

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934

FOR THE QUARTERLY PERIOD ENDED APRIL 30, 1997

OR

TRANSACTION REPORT PURSUANT TO SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission file number 1-4604

HEICO CORPORATION

(Exact name of registrant as specified in its charter)

FLORIDA

65-0341002

(State or other jurisdiction of
incorporation or organization)

I.R.S. Employer Identification No.)

3000 TAFT STREET, HOLLYWOOD, FLORIDA

33021

(Address of principal executive offices)

(Zip Code)

(954) 987-6101

(Registrant's telephone number, including area code)

NOT APPLICABLE

(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

The number of shares outstanding of the registrant's common stock, \$.01 par value, is 5,347,778 shares as of May 31, 1997.

HEICO CORPORATION

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PART I. FINANCIAL INFORMATION
HEICO CORPORATION AND SUBSIDIARIES
CONSOLIDATED CONDENSED BALANCE SHEETS

ASSETS

	APRIL 30, 1997	OCTOBER 31, 1996
	----- (Unaudited)	-----
Current assets:		
Cash and cash equivalents	\$ 10,371,000	\$ 11,025,000
Accounts receivable, net	7,747,000	7,879,000
Inventories	18,261,000	15,277,000
Prepaid expenses and other current assets	1,478,000	874,000
Deferred income taxes	2,243,000	2,058,000
	-----	-----
Total current assets	40,100,000	37,113,000
	-----	-----
Note receivable	10,000,000	10,000,000
	-----	-----
Property, plant and equipment	21,420,000	19,599,000
Less accumulated depreciation	(13,835,000)	(13,754,000)
	-----	-----
Property, plant and equipment, net	7,585,000	5,845,000
	-----	-----
Intangible assets less accumulated amortization of \$954,000 in 1997 and \$805,000 in 1996	4,712,000	4,756,000
	-----	-----
Unexpended bond proceeds	5,330,000	2,649,000
	-----	-----
Other assets	2,683,000	1,473,000
	-----	-----
Total assets	\$ 70,410,000	\$ 61,836,000
	=====	=====

LIABILITIES AND SHAREHOLDERS' EQUITY

Current liabilities:		
Current maturities of long-term debt	\$ 376,000	\$ 494,000
Trade accounts payable	4,565,000	4,803,000
Accrued expenses and other current liabilities	6,539,000	5,903,000
Income taxes payable	--	665,000
	-----	-----
Total current liabilities	11,480,000	11,865,000
	-----	-----
Long-term debt	10,106,000	6,022,000
	-----	-----
Deferred income taxes	1,087,000	1,137,000
	-----	-----
Other non-current liabilities	2,111,000	1,324,000
	-----	-----
Commitments and contingencies		
Shareholders' equity:		
Preferred stock, par value \$.01 per share; Authorized - 10,000,000 shares issuable in series; 50,000 designated as Series A Junior Participating Preferred Stock, none issued	--	--
Common stock, \$.01 par value; Authorized - 20,000,000 shares; Issued - 5,338,098 shares in 1997 and 5,275,551 shares in 1996	53,000	53,000
Capital in excess of par value	31,690,000	30,881,000
Retained earnings	16,825,000	13,893,000
	-----	-----
Total shareholders' equity	48,568,000	44,827,000
Less: Note receivable from employee savings and investment plan	(2,942,000)	(3,339,000)
	-----	-----
Total shareholders' equity	45,626,000	41,488,000
	-----	-----
Total liabilities and shareholders' equity	\$ 70,410,000	\$ 61,836,000
	=====	=====

SEE NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS.

HEICO CORPORATION AND SUBSIDIARIES
CONSOLIDATED CONDENSED STATEMENTS OF OPERATIONS - UNAUDITED

	SIX MONTHS ENDED APRIL 30,		THREE MONTHS ENDED APRIL 30,	
	1997	1996	1997	1996
Net sales	\$ 27,819,000	\$ 14,920,000	\$ 13,552,000	\$ 7,942,000
Operating costs and expenses:				
Cost of sales	18,542,000	9,882,000	9,016,000	5,226,000
Selling, general and administrative expenses	5,164,000	3,452,000	2,457,000	1,855,000
Total operating costs and expenses	23,706,000	13,334,000	11,473,000	7,081,000
Income from operations	4,113,000	1,586,000	2,079,000	861,000
Interest expense	(178,000)	(87,000)	(95,000)	(36,000)
Interest and other income	827,000	358,000	430,000	165,000
Income from continuing operations before income taxes	4,762,000	1,857,000	2,414,000	990,000
Income tax expense	1,528,000	632,000	774,000	343,000
Net income from continuing operations	3,234,000	1,225,000	1,640,000	647,000
Net income from discontinued operations	--	727,000	--	435,000
Net income	<u>\$ 3,234,000</u>	<u>\$ 1,952,000</u>	<u>\$ 1,640,000</u>	<u>\$ 1,082,000</u>
Net income per share:				
From continuing operations	\$.51	\$.21	\$.26	\$.11
From discontinued health care operations	--	.13	--	.07
Net income per share	<u>\$.51</u>	<u>\$.34</u>	<u>\$.26</u>	<u>\$.18</u>
Weighted average number of common and common equivalent shares outstanding	<u>6,331,680</u>	<u>5,708,631</u>	<u>6,387,702</u>	<u>5,829,248</u>
Cash dividends per share	<u>\$.05</u>	<u>\$.041</u>	<u>--</u>	<u>--</u>

SEE NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS.

HEICO CORPORATION AND SUBSIDIARIES
CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS - UNAUDITED

	SIX MONTHS ENDED APRIL 30,	
	1997	1996
Cash flows from operating activities:		
Net income	\$ 3,234,000	\$ 1,952,000
Adjustments to reconcile net income to cash provided by operating activities:		
Depreciation and amortization	764,000	1,286,000
(Income) loss from unconsolidated partnerships	--	(327,000)
Minority interest in consolidated partnerships	--	228,000
Deferred income taxes	(235,000)	(495,000)
Deferred financing costs	(144,000)	--
Change in assets and liabilities:		
Decrease (increase) in accounts receivable	40,000	(608,000)
(Increase) in inventories	(2,984,000)	(843,000)
(Increase) in prepaid expenses and other current assets	(604,000)	(181,000)
Increase in trade payables, accrued expenses and other current liabilities	400,000	800,000
(Decrease) increase in income taxes payable	(665,000)	439,000
Increase in other non-current liabilities	140,000	123,000
Other	(80,000)	--
Net cash (used in) provided by operating activities	(134,000)	2,374,000
Cash flows from investing activities:		
Maturity of short-term investments	--	2,939,000
Purchases of property, plant and equipment	(2,325,000)	(639,000)
Acquisitions:		
Contingent note payments	--	(783,000)
Other	--	--
Distributions from unconsolidated partnerships	--	109,000
Distributions to minority interests	--	(216,000)
Payments for deferred organization costs	--	(486,000)
Payment received from employee savings and investment plan note receivable	396,000	353,000
Other	(363,000)	93,000
Net cash (used in) provided by investing activities	(2,292,000)	1,320,000
Cash flows from financing activities:		
Proceeds from the issuance of long-term debt:		
Reimbursements from unexpended bond proceeds	1,375,000	--
Other	210,000	302,000
Proceeds from the exercise of stock options	788,000	1,262,000
Payments on long-term debt and capital leases	(320,000)	(581,000)
Cash dividends paid	(282,000)	(224,000)
Other	1,000	--
Net cash provided by financing activities	1,772,000	759,000
Net (decrease) increase in cash and cash equivalents	(654,000)	4,453,000
Cash and cash equivalents at beginning of year	11,025,000	4,664,000
Cash and cash equivalents at end of period	\$ 10,371,000	\$ 9,117,000

SEE NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS.

