borrowed.

6.7 DISCLOSURE AND NO UNTRUE STATEMENTS. No representation or warranty or statement made by Borrower or by any Guarantor in the Loan Documents or in any schedule or exhibit thereto, or in any certificate, report, statement, or other document or information furnished to the Agent in connection with or prior to the Loan Documents, or which will be made or furnished by Borrower or any Guarantor from time to time in connection with the Loan Documents, contains or will contain any misrepresentation or untrue statement of any material fact or omits to state a material fact or any fact necessary to make the statements contained herein or therein not misleading. There is no fact known to Borrower which would have a Material Adverse Effect, which has not been set forth or referred to in the Loan Documents or otherwise disclosed in writing to Agent.

6.8 TITLE TO ASSETS; LEASES IN GOOD STANDING. Borrower has good and marketable title in fee to such of its fixed assets as are real property and good and marketable title to its other properties and assets, including the properties and assets reflected in the financial statements and notes thereto described in Subsection 6.4 hereof, except where the failure to have such title would not have a Material Adverse Effect, and except for such assets as have been disposed of in the ordinary course of business. All such properties and assets are free and clear of all liens, mortgages, pledges, security interests, charges, title retention agreements, or other Encumbrances of any kind, except those permitted under Subsection 9.2, if any. Each of Borrower and its Subsidiaries enjoys peaceful and undisturbed possession under all leases under which it is now operating, the termination of which could be reasonably expected to have a Material Adverse Effect, and all such leases are valid, subsisting, and in full force and effect and neither Borrower nor any Subsidiary is in violation of any material term of any such lease. Borrower's Subsidiary HEICO Aerospace Holdings Corp. has no assets, and at all times hereunder will have no assets, other than capital stock of its direct subsidiaries, except as permitted pursuant to Section 9.10.

6.9 PAYMENT OF TAXES. Each of Borrower and, to the extent required, its Subsidiaries, has filed or caused to be filed all federal, state, and local tax returns which are required to be filed by it and has paid or caused to be paid all taxes as shown on said returns or on any assessment received by it, to the extent that such taxes have become due, other than taxes being contested in good faith by

appropriate proceedings diligently conducted and for which adequate reserves have been established in accordance with Generally Accepted Accounting Principles, and no controversy in respect of additional taxes of Borrower which will have or is likely to have a Material Adverse Effect, is pending, or, to the knowledge of Borrower, threatened.

6.10 NO DEFAULT UNDER AGREEMENT OR INSTRUMENTS. Each of Borrower and its Subsidiaries is in full compliance with and is not in default in the performance, observance, or fulfillment of any obligations, covenants, or conditions contained in any agreement or instrument to which it is a party, except where such failure would not have a Material Adverse Effect.

6.11 PATENTS, TRADEMARKS, LICENSES, ETC. Each of Borrower and each of its Subsidiaries owns, possesses, or has the right to use, and holds free from burdensome restrictions or known conflicts with the rights of others, all patents, patent rights, licenses, Parts Manufacturing Approvals (PMA's) issued by the Federal Aviation Administration, trademarks and service marks, trademark and service mark rights, trade names, trade name rights, and copyrights, and all rights with respect to the foregoing, necessary to conduct its business as now conducted, and is in full compliance with the terms and conditions, if any, of all such patents, patent rights, licenses, trademarks and service marks, trademark and service mark rights, trade names, trade name rights, or copyrights and the terms and conditions of any agreements relating thereto, except where such failure would not have a Material Adverse Effect.

6.12 GOVERNMENT CONTRACT. Neither Borrower nor any Subsidiary of Borrower is subject to the renegotiation of any government contract in any material amount.

6.13 ERISA REQUIREMENT. Except as previously disclosed to Agent in writing, neither Borrower nor any Subsidiary has in force any pension plan subject to Title IV of ERISA. Neither Borrower nor any Subsidiary has ever terminated a pension plan subject to Title IV of ERISA. In addition, neither Borrower nor any predecessor of Borrower, nor any Subsidiary or any predecessor of such Subsidiary, is now or was formerly during the five year period immediately preceding the effective date of this Agreement a participating employer in any multi-employer plan within the meaning of 001(1)(a)(3) of ERISA. Each employee benefit plan maintained by Borrower or any Subsidiary which is subject to the requirements of ERISA substantially complies with all of the requirements of ERISA and those plans which are subject to being "qualified" under Sections 401(a) and 501(a) of the Internal Revenue Code of 1986, as amended from time to time, have since their adoption been "qualified" and have received favorable determination letters from the Internal Revenue Service so holding. To the best knowledge of Borrower, there is no matter which would adversely affect the qualified tax exempt status of any such trust or plan, and except as previously disclosed to Agent, there are no deficiencies for any such plan or trust. To the best knowledge of Borrower, no employee benefit plan sponsored by Borrower or any Subsidiary has engaged in a non-exempt "prohibited transaction" as defined in ERISA.

6.14 SOLVENCY. Borrower is, and on and after the consummation of the transactions contemplated herein will be, Solvent. Each Subsidiary of Borrower is, and on and after the consummation of the transactions contemplated herein will be, Solvent.

6.15 LOCATION OF OFFICES. Schedule 6.15 contains a true and correct statement with respect to the Borrower and each Subsidiary of its chief executive office and principal place of business. The chief executive office, the principal place of business, and the office where all books and records of Borrower and each Subsidiary of Borrower are kept is at the location described with respect to the Borrower or such Subsidiary on Schedule 6.15.

6.16 SUBSIDIARIES. The matters described above at Subsections 6.1, 6.2, 6.3, 6.5, 6.6, 6.7, 6.8, 6.9, 6.10, 6.11, 6.12, 6.13, 6.14, and 6.15 with respect to Borrower, its business, and its assets, are true with respect to each Subsidiary, its business, and its assets, to the extent applicable.

#### SECTION 7. CONDITIONS OF LENDING.

The obligation of Agent and the Lenders to establish the credit and to permit any Borrowings hereunder is conditioned upon the performance of all agreements by Borrower contained herein that are required to be performed at or prior to the time of such Borrowings, as well as satisfaction or waiver by the Required Lenders of the following conditions precedent:

7.1 CONTINUING ACCURACY OF REPRESENTATIONS AND WARRANTIES. At the time of each Borrowing hereunder, the representations and warranties set forth in Section 6 hereof, as supplemented by written disclosures given by Borrower to Agent and the Lenders (including subsequent financial statements provided to Agent and the Lenders) of changes affecting such representations and warranties (but which changes would not create an Event of Default under this Agreement except as may have been waived by the Required Lenders in writing or for which consent has been given by the Required Lenders in writing in their sole discretion) shall be true, correct, and complete in all material respects on and as of the date of the Borrowing with the same effect as though the representations and warranties had been made on and as of the date of the Borrowing, except to the extent that such representations and warranties may expressly relate to an earlier date, in which case they shall continue to be true as of such date.

7.2 NO DEFAULT. At the time of each Borrowing hereunder, all payments of fees due to the Agent pursuant to that certain fee letter between Borrower and Agent, dated July 7, 1998, shall have been paid to Agent in full; all payments of principal, interest, fees, and any other amounts due to Agent or Lenders under this Agreement or under any of the Loan Documents shall have been paid in full when due (without application of any grace period otherwise applicable thereto); and no Event of Default, nor any event which upon notice or lapse of time or both would constitute an Event of Default, shall have occurred and be continuing at the time of such Borrowing.

7.3 BORROWING CERTIFICATE. At the time of each Borrowing hereunder, Borrower will deliver to Agent a certificate substantially in the form of Exhibit B attached to this Agreement ("Borrowing Certificate"), executed by Borrower's chief executive officer or chief financial officer certifying the matters contained in Subsections 7.1 and 7.2 hereof, and including without limitation a specific certification of compliance with all covenants including all financial covenants of the Borrower, as of such date (or specifying all exceptions thereto and what actions Borrower is taking or proposes to take with respect thereto), which Borrowing Certificate shall be in form and substance satisfactory to Agent.



7.4 OPINION OF BORROWER'S COUNSEL. On or prior to the date of this Agreement, Agent and the Lenders shall have received the favorable opinion of counsel for Borrower, in form and substance satisfactory to Agent and the Lenders.

7.5 APPROVAL OF AGENT'S COUNSEL. On or prior to the date of this Agreement, all legal matters in connection with the Loan Documents and the transactions herein and therein contemplated and all documents and proceedings shall be satisfactory in form and substance to Holland & Knight LLP, counsel for Agent.

7.6 LOAN DOCUMENTS. On or prior to the date of this Agreement, Agent shall have received, on behalf of the Lenders, duly executed, this Agreement and the other Loan Documents, all in form and substance satisfactory to Agent, counsel for Agent, and the Lenders.

7.7 INSURANCE. At the Closing under this Agreement, Agent shall have received, on behalf of the Lenders, evidence of insurance coverage of Borrower and all of its Subsidiaries, and their business and properties, satisfactory in form, substance and amount, to the Agent, in its reasonable discretion, including such insurance coverage for liability, casualty, property damage, hazards, workmen's compensation and any other special coverages as the Agent may reasonably require, subject to a standard loss-payee's and additional insured's endorsement in favor of Agent for the benefit of the Lenders.

7.8 SUPPORTING DOCUMENTS. On or prior to the date of this Agreement, Agent shall have received, on behalf of the Lenders, all other documents and instruments required hereunder or otherwise reasonably required by Agent or any Lender to be executed and delivered or otherwise provided in form and substance satisfactory to Agent, counsel for Agent, and the Required Lenders, including without limitation certified copies of organizational documents, including bylaws, authorizing resolutions of the Board of Directors, incumbency certificates, and good standing certificates for the Borrower and each Guarantor; certified copies of all consents, approvals, authorizations, registrations, or filings required to be made or obtained by the Borrower or any Guarantor in connection with this Agreement or the credit extended hereunder; executed, recorded and filed Uniform Commercial Code financing statements perfecting first lien security interests in all of the Borrower's Collateral and all of the Subsidiary's Collateral of each Subsidiary; and any and all other agreements, documents or instruments reasonably required by Agent to obtain the Guaranties and the security interests to be granted pursuant to Section 5 of this Agreement.

#### SECTION 8. AFFIRMATIVE COVENANTS.

Borrower covenants and agrees that from the date of this Agreement until payment in full of all present or future Indebtedness hereunder and termination of all present or future credit facilities established hereunder, unless the Required Lenders shall otherwise consent in writing, Borrower will comply with the following provisions:

8.1 FINANCIAL REORTS AND OTHER INFORMATION. Borrower will deliver or cause to be

delivered to Agent and the Lenders the following:

(a) As soon as practicable and in any event within forty-five (45) days after the end of each of the first, second and third fiscal quarters, then current financial statements of the Borrower and its Consolidated Subsidiaries for such fiscal quarter, including without limitation a balance sheet as of the last day of such quarter, a statement of income for such quarter and cumulative year-to-date, and related statement of cash flows for such fiscal quarter for Borrower and its Consolidated Subsidiaries, all in reasonable detail and satisfactory in scope to Required Lenders and certified by the chief financial officer of Borrower as to the fairness, completeness and accuracy in all material respects of such financial statements and that the same have been prepared in accordance with Generally Accepted Accounting Principles applied on a Consistent Basis, subject to changes resulting from normal, recurring year-end adjustments;

(b) As soon as practicable and in any event within ninety (90) days after the end of each fiscal year, the then current audited financial statements of the Borrower and its Consolidated Subsidiaries for such fiscal year, including the balance sheet as of the end of such fiscal year, and related statements of income, retained earnings, and cash flows for such fiscal year for Borrower and its Consolidated Subsidiaries, setting forth in each case in comparative form figures for the corresponding period in the preceding fiscal year, all in reasonable detail and satisfactory in scope to Required Lenders and, with respect to consolidated financial statements for Borrower, certified by and containing an unqualified opinion of Deloitte & Touche LLP, or other independent certified public accountants of recognized national standing, which accountants shall be selected by Borrower and satisfactory to the Agent, and certified by the chief financial officer of Borrower as to the fairness, completeness and accuracy in all material respects of such financial statements and that the same have been prepared in accordance with Generally Accepted Accounting Principles applied on a Consistent Basis;

(c) Together with delivery of the items required in clause (b), a detailed report of the Borrower's projections of its revenues, expenses, results of operations, cash flows and financial position for the next fiscal year, broken down by month, in such degree of specificity as may be reasonably requested by Agent, and including without limitation projected income statements, balance sheets and cash flow statements for each quarter of the next fiscal year for the Borrower and its Consolidated Subsidiaries;

(d) Within ten (10) days after receipt thereof, copies of any management audit letters provided to Borrower by the independent certified public accountant who prepared Borrower's financial statements;

(e) As soon as practicable and in any event within forty-five (45) days after the end of each fiscal quarter, a copy of any quarterly 10-Q report or any other report filed by Borrower with the United States Securities and Exchange Commission during or for such quarter, if any;

(f) As soon as practicable and in any event within ninety (90) days after the end of each fiscal year, a copy of the annual 10-K report filed by Borrower with the United States

Securities and Exchange Commission if any;

(g) Together with each delivery of the items required by clauses (a) and (b) above, a certificate in the form attached hereto as Exhibit C (the "Compliance Certificate") executed by the chief financial officer of Borrower, (i) containing computations in reasonable detail indicating compliance with Subsections 8.15(a), (b), (c), (d), (e), (f), and (g) hereof, and (ii) certifying the matters contained in Subsections 7.1 and 7.2 hereof as of such date (or specifying all exceptions thereto and what actions Borrower is taking or proposes to take with respect thereto);

(h) With reasonable promptness, such additional financial or other data relating to Borrower or any of its Subsidiaries as Agent or any Lender may from time to time reasonably request.

Agent and the Lenders are hereby authorized to deliver upon request a copy of any financial statements or any other information relating to the business, properties, or financial condition of Borrower or any of its Subsidiaries which may be furnished to them or come to their attention pursuant to the Loan Documents or otherwise, to any regulatory body or agency having jurisdiction over Agent or the Lenders or to any Person which shall, or shall have the right or obligation to, succeed to all or any part of Agent's or the Lenders' interest in the Loan Documents, subject to the provisions of Subsection 13.18 hereof.

8.2 PAYMENT OF INDEBTEDNESS TO AGENT; PERFORMANCE OF OTHER COVENANTS; PAYMENT OF OTHER OBLIGATIONS. (a) Borrower will make full and timely payment of the principal of and interest on the Indebtedness owed ATIONS hereunder, subject to the grace periods set forth in Subsection 10.1, if any; (b) Borrower will duly comply with all the terms and covenants contained in the Loan Documents; and (c) Borrower will make full and timely payment of all other Indebtedness of Borrower to Agent, whether now existing or hereafter arising, subject to any applicable grace periods.

8.3 CONDUCT OF BUSINESS; MAINTENANCE OF EXISTENCE AND RIGHTS. Borrower will do or cause to be done all things necessary to preserve and to keep in full force and effect its corporate existence and rights and privileges as a corporation and its franchises, licenses, trade names, patents, trademarks, and permits which are necessary for the continuance of its business, and continue to engage principally in the business currently operated by Borrower and its Subsidiaries.

8.4 MAINTENANCE OF PROPERTY. Borrower will maintain its property in good condition and repair in all material respects and, from time to time, make all necessary and proper repairs, renewals, replacements, additions, and improvements thereto, so that the business carried on may be properly and advantageously conducted at all times in accordance with prudent business management; provided, however, that nothing contained herein shall prevent Borrower from selling or abandoning items of property in the ordinary course of business or, with concurrent written notice to Agent, from terminating, in the discretion of the officers or directors of Borrower, any joint venture or any non-material operation.

8.5 RIGHT OF INSPECTION; DISCUSSIONS. Borrower will permit any Person designated by Agent or the Required Lenders to visit and inspect any of the properties, corporate books, records,

papers, and financial reports of Borrower, including the making of any copies thereof and abstracts therefrom, and to discuss its affairs, finances, and accounts with its principal officers, all at such reasonable times during normal business hours and with prior notice and as often as Agent or the Required Lenders may reasonably request. Borrower will also permit Agent or the Required Lenders, or their designated representatives, to audit or appraise, at Agent's or such Required Lenders' expense, any of its assets or financial and business records, provided that upon the occurrence and continuance of an Event of Default, such audit or appraisal shall be at Borrower's expense. Any designated representative of Agent or Required Lenders shall agree to be bound by the provisions of Subsection 13.18 hereof.

8.6 NOTICES. Borrower will reasonably promptly (and in no case longer than one Business Day after Borrower has knowledge thereof) give notice in writing to Agent of:

(a) The occurrence of any Event of Default (or event which would constitute an Event of Default but for the requirement that notice be given or time elapse or both) hereunder in which case such notice shall specify the nature thereof, the period of existence thereof, and the action that Borrower proposes to take with respect thereto;

(b) the occurrence of any casualty to any facility of Borrower or any of its Subsidiaries or any other force majeure (including, without limitation, any strike or other labor disturbance) affecting the operation or value of any such facility, and whether or not such casualty or force majeure is covered by insurance, which casualty, facility, or force majeure could reasonably be expected to give rise to a Material Adverse Effect;

(c) the commencement or any material change in the nature or status of any litigation, dispute, or proceeding, or the instituting of any attachment, levy, execution, or other process by or against any assets of Borrower or any of its Subsidiaries, which could reasonably be expected to have a Material Adverse Effect;

(d) the occurrence of a change in, modification to, cancellation or early termination of, or default in (or event which would constitute a default but for the requirement that notice be given or time elapse or both) any obligation, contract, or agreement of Borrower or any of its Subsidiaries with any other Person, which could reasonably be expected to give rise to a Material Adverse Effect;

(e) any proposed Acquisition by Borrower or any Subsidiary, which notice shall be given at least fifteen (15) days before the proposed closing of any such Acquisition with a total acquisition price of less than U.S. \$25,000,000.00 or at least thirty (30) days before the proposed closing of any such Acquisition with a total acquisition price of equal to or more than U.S. \$25,000,000.00, or with an acquisition price which when added to the total acquisition prices of all other Acquisitions (excluding the McClain Acquisition and the PTM International Acquisition) during any four consecutive fiscal quarters of the Borrower in which the closing of such transaction will occur will amount to an aggregate of U.S. \$25,000,000.00 or more;

(f) any proposed incorporation or formation of any proposed or potential

Subsidiary, which notice shall be given at least five (5) days (or such lesser period as may be consented to in writing by Agent) before such incorporation or formation;

(g) any transaction listed in Section 9.4, which notice shall be given at least fifteen (15) days before such transaction is consummated; and

(h) any assessment in an amount in excess of U.S. \$100,000.00 by any taxing authority for unpaid taxes.

In each case above, Borrower shall provide to Agent such other information in respect thereof as the Agent may reasonably request.

8.7 PAYMENT OF TAXES; LIENS. Borrower will pay or cause to be paid when due, subject to any permitted extensions, all taxes, assessments, and other governmental charges which may lawfully be levied or assessed (a) upon the income or profits of Borrower; (b) upon any property, real, personal or mixed, belonging to Borrower, or upon any part thereof; or (c) by reason of employee benefit plans sponsored by Borrower, and will also pay or cause to be paid when due, subject to any permitted extensions, any lawful claims for labor, material, or supplies which, if unpaid, might become a lien or charge against any property of Borrower; provided, however, Borrower shall not be required to pay any such tax, assessment, charge, levy, or claim that is past due so long as the validity thereof shall be actively contested in good faith by appropriate proceedings and Borrower shall have set aside on its books adequate reserves (determined in accordance with Generally Accepted Accounting Principles) with respect to any such tax, assessment, charge, levy, or claim so contested; but provided further that any such tax, assessment, charge, levy, or claim shall be paid forthwith upon the commencement of proceedings to foreclose any lien securing the same.

8.8 INSURANCE OF PROPERTIES. Borrower will keep its business and properties insured at all times by insurance companies selected by it and acceptable to Agent against the risks for which provision for such insurance is usually made by other Persons engaged in a similar business similarly situated (including without limitation insurance for fire and other hazards, insurance against vandalism and theft, liability on account of damage to persons or property, business interruption, products liability, and insurance under all applicable workman's compensation laws) and to the same extent thereto and carry such other types and amounts of insurance as are usually carried by Persons engaged in the same or a similar business similarly situated, subject to a standard loss-payee's and additional insured's endorsement in favor of Agent for the benefit of the Lenders (subject to any requirements in the Bond Documents with respect to the collateral covered by the Bond Documents, to the extent applicable), and upon request deliver to Agent a certificate from the insurer setting forth the nature of the risks covered by such insurance, the amount carried with respect to each risk, and the name of the insurer.

8.9 TRUE BOOKS. Borrower will keep proper and true books of record and account, satisfactory to Agent, in which entries that are full, true, and correct in all material respects will be made of all of its dealings and transactions customarily recorded in the books of businesses of types substantially similar to that of Borrower, and establish on its books such reserves as may be required by Generally Accepted Accounting Principles with respect to all taxes, assessments, charges, levies,

and claims referred to in Subsection 8.7 hereof, and with respect to its business in general, and will, to the extent required by Generally Accepted Accounting Principles, include such reserves in any interim as well as year-end financial statements.

8.10 OBSERVANCE OF LAWS. Borrower will conform to and duly observe in all material respects, all laws, regulations, and other valid requirements of any governmental authority with respect to the conduct of its business, including without limitation all laws, rules and regulations referenced in Subsection 6.1 above.

8.11 FURTHER ASSURANCES. At its cost and expense, upon request of Agent, Borrower will duly execute and deliver or cause to be duly executed and delivered to Agent such further instruments or documents and do and cause to be done such further acts as may be reasonably necessary or proper in the opinion of Agent to carry out more effectively the provisions and purposes of this Agreement.

8.12 ERISA BENEFIT PLANS. Borrower will substantially comply with all requirements of ERISA applicable to it. Borrower will furnish to Agent as soon as possible and in any event within 10 days after Borrower or a duly appointed administrator of a plan (as defined in ERISA) knows or has reason to know that any reportable event, funding deficiency, or prohibited transaction (as defined in ERISA) with respect to any plan has occurred, a statement of the chief financial officer of Borrower describing in reasonable detail such reportable event, funding deficiency, or prohibited transaction and any action which Borrower proposes to take with respect thereto, together with a copy of the notice of such event given to the Pension Benefit Guaranty Corporation or the Internal Revenue Service or a statement that said notice will be filed with the annual report of the United States Department of Labor with respect to such plan if such filing has been authorized.

8.13 WITHHOLDING TAXES. Borrower will pay, as and when due, subject to any permitted extensions, all employee withholding, FICA, and other tax payments required by federal, state, and local governments with respect to wages paid to employees; provided, however, Borrower shall not be required to pay any such tax payment that is past due so long as the validity thereof shall be actively contested in good faith by appropriate proceedings and Borrower shall have set aside on its books adequate reserves (determined in accordance with Generally Accepted Accounting Principles) with respect to any such tax payment, so contested; but provided further that any such tax, assessment, charge, levy, or claim shall be paid forthwith upon the commencement of proceedings to foreclose any lien securing the same.

8.14 CHANGE OF NAME, PRINCIPAL PLACE OF BUSINESS, OFFICE, OR REGISTERED AGENT. Borrower will notify Agent in writing of any change in the name of Borrower or any of its Subsidiaries, the principal place of business of Borrower or any of its Subsidiaries, the office where the books and records of Borrower or any of its Subsidiaries are kept, or any change in the registered agent of Borrower or any of its Subsidiaries for the purposes of service of process, in each case within ten (10) days before any such change made.

8.15 FINANCIAL COVENANTS. Borrower will at all times hereunder, in accordance with Generally Accepted Accounting Principles applied on a Consistent Basis, maintain with respect to

Borrower and its Consolidated Subsidiaries, on a consolidated basis:

(a) A ratio of Current Assets to Current Liabilities of greater than or equal to 1.50 to 1.00 at the end of each fiscal quarter, with both of Current Assets and Current Liabilities calculated as of such quarter end;

(b) A ratio of Total Funded Debt to EBITDA of less than 4.00 to 1.00 at the end of each fiscal quarter, with Total Funded Debt calculated as of such quarter end and EBITDA calculated at the end of such fiscal quarter for the four consecutive quarters then ended;

(c) A ratio of Senior Funded Debt to EBITDA of less than 3.5 to 1.00, with Senior Funded Debt calculated as of such quarter end and EBITDA calculated at the end of such fiscal quarter for the four consecutive quarters then ended.

(d) A ratio of Total Funded Debt to Total Capitalization of less than 0.60 to 1.00 at the end of each fiscal quarter, with both of Total Funded Debt and Total Capitalization calculated as of such quarter end; and

(e) Capital Expenditures (excluding Acquisitions of businesses) calculated as of the end of each fiscal quarter, for the four consecutive quarters then ended, in an aggregate amount of \$15,000,000.00 or less (unless the Required Lenders shall have given their prior written consent to such amount of Capital Expenditures as is in excess of \$15,000,000.00 during such four quarter period);

(f) A Fixed Charge Coverage Ratio of greater than or equal to 1.50 to 1.00 at the end of each fiscal quarter, calculated at the end of such fiscal quarter for the four consecutive quarters then ended;

(g) Consolidated Net Worth of the Borrower and its Consolidated Subsidiaries at all times greater than or equal to the sum of (i) Fifty-Nine Million Dollars (\$59,000,000.00) plus (ii) the amount equal to Eighty Percent (80%) of Consolidated Net Income, plus (iii) the amount equal to One Hundred Percent (100%) of the net cash proceeds of any equity offering received by Borrower, plus (iv) the amount equal to One Hundred Percent (100%) of any increase to Consolidated Net Worth caused by any acquisition, less (v) the amount of cash proceeds paid to shareholders of the Borrower for stock repurchases up to a maximum total amount not in excess of \$12,500,000.00 during the period from the Closing Date through and including the later to occur of (A) the Revolving Credit Termination Date or (B) the last to occur Term Loan Maturity Date of any Term Loan hereunder (or such greater maximum amount as the Required Lenders shall have consented to in writing), all calculated for the most recently ended fiscal quarter; provided that at all times on or prior to October 31, 1998, the amount set forth in (ii) above shall be calculated for the fiscal year ended October 31, 1998, and thereafter shall be calculated for the most recently ended fiscal quarter.