HEICO CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS - UNAUDITED
April 30, 1997

1. The accompanying unaudited consolidated condensed financial statements have been prepared in accordance with the instructions to Form 10-Q and therefore do not include all information and footnotes normally included in annual consolidated financial statements and should be read in conjunction with the financial statements and notes thereto included in the Company's latest Annual Report on Form 10-K for the year ended October 31, 1996. In the opinion of management, the unaudited consolidated condensed financial statements contain all adjustments (consisting of only normal recurring accruals) necessary for a fair presentation of the consolidated condensed balance sheets and consolidated condensed statements of operations and cash flow for such interim periods presented. The results of operations for the six months ended April 30, 1997 are not necessarily indicative of the results which may be expected for the entire fiscal year.

2. Accounts receivable are composed of the following:

	APRIL 30, 1997	OCTOBER 31, 1996
	-----	-----
Accounts receivable.....	\$ 7,744,000	\$ 7,882,000
Net costs and estimated earnings in excess of billings on uncompleted contracts.....	265,000	265,000
Less allowance for doubtful accounts.....	(262,000)	(268,000)
	-----	-----
Accounts receivable, net.....	\$ 7,747,000	\$ 7,879,000
	=====	=====

Inventories are comprised of the following:

	APRIL 30, 1997	OCTOBER 31, 1996
	-----	-----
Finished products.....	\$ 4,174,000	\$ 4,428,000
Work in process.....	7,220,000	5,845,000
Materials, parts, assemblies and supplies.....	6,867,000	5,004,000
	-----	-----
Total inventories.....	\$ 18,261,000	\$ 15,277,000
	=====	=====

Inventories related to long-term contracts aggregated approximately \$328,000 as of April 30, 1997 and \$628,000 as of October 31, 1996.

Revenue amounts set forth in the accompanying Consolidated Condensed Statements of Operations do not include any material amounts in excess of billings related to long-term contracts.

3. Long-term debt consists of:

	APRIL 30, 1997	OCTOBER 31, 1996
	-----	-----
Industrial Development Revenue		
Bonds - Series 1997A.....	\$ 3,000,000	---
Industrial Development Revenue		
Bonds - Series 1997B.....	1,000,000	---
Industrial Development Revenue		
Bonds - Series 1996.....	3,500,000	\$ 3,500,000
Industrial Development Revenue		
Refunding Bonds - Series 1988.....	1,980,000	1,980,000
Term loan borrowing under revolving		
credit facility.....	158,000	317,000
Equipment loans.....	844,000	719,000
	-----	-----
	10,482,000	6,516,000
Less current maturities.....	(376,000)	(494,000)
	-----	-----
	\$ 10,106,000	\$ 6,022,000
	=====	=====

The industrial development revenue bonds represent bonds issued by Broward County, Florida in 1996 (Series 1996 bonds) and in 1988 (Series 1988 bonds), and bonds issued by Manatee County, Florida in 1997 (Series 1997A and Series 1997B bonds).

The Series 1997A and 1997B bonds were issued in the amounts of \$3,000,000 and \$1,000,000, respectively, for the purpose of constructing and purchasing equipment for a new facility in Palmetto, Florida. As of April 30, 1997, the Company has been reimbursed \$80,000 for such expenditures, and the balance of the unexpended bond proceeds of \$3,920,000 is held by the trustee and is available for future qualified expenditures. The Series 1997A and 1997B bonds are due March 2017 and bear interest at variable rates calculated weekly (4.70% and 5.65%, respectively, at April 30, 1997). The 1997A and 1997B bonds are secured by a letter of credit expiring in March 2004 and a mortgage on the related properties pledged as collateral. The letter of credit requires annual sinking fund payments with a fair market value of \$200,000 beginning in March 1998.

The Series 1988 and Series 1996 bonds bear interest as of April 30, 1997, at 4.60% and 4.70%, respectively.

As of April 30, 1997, unexpended proceeds of the Series 1996 bonds of \$1,410,000 are held by the trustee and is available for future qualified expenditures.

In February 1997, the Company's equipment loan facility was extended through December 1997. In addition, the amendment, among other things, increased the amount of available funds to \$2,000,000.

The term loan borrowings and equipment loans bear interest as of April 30, 1997 at 8.75% and 9.00% respectively.

4. The fiscal 1996 net income from discontinued operations represents the Company's former subsidiary, MediTek Health Corporation, which was sold in the third quarter of fiscal 1996 at a gain of \$5,264,000 (89 cents per share).

5. Net income per share is calculated on the basis of the weighted average number of common shares outstanding during each period plus common share equivalents arising from the assumed exercise of stock options, if dilutive, and has been adjusted for the effect of any stock dividends and stock splits.

6. Supplemental disclosures of cash flow information for the six months ended April 30, 1997 and 1996 are as follows:

Cash paid for interest was \$178,000 and \$137,000 in 1997 and 1996, respectively. Cash paid for income taxes was \$2,654,000 and \$1,228,000 in 1997 and 1996, respectively.

7. In October 1995, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation" (SFAS No. 123). SFAS No. 123 established a fair value based method of accounting for stock options. Entities may elect to either adopt the measurement criteria of the statement for accounting purposes, thereby recognizing an amount in results of operations on a prospective basis, or disclose the pro forma effects of the new measurement criteria in Notes to Consolidated Financial Statements. The Company intends to adopt the pro forma disclosure features of SFAS No. 123, which are effective for fiscal year 1997.

In February 1997, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 128, "Earnings per Share" (SFAS No. 128). SFAS No. 128 changes the method in which earnings per share will be determined and is effective for financial statements for periods ending after December 15, 1997. The Company has not determined the effect, if any, of SFAS No. 128 on its earnings per share.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS
For the six months ended April 30, 1997 and 1996

RESULTS OF OPERATIONS

Fiscal 1997 second quarter net income of \$1,640,000 (\$.26 per share) increased 153% over fiscal 1996 second quarter net income from continuing operations of \$647,000 (\$.11 per share) and net income in the first half of fiscal 1997 of \$3,234,000 (\$.51 per share) increased 164% over net income from continuing operations of \$1,225,000 (\$.21 per share) in the first half of fiscal 1996.