8.16 HEDGING REQUIREMENTS. At all times when the aggregate of (i) outstanding principal balances of Loans hereunder plus (ii) amounts available to be drawn under Letters of Credit (plus, without duplication, all reimbursement obligations with respect to Letters of Credit) hereunder

exceeds Sixty Million United States Dollars (U.S. \$60,000,000.00), Borrower shall maintain one or more Interest Rate Hedge Agreements with respect to the Loans covering an aggregate combined notional principal amount of not less than Fifty Percent (50%) of the aggregate combined principal balances of the Loans plus Letter of Credit Obligations then outstanding. Such Interest Rate Hedge Agreements shall each (a) have a term of not less than the lesser of (A) two (2) years from the date entered or (B) the period from the date entered through and including the last to occur of the Revolving Credit Termination Date or the last to occur Term Loan Maturity Date of any outstanding Term Loans, (b) be with Agent, with a counterparty rated by Standard & Poor's or Moody's rating services for financial strength of "A+" or "AA-" or better, or with financial institutions approved by Agent in writing, and (c) be in form and substance satisfactory to Agent.

8.17 AFFIRMATIVE COVENANTS RELATING TO SUBSIDIARIES. Borrower will cause each Subsidiary to do, with respect to itself, its business, and its assets, all of the things required of Borrower in Subsections 8.2, 8.3, 8.4, 8.5, 8.6, 8.7, 8.8, 8.9, 8.10, 8.11, 8.12, 8.13, and 8.14.

#### SECTION 9. NEGATIVE COVENANTS.

Borrower covenants and agrees that from the date of this Agreement until payment in full of all present or future indebtedness hereunder and termination of all present or future credit facilities established hereunder, unless the Required Lenders shall otherwise consent in writing, Borrower will comply with the following provisions:

9.1 OTHER INDEBTEDNESS. Borrower will not, directly or indirectly, create, incur, assume, or permit to exist any Indebtedness, except: (a) Indebtedness under this Agreement; (b) Indebtedness secured by the Permitted Prior Liens, but not including any future advances, extensions, renewals, modifications or increases of any such Indebtedness; (c) obligations with respect to Capital Leases incurred in the ordinary course of business to finance Capital Expenditures (other than expenditures for equipment purchases or equipment leases permitted under Section 9.1(d)), provided that such indebtedness shall be incurred within 365 days after the making of the Capital Expenditures financed thereby; (d) indebtedness incurred in the ordinary course of business of the Borrower and its Subsidiaries which are Guarantors in connection with the purchase or lease of equipment or vehicles, whether or not secured by purchase money security interests therein; (e) Interest Rate Hedging Agreements and currency hedging arrangements; (f) Real Estate Debt incurred or assumed, and (g) any other Indebtedness in a total aggregate amount not in excess of U.S. \$100,000.00 at any time outstanding for Borrower and all Subsidiaries on a consolidated basis.

9.2 LIMITATIONS ON MORTGAGES, LIENS, ETC. Borrower will not, directly or indirectly, create, incur, assume, or suffer or permit to exist any mortgage, pledge, lien, security interest, or other charge or encumbrance (including the lien or retained security title of a conditional vendor or lessor, but excluding liens, if any, evidenced by operating leases) upon or with respect to any of its assets, or assign or otherwise convey any right to receive income, except (without duplication): (a) Capital Leases described in Subsection 9.1(c) hereof; (b) purchase money security interests described in Subsection 9.1(d) hereof; (c) liens on assets acquired after the date hereof if such liens were in place at the time of acquisition, to the extent permitted in connection with Permitted Acquisitions



pursuant to Section 2.3; (d) non-consensual liens which are removed within ten (10) days after the incurrence thereof or for so long as the enforcement thereof is stayed and bonded on appeal, provided that adequate reserves shall have been provided therefor pursuant to GAAP; (e) deposits or pledges in connection with worker's compensation, unemployment insurance, or other social security obligations incurred in the ordinary course of business; (f) liens securing the performance of bids, tenders, contracts (other than for the repayment of borrowed money), leases, statutory obligations, surety and appeal bonds; (g) mechanics', workmen's, materialmen's, or other like liens arising in the ordinary course of business in respect of obligations which are not due or which are being contested in good faith; (h) liens for taxes not yet due or being contested in good faith by appropriate proceedings, and in the case of those being contested, as to which Borrower shall have set aside on its books adequate reserves; (i) liens imposed by operation of law, unless the amount of the claim or the value of the affected property is in excess of U.S. \$100,000.00 and the lien is not discharged within sixty (60) days after it has attached; (j) easements, rights-of-way, restrictions, and other similar encumbrances incurred in the ordinary course of business and not interfering with the ordinary course of the business; (k) liens and mortgages on real estate not included within the Borrower's Collateral or the Subsidiary's Collateral or any of the Subsidiaries, (l) mortgages securing permitted Real Estate Debt, (m) banker's liens of a bank or financial institution arising by operation of law with respect to funds on deposit in that bank or financial institution, (n) attachment or judgment liens arising in a court proceeding and discharged within sixty (60) days after the incurrence thereof or for so long as the enforcement thereof is stayed and bonded on appeal, provided that adequate reserves shall have been provided therefor pursuant to GAAP; and (o) Permitted Prior Liens permitted to be incurred hereafter pursuant to Section 5.4.

9.3 GUARANTIES. Borrower will not, directly or indirectly, guarantee, assume, endorse, become a surety or accommodation party for, or otherwise in any way extend credit or become responsible for or remain liable or contingently liable in connection with any Indebtedness or other obligations of any other Person or entity except, to the extent only that the following do not cause a violation of Section 8.15: (i) guaranties and endorsements made in connection with the deposit of negotiable instruments and other items for collection or credit in the ordinary course of business and (ii) guaranties by the Borrower of debts incurred by suppliers of the Borrower or its Subsidiaries or others having business relationships with the Borrower or its Subsidiaries for business purposes of the Borrower or any Subsidiary, provided that (A) the debts guaranteed by such guaranties shall not exceed an aggregate amount of U.S. \$5,000,000.00 outstanding at any time hereunder and (B) each of such guaranties results in a benefit to the Borrower or a Subsidiary of value equal to or greater than the amount of the debt guaranteed by such guaranty.

9.4 MERGER, ACQUISITION, SALE OF ASSETS, DISSOLUTION, ETC. Borrower will not, directly or indirectly: (a) enter into any transaction of merger or consolidation unless Borrower is the surviving entity, permit any Subsidiary to enter into any transaction of merger or consolidation unless such Subsidiary is the surviving entity, or permit any Subsidiary to enter into any transaction of merger or consolidation with another Subsidiary unless the Subsidiary in which the Borrower holds the greater ultimate direct or indirect ownership interest therein is the surviving corporation, (b) enter into any merger, consolidation, or Acquisition other than a Permitted Acquisition having a total cash purchase price not in excess of Twenty-Five Million United States Dollars (U.S. \$25,000,000.00), (c) invest more than Five Million United States Dollars (U.S.\$5,000,000.00) in any joint venture or other

alliance or contractual arrangement with another Person or in any Person or entity having other shareholders, members, partners or owners other than Borrower or any Subsidiary, or make an aggregate of more than Twenty Million United States Dollars (U.S. \$20,000,000.00) of such investments during the period from the Closing Date through and including the later to occur of (A) the Revolving Credit Termination Date or (B) the last to occur Term Loan Maturity Date of any Term Loan outstanding hereunder, without the Required Lenders' prior written consent to such transaction; (d) except as otherwise specifically permitted herein, transfer, sell, assign, lease, or otherwise dispose of all or a substantial part of its properties or assets or any assets or properties necessary for the proper conduct of its business (unless such properties constituting all or a substantial part of its properties or assets or necessary for the proper conduct of its business have a total aggregate fair market value of U.S. \$100,000.00 or less in any fiscal year of the Borrower), or any capital stock of any Subsidiary, or permit any Subsidiary to issue any capital stock to any Person other than Borrower or a Subsidiary (except that, subject to the provisions of this Agreement, a Subsidiary may issue its capital stock to a Person other than the Borrower or other Subsidiaries in an equity offering or private issuance to raise equity capital or establish a joint venture; provided that at no time shall any Person other than the Borrower or its Subsidiaries or Lufthansa Technik AG own more than 20% of the outstanding common stock nor more than 20% of the voting control of any Subsidiary, and at no time shall Lufthansa Technik AG own more than 30% of the outstanding common stock nor more than 30% of the voting control of any Subsidiary); (e) transfer, sell, assign, discount, lease, or otherwise dispose of any of its notes or other instruments, accounts receivable, or contract rights with or without recourse, except for collection in the ordinary course of business; (f) change the scope or nature of its business except that Borrower may expand its business by internal growth and not by acquisitions, (A) into any business substantially similar or related to the types of businesses it or any Subsidiary currently conducts or (B) into other lines of business, provided that revenues generated from such other lines of business shall not constitute more than fifteen percent (15%) of the net sales of Borrower and its Consolidated Subsidiaries, on a consolidated basis, during any fiscal quarter and provided that such other businesses or lines of business singly or in the aggregate shall not have a Material Adverse Effect; (g) enter into any arrangement, directly or indirectly, with any Person whereby Borrower shall sell or transfer any property, real or personal, used or useful in its business, whether now owned or hereafter acquired, and thereafter rent or lease such property for a term of more than three (3) years which Borrower intends to use for substantially the same purpose or purposes as the property being sold or transferred, provided that the foregoing shall not be construed as prohibiting equipment leases to the extent permitted pursuant to Section 9.1(d); provided further that the foregoing shall not prohibit the transactions described in (g) with respect to real property up to a total cumulated aggregate (A) sale price or (B) present value of amortized lease payments, whichever is greater, not in excess of such amount as shall equal ten percent (10%) of the tangible net assets of the Borrower and its Consolidated Subsidiaries at any time during the period from the Closing Date to and including the last to occur of the Revolving Credit Termination Date or the last occurring Term Loan Maturity Date of any Term Loan outstanding hereunder; (h) change its independent public accountants to other than a firm of recognized national standing to which Agent has given its prior written consent, (i) wind up, liquidate, or dissolve itself or its business; or (j) agree to any of the foregoing.

9.5 FEDERAL RESERVE REGULATIONS. Borrower will not and will not permit any Subsidiary to take any action, or permit any part of the proceeds of any Loans made pursuant to this

Agreement to be used in any manner, which will violate or result in non-compliance of the Loans made hereunder with Regulations G, T, U or X of the Board of Governors of the Federal Reserve System. Borrower represents that neither it nor any of its Subsidiaries is engaged, and covenants that neither it nor any of its Subsidiaries will become engaged, as one of its principal or important activities in extending credit for the purpose of purchasing or carrying margin stock. If requested by Agent, Borrower will furnish to Agent in connection with any Loan or Loans hereunder, a statement in conformity with the requirements of Federal Reserve Form U-1 or other forms referred to in said regulations. In addition, Borrower covenants that no part of the proceeds of any of the Loans hereunder will be used for the purchase of commodity future contracts (or margins therefor for short sales) for any commodity not required for the normal raw material inventory of Borrower.

9.6 CHANGES IN GOVERNING DOCUMENTS, ACCOUNTING METHODS, FISCAL YEAR. Borrower will not (a) amend, in a manner that could reasonably be expected to give rise to a Material Adverse Effect, its certificate of incorporation or bylaws from that in existence on the date of this Agreement, or (b) change in any material respect its accounting methods or practices or depreciation or amortization policy or rates (except as provided in and pursuant to the requirements of Section 1.2(b)), except in each case as required to comply with law or with Generally Accepted Accounting Principles (subject to the requirements of Section 1.2(b)). Borrower shall give notice to Agent of any such amendment or change permitted hereunder.

9.7 CAPITAL EXPENDITURES. Borrower will not make or be committed to make, or permit any of its Subsidiaries to make or be committed to make, any Capital Expenditure (excluding Acquisitions of businesses), by purchase or capitalized lease, other than Capital Expenditures which would not cause the aggregate amount of all such Capital Expenditures calculated at the end of each fiscal quarter for the four consecutive fiscal quarters then ended to exceed the aggregate amount of Fifteen Million United States Dollars (U.S. \$15,000,000.00), unless the Required Lenders shall have given their prior written consent to such amount of Capital Expenditures as is in excess of U.S. \$15,000,000.00 during such four quarter period.

9.8 DIVIDENDS, ETC. Without the prior written consent of the Required Lenders, Borrower will not declare or pay any cash dividends in any fiscal year in an aggregate amount in excess of twenty percent (20%) of Consolidated Net Income for such fiscal year. Without the prior written consent of the Required Lenders, Borrower shall not (without duplication) (i) purchase, redeem, or otherwise acquire for value any of its capital stock now or hereafter outstanding for an aggregate amount of consideration in excess of U.S. \$12,500,000.00 during the period from the Closing Date through and including the later to occur of (A) the Revolving Credit Termination Date or (B) the last to occur Term Loan Maturity Date of any Term Loan hereunder; (ii) return any capital to its stockholders as such, or make any other payment or distribution of assets to its stockholders as such; (iii) permit any of its Subsidiaries to do any of the foregoing or to purchase or otherwise acquire for value any stock of the Borrower or its Subsidiaries, provided that nothing herein shall prevent Borrower from contributing proceeds of Advances to Subsidiaries who are Guarantors hereunder either in the form of equity contributions (for issuance of additional shares of Subsidiary stock to Borrower or otherwise) or in the form of inter-company loans; or (iv) make any payment or prepayment of principal of, premium, if any, or interest on, or redeem, defease or otherwise retire, any Indebtedness before its scheduled due date, except for any required mandatory prepayments

(other than by acceleration upon default) under any Indebtedness secured by Permitted Prior Liens existing as of the date hereof and permitted pursuant to Section 5.4. Upon the occurrence of an Event of Default or an event which, with the giving of notice or the passage of time, or both, would constitute an Event of Default, as well as during the continuance thereof, Borrower shall not, and shall not permit any Subsidiary to: (a) redeem, retire, purchase or otherwise acquire, directly or indirectly, for value or set apart any sum for the redemption, retirement, purchase or other acquisition of, directly or indirectly, any shares of its common stock or warrants or options to purchase any shares of its common stock; or (b) declare any dividends or make any other distribution with respect to its stock (whether by reduction of capital or otherwise), without Agent's prior written consent.

9.9 CHANGE IN CONTROL. Borrower shall not permit a Change in Control with respect to the Borrower or any Subsidiary to occur without the prior written consent thereto of the Required Lenders.

9.10 HEICO AEROSPACE HOLDINGS CORP. Notwithstanding anything else contained in this Agreement, Borrower will not, and will not permit any Subsidiary to, convey, transfer, assign, or otherwise deliver title or ownership (whether by merger, consolidation, reorganization or otherwise) of any assets or properties of any kind to HEICO Aerospace Holdings Corp. and will not permit HEICO Aerospace Holdings Corp. to acquire (whether by purchase, conveyance, transfer, assignment, merger, consolidation, acquisition, or any other means) or to hold any assets or property (other than the capital stock of the direct subsidiaries of HEICO Aerospace Holdings Corp.) at any time hereunder until the sooner to occur of the following: (i) Agent for the benefit of the Lenders receives from Lufthansa Technik AG a written waiver, release and consent, in form and substance satisfactory to the Agent, waiving, releasing and terminating the provision contained in Article 18 of that certain Shareholders Agreement dated as of October 30, 1997 by and among HEICO Aerospace Holdings Corp., HEICO Aerospace Corporation, and all of the shareholders of HEICO Aerospace Holdings Corp., including Lufthansa Technik AG, and any similar contractual provisions or (ii) Lufthansa Technik AG ceases to be a shareholder of HEICO Aerospace Holdings Corp. and the foregoing Shareholders Agreement and all similar contractual provisions have been terminated and released pursuant to documentation in form and substance satisfactory to the Agent. Notwithstanding this Section 9.10, the direct Subsidiaries of HEICO Aerospace Holdings Corp. may declare and pay cash dividends to HEICO Aerospace Holdings Corp., provided and only to the extent that HEICO Aerospace Holdings Corp. shall have declared dividends to its common stockholders in the same amount and shall immediately pay such cash dividends to the common stockholders of HEICO Aerospace Holding Corp. within one (1) hour of the time such dividends are received by HEICO Aerospace Holdings Corp., such that no cash remains in HEICO Aerospace Holdings Corp. for longer than one (1) hour.

9.11 NEGATIVE COVENANTS RELATING TO SUBSIDIARIES. Borrower will not permit any of its Subsidiaries to do, with respect to itself, its business, or its assets, any of the things prohibited to Borrower in Subsections 9.1, 9.2, 9.3, 9.4, 9.5, 9.6, 9.7, 9.8, 9.9, or 9.10; provided that notwithstanding Section 9.8, any Subsidiary may declare and pay cash dividends to its shareholders.

#### SECTION 10. EVENTS OF DEFAULT.

The following events shall constitute "Events of Default" hereunder.

10.1 PAYMENT OF INDEBTEDNESS UNDER LOAN DOCUMENTS. Borrower fails to make payment of any principal, interest, fee or other amount due on any indebtedness owed to Agent or Lenders under the Loan Documents, or fails to make any other payment to Agent or Lenders as contemplated thereunder either by the terms hereof or otherwise, and, in the case of interest, such failure continues for ten (10) days after the interest payment is due.

10.2 REPRESENTATION OR WARRANTY. Any representation or warranty made or deemed, pursuant to Subsection 7.1 hereof, made by Borrower or any executive officer of Borrower in this Agreement, in any of the Loan Documents, or in any writing furnished in connection with or pursuant to the Loan Documents, or any report, certificate, financial statement, or other information provided by Borrower or any executive officer of Borrower to Agent or a Lender in connection with or pursuant to the Loan Documents, shall be false or misleading in any material respect on the date when made or when deemed made.

10.3 COVENANTS UNDER THE LOAN DOCUMENTS. Borrower fails to fully and promptly perform when due any agreement, covenant, term, or condition binding on it, other than as described in Subsection 10.1 hereof, contained in this Agreement or any other Loan Document, or otherwise a part of the transactions covered hereby, if such failure continues for thirty (30) days after written notice thereof has been provided to Borrower by Agent or the Required Lenders.

10.4 CROSS-DEFAULT. A default or event of default occurs under any present or future Indebtedness of Borrower to Agent or any Lender not evidenced by the Loan Documents, which Indebtedness has an outstanding principal amount, notional amount, or total amount of Indebtedness in excess of U.S. \$500,000.00, or a default or event of default occurs under any guaranty or security document executed by any Person in connection therewith, and any such default or event of default continues beyond the expiration of any applicable grace or cure period.

10.5 PAYMENT, PERFORMANCE, OR DEFAULT OF OTHER INDEBTEDNESS. Borrower fails to make payment on any Indebtedness other than as described in Subsections 10.1 and 10.4 above, which Indebtedness has an outstanding principal amount, notional amount, or total amount of Indebtedness in excess of U.S. \$500,000.00, if such failure, default, or event of default continues beyond the expiration of any applicable grace or cure period, or Borrower fails to fully and promptly perform any other obligation, agreement, term, or condition contained in any agreement under which any such other Indebtedness is created, or there is otherwise a default or event of default thereunder if such failure, default, or event of default results in the acceleration of or entitles the obligee to accelerate the maturity of the Indebtedness thereunder, in each case if such failure, default, or event of default could reasonably be expected to give rise to a Material Adverse Effect.

10.6 LIQUIDATION; DISSOLUTION; BANKRUPTCY; ETC. Borrower liquidates or dissolves, the entire business of Borrower is suspended; Borrower files or commences a voluntary petition, case, proceeding, or other action seeking reorganization, arrangement, readjustment of its debts, or any other relief under any existing or future law of any jurisdiction, domestic or foreign, state or federal,

relating to bankruptcy, insolvency, reorganization, or relief of debtors, or Borrower takes any other action indicating its consent to, approval of, or acquiescence in, any such petition, case, proceeding, or other action seeking to have an order for relief entered with respect to it or its debts; Borrower applies for, or consents to or acquiesces in, the appointment of a receiver, trustee, custodian, or other similar official for Borrower or for all or a substantial part of its property; Borrower makes an assignment for the benefit of creditors; or Borrower is unable to pay its debts as they mature or admits in writing its inability to pay its debts as they mature.

10.7 INVOLUNTARY BANKRUPTCY, ETC. An involuntary petition, case, proceeding, or other action is commenced against Borrower under the Bankruptcy Code or seeking reorganization, arrangement, readjustment of its debts, or any other relief under any existing or future law of any jurisdiction, domestic or foreign, state or federal, relating to bankruptcy, insolvency, reorganization, or relief of debtors; a receiver, trustee, custodian, or other similar official is involuntarily appointed for Borrower or for all or a substantial part of Borrower's property or assets; or any case, proceeding, or other action seeking issuance of a warrant of attachment, execution, distraint, or similar process against all or a substantial part of Borrower's assets or property results in the entry of an order for such relief; and any of the foregoing continues for sixty (60) days without being vacated, discharged, stayed, bonded, or dismissed.

10.8 CHANGE IN CONTROL. The occurrence of any Change in Control with respect to the Borrower or any Subsidiary, without the prior written consent thereto of the Agent.

10.9 JUDGMENTS. A judgment is entered against Borrower for the payment of damages or money in excess of Two Million Five Hundred Thousand Dollars (\$2,500,000.00), if the same is not discharged or if a writ of execution or similar process is issued with respect thereto and is not bonded or stayed within the time allowed by law for filing notice of appeal of the final judgment.

10.10 ATTACHMENT, GARNISHMENT, LIENS IMPOSED BY LAW. A writ of attachment or garnishment is issued against, or a lien is imposed by operation of law on, any property of Borrower, and the lesser of the amount of the claim or the value of the affected property is in excess of \$1,000,000.00, if the lien is not discharged within sixty (60) days after it has attached (not counting for this purpose any period for so long as enforcement thereof is stayed and bonded during appeal with adequate reserves provided therefor pursuant to GAAP).

10.11 CORPORATE EXISTENCE, TRANSFER OF PROPERTY. Any act or omission (formal or informal) of Borrower or its officers, directors, or shareholders leading to, or resulting in, the termination, invalidation (partial or total), revocation, suspension, interruption, or unenforceability of its corporate existence, rights, licenses, franchises, or permits, which act or omission will have a Material Adverse Effect, or the transfer or disposition (whether by sale, lease, or otherwise) to any Person of all or a substantial part of its property (except as specifically permitted pursuant to Section 9.4(d)).

10.12 SUBSIDIARIES. Any of the matters described at Subsections 10.2, 10.3, 10.4, 10.5, 10.6, 10.7, 10.8, 10.9, 10.10 or 10.11 hereof occurs with respect to any Subsidiary, its business, or its assets.

## SECTION 11. RIGHTS AND REMEDIES.

11.1 REMEDIES AVAILABLE UNDER LOAN DOCUMENTS AND OTHERWISE. Agent and the Lenders shall have, in addition to the rights and remedies contained in this Agreement and the other Loan Documents, all of the rights and remedies of creditors now or hereafter available at law or in equity. Agent may, at its option, and shall, at the direction of the Required Lenders, exercise any one or more of such rights and remedies individually, partially, or in any combination from time to time, after the occurrence of an Event of Default. No right, power, or remedy conferred upon Agent or the Lenders by the Loan Documents shall be exclusive of any other right, power, or remedy referred to therein or now or hereafter available at law or in equity.

11.2 REMEDIES UPON EVENT OF DEFAULT. If any one or more of the Events of Default described in Subsections 10.6 or 10.7 shall occur with respect to Borrower, the unpaid principal amount and accrued interest under the Revolving Credit Facility and all other obligations under the Loan Documents shall automatically become immediately due and payable, without presentment, demand, protest, or other requirement of any kind, all of which are expressly waived by Borrower and the commitments of each Lender to make Advances hereunder shall thereupon terminate; and if any one or more of any other Event of Default shall occur (including under Subsections 10.6 or 10.7 with respect to any Subsidiary), Agent shall, upon the written request or with the written consent of the Required Lenders, take any one or more of the following actions: (a) declare all or any portion of the unpaid principal amount and accrued interest under the Revolving Credit Facility and all other obligations under the Revolving Credit Facility to be, and the same shall forthwith become, immediately due and payable, without presentment, demand, protest, or other requirement of any kind, all of which are expressly waived by Borrower, and (b) declare all commitments to make Advances hereunder to be terminated. Agent may immediately proceed to do all other things provided for, or pursue any and all remedies available, under any applicable law or the Loan Documents to enforce the rights of Agent and the Lenders hereunder and to collect all amounts owing to the Agent and the Lenders by Borrower.

## SECTION 12. THE AGENT.

### 12.1 APPOINTMENT, AUTHORIZATION, AND ACTION.

(a) Each Lender hereby irrevocably appoints and authorizes Agent to act as its agent hereunder and take such action on its behalf and to exercise such powers and discretion under this Agreement and the other Loan Documents as are delegated to Agent by the terms hereof, together with such powers as are reasonably incidental thereto. The relationship between Agent and each Lender is and shall be that of agent and principal only and nothing herein shall be construed to constitute Agent a trustee for any Lender or to establish a fiduciary relationship with any Lender or impose on Agent any duties, responsibilities, or obligations other than those expressly set forth in this Agreement or the other Loan Documents.

(b) Agent shall be entitled to use its discretion with respect to exercising or refraining from exercising any rights or taking any actions which may be vested in it or which it may be able to take under or in respect of this Agreement and the other Loan Documents, unless this Agreement expressly otherwise provides or unless Agent shall have been instructed by the Required Lenders to exercise or refrain from exercising such rights or taking such actions (in which case it shall be required to so act or refrain from acting pursuant to the directions of the Required Lenders); provided, however, that Agent shall not be required to take any action or refrain from acting in any manner which in its judgment exposes Agent to personal liability or which is contrary to this Agreement or applicable law. Agent agrees to give to each Lender prompt notice of each notice given to it by Borrower pursuant to the terms of this Agreement.