For the second quarter of fiscal 1997, net sales totaled \$13,552,000, representing a 71% increase over net sales from continuing operations of \$7,942,000 in the second quarter of fiscal 1996. In the first half of fiscal 1997, net sales rose 86% to \$27,819,000, up from net sales from continuing operations of \$14,920,000 in the first half of last year.

The improved fiscal 1997 earnings are primarily attributable to increased sales and gross margins discussed below as well as the addition of the newly acquired Ground Support operations.

Net sales of the Company's Flight Support operations increased 15% in the second quarter of fiscal 1997 as compared to the same period of fiscal 1996 and rose 20% in the first half of fiscal 1997 versus the first half of fiscal 1996. The increases from fiscal 1996 to 1997 are principally due to increased sales volumes of jet engine replacement parts to the Company's commercial airline customers.

Net sales of the Company's Ground Support operations totaled \$4,456,000 for the second quarter of fiscal 1997 and \$9,937,000 in the first half of fiscal 1997, all of which represented sales of Trilectron Industries, Inc. (Trilectron), a business acquired in September 1996.

The Company's Flight Support operations had a backlog which totaled approximately \$23 million as of April 30, 1997 and April 30, 1996, and approximately \$14 million as of October 31, 1996. The current backlog increased from October 31, 1996 principally due to certain customers entering into longer term contracts which replaced shorter term purchase orders. Substantially all of this backlog of orders is expected to be delivered within twelve months.

The Company's Ground Support operations had a backlog totalling \$13 million at April 30, 1997. This is an 18% increase over the October 31, 1996 backlog balance of \$11 million and is principally due to receipt of a contract approximating \$4 million in the first quarter of fiscal 1997 covering deliveries expected to begin in fiscal 1997 and continue into fiscal 1998.

The Company's gross profit margins for the second quarter of fiscal 1997 averaged 33.5% as compared to gross profit margins averaging 34.2% in the same period of fiscal 1996. Gross profit margins averaged 33.3% in the first half of fiscal 1997, which approximated the 33.8% average gross profit margins in the first half of fiscal 1996. These reflect an improvement in gross margins in the Flight Support operations, partially offset by inclusion of the newly-acquired Ground Support operations. Sales of ground support equipment generally carry lower profit margins than those of the Company's Flight Support operations. The improvement in margins in the Flight Support operations reflects volume increases in sales of higher margin products and manufacturing cost efficiencies.

Selling, general and administrative (SG&A) expenses in the second quarter and the first half of fiscal 1997 increased \$602,000 and \$1,712,000, respectively, over amounts in the second quarter and the first half of fiscal 1996. The increase from fiscal 1996 is due principally to increased selling expenses by the Flight Support operations and the SG&A expenses of Trilectron. As a percentage of sales, however, SG&A expenses improved to 18.1% of consolidated net sales in the second quarter and 18.6% of consolidated net sales in the first half of fiscal 1997, down from 23.4% and 23.1% in the comparable three-month and six-month periods of fiscal 1996.

Income from operations, which totaled \$2,079,000 for the second quarter of fiscal 1997 and \$4,113,000 for the first six months of fiscal 1997, increased \$1,218,000 and \$2,527,000 respectively, over the same three-month and six-month periods of last year. These increases reflect the increase in sales and gross margins of Flight Support operations and the addition of the Ground Support operations as discussed above.

Interest and other income in the second quarter and the first half of fiscal 1997 increased \$265,000 and \$469,000, respectively, over the same periods in fiscal 1996. These increases are principally due to interest income on the convertible note received from the sale of MediTek in July 1996 and higher cash balances available for investment.

The Company's effective tax rate totaled 32.1% for the first half of fiscal 1997 and 34.0% in the first half of fiscal 1996.

The decrease in the Company's effective tax rate is principally due to the tax benefit received from an increase in foreign sales.

LIQUIDITY AND CAPITAL RESOURCES

During the first six months of fiscal 1997, net cash used in operating activities was \$134,000, reflecting net income of \$3.2 million offset primarily by increases in inventories of \$3.0 million required to meet increased sales and faster customer delivery requirements and a decrease in Federal and state income taxes attributable to estimated tax payments made.

The Company's principal investing activities during the first six months of fiscal 1997 were purchases of property, plant and equipment of \$2,325,000 including \$1,191,000 related to the Series 1996 industrial development revenue bond project.

The Company's principal financing activities during the first half of fiscal 1997 were \$1,585,000 in proceeds of long-term debt including \$1,295,000 in reimbursements for qualified expenditures from above referenced Series 1996 industrial development revenue bonds and \$788,000 representing the receipt of funds from the exercise of stock options.

As discussed in Note 3 to the Consolidated Condensed Financial Statements contained herein, industrial development revenue bonds in the amount of \$4,000,000 were issued by Manatee County, Florida, to be used to construct and equip a new Trilectron manufacturing facility in Palmetto, Florida. As of April 30, 1997, unexpended bond proceeds of \$3,920,000 were available for qualified expenditures of the Trilectron facility and unexpended bond proceeds of \$1,410,000 were available for qualified expenditures of the Series 1996 industrial development revenue bond project of HEICO Aerospace.

The revolving portion of the Company's \$7,000,000 credit facility, which was to expire in April 1997, was renewed by mutual agreement until June 30, 1997. In addition, amounts available under the Company's equipment loan facility (See Note 3 to the Consolidated Condensed Financial Statements) were increased to \$2,000,000 and extended to December 1997.

There have been no other material changes in the liquidity or the capital resources of the Company since the end of fiscal 1996.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

There have been no material developments in previously reported litigation involving the Company and its subsidiaries.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

At the Annual Meeting of Shareholders held on March 18, 1997, the Company's shareholders elected nine directors and approved a proposal to amend the 1993 Stock Option Plan (the "Plan") to increase the number of shares issuable pursuant to the Plan.

The number of votes cast for and withheld for each nominee for directors were as follows:

DIRECTOR	FOR	WITHHELD
Jacob T. Carwile	4,592,600	432,169
Samuel L. Higginbottom	4,590,872	433,897
Paul F. Manieri	4,592,298	432,471
Eric A. Mendelson	4,545,795	478,974
Laurans A. Mendelson	4,592,787	431,982
Victor H. Mendelson	4,545,795	478,974
Albert Morrison, Jr.	4,592,787	431,982
Dr. Alan Schriesheim	4,592,460	432,309
Guy C. Shafer	4,590,822	433,947

The number of votes cast for and against the proposal to amend the Plan, as well as the number of abstentions, were as follows: For: 4,228,335; Against: 691,008; and Abstain: 91,126. There were 14,300 broker non-votes with respect to this matter.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits

10.1 Loan Agreement, dated as of March 1, 1997, between Trilectron Industries, Inc., and Manatee County, Florida (excluding referenced exhibits).

(a) Exhibits (continued)

10.2 Letter of Credit and Reimbursement Agreement, dated as of March 1, 1997, between Trilectron Industries, Inc., and First Union National Bank of Florida (excluding referenced exhibits).

10.3 Second Loan Modification Agreement, dated February 27, 1997, between HEICO Corporation and Eagle National Bank of Miami.

11 Computation of earnings per share.

27 Financial Data Schedule.

(b) There were no reports on Form 8-K filed during the three months ended April 30, 1997.

SIGNATURES

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

(Registrant)

JUNE 6, 1997

Date

BY /s/THOMAS S. IRWIN

Thomas S. Irwin, Executive Vice
President and Chief Financial Officer
(Principal Financial and Accounting
Officer)

EXHIBIT INDEX

EXHIBIT -----	PAGE -----
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11 Computation of earnings per share.	
27 Financial Data Schedule (for SEC use only)	

LOAN AGREEMENT

Dated as of March 1, 1997

Between

Manatee County, Florida

("Issuer")

and

Trilectron Industries, Inc.

("Borrower")

\$3,000,000

Manatee County, Florida

Industrial Development Revenue Bonds, Series 1997 A

(Trilectron Industries, Inc. Project)

and

\$1,000,000

Manatee County, Florida

Industrial Development Revenue Bonds, Series 1997 B (Taxable)

(Trilectron Industries, Inc. Project)

CERTAIN RIGHTS OF THE ISSUER UNDER THIS AGREEMENT HAVE BEEN ASSIGNED TO, AND ARE SUBJECT TO A SECURITY INTEREST IN FAVOR OF, FIRST UNION NATIONAL BANK OF FLORIDA, AS TRUSTEE, AND BRANCH BANKING AND TRUST COMPANY, AS CREDIT FACILITY TRUSTEE, UNDER A TRUST INDENTURE OF EVEN DATE HERewith BETWEEN THE ISSUER, THE TRUSTEE AND THE CREDIT FACILITY TRUSTEE, AS AMENDED OR SUPPLEMENTED FROM TIME TO TIME.

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LOAN AGREEMENT

This LOAN AGREEMENT, dated as of March 1, 1997, between MANATEE COUNTY, FLORIDA, a political subdivision and body corporate and politic of the State of Florida (the "Issuer"), and TRILECTRON INDUSTRIES, INC., a New York corporation (the "Borrower").

WITNESSETH:

In consideration of the respective representations and agreements contained herein, the parties hereto, recognizing that under the Act (as hereinafter defined) this Loan Agreement shall not in any way obligate the State of Florida (herein, the "State") or any political subdivision thereof, including, without limitation, the Issuer or any other political subdivision thereof, to raise any money by taxation or use other public moneys for any purpose in relation to the Project (as hereinafter defined) and that neither the State nor any political subdivision thereof, including, without limitation, the Issuer, shall pay or promise to pay any debt or meet any financial obligation to any person at any time in relation to the Project, except from moneys received or to be received under the provisions of this Loan Agreement, the Notes and from the Credit Facility Issuer under a Credit Facility (each as hereinafter defined) or derived from the exercise of the rights of the Issuer hereunder and thereunder, agree as follows:

ARTICLE I
DEFINITIONS AND RULES OF CONSTRUCTION

Section 1.1. DEFINITIONS. In addition to words and terms elsewhere defined in this Loan Agreement or in the Indenture, the following words and terms shall have the following meanings:

"Acquisition", when used in connection with the Project, shall mean, without limitation, the acquisition, construction, installation and equipping of the Project.

"Act" shall mean the Florida Constitution, Part II and Part VII of Chapter 159, Florida Statutes, as amended and supplemented, and other provisions of applicable law.

"Administrative Expenses" shall mean the amounts payable pursuant to Section 7.5 hereof by the Borrower to or for the account of the Issuer to provide for payment of the costs and expenses incurred by the Issuer.

"Affiliate" shall mean, with respect to any Person, any other Person directly or indirectly controlling or controlled by or under direct or indirect common control with such Person. For the purposes of this definition, "control" when used with respect to a Person means the power to direct the management and policies of such Person, directly or indirectly, whether through

the ownership of voting securities, by contract or otherwise, and the terms "controlling" and "controlled" have meanings correlative to the foregoing.

"Alternate Credit Facility" shall mean an irrevocable direct pay letter of credit, insurance policy or similar credit enhancement or support facility for the benefit of the Trustee, the terms of which Alternate Credit Facility shall in all respects material to the Bondholders be the same (except for the term set forth in such Alternate Credit Facility) as the Letter of Credit. Notwithstanding the foregoing, an Alternate Credit Facility shall be deemed to be of the same credit quality as the Letter of Credit if the long-term rating of the Credit Facility Issuer is rated at least investment grade by either Moody's or S&P.

"Bank" shall mean First Union National Bank of Florida, the issuer of the Letter of Credit and shall also mean "Credit Facility Issuer" with respect to an Alternate Credit Facility.

"Bond" or "Bonds" shall mean collectively Manatee County, Florida Industrial Development Revenue Bonds, Series 1997 A (Trilectron Industries, Inc. Project) (herein, the "Series A Bonds") and Manatee County, Florida Industrial Development Revenue Bonds, Series 1997 B (Taxable) (Trilectron Industries, Inc. Project) (herein the "Series B Bonds") authorized to be issued pursuant to a resolution of the Issuer in accordance with the terms and provisions of the Indenture in the aggregate principal amount of \$3,000,000 with respect to the Series A Bonds and \$1,000,000 with respect to the Series B Bonds, including such Bonds issued in replacement for mutilated, destroyed, lost or stolen Bonds pursuant to Section 211 of the Indenture, and any amendments and supplements thereto, and any renewals and extensions thereof, permitted by the Indenture. The term "Bonds" also means the Series C Bonds when and if the original Series B Bonds are currently refunded with the proceeds of the Series C Bonds pursuant to the provisions of Section 706 of the Indenture and the Tax-Exempt Supplement.

"Bond Documents" shall mean collectively the Indenture, the Bonds, this Loan Agreement, the Series A Note, the Series B Note, the Series C Note when and if the Series B Note is prepaid with the proceeds of the Series C Note, the Mortgage, the Security Agreement, the Letter of Credit Documents, the Placement Agreement, the Tender Agency Agreement and the Remarketing Agreement.

"Bondholder" or "Bondholders" or "owner of Bonds" or "owners of Bonds" shall mean the initial owner or owners and any future owner or owners of the Bond or Bonds as registered on the books and records of the Bond Registrar pursuant to Section 204 of the Indenture.

"Bond Fund" shall mean the fund created under Section 502 of the Indenture.

"Borrower" shall mean, with respect to this Loan Agreement, Trilectron Industries, Inc., a New York corporation, and its successors and assigns and any surviving, resulting or transferee corporation or other entity.

"Borrower Representative" shall mean any one of the persons at the time designated to act on behalf of the Borrower by the written certificate furnished to the Issuer and the Trustee containing the specimen signatures of such persons and signed on behalf of the Borrower by the President or any duly authorized Vice President of the Borrower.