12.2 EXCULPATION; RELIANCE BY THE AGENT. Agent (which term as used in this Subsection, Subsection 12.6, and Subsection 13.2, shall include reference to its affiliates and its own and its affiliates' directors, officers, agents, and employees) shall not be liable for any action taken or omitted to be taken by it or them, under or in connection with the Loan Documents, except for its or their own gross negligence or willful misconduct. Without limitation of the generality of the foregoing, Agent: (i) may treat the Lender that made any Advance as the holder of the indebtedness resulting therefrom until Agent receives and accepts an assignment and acceptance instrument entered into by such Lender, as assignor, and an assignee, as provided in Subsection 13.17; (ii) may consult with legal counsel (including counsel for Borrower), independent public accountants, and other experts selected by it, and shall not be liable for any action taken or omitted to be taken in good faith by it in accordance with the advice of such counsel, accountants, or experts; (iii) makes no warranty or representation to any Lender and shall not be responsible to any Lender for any statements, warranties, or representations made in or in connection with the Loan Documents; (iv) shall not have any duty to any Lender to ascertain or to inquire as to the performance or observance of any of the terms, covenants, or conditions of any Loan Document on the part of Borrower or to inspect the property (including the books and records) of Borrower, and may assume that no Event of Default has occurred or is continuing unless it has actual knowledge, has been notified by Borrower of such fact, or has been notified in writing by a Lender that such Lender considers that an Event of Default has occurred and is continuing and such Lender specifies in detail the nature thereof in writing; (v) shall not be responsible to any Lender for the due execution, legality, validity, enforceability, genuineness, sufficiency, or value of any Loan Document or any other instrument or document furnished pursuant hereto; and (vi) shall incur no liability to any Lender, Borrower, any Subsidiary or any affiliate of Borrower under or in respect of any Loan Document by acting upon any notice, consent, certificate, or other instrument or writing (which may be by telegram, telecopy, cable or telex) believed by it to be genuine and signed or sent by the proper party or parties. Agent shall not be liable to the Lenders or to any Lender in acting or refraining from acting under this Agreement or any other Loan Document in accordance with the instructions of the Required Lenders (or of all the Lenders if the consent or direction of all the Lenders is required hereunder), and any action taken or failure to act pursuant to such instructions shall be binding on all the Lenders.

12.3 AGENT AND AFFILIATES. With respect to its Revolving Credit Commitment and the Advances made by it, Agent, in its capacity as a Lender (and any successor acting as agent) shall have the same rights and powers under the Loan Documents as any other Lender and may exercise the same as though it were not Agent; and the term "Lender" or "Lenders" shall, unless otherwise



indicated, include Agent (and any successor acting as Agent) in its capacity as a Lender. Agent and its affiliates may (without having to account therefor to any Lender) accept deposits from, lend money to, act as trustee under indentures of, accept investment banking engagements from, and generally engage in any kind of business with, Borrower, any of its Subsidiaries, and any Person who may do business with or own securities of Borrower or any such Subsidiary, all as if it were not Agent. Agent and its affiliates may accept fees and other consideration from Borrower for services in connection with this Agreement or otherwise without having to account for the same to the Lenders.

12.4 LENDER CREDIT DECISION. Each Lender acknowledges that it has, independently and without reliance upon Agent or any other Lender, and based on the financial statements of Borrower and such other documents and information as it has deemed appropriate, made its own credit analysis of Borrower and its own decision to enter into this Agreement. Each Lender also acknowledges that it will, independently, and without reliance upon Agent or any other Lender, and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under this Agreement or the other Loan Documents. Except for any notices, reports, and other documents expressly required to be furnished to the Lenders by Agent hereunder, or as otherwise required by law or regulation, Agent shall not have any duty or responsibility to provide any Lender with any credit or other information concerning the affairs, financial condition, business, or property of Borrower which may come into the possession of Agent or any of its affiliates.

12.5 ENFORCEMENT BY AGENT. All rights of action under this Agreement and the other Loan Documents may be enforced by Agent and any suit or proceeding instituted by Agent in furtherance of such enforcement may be brought in its name as Agent without the necessity of joining any Lenders as plaintiffs or defendants, and the recovery of any judgment shall be for the benefit of Lenders, subject to the expenses of Agent. No Lender (other than Agent) shall attempt to enforce any rights of action under this Agreement and the other Loan Documents, except as permitted pursuant to Subsection 13.1 hereof.

12.6 INDEMNIFICATION. Lenders agree to indemnify Agent (to the extent not promptly reimbursed by Borrower and without limiting the obligations of Borrower to do so) ratably according to the respective principal amounts of the Advances then owing to each of them (or if no Advances are at the time outstanding, ratably according to the respective amounts of their Revolving Credit Commitments), from and against any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses, or disbursements or any kind or nature whatsoever that may be imposed on, incurred by, or asserted against Agent in any way relating to or arising out of this Agreement or any other Loan Documents or the transactions contemplated thereby, or any action taken or omitted by Agent in connection therewith (including, without limitation, the costs and expenses payable by Borrower under Subsection 13.2); provided, however, that no Lender shall be liable for any of the foregoing to the extent they arise from Agent's gross negligence or willful misconduct. Without limiting the foregoing, each Lender agrees to reimburse Agent promptly upon demand for such Lender's ratable share of any costs and expenses payable by Borrower under Subsection 13.2, to the extent that Agent is not promptly reimbursed for such costs and expenses by Borrower. The agreements contained in this Subsection shall survive the repayment of the Advances and termination of the facilities hereunder.

12.7 FAILURE TO ACT. Except for actions expressly required of Agent hereunder and under the other Loan Documents, Agent shall in all cases be fully justified in failing or refusing to act hereunder and thereunder unless it shall receive further assurances to its satisfaction from the Lenders of their indemnification obligations hereunder against any and all liability and expense which may be incurred by it by reason of taking or continuing to take any such action.

12.8 SUCCESSOR AGENT. Agent may resign at any time by giving written notice thereof to the Lenders and Borrower, and may be removed at any time with or without cause by the Required Lenders. Upon any such resignation or removal, and after consultation with and, provided that no Event of Default has occurred and is continuing, consent of (which shall not be unreasonably withheld) Borrower, the Required Lenders shall have the right to appoint a successor Agent. If no successor Agent shall have been so appointed by the Required Lenders and shall have accepted such appointment, within 30 days after the retiring Agent's giving of notice of resignation or the Required Lenders' removal of the retiring Agent, then the retiring Agent may, on behalf of the Lenders, and after consultation with and, provided that no Event of Default has occurred and is continuing, consent of (which shall not be unreasonably withheld) Borrower, appoint a successor Agent, which shall be a commercial bank organized under the laws of the United States of America or of any State thereof and having a combined capital and surplus of at least \$100,000,000. Upon the acceptance of any appointment as Agent hereunder by a successor Agent, such successor Agent shall thereupon succeed to and become vested with all the rights, powers, discretion, privileges, and duties of the retiring Agent, and the retiring Agent shall be discharged from its duties and obligations under the Loan Documents. After any retiring Agent's resignation or removal hereunder as Agent, the provisions of this Section shall inure to its benefit as to any actions taken or omitted to be taken by it while it was Agent under this Agreement.

#### SECTION 13. MISCELLANEOUS.

13.1 LIEN ON DEPOSITS; SET-OFF. Borrower hereby grants to Agent and each of the Lenders a continuing lien to secure all indebtedness of Borrower to Agent and the Lenders, whether created hereunder, pursuant hereto, or otherwise, upon any and all deposits and credits of Borrower, if any, at Agent or such Lender, at any time existing (other than trust accounts or other special accounts). Upon the occurrence of any Event of Default, each of Agent and the Lenders is hereby authorized at any time and from time to time, with prompt notice to Borrower, to set off, appropriate, and apply any or all items hereinabove referred to against all indebtedness of Borrower owed to such Person, whether under the Loan Documents or otherwise, whether now existing or hereafter arising. Any such Person exercising the right of set-off shall be deemed to have exercised such right and to have made a charge against such items immediately upon the occurrence of such Event of Default although made or entered on its books subsequent thereof.

13.2 PAYMENT OF EXPENSES, INCLUDING ATTORNEYS' FEES AND TAXES. Borrower agrees: (a) to pay or reimburse Agent for all its reasonable and customary out-of-pocket costs and expenses incurred in connection with the preparation, negotiation, execution, and delivery of, and any amendment, supplement, or modification to, or waiver or consent under, the Loan Documents, and the consummation of the transactions contemplated thereby, including, without limitation, the

reasonable and customary fees and disbursements of counsel for Agent, transaction taxes, and all recording or filing fees, if any, but excluding any costs or expenses associated with any assignment or participation pursuant to Subsection 13.17 hereof; (b) to pay or reimburse Agent and the Lenders for all of their reasonable and customary out-of-pocket costs and expenses incurred in connection with the collection or enforcement of, or the preservation of any rights under, the Loan Documents, including, without limitation, the reasonable and customary fees and disbursements of counsel for each of Agent and the Lenders, including reasonable and customary attorneys' fees out of court, in trial, on appeal, in bankruptcy proceedings, or otherwise; (c) without limiting the generality of provision (a) hereof, to pay or reimburse Agent and the Lenders for, and indemnify and hold Agent and the Lenders harmless against liability for, any and all documentary stamp taxes or non-recurring intangible taxes, together with any interest, penalties, or other liabilities in connection therewith, that Agent or any Lender now or hereafter determines are payable with respect to the Loan Documents, the obligations evidenced by the Loan Documents, and any Advances under the Loan Documents; and (d) to pay, indemnify, and hold Agent and the Lenders harmless from and against any and all other liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses, or disbursements of any kind or nature whatsoever with respect to the execution, delivery, enforcement, performance, and administration of the Loan Documents. The agreements in this Subsection shall survive repayment of all other amounts payable hereunder or pursuant hereto, now or in the future.

13.3 NOTICES. Unless otherwise expressly agreed herein, and notwithstanding any provisions to the contrary contained in the other Loan Documents, all notices, requests, and demands to or upon the parties hereto pursuant to any Loan Document shall be deemed to have been given or made when delivered by hand or by courier service, when provided to a nationally recognized overnight delivery service for overnight delivery, when transmitted to a receiving facsimile transmission machine (with machine-generated transmittal confirmation), or three days after deposit in the mail, postage prepaid by registered or certified mail, return receipt requested, addressed as shown on the signature pages hereof or any assignment documents pursuant to Subsection 13.17 hereof.

13.4 GOVERNING LAW. The validity, interpretation, and enforcement of the Loan Documents and the rights and obligations of the parties thereto, shall be governed by, and construed and interpreted in accordance with, the laws of the State of Florida excluding those laws relating to the resolution of conflicts between laws of different jurisdictions.

13.5 VENUE; PERSONAL JURISDICTION. In any litigation in connection with or to enforce any of the Loan Documents, Borrower irrevocably consents to and confers personal jurisdiction on the courts of the State of Florida or the United States courts located within Broward County in the State of Florida, expressly waives any objections as to venue in any of such courts, and agrees that service of process may be made on Borrower by mailing a copy of the summons and complaint by registered or certified mail, return receipt requested, to the address set forth herein (or otherwise expressly provided in writing). Nothing contained herein shall, however, prevent Agent from bringing any action or exercising any rights within any other state or jurisdiction or from obtaining personal jurisdiction by any other means available by applicable law.

13.6 SEVERABILITY AND ENFORCEABILITY OF PROVISIONS. In the event that any one or more of the provisions of the Loan Documents is determined to be invalid, illegal, or unenforceable in any

respect as to one or more of the parties, all remaining provisions nevertheless shall remain effective and binding on the parties thereto and the validity, legality, and enforceability thereof shall not be affected or impaired thereby. If any such provision is held to be illegal, invalid, or unenforceable, there will be deemed added in lieu thereof a provision as similar in terms to such provision as is possible, that is legal, valid, and enforceable. To the extent permitted by applicable law, the parties hereby waive any law that renders any such provision invalid, illegal, or unenforceable in any respect.

13.7 COUNTERPARTS; FACSIMILE SIGNATURES; EFFECTIVE DATE. The Loan Documents and any amendments, waivers, consents, or supplements hereto may be signed in original counterparts and by facsimile transmission of signed counterparts, in any number, each of which shall be deemed an original, no one of which need contain all of the signatures of the parties, and as many of such counterparts as shall together contain all of the signatures of the parties shall be deemed to constitute one and the same instrument. A set of the counterparts of this Agreement signed by all parties hereto shall be lodged with Agent. This Agreement shall become effective upon the receipt by Agent of original signed counterparts or facsimile confirmation of signed counterparts of this Agreement, each of which shall be deemed an original, from each of the parties hereto.

13.8 NO WAIVER. No omission or failure of Agent or the Lenders to exercise and no delay in exercising by Agent or the Lenders of any right, power, or privilege under any of the Loan Documents shall impair such right, power, or privilege, shall operate as a waiver thereof or be construed to be a waiver thereof; nor shall any single or partial exercise of any right, power, or privilege preclude any other or further exercise thereof or the exercise of any other right, power, or privilege.

13.9 CUMULATIVE REMEDIES. The rights and remedies provided in the Loan Documents are cumulative, and not exclusive of any rights or remedies provided by law or in equity, and may be pursued singularly, successively, or together, and may be exercised as often as the occasion therefor shall arise. The warranties, representations, covenants, and agreements made herein and therein shall be cumulative, except in the case of irreconcilable inconsistency, in which case the provisions of this Agreement shall control.