"Business Day" shall mean a day upon which banks in the State of North Carolina and in the State are open for the transaction of business of the nature required pursuant to this Loan Agreement and the Indenture.

"Code" shall mean the Internal Revenue Code of 1986, as amended, and the related regulations, rulings and procedures issued by the Internal Revenue Service or its successors.

"Completion Date" shall mean that date certified by the Borrower under Section 4.3 hereof.

"Consistent Basis" shall mean, in reference to the application of Generally Accepted Accounting Principles, that the accounting principles observed in the period referred to are comparable in all material respects to those applied in the preceding period, except as to any changes consented to by the Trustee and the Credit Facility Issuer.

"Cost of Acquisition of the Project" shall mean the costs and allowances for the Acquisition of the Project which are permitted under Section 159.27 of the Act and which include, but are not limited to, all capital costs of the Project, including the following:

1. The Acquisition of the Project at the Project Site;
2. Preparation of the plans and specifications, if any, for the Project (including any preliminary study or plan of the Project or any aspect thereof), any labor, services, materials and supplies used or furnished in the Acquisition of the Project, the acquisition and installation necessary to provide utility services or other services and all real and tangible personal property deemed necessary by the Borrower in connection with the Project;
3. The fees for architectural, engineering, supervisory and consulting, services in connection with the Acquisition of the Project;
4. To the extent they shall not be paid by a contractor, the premiums of all insurance and surety and performance bonds required to be maintained in connection with the Acquisition of the Project;
5. Any fees and expenses in connection with the acquisition, perfection and protection of title to the Project Site and any fees and expenses incurred in connection with the preparation, recording or filing of such documents,

instruments or financing statements as either the Borrower, the Issuer or the Trustee may deem desirable to perfect or protect the rights of the Issuer or the Trustee under this Loan Agreement, the Notes, the Indenture, the Bonds and the Letter of Credit Documents;

6. The legal, accounting, initial Trustee and Credit Facility Trustee fees and expenses and financial advisory fees and expenses, filing fees, and printing and engraving costs incurred in connection with the authorization, issuance, sale and purchase of the Bonds, and the preparation of this Loan Agreement, the Notes, the Indenture, the Bonds, the Letter of Credit Documents, the Tender Agency Agreement and the Remarketing Agreement and all other documents in connection with the authorization, issuance and sale of the Bonds; and
7. Any administrative or other fees charged by the Issuer, Governing Board, the State Board or reimbursement thereto of expenses, in connection with the Project to the Completion Date.

"Counsel" shall mean an attorney or a firm of attorneys acceptable to the Trustee, and may, but need not, be counsel to the Issuer, the Credit Facility Issuer or the Borrower.

"Credit Facility" shall mean the Letter of Credit or any Alternate Credit Facility delivered to the Credit Facility Trustee.

"Credit Facility Issuer" shall mean the Bank with respect to the Letter of Credit and the institution issuing any Alternate Credit Facility.

"Credit Facility Trustee" shall mean the banking institution at the time serving as Credit Facility Trustee under the Indenture, if any.

"Determination of Taxability" shall be applicable only to the Series A Bonds and the Series C Bonds when and if the Series B Bonds are currently refunded with the proceeds of the Series C Bonds and shall be defined as and shall be deemed to have occurred on the first to occur of the following:

(1) on that date when the Borrower files any statement, supplemental statement or other tax schedule, return or document (whether pursuant to Treasury Regulations ss. 1.103-10(b)(2)(vi), as the same may be amended or supplemented, or otherwise) which discloses that an Event of Taxability shall have in fact occurred;

(2) on that date when any Bondholder or former Bondholder notifies the Borrower or the Trustee that it has received a written opinion of Greenberg Traurig Hoffman Lipoff Rosen & Quentel, P.A. or such other Bond Counsel acceptable to the Issuer and the Borrower, to the effect that an Event of Taxability shall have occurred unless, within 180 days after receipt by the Borrower of such notification from the

Trustee, any Bondholder or any former Bondholder, the Borrower shall obtain and deliver to the Trustee and each Bondholder and former Bondholder a favorable ruling or determination letter issued to or on behalf of the Borrower by the Commissioner or any District Director of Internal Revenue (or any other government official exercising the same or a substantially similar function from time to time) to the effect that, after taking into consideration such facts as form the basis for the opinion that an Event of Taxability has occurred, an Event of Taxability shall not have occurred;

(3) on that date when the Borrower shall be advised in writing by the Commissioner or any District Director of Internal Revenue (or any other government official or agent exercising the same or a substantially similar function from time to time) that, based upon filings of the Borrower, or upon any review or audit of the Borrower, or upon any other ground whatsoever, an Event of Taxability shall have occurred;

(4) on that date when the Borrower shall receive notice in writing from any Bondholder or former Bondholder, or from the Trustee, that the Internal Revenue Service (or any other government agency exercising the same or a substantially similar function from time to time) has assessed as includable in the gross income of any Bondholder or former Bondholder the interest on such Bondholder's or former Bondholder's Bond for federal income tax purposes due to the occurrence of an Event of Taxability;

provided, however, no Determination of Taxability shall occur under subparagraph (3) or (4) hereof unless the Borrower has been afforded the opportunity, at its expense, to contest any such assessment or unfavorable ruling and, further, no Determination of Taxability shall occur until such contest, if made, has been finally determined.

"Eminent Domain" shall mean the taking of title to, or the temporary use of, the Project or any part thereof pursuant to eminent domain or condemnation proceedings, or any voluntary conveyance of any part of the Project during the pendency of, or as a result of a threat of, such proceedings.

"Equipment" shall mean all of the fixtures (including all leasehold improvements), machinery, equipment and other items of tangible personal property now owned or hereafter acquired by the Borrower and located or to be located on or affixed to the Project Site, together with all substitutions therefor and all repairs, renewals and replacements thereof.

"Event of Default" or "Default" shall have the meaning set forth in Section 9.1 hereof.

"Event of Taxability" shall be applicable only to the Series A Bonds and the Series C Bonds when and if the Series B Bonds are currently refunded with the proceeds of the Series C Bonds and shall mean a change in law or fact or the interpretation thereof, or the occurrence or existence of any fact, event or circumstance (including, without limitation, the issuance of obligations or the incurring of capital expenditures in excess of those permitted by Sections 144(a)(4)(A) of the Code, or the taking of any action by the Borrower, or the failure to take any

action by the Borrower, or the making by the Borrower of any misrepresentation herein or in any certificate required to be given in connection with the issuance, sale or delivery of the Bonds) which has the effect of causing the interest paid or payable on any Bond (other than "Series B Bonds") to become includable in the gross income of any Bondholder or former Bondholder for federal income tax purposes other than a Bondholder or former Bondholder who is or was a "substantial user" or "related person" as such terms are used in Section 147(a) of the Code.

"Generally Accepted Accounting Principles" shall mean those principles of accounting set forth in pronouncements of the Financial Accounting Standards Board and its predecessors or pronouncements of the American Institute of Certified Public Accountants or those principles of accounting which have other substantial authoritative support and are applicable in the circumstances as of the date of application, as such principles are from time to time supplemented and amended.

"Governing Board" shall mean the Board of County Commissioners of Manatee County, Florida and any successor thereto as the governing body of the Issuer.

"Government Obligations" shall mean (i) direct obligations of the United States of America, (ii) obligations unconditionally guaranteed by the United States of America, and (iii) securities or receipts evidencing ownership interests in obligations or specified portions (such as principal or interest) of obligations described in clause (i) or (ii) above the full and timely payment of which securities, receipts or obligations is unconditionally guaranteed by the United States of America.

"Indenture" shall mean the Trust Indenture of even date herewith by and among the Issuer, the Trustee and the Credit Facility Trustee, together with any amendments or supplements thereto permitted thereby including but not limited to the Tax-Exempt Supplement.

"Issuer" shall mean Manatee County, Florida, a political subdivision of the State, and its successors and assigns and any body resulting from or surviving any consolidation or merger to which it or its successors may be a party.

"Issuer Representative" shall mean any one of the persons at the time designated to act on behalf of the Issuer by written certificate furnished to the Borrower and the Trustee containing the specimen signatures of such persons and signed on behalf of the Issuer by its Chairman or Vice Chairman.

"Letter of Credit" shall mean the irrevocable direct pay letter of credit dated March __, 1997 in the amount of \$4,200,000 issued by the Bank, including any extensions thereof.

"Letter of Credit Documents" shall mean the Letter of Credit, the Reimbursement Agreement, the Pledge Agreement, Mortgage and other security documents referred to in the Reimbursement Agreement.

"Loan Agreement" shall mean this Loan Agreement and any amendments and supplements hereto or thereto permitted by the Indenture.

"Mortgage" shall mean that certain Mortgage and Security Agreement dated as of March 1, 1997 from the Borrower to the Issuer and the Bank, as their interests may appear.

"Net Proceeds" when used with respect to any insurance proceeds or award resulting from, or other amount received in connection with, Eminent Domain shall mean the gross proceeds from such proceeds, award or other amount, less all expenses (including attorneys' fees) incurred in the realization thereof.

"Notes" shall mean collectively, the Series A Note, the Series B Note and the Series C Note when and if the Series B Note is prepaid with the proceeds of the Series C Note all given by the Borrower pursuant to Section 5.1 of this Loan Agreement, substantially in the forms of Exhibit A attached hereto, with respect to the Series A Note, Exhibit B attached hereto, with respect to the Series B Note, and Exhibit C attached hereto, with respect to the Series C Note.

"Official Action" shall mean the action taken by the Governing Board on August 27, 1996 and January 28, 1997 in adopting resolutions authorizing the issuance of the Bonds, subject to the terms of such resolutions.

"Overdue Rate" shall mean the Prime Rate plus three percent per annum or the maximum rate permitted by law, whichever is lower.

"Payment of the Bonds" shall mean payment of (i) the principal of and interest on the Bonds in accordance with their terms whether through payment at maturity, upon acceleration or prepayment, (ii) all amounts due as Administrative Expenses or otherwise, and (iii) any and all other liabilities and obligations arising under the Indenture and this Loan Agreement; in any case, in such a manner that all such amounts due and owing with respect to the Bonds shall have been paid.

"Permitted Encumbrances" shall mean, as of any particular time, "Permitted Liens," as defined in the Reimbursement Agreement.

"Person" shall mean an individual, partnership, corporation, trust, unincorporated organization, association, joint venture, joint-stock company, or a government or agency or political subdivision thereof.

"Placement Agreement" shall mean the letter agreement dated the date of issuance of the Bonds among the Borrower, First Union National Bank of North Carolina, as Placement Agent and the Issuer, providing for the initial placement of the Bonds. "Placement Agreement" shall also mean the offering document used in connection with the issuance of the Series C Bonds.

"Placement Memorandum" shall mean the Private Placement Memorandum dated the date of issuance of the Bonds (including the Series C Bonds when and if issued), including the cover page and all appendices thereto.

"Plans and Specifications" shall mean the plans and specifications used in the Acquisition of the Project, as the same may be revised from time to time by the Borrower in accordance with Section 3.3 hereof.

"Pledge Agreement" shall mean the Pledge Agreement of even date herewith between the Borrower and the Bank, and any amendments or supplements thereto.

"Prime Rate" shall mean the rate of interest per annum announced by First Union National Bank of Florida at its principal office in Jacksonville, Florida from time to time to be its prime rate.

"Project" shall mean the acquisition of an approximately 18 acre site in the County, constituting the Project Site, and the acquisition, construction and equipping of a new facility totaling approximately 75,000 square feet to be used by the Borrower in the manufacturing of aviation ground support equipment, and electronic components used by commercial and military organizations, all to be located on the Project Site.

"Project Site" shall mean the real property located in Manatee County, Florida, more particularly described in Exhibit D attached hereto and by reference made a part hereof, upon which the Plant and Equipment are located.

"Reimbursement Agreement" shall mean the Letter of Credit and Reimbursement Agreement of even date herewith between the Borrower and the Bank, as such agreement may be amended from time to time and filed with Trustee and the Credit Facility Trustee, and any agreement of the Borrower, with a Credit Facility Issuer setting forth the obligations of the Borrower, to such Credit Facility Issuer arising out of any payments under a Credit Facility and which provides that it shall be deemed to be a Reimbursement Agreement for the purposes of the Indenture.

"Remarketing Agent" shall mean First Union National Bank of North Carolina, acting through its Capital Markets Group as remarketing agent, or any successor in such capacity.

"Remarketing Agreement" shall mean the Remarketing Agreement of even date herewith between the Borrower and the Remarketing Agent.

"Security Agreement" shall mean that certain Security Agreement dated as of March 1, 1997, from the Borrower to the Issuer and the Bank, as their interests may appear.

"Series C Bonds" shall mean the Issuer's Industrial Development Revenue Refunding Bonds, Series 1997 C (Trilectron Industries, Inc. Project) issued in the principal amount of the Series B Bonds pursuant to the provisions of Section 706 of the Indenture and the Tax-Exempt Supplement.

"Series A Note" shall mean the promissory note given by the Borrower pursuant to Section 5.1 of this Loan Agreement, substantially in the form of Exhibit A attached hereto.

"Series B Note" shall mean the promissory note given by the Borrower pursuant to Section 5.1 of this Loan Agreement, substantially in the form of Exhibit B attached hereto.

"Series C Note" shall mean the promissory note given by the Borrower pursuant to Section 5.1 of this Loan Agreement substantially in the form of Exhibit C attached hereto.

"State" shall mean the State of Florida.

"Tax Certificate" shall mean the Arbitrage Certificate delivered by the Issuer and the Borrower as of the date of, and in connection with, the issuance and sale of the Bonds.