13.10 COURSE OF DEALING; AMENDMENTS; WAIVER. No course of dealing between the parties hereto shall be effective to amend, modify, or change any provision of this Agreement or any other Loan Document. No amendment or waiver of any provision of this Agreement or any other Loan Document, nor consent to any departure by Borrower therefrom, shall in any event be effective unless the same shall be in writing and signed by the Required Lenders, and each such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given (and in the case of amendments, by Borrower); provided, however, that (a) no amendment, waiver, or consent shall, unless in writing and signed by all of the Lenders, do any of the following: (i) change the percentage of the Revolving Credit Commitments, the aggregate unpaid principal amount of Advances, or the number of Lenders, that are required for the Lenders or any of them to take action hereunder; (ii) extend the Revolving Credit Termination Date; or (iii) amend this Subsection; and (b) no amendment, waiver, or consent shall, unless in writing and signed by the Required Lenders and each affected Lender: (i) increase the Revolving Credit Commitment of such Lender or subject such Lender to any additional obligations (other than pursuant to assignments permitted under

Subsection 13.17 hereof); (ii) reduce the principal of, or interest on, the Advances payable to such Lender or any fees or other amounts payable hereunder to the Lender; or (iii) postpone any date for any payment of principal of, or interest on, the Advances payable to such Lender or any fees or other amounts payable hereunder to such Lender; and provided further, that no amendment, waiver, or consent shall, unless in writing and signed by Agent in addition to the Lenders required to take such action, affect the rights or duties of the Agent under this Agreement.

13.11 WAIVER OF DEFAULT. The Required Lenders may, in accordance with the provisions of Subsection 13.10 hereof, by written notice to Borrower, at any time and from time to time, waive any Event of Default or default and its consequences, or any default in the performance or observance of any condition, covenant, or other term of the Loan Documents and its consequences. Any such waiver shall be for such period and subject to such conditions as shall be specified in any such notice. In the case of any such waiver, the parties shall be restored to their former positions prior to such Event of Default or default and shall have the same rights as they had prior thereto, and any Event of Default or default so waived shall be deemed to be cured and not continuing; but no such waiver shall extend to any subsequent or other Event of Default or default, or impair any right consequent thereto.

13.12 TABLE OF CONTENTS; HEADINGS. The Table of Contents and the headings preceding the text of this Agreement or any of the Loan Documents have been included solely for convenience of reference and shall neither constitute a part of this Agreement or the other Loan Documents nor affect their meaning, interpretation, or effect.

13.13 RELIANCE UPON, SURVIVAL OF AND MATERIALITY OF REPRESENTATIONS AND WARRANTIES, AGREEMENTS, AND COVENANTS. All representations and warranties, agreements, and covenants made in the Loan Documents shall be deemed to have been relied upon by Agent and the Lenders, shall survive the execution and delivery of the Loan Documents and the making of the loan or loans herein contemplated, and shall continue in full force and effect so long as any indebtedness is owed to Agent and the Lenders pursuant hereto or so long as there shall be any commitment by Lenders to make loans hereunder. All representations and warranties by or on behalf of Borrower contained in any certificate or other paper delivered to Agent at any time pursuant to the Loan Documents shall constitute representations and warranties under the Loan Documents.

13.14 COMPLETE AGREEMENT; NO OTHER CONSIDERATION. The Loan Documents contain the final, complete, and exclusive expression of the understanding of the parties thereto with respect to the transactions contemplated by the Loan Documents and supersede any prior or contemporaneous agreement or representation, oral or written, by or between the parties related to the subject matter hereof. Without limiting the generality of the foregoing, there does not exist any consideration or inducement other than as stated herein for the execution, delivery, and performance by Borrower of the Loan Documents.

13.15 LEGAL OR GOVERNMENTAL LIMITATIONS. Anything contained in the Loan Documents to the contrary notwithstanding, the Lenders shall not be obligated to extend credit or make loans to Borrower in an amount in violation of any limitations or prohibitions provided by any applicable statute or regulation.

13.16 BINDING OBLIGATIONS ON SUCCESSORS AND ASSIGNS. This Agreement shall be binding

upon the parties hereto and their respective successors and assigns, and shall inure to the benefit of the parties hereto and their permitted successors and assigns.

#### 13.17 ASSIGNMENTS AND PARTICIPATIONS.

(a) Borrower may not assign or transfer any of its rights or obligations under this Agreement without the prior written consent of the Lenders and Agent.

(b) Each Lender may assign to one or more banks or other entities all or a portion of its rights and obligations under this Agreement (including, without limitation, all or a portion of its Revolving Credit Commitment, the Advances owing to it, its Pro Rata Portion of Term Loan Availability and the Term Loans owing to it); provided, however, that (i) the assignment shall be of a uniform, and not a varying, percentage of all of the assigning Lender's rights and obligations under and in respect of the facility being assigned; (ii) the amount of the Revolving Credit Commitment being assigned pursuant to the assignment (determined as of the date of the assignment) shall be in the amount of \$10,000,000.00 or an integral multiple of \$1,000,000.00 in excess thereof; (iii) Borrower and Agent shall consent to the assignment, which consent, in either case, shall not be unreasonably withheld, and if withheld by Borrower, shall be supported by a written statement of reasons for such nonconsent provided to Agent, except that no consent by Borrower or Agent shall be required in the case of any assignment to another Lender, and no consent by Borrower shall be required after an Event of Default shall have occurred and be continuing if the proposed assignee is a financial institution or other institutional lender; and (iv) the parties to the assignment shall execute and deliver to the Agent an assignment and acceptance instrument satisfactory in form and substance to Agent (the "Assignment and Acceptance Agreement"), together with a processing and recordation fee of \$2,500.00. Upon such execution and delivery, the assignee shall be a party hereto, shall be deemed a "Lender," and shall have, to the extent of such assignment (unless otherwise provided in such assignment with the consent of Borrower and Agent), the obligations, rights, and benefits of a Lender hereunder, and the assigning Lender shall, to the extent of such assignment, relinquish its rights and be released from obligations under this Agreement so assigned.

(c) By executing and delivering an Assignment and Acceptance Agreement, the assigning Lender thereunder and the assignee thereunder shall thereby confirm to and agree with each other and the other parties hereto as follows:

(i) other than the representation and warranty that it is the legal and beneficial owner of the interest being assigned thereby free and clear of any adverse claim, such assigning Lender makes no representation or warranty and assumes no responsibility with respect to any statements, warranties, or representations made in or in connection with this Agreement or the execution, legality, validity, enforceability, genuineness, sufficiency, or value of this Agreement or any other instrument or document furnished pursuant hereto;

(ii) such assigning Lender makes no representation or warranty and assumes no responsibility with respect to the financial condition of Borrower or the performance or observance by Borrower of any of its obligations or any other instrument or document furnished pursuant hereto;

(iii) such assignee confirms that it has received a copy of this Agreement, together with copies of the financial statements referred to in Subsection 8.1 and such other documents and information as it has deemed appropriate to make its own credit analysis and decision to enter into such Assignment and Acceptance Agreement;

(iv) such assignee will, independently and without reliance upon Agent, such assigning Lender or any other Lender, and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under this Agreement;

(v) such assignee appoints and authorizes Agent to take such action as Agent on its behalf and to exercise such powers under this Agreement and the other Loan Documents as are delegated to Agent by the terms hereof and thereof, together with such powers as are reasonably incidental thereto; and

(vi) such assignee agrees that it will perform in accordance with their terms all of the obligations which by the terms of this Agreement are required to be performed by it as a Lender.

(d) Each Lender may sell participations to one or more banks or other entities in all or a portion of its rights and obligations under this Revolving Credit Agreement (including, without limitation, all or a portion of its Revolving Credit Commitment and the Advances owing to it); provided, however, that (i) the Lender's obligations under this Agreement (including, without limitation, its Revolving Credit Commitment) shall remain unchanged; (ii) the Lender shall remain solely responsible to the other parties hereto for the performance of such obligations; (iii) Borrower, Agent, and the other Lenders shall continue to deal solely and directly with the Lender in connection with the Lender's rights and obligations under this Agreement; and (iv) the Lender may not agree with the participant to require the participant's consent or permit the participant to vote on whether to take or refrain from taking any action or to approve any amendment or waiver of any provision of any Loan Document, or any consent or any departure by any party therefrom, except that the Lender may agree with the participant that the Lender will not, without the consent or vote of the participant, agree to (1) increase the Revolving Credit Commitment of such Lender or subject such Lender to any additional obligations; (2) extend the Revolving Credit Termination Date affecting the Lender; (3) reduce the principal of, or interest on, the Advances payable to the Lender or any fees or other amounts payable to the Lender; or (4) postpone any date for any payment of principal of, or interest on, the Advances payable to the Lender or any fees or other amounts payable to the Lender, in each case if the rights of the participant are or would be affected thereby.

(e) In the case of an assignment or participation no information shall be distributed to a potential assignee or participant unless Agent shall have approved the potential assignee or participant, and in any event, such information shall be distributed in accordance with Subsection 13.18 hereof.

(f) Notwithstanding any of the foregoing to the contrary, nothing herein is

intended to prohibit the assigning, discounting, or pledging of all or any portion of a Lender's interest in the Advances or its Revolving Credit Note to any Federal Reserve Bank as collateral security pursuant to regulations of the Board of Governors of the Federal Reserve System and any Operating Circular issued by such Federal Reserve Bank, and such Advances or a Revolving Credit Note shall be fully transferrable as provided therein. No such assignment shall release the assigning Lender from its obligations hereunder.

(g) Borrower agrees that any participants shall have the same rights of set-off against Borrower as granted the Lenders in Subsection 13.1 hereof. Upon the written request of Borrower, the Lenders will advise Borrower of the names of any participants and the extent of their interest herein.

#### 13.18 CONFIDENTIAL INFORMATION.

(a) Agent and the Lenders shall exercise their best efforts not to make any disclosure of confidential information obtained pursuant to the Loan Documents; PROVIDED, that the foregoing shall not be construed to, now or in the future, apply to any information reflected in any publicly recorded document, information obtained from sources other than Borrower, its officers, directors, employees, representatives, or agents, or otherwise in the public domain nor shall it be construed to prevent Agent or any Lender from (i) making any disclosure of any information (A) if required to do so by any applicable law or regulation or if normally engaged in pursuant to accepted banking practice and not contrary to confidentiality and privacy requirements of applicable statutory and case law, (B) to any governmental agency or regulatory body having authority to regulate or oversee any aspect of Agent's or such Lender's business or any of its subsidiaries or affiliates in connection with the exercise of such authority, (C) pursuant to subpoena, (D) to the extent Agent or such Lender or their respective counsel deems necessary or appropriate to do so to enforce any remedy provided for in the Loan Documents or otherwise available by law, (ii) subject to the immediately succeeding sentence, making such disclosures as such Lender reasonably deems necessary or appropriate to any bank or financial institution (and/or counsel thereto) which is a prospective assignee or participant under Subsection 13.17 (each such bank or financial institution, a "Prospective Lender") or (iii) making, on a confidential basis, such disclosures as Agent or such Lender deems necessary or appropriate to Agent's or such Lender's counsel or accountants (including outside auditors).

(b) Each Lender agrees that prior to (a) disclosing to any Prospective Lender any information which the Lenders have agreed hereunder to hold as confidential or (b) entering into an agreement granting to a Prospective Lender an interest in the Advances, the Prospective Lender shall execute an agreement in form and substance similar to the provisions of this Subsection for the benefit of Borrower and shall deliver the same to Borrower; PROVIDED, that in no event shall such Lender or the Agent be liable for any breach of such agreement by the Prospective Lender.

13.19 COOPERATION IN SYNDICATION OF CREDIT; PUBLICITY. Borrower agrees to cooperate in all reasonable respects and ways with Agent in connection with any attempt Agent may, in its discretion make toward further syndication of the credit provided herein, such cooperation to include, but not be limited to, attendance by management personnel of Borrower at meetings arranged by Agent with representatives of potentially participating commercial lending institutions, provision of



information, and an information memorandum in form and substance satisfactory to Agent, regarding Borrower's and its Subsidiaries' business operations and financial condition, and response to questions and inquiries regarding Borrower and its Subsidiaries. Agent shall have the right, from time to time hereafter and until the Revolving Credit Termination Date, to publicize and advertise in any manner Agent's participation as Agent and Lender in connection with this Agreement.

13.20 WAIVER OF TRIAL BY JURY. BORROWER, AGENT, AND EACH LENDER HEREBY KNOWINGLY, IRREVOCABLY, VOLUNTARILY, AND INTENTIONALLY WAIVE ANY RIGHT TO A TRIAL BY JURY IN RESPECT OF ANY LITIGATION BASED ON THIS AGREEMENT OR THE OTHER LOAN DOCUMENTS, OR ARISING OUT OF, UNDER, OR IN CONNECTION WITH THIS AGREEMENT, THE OTHER LOAN DOCUMENTS, OR ANY OTHER DOCUMENT EXECUTED IN CONJUNCTION WITH THE TRANSACTIONS CONTEMPLATED THEREUNDER, OR ANY COURSE OF CONDUCT, COURSE OF DEALING, STATEMENT (WHETHER ORAL OR WRITTEN), OR ACTION OF ANY PARTY. THIS PROVISION IS A MATERIAL INDUCEMENT FOR AGENT, BORROWER, AND EACH LENDER TO ENTER INTO THE TRANSACTIONS EVIDENCED HEREBY.