"Tax-Exempt Supplement" shall mean that certain supplemental indenture to the Indenture to be executed, in connection with the issuance of the Series C Bonds, by the Trustee, the Credit Facility Trustee and the Issuer pursuant to the terms and provisions of Section 706 and Section 1301 of the Indenture.

"Tender Agency Agreement" shall mean the Tender Agency Agreement of even date herewith among the Borrower, the Trustee and the Tender Agent.

"Tender Agent" shall mean First Union National Bank of Florida and its successors as provided in Section 1202 of the Indenture.

"Trustee" shall mean the banking institution at the time serving as Trustee under the Indenture.

Section 1.2. RULES OF CONSTRUCTION.

(a) Words of the masculine gender shall be deemed and construed to include correlative words of the feminine and neuter genders, and words of the neuter gender shall be deemed and construed to include correlative words of the masculine and feminine genders.

(b) The table of contents, captions and headings in this Loan Agreement are for convenience only and in no way define, limit or describe the scope or intent of any provisions or sections of this Loan Agreement.

(c) All references herein to particular articles or sections are references to articles or sections of this Loan Agreement unless some other reference is established.

(d) All accounting terms not specifically defined herein shall be construed in accordance with Generally Accepted Accounting Principles applied on a Consistent Basis.

(e) All references herein to the Borrower shall be deemed to refer to each of the Persons if more than one are described by such term and any agreement, obligation, duty or liability of the Borrower shall be a joint and several agreement, obligation, duty or liability of each of the Persons so described by such term.

(f) Any terms not defined herein but defined in any of the other Bond Documents shall have the same meaning herein.

(g) All references herein to the Code or any particular provision or section thereof shall be deemed to refer to any successor, or successor provision or section, thereof, as the case may be.

ARTICLE II

REPRESENTATIONS

Section 2.1. REPRESENTATIONS BY THE ISSUER. The Issuer represents and warrants as follows:

(a) The Issuer is a political subdivision of the State.

(b) Under the provisions of the Act, the Issuer is duly authorized to enter into, execute and deliver the Bond Documents to which it is a party, to undertake the transactions contemplated by the Bond Documents to which it is a party and to carry out its obligations hereunder and thereunder.

(c) The Issuer proposes to issue the Bonds in the aggregate principal amount of \$4,000,000 to finance all or a portion of the Project.

(d) By duly adopted resolution, the Issuer has duly authorized the execution, delivery and performance of the Bond Documents to which it is a party, including the borrowing under, issuance and performance of the Bonds and (as security for the Bonds) the pledge of the Notes,

endorsed without recourse to the order of the Trustee, to the Trustee. The Issuer also has duly authorized the execution, delivery and performance of the Placement Agreement and has approved the sections which describe the Issuer or relate to the Issuer in the Private Placement Memorandum.

(e) The Bonds will be issued under and pursuant to the Indenture and will mature, bear interest, and have the other terms and provisions set forth or provided for in the Indenture.

(f) The execution and delivery of and performance under the Bond Documents to which the Issuer is a party and the Placement Agreement will not conflict with, or constitute a breach of or default under, or require any consent pursuant to any law or regulation presently applicable to the Issuer (except for such consents and approvals as have heretofore been obtained), any order of any court, regulatory body or arbitral tribunal or any agreement or instrument to which the Issuer is party or by which it is bound.

(g) To the best knowledge of the Issuer, there are no judicial, regulatory or arbitral proceedings pending or threatened against the Issuer which, if decided adversely to the Issuer, would have a material adverse effect on the issuance and sale of the Bonds or any of the transactions of the Issuer in connection therewith.

(h) When duly executed and delivered on behalf of the Issuer, and assuming the due authorization, execution and delivery by the Borrower of this Loan Agreement, and the due authorization, execution and delivery by the Trustee and the Credit Facility Trustee of the Indenture, each of the Bond Documents to which the Issuer is a party shall constitute a valid and binding obligation of the Issuer enforceable against the Issuer in accordance with its terms, except that enforceability may be limited by applicable bankruptcy or insolvency laws or by general principals of equity.

(i) Neither the representations of the Issuer contained in this Loan Agreement or the Indenture nor any written statement relating to the Issuer furnished to the original purchasers of the Bonds by or on behalf of the Issuer in connection with the transactions contemplated hereby, contains any untrue statement of a material fact or omits to state a material fact necessary in order to make the statements contained herein and therein not misleading.

(j) The Issuer will not enter into any agreement or instrument which might in any way prevent or materially impair its ability to perform its obligations under the Bond Documents while it is a party thereto.

(k) So long as any Bonds shall remain unpaid, the Issuer will not, without the written consent of the Trustee: (1) take any action which, directly or indirectly, adversely affects its existence or status as a political subdivision under the laws of the State, (2) take any action which would adversely affect the exclusion from gross income for federal income tax purposes of interest on the Series A Bonds and the Series C Bonds when and if issued, or (3) pledge any

interest in this Loan Agreement, or the amounts to be derived therefrom, other than as contemplated by the Indenture.

Section 2.2. REPRESENTATIONS, WARRANTIES AND COVENANTS BY THE BORROWER.

The Borrower represents, warrants and covenants as follows:

(a) The Borrower is a corporation duly organized, validly existing and in good standing under the laws of the State of New York, and is qualified to do business in the State, has legal authority to enter into and to perform the agreements and covenants on its part contained in the Bond Documents to which it is a party, the Placement Agreement and the approval of the sections and exhibits of the Private Placement Memorandum pertaining to the Borrower, and has duly authorized the execution, delivery and performance of the Bond Documents to which it is a party.

(b) The borrowing under the Notes, the execution and delivery of this Loan Agreement and the other Bond Documents to which it is a party, the Placement Agreement and the approval of the sections and exhibits of the Private Placement Memorandum pertaining to the Borrower, the consummation of the transactions contemplated hereby and thereby, and the fulfillment of or compliance with the terms and conditions hereof and thereof do not and will not violate, conflict with or constitute a breach of or default under or require any consent (except for such consents and approvals as have heretofore been obtained) pursuant to the Articles of Incorporation or Bylaws of the Borrower, any law or regulation of the United States, the State of New York or the State or, to the best knowledge of the Borrower, of any other jurisdiction presently applicable to the Borrower, any order of any court, regulatory body or arbitral tribunal or any agreement or instrument to which the Borrower is a party or by which it or any of its property is bound.

(c) The Borrower will cause the proceeds of the Bonds to be applied to the Acquisition of the Project.

(d) Capital expenditures in connection with the Acquisition of the Project, including the letting of purchase orders for components thereof, did not occur sooner than 60 days prior to August 27, 1996, other than capital expenditures which the Borrower does not intend to be reimbursed for from the proceeds of the Bonds.

(e) The Borrower shall operate the Project as a manufacturing facility until Payment of the Bonds.

(f) The Project is a "project" within the meaning of the Act.

(g) The Project is located wholly in the unincorporated area of Manatee County, Florida.

(h) Assuming due authorization, execution and delivery by the other parties thereto, when executed and delivered, the Bond Documents to which the Borrower is a party, and the Placement Agreement will be the valid and binding obligations or agreements of the Borrower enforceable in accordance with their respective terms, subject to limitations imposed by general principles of equity affecting the remedies provided for in the Bond Documents.

(i) There is no action, suit or proceeding at law or in equity or by or before any governmental instrumentality or agency or arbitral body now pending, or to the knowledge of the Borrower, threatened against or affecting the Borrower or any properties or rights of the Borrower which, if adversely determined, would materially impair the right of the Borrower to carry on its business substantially as now conducted or would materially adversely affect the financial condition, business or operations of the Borrower or the transactions contemplated by, or the validity of, any of the Bond Documents, or the Placement Agreement.

(j) The Borrower has filed all applicable 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, and no controversy in respect of additional income taxes, state or federal, of the Borrower is pending or, to the knowledge of the Borrower, threatened which has not heretofore been disclosed in writing to the Trustee and which, if adversely determined, would materially and adversely affect the financial condition or operations of the Borrower.

(k) Neither the Bond Documents to which the Borrower is a party nor the Tax Certificate contains any misrepresentation or untrue statement of fact or omits to state a material fact necessary in order to make any such representation or statement contained therein not misleading.

(l) The Borrower possesses all necessary patents, licenses, trademarks, trademark rights, trade names, trade name rights and copyrights to conduct its business as now conducted, without known conflict with any patent, license, trademark, trade name or copyrights of any other Person.

(m) The Project Site is properly zoned, and its intended use and the operation of the Project comply with the uses permitted by applicable zoning regulations.

(n) No approval, consent or authorization of, or registration, declaration or filing with, any governmental or public body or authority is required in connection with the valid execution, delivery and performance by the Borrower of the Bond Documents to which it is a party which has not heretofore been obtained.

(o) The Borrower represents that it has not made any commitment or taken any action which will result in a valid claim for any finders' or similar fees or commitments in respect of the transactions described in this Loan Agreement.

(p) None of the proceeds of the Bonds will be used directly or indirectly as working capital or to finance inventory.

(q) The Borrower will not take or omit to take any action which action or omission will in any way cause the proceeds of the Bonds to be applied in a manner contrary to that provided in the Indenture.

(r) The Borrower has not taken and will not take any action and knows of no action that any other person, firm or corporation has taken or intends to take, which would cause interest on the Series A Bonds and the Series C Bonds, when and if issued, to be includable in the gross income of the recipients thereof for federal income tax purposes. The representations, certifications and statements of reasonable expectation made by the Borrower in the Tax Certificate and relating to bond maturity and average asset economic life, use of Bond proceeds, arbitrage and related matters are hereby incorporated by this reference as though fully set forth herein.

(s) The Borrower has good and marketable title in its fee interest in the Project Site.

(t) The Borrower's obligations under the Loan Agreement, the Notes and the Reimbursement Agreement are general obligations of the Borrower.

(u) The Borrower's assets exceed its liabilities.

(v) As of the date hereof, neither the Borrower, nor to its knowledge anyone acting on behalf of the Borrower, has entered into negotiations with any person for the purpose of undertaking any borrowing concurrently with or subsequent to the issuance of the Bonds and to be secured wholly or partially by a lien or encumbrance on the Project or any part thereof, and the Borrower has no intention of undertaking any such borrowing.

(w) The Borrower is financially responsible and fully capable and willing to fulfill its obligations under this Loan Agreement within the meaning of Section 159.29(2) of the Act.

(x) The Borrower has reviewed the Indenture and agrees to the terms thereof.

All of the above representations, warranties and covenants shall survive the execution of this Loan Agreement and the issuance of the Note.

ARTICLE III

ACQUISITION OF THE PROJECT

Section 3.1. ACQUISITION OF THE PROJECT. The Borrower shall complete the Acquisition of the Project with all reasonable dispatch, delays incident to strikes, riots, acts of God or the public enemy or any delay beyond its reasonable control only excepted, in accordance with the Plans and Specifications; provided, however, that if completion of such Acquisition is delayed for any reason, there shall be no diminution in or postponement of the payments to be made by the Borrower pursuant to the Notes or Sections 5.1, 7.4, 7.5, 7.6, 7.7 and 11.14 hereof.

Section 3.2. BORROWER TO OBTAIN APPROVALS REQUIRED FOR THE PROJECT. The Borrower shall obtain or cause to be obtained all necessary permits and approvals for the Acquisition of the Project and the operation and maintenance of the Equipment and shall comply with all lawful requirements of any governmental body regarding the use or condition of the Equipment, the Project Site. The Borrower may, however, contest any such requirement by an appropriate proceeding diligently prosecuted.

Section 3.3. PLANS AND SPECIFICATIONS. The Borrower shall maintain a set of Plans and Specifications at the Project Site which shall be available to the Issuer, the Trustee and the Bondholders for inspection and examination during the Borrower's regular business hours, and the Issuer and the Borrower agree that the Borrower may supplement, amend and add to the Plans and Specifications, and that the Borrower shall be authorized to omit or make substitutions for components of the Project, without approval of the Issuer, provided that no such change shall be made which shall be contrary to the representations made in Section 2.2 hereof or the provisions of Article IX hereof, and provided further that if any such change would render materially incorrect or incomplete the description of the initial components of the Project or the description of the Project Site as set forth in Exhibit D to this Loan Agreement, the Borrower and the Issuer shall amend such Exhibit D to reflect such change, upon receipt by the Issuer and the Trustee of an opinion of Bond Counsel that such change will not result in an Event of Taxability. No approval of the Issuer or the Trustee shall be required for the acquisition of the Project or for the solicitation, negotiation, award or execution of contracts relating thereto.

ARTICLE IV

ISSUANCE OF THE BONDS; PROJECT FUND

Section 4.1. AGREEMENT TO ISSUE THE BONDS. To provide funds for Project, the Issuer agrees that it will sell, issue and deliver the Bonds in the aggregate principal amount of \$4,000,000 in the manner set forth in the Indenture and cause the proceeds of the Bonds to be applied as provided in the Indenture. Upon receipt of private activity allocation from the State in an amount at least equal to the then Outstanding principal amount of the original Series B

Bonds and satisfaction of any other requirements under the Code, the Issuer agrees to use its best efforts to issue the Series C Bonds to currently refund the Series B Bonds pursuant to the provisions of Section 706 of the Indenture and the Tax-Exempt Supplement.

Section 4.2. DISBURSEMENT FROM THE PROJECT FUND. All payments from the Project Fund to pay the Cost of Acquisition of the Project or to reimburse the Borrower for any Cost of Acquisition of the Project paid or incurred by the Borrower before or after the execution and delivery of this Agreement and the issuance and delivery of the Series A Bonds but only after the sixtieth (60th) day prior to August 27, 1996, shall be made by the Issuer pursuant to the Indenture upon receipt by the Trustee of a requisition and certificate substantially in the form of Exhibit A attached to the Indenture.

Section 4.3. CLOSEOUT OF THE PROJECT FUND. The Completion