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

SIGNATURE PAGE

Credit Agreement Among HEICO Corporation, SunTrust Bank, South Florida,  
National Association, as Agent, and the Lenders party thereto.

Witness: HEICO CORPORATION,  
a Florida corporation

By: \_\_\_\_\_

Name:

Title:

(SEAL)

Address:

HEICO CORPORATION  
3000 Taft Street  
Hollywood, Florida 33021

Attn: Thomas S. Irwin  
Executive Vice President and  
Chief Financial Officer

Fax No. (954) 987-8228  
Confirming Tel. No. (954) 987-4000

SIGNATURE PAGE

Credit Agreement Among HEICO Corporation, SunTrust Bank, South Florida,  
National Association, as Agent, and the Lenders party thereto.

Witness:               SUNTRUST BANK, SOUTH FLORIDA,  
                          NATIONAL ASSOCIATION  
                          a National Banking Association,  
                          as Agent

By: \_\_\_\_\_

Name:  
Title:

Address of Lending Office for Notice:  
501 East Las Olas Boulevard, 7th Floor  
Corporate Banking Division  
Fort Lauderdale, Florida 33301

Attn: Dorman Parrish  
Vice President  
Corporate Banking Division  
Fax No. (954) 765-7301  
Confirming Tel. No. (954) 765-7311

SIGNATURE PAGE

Credit Agreement Among HEICO Corporation, SunTrust Bank, South Florida,  
National Association, as Agent, and the Lenders party thereto.

Witness:                      SUNTRUST BANK, SOUTH FLORIDA,  
                                 NATIONAL ASSOCIATION,  
                                 a National Banking Association,  
                                 as Lender

By: \_\_\_\_\_

Name:  
Title:

Address and Lending Office:  
501 East Las Olas Boulevard, 7th Floor  
Corporate Banking Division  
Fort Lauderdale, Florida 33301

Attn: Dorman Parrish  
Vice President  
Corporate Banking Division  
Fax NO. (954) 765-7301  
Confirming Tel. No. (954) 765-7311

Revolving Credit Commitment: \$120,000,000.00

McCLAIN INTERNATIONAL, INC.  
CONDENSED BALANCE SHEETS

	JUNE 30, 1998	DECEMBER 31, 1997
	-----	-----
ASSETS	(unaudited)	
Current Assets:		
Cash	\$ 1,555,000	\$ 2,790,000
Receivables	2,387,000	1,775,000
Inventory	1,140,000	1,070,000
Prepaid expenses	12,000	17,000
	-----	-----
Total current assets	5,094,000	5,652,000
	-----	-----
Property, plant and equipment	4,082,000	3,983,000
Less accumulated depreciation	2,815,000	2,641,000
	-----	-----
Property, plant and equipment, net	1,267,000	1,342,000
Other assets	164,000	93,000
	-----	-----
Total assets	\$ 6,525,000	\$ 7,087,000
	=====	=====
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 240,000	\$ 214,000
Accrued expenses	171,000	637,000
	-----	-----
Total current liabilities	411,000	851,000
	-----	-----
Commitments and contingencies:		
Shareholders' equity:		
Common stock	111,000	111,000
Capital in excess of par	198,000	198,000
Retained earnings	5,805,000	5,927,000
	-----	-----
Total shareholders' equity	6,114,000	6,236,000
	-----	-----
Total liabilities and shareholders' equity	\$ 6,525,000	\$ 7,087,000
	=====	=====

See notes to condensed financial statements.

McCLAIN INTERNATIONAL, INC.  
CONDENSED STATEMENTS OF OPERATIONS  
(unaudited)

	SIX MONTHS ENDED JUNE 30, 1998	1997
	-----	-----
Net sales	\$ 6,718,000	\$ 5,263,000
	-----	-----
Operating costs and expenses:		
Cost of sales	3,008,000	2,165,000
Selling, general and administrative	910,000	743,000
	-----	-----
Total operating costs and expenses	3,918,000	2,908,000
	-----	-----
Income from operations	2,800,000	2,355,000
Interest expense	-	-
Interest and other income	77,000	53,000
	-----	-----
Income before income taxes	2,877,000	2,408,000
Income tax expense	-	-
	-----	-----
Net income	\$ 2,877,000	\$ 2,408,000
	=====	=====

See notes to condensed financial statements.

McCLAIN INTERNATIONAL, INC.  
CONDENSED STATEMENTS OF CASH FLOWS  
(unaudited)

	SIX MONTHS ENDED JUNE 30, 1998	1997
	-----	-----
Net Cash Flows from Operations:		
Net Income	\$ 2,877,000	\$ 2,408,000
	-----	-----
Adjustments to reconcile net income to cash provided by operating activities:		
Depreciation	174,000	111,000
Increase in cash value of life insurance	(35,000)	(16,000)
Accounts receivable	(612,000)	(370,000)
Inventory	(70,000)	(235,000)
Note receivable - stockholder	-	(4,000)
Other current assets	5,000	26,000
Accounts payable and accrued expenses	(440,000)	(346,000)
Other	(33,000)	6,000
	-----	-----
Total adjustments	(1,011,000)	(828,000)
	-----	-----
Net cash provided by operating activities	1,866,000	1,580,000
	-----	-----
Cash flows from investing activities:		
Purchases of property, plant and equipment	(99,000)	(332,000)
(Increase)/Decrease in other long-term assets	(3,000)	3,000
	-----	-----
Net cash (used in) investing activities	(102,000)	(329,000)
	-----	-----
Cash flows from financing activities:		
Dividends paid	(2,999,000)	(2,600,000)
	-----	-----
Net (decrease) in cash	(1,235,000)	(1,349,000)
Cash - beginning of year	2,790,000	2,831,000
	-----	-----
Cash - end of period	\$ 1,555,000	\$ 1,482,000
	=====	=====

See notes to condensed financial statements.

McCLAIN INTERNATIONAL, INC.  
NOTES TO CONDENSED FINANCIAL STATEMENTS  
FOR THE SIX MONTHS ENDED JUNE 30, 1998 AND 1997

1. The accompanying unaudited condensed financial statements have been prepared as interim financial statements as of and for the six months ended June 30, 1998. Therefore, the accompanying unaudited condensed financial statements do not include all information and footnotes normally included in annual financial statements and should be read in conjunction with the financial statements for the year ended December 31, 1997. In the opinion of management, the unaudited condensed financial statements contain all adjustments (consisting of only normal recurring accruals) necessary for a fair presentation of the condensed balance sheets and condensed statements of operations and cash flow for such interim periods presented. The results of operations for the six months ended June 30, 1998, are not necessarily indicative of the results which may be expected for the entire fiscal year.

2. Inventories are comprised of the following:

	JUNE 30, 1998	DECEMBER 31, 1997
	-----	-----
Finished goods	\$ 173,000	\$ 231,000
Work in process	570,000	631,000
Raw materials	397,000	208,000
	-----	-----
	\$ 1,140,000	\$ 1,070,000
	=====	=====

3. Supplemental disclosures of cash flow information for the six months ended June 30, 1998 and 1997 are as follows:

Fiscal 1998 non-cash investing and financing activities include purchases of property, plant and equipment totaling \$99,000, and dividends paid of \$2,999,000. Fiscal 1997 non-cash investing and financing activities include purchases of property, plant and equipment totaling \$332,000, and dividends paid of \$2,600,000.



MCCLAIN INTERNATIONAL, INC.  
FINANCIAL STATEMENTS  
FOR THE YEARS ENDED  
DECEMBER 31, 1997 AND 1996

MCCLAIN INTERNATIONAL, INC.  
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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Stockholders  
of McClain International, Inc.  
4785 Roosevelt Highway  
College Park, Georgia 30349

We have audited the accompanying balance sheets of MCCLAIN INTERNATIONAL, INC. (AN S CORPORATION) as of December 31, 1997 and 1996, and the related statements of income, retained earnings, and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of MCCLAIN INTERNATIONAL, INC. as of December 31, 1997 and 1996 and the results of its operations and its cash flows for the years then ended in conformity with generally accepted accounting principles.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental schedules for the years ended December 31, 1997 and 1996 are presented for the purpose of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Respectfully submitted,

CERTIFIED PUBLIC ACCOUNTANTS

Atlanta, Georgia

February 13, 1998

MCCLAIN INTERNATIONAL, INC.

BALANCE SHEETS  
DECEMBER 31, 1997 AND 1996

ASSETS

	1997	1996
	----	----
CURRENT ASSETS:		
Cash	\$ 2,790,489	\$2,831,223
Accounts Receivable - Trade	1,774,933	1,320,346
Inventory	1,070,406	841,816
Current Portion of Note Receivable - Stockholder	-0-	5,874
Prepaid Expenses	16,543	32,213
	-----	-----
TOTAL CURRENT ASSETS	5,652,371	5,031,472
PROPERTY, PLANT AND EQUIPMENT:		
Automobiles	159,885	155,302
Machinery and Equipment	3,253,803	2,417,028
Furniture and Fixtures	194,112	129,212
Leasehold Improvements	374,564	366,049
	-----	-----
	3,982,364	3,067,591
Less: Accumulated Depreciation	2,640,999	2,363,404
	-----	-----
NET PROPERTY, PLANT AND EQUIPMENT	1,341,365	704,187
OTHER ASSETS:		
Cash Surrender Value - Life Insurance, Net of Policy Loans	93,265	83,382
Note Receivable-Stockholder, Less Current Portion	-0-	63,290
Other Deposits	-0-	2,925
	-----	-----
TOTAL OTHER ASSETS	93,265	149,597
	-----	-----
TOTAL ASSETS	\$ 7,087,001	\$ 5,885,256
	=====	=====

The accompanying notes are an integral part of this statement.

# LIABILITIES AND STOCKHOLDERS' EQUITY

	1997	1996
	----	----
CURRENT LIABILITIES:		
Accounts Payable - Trade	\$ 214,306	\$ 249,751
Payroll and Sales Taxes Accrued and Withheld	203,774	91,808
Accrued Expenses	433,065	584,240
	-----	-----
TOTAL CURRENT LIABILITIES	851,145	925,799
	-----	-----
STOCKHOLDERS' EQUITY:		
Common Stock - \$1 Par Value;		
1,000,000 Authorized;		
110,916 Shares Issued and Outstanding	110,916	110,916
Additional Paid-In Capital	197,502	197,502
Retained Earnings	5,927,438	4,651,039
	-----	-----
TOTAL STOCKHOLDERS' EQUITY	6,235,856	4,959,457
	-----	-----
TOTAL LIABILITIES		
AND STOCKHOLDERS' EQUITY	\$ 7,087,001	\$ 5,885,256
	=====	=====

EXHIBIT "A"

MCCLAIN INTERNATIONAL, INC.

STATEMENTS OF INCOME  
FOR THE YEARS ENDED DECEMBER 31, 1997 AND 1996

	1997	PERCENT OF SALES	1996	PERCENT OF SALES
	----	-----	----	-----
Sales	\$11,080,652	% 100.0	\$ 8,473,857	% 100.0
Less: Cost of Goods Sold	5,061,370	45.7	3,889,373	45.9
	-----	-----	-----	-----
GROSS PROFIT	6,019,282	54.3	4,584,484	54.1
General, Administrative and Selling Expenses	2,246,531	20.3	2,068,803	24.4
	-----	-----	-----	-----
INCOME FROM OPERATIONS	3,772,751	34.0	2,515,681	29.7
OTHER INCOME AND (EXPENSE)	103,473	0.9	84,145	1.0
	-----	-----	-----	-----
NET INCOME	\$ 3,876,224	% 34.9	\$ 2,599,826	% 30.7
	=====	=====	=====	=====

The accompanying notes are an integral part of this statement.

EXHIBIT "B"

MCCLAIN INTERNATIONAL, INC.

STATEMENTS OF RETAINED EARNINGS  
FOR THE YEARS ENDED DECEMBER 31, 1997 AND 1996

	1997 ----	1996 ----
BALANCE AT BEGINNING OF YEAR	\$ 4,651,039	\$ 2,536,621
Add: Net Income	3,876,224 -----	2,599,826 -----
	8,527,263	5,136,447
Deduct: Dividends Paid	(2,599,825) -----	(485,408) -----
BALANCE AT END OF YEAR	\$ 5,927,438 =====	\$ 4, 651,039 =====

The accompanying notes are an integral part of this statement.

EXHIBIT "C"

MCCLAIN INTERNATIONAL, INC.

STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 1997 AND 1996

	1997 ----	1996 ----
NET CASH FLOWS FROM OPERATIONS:		
Net Income	\$ 3,876,224	\$ 2,599,826
Add (Deduct) Items Not Using (Providing)		
Cash:		
Depreciation	293,012	184,388
(Gain) Loss on Disposals of Property, Plant and Equipment		(6,190)
Increase in Cash Value - Life Insurance	(9,883)	(5,917)
Changes in Operating Assets and Liabilities:		
Decrease (Increase) in Accounts Receivable - Trade	(454,587)	(600,683)
Decrease (Increase) in Inventory	(228,590)	(16,822)
Decrease (Increase) in Note Receivable - Stockholder	69,164	3,636
Decrease (Increase) in Prepaid Expenses	15,670	(17,139)
Decrease (Increase) in Deposits	2,925	84,848
Increase (Decrease) in Accounts Payable	(35,445)	127,546
Increase (Decrease) in Taxes Accrued and Withheld	111,966	45,554
Increase (Decrease) in Accrued Expenses	(151,175)	476,512
	-----	-----
NET CASH FLOWS PROVIDED BY OPERATIONS	3,489,281	2,875,559
	-----	-----
CASH FLOWS FROM (USED BY) INVESTING ACTIVITIES:		
Purchases of Property, Plant & Equipment	(930,190)	(352,570)
Proceeds from Equipment Sales		13,528
	-----	-----
NET CASH FLOWS USED BY INVESTING ACTIVITIES	(930,190)	(339,042)
	-----	-----
NET CASH FLOWS FROM FINANCING ACTIVITIES:		
Dividends Paid	(2,599,825)	(485,408)
	-----	-----
NET INCREASE (DECREASE) IN CASH	(40,734)	2,051,109
CASH - BEGINNING OF YEAR	2,831,223	780,114
	-----	-----
CASH - END OF YEAR	\$ 2,790,489	\$2,831,223
	=====	=====

The accompanying notes are an integral part of this statement.

EXHIBIT "D"

MCCLAIN INTERNATIONAL, INC.  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 1997 AND 1996

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- A) NATURE OF BUSINESS - The Company's primary business is the manufacture and repair of airseals for jet engines. Its principal customers are airlines and companies that service the airline industry located throughout the world.
- b) INVENTORIES - Inventories are stated at lower of cost or market. The Company includes in inventory all direct material, labor, subcontract costs and an appropriate allocation of indirect overhead, applying full absorption cost accounting principles.

Ending inventories consist of the following:

	1997	1996
	-----	-----
Finished Goods	\$ 230,927	\$ 119,316
Work-In Process	630,714	373,533
Raw Materials	208,765	348,967
	-----	-----
	\$ 1,070,406	\$ 841,816
	=====	=====

- c) PROPERTY AND EQUIPMENT - All property and equipment are stated at cost. Depreciation is provided using accelerated and straight-line methods over the estimated useful lives of the assets. A summary of useful lives and expense is as follows:

DESCRIPTION	EST. LIVES IN YEARS	DEPRECIATION EXPENSE 1997	DEPRECIATION EXPENSE 1996
-----	-----	-----	-----
Autos	5	\$ 23,499	\$ 15,718
Furniture and Fixtures	5 - 8	23,531	16,270
Machinery and Equipment	5 - 8	235,930	143,244
Leasehold Improvements	15 - 40	10,052	9,156
		-----	-----
		\$ 293,012	\$ 184,388
		=====	=====

- d) REVENUE AND EXPENSE RECOGNITION - Sales of merchandise and other income are recorded as products are shipped, or on the billing date, whichever occurs later.

Salaries and other operating costs are charged to expenses as they are incurred.



MCCLAIN INTERNATIONAL, INC.  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 1997 AND 1996

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

e) STATEMENT OF CASH FLOWS

For purposes of this statement, the Company considers all highly liquid investments with a maturity of three months or less when purchased to be "cash equivalents".

f) USE OF ESTIMATES

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, and the reported revenues and expenses.

NOTE 2 ACCRUED EXPENSES

Accrued expenses consists of the following:

	1997	1996
	-----	-----
Pension and Profit Sharing	\$ 209,723	\$ 149,530
Bonuses	-0-	289,000
Salaries and Other	20,573	40,957
Sales Representative Fees	10,562	9,964
Discounts and Rebates	147,017	88,724
Medical Claims Payable	5,380	6,065
Cost of Machinery	39,810	-0-
	-----	-----
	\$ 433,065	\$ 584,240
	=====	=====

NOTE 3 DESCRIPTION OF LEASING ARRANGEMENTS

The building and land for the manufacturing and office facilities are leased from a controlling stockholder of McClain International, Inc. on a noncancelable operating lease expiring September 30, 2000.

Future commitments under this lease are as follows:

1998	170,580
1999	179,109
2000	139,307
	-----
	\$ 488,996
	=====

Total rent expense for the above lease was \$162,457 for 1997 and \$154,721 for 1996.

MCCLAIN INTERNATIONAL, INC.  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 1997 AND 1996

NOTE 4 PROFIT SHARING EXPENSE

The Company maintains a profit sharing plan that covers substantially all employees. Contributions for the plan are computed at the discretion of the Board of Directors on wages of employees who are greater than twenty-one years of age and have at least one year of service with the Company. The plan disregards employee wages in excess of \$150,000 for the contribution computation. Total contributions are limited to 15% of eligible wages. Total expense incurred by the Company is as follows:

	1997	1996
	-----	-----
Profit Sharing Expense	\$ 209,723	\$ 149,530
	=====	=====

NOTE 5 INCOME TAXES

Effective for the year ended September 30, 1983, the stockholders elected to be taxed as a Subchapter "S" corporation pursuant to Section 1372 of the Internal Revenue Code. This election has been approved by the Internal Revenue Service. Under such an election, the Corporation is treated similar to a partnership for income tax purposes and income or loss is passed through to the stockholders and reported on their individual returns. Normally, this results in no income tax to be incurred at the corporate level.

NOTE 6 OFFICER'S LIFE INSURANCE

The Company pays premiums for the following insurance policies:

INSURANCE COMPANY	POLICY NUMBER	FACE VALUE	CASH VALUE AT 12/31/97	OUTSTANDING POLICY LOANS AT 12/31/97
-----	-----	-----	-----	-----
Confederation Life	5400901	\$500,000	\$ 40,611	\$ 17,423
Confederation Life	5401241	\$500,000	40,611	17,424
Home Life	J00059940	\$500,000	46,890	-0-
			-----	-----
			\$ 128,112	\$ 34,847
			=====	=====

MCCLAIN INTERNATIONAL, INC.  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 1997 AND 1996

NOTE 6 OFFICER'S LIFE INSURANCE (CONTINUED)

INSURANCE COMPANY	POLICY NUMBER	FACE VALUE	CASH VALUE AT 12/31/96	OUTSTANDING POLICY LOANS AT 12/31/96
-----	-----	-----	-----	-----
Confederation Life	5400901	\$500,000	\$ 30,779	\$ 8,720
Confederation Life	5401241	\$500,000	30,779	8,720
Home Life	J00059940	\$500,000	39,264	-0-
			-----	-----
			\$ 100,822	\$ 17,440
			=====	=====

For policy number 5400901, the Company is the beneficiary for the full face value of the policy. Policy number 5401241 and J00059940 are "split dollar" arrangements whereby the Corporation is the beneficiary only to the extent of cash surrender value at the time of death.

NOTE 7 ALLOWANCE FOR DOUBTFUL ACCOUNTS

A computation based on prior year's bad debt write-offs shows that an allowance for doubtful accounts is not material to the financial statements. Accordingly, no allowance for doubtful accounts has been reflected in the financial statements.

NOTE 8 SELF-FUNDED HEALTH INSURANCE

The Company provides its employees and their dependents with comprehensive health care coverage. A portion of that coverage is self-funded. Under the insurance policy with the plan's underwriter, the Company's self-funded liability is limited to \$5,000 per covered person.

NOTE 9 CONCENTRATIONS OF CREDIT RISK

The Company maintains its cash balances in one financial institution that maintains branches throughout the United States. The balances are insured by the Federal Deposit Insurance Corporation up to \$100,000. At December 31, 1997 and 1996, the Company's uninsured cash balances totaled \$2,690,489 and \$2,731,223, respectively.

The Company is engaged primarily in the manufacture and sale of jet engine airseals. Its principal customers are major airlines and companies that service the airline industry, such customers being located world-wide. The Company performs ongoing credit evaluations of its customers' financial condition and, generally, requires no collateral from its customers.

The Company has three major customers who make up approximately 45 percent, 15 percent and 10 percent, respectively, of the Company's annual sales.

MCCLAIN INTERNATIONAL, INC.

SUPPLEMENTAL DATA

MCCLAIN INTERNATIONAL, INC.  
SCHEDULES OF COST OF GOODS SOLD  
FOR THE YEARS ENDED DECEMBER 31, 1997 AND 1996  
(UNAUDITED)

	1997	PERCENT OF SALES	1996	PERCENT OF SALES
	-----	-----	-----	-----
Inventory - Beginning	\$ 841,816	% 7.6	\$ 824,994	% 9.7
Material	1,375,565	12.4	1,158,381	13.7
Freight In	88,340	.8	60,747	.7
Direct Labor	1,027,627	9.3	696,942	8.2
Plant Supplies	849,946	7.7	405,068	4.8
Subcontractors	481,090	4.3	430,106	5.1
Manufacturing Overhead Expenses	1,467,392	13.2	1,154,951	13.6
	-----	-----	-----	-----
COST OF GOODS AVAILABLE FOR SALE	6,131,776	55.3	4,871,189	55.8
Less, Inventory - Ending	1,070,406	9.7	841,816	9.9
	-----	-----	-----	-----
COST OF GOODS SOLD	\$ 5,061,370	% 45.7	\$ 3,889,373	% 45.9
	=====	=====	=====	=====

See Independent Auditor's Report.

SCHEDULE "1"

MCCLAIN INTERNATIONAL, INC.  
SCHEDULES OF MANUFACTURING OVERHEAD EXPENSES  
FOR THE YEARS ENDED DECEMBER 31, 1997 AND 1996  
(UNAUDITED)

	1997	PERCENT OF SALES	1996	PERCENT OF SALES
	-----	-----	-----	-----
Management and Officers Salaries	\$ 397,171	% 3.6	\$ 373,133	% 4.4
Utilities	76,444	.7	64,563	.7
Telephone	2,867	.0	2,930	.0
Rent	129,966	1.2	123,777	1.5
Office Expense	1,523	.0	1,399	.0
Delivery	2,143	.0	2,207	.0
Repairs and Maintenance	98,254	.9	91,321	1.1
Taxes and Licenses	64,920	.6	39,833	.5
Payroll Taxes	128,767	1.2	85,606	1.0
Insurance	154,665	1.4	107,696	1.3
Linen, Laundry and Uniforms	13,039	.1	9,297	.1
Miscellaneous	-0-	.0	4,009	.1
Profit Sharing Expense	145,005	1.3	92,599	1.1
Depreciation	252,628	2.3	156,581	1.8
	-----	-----	-----	-----
	\$ 1,467,392	% 13.2	\$1,154,951	% 13.6
	=====	=====	=====	=====

See Independent Auditor's Report.

SCHEDULE "2"

MCCLAIN INTERNATIONAL, INC.  
SCHEDULES OF GENERAL, ADMINISTRATIVE  
AND SELLING EXPENSES  
FOR THE YEARS ENDED DECEMBER 31, 1997 AND 1996  
(UNAUDITED)

	1997	PERCENT OF SALES	1996	PERCENT OF SALES
	-----	-----	-----	-----
Officers Salaries	\$ 1,500,792	% 13.5	\$ 1,415,000	% 16.7
Management Salaries	100,917	.9	85,417	1.0
Office Salaries	74,534	.7	68,304	.8
Utilities	19,111	.2	16,141	.2
Telephone	11,467	.1	11,721	.1
Rent	32,491	.3	30,944	.4
Office Expenses	13,706	.1	12,592	.1
Dues and Subscriptions	26,847	.2	24,097	.3
Advertising	18,728	.2	9,800	.1
Travel and Entertainment	47,176	.4	32,143	.4
Auto Expense	2,143	.0	2,207	.0
Repairs and Maintenance	15,703	.1	16,217	.2
Taxes and Licenses	23,367	.2	16,278	.2
Payroll Taxes	33,849	.3	32,742	.4
Insurance	35,875	.3	24,967	.3
Legal and Accounting	54,884	.5	50,387	.6
Technical Consultants	20,570	.2	10,458	.1
Miscellaneous Expense	2,101	.0	6,332	.1
Employee Relations	7,911	.0	4,996	.1
Contributions	34,630	.3	33,000	.4
Sales Commissions	24,126	.2	42,183	.5
Profit Sharing Expense	64,718	.6	56,931	.7
Depreciation	40,384	.4	27,807	.3
Research and Development	35,586	.3	34,493	.4
Bank Service Charges	4,915	.0	3,646	.0
	-----	-----	-----	-----
	\$ 2,246,531	% 20.3	\$ 2,068,803	% 24.4
	=====	=====	=====	=====

See Independent Auditor's Report

SCHEDULE "3"

MCCLAIN INTERNATIONAL, INC.  
SCHEDULES OF OTHER INCOME AND (EXPENSE)  
FOR THE YEARS ENDED DECEMBER 31, 1997 AND 1996  
(UNAUDITED)

	1997	PERCENT OF SALES	1996	PERCENT OF SALES
	-----	-----	-----	-----
Interest Earned	\$ 103,473	% .9	\$ 77,955	% .9
Gain on Disposals of Fixed Assets	-0-		6,190	.1
	-----	-----	-----	-----
	\$ 103,473	% .9	\$ 84,145	% 1.0
	=====	=====	=====	=====

See Independent Auditor's Report.

SCHEDULE "4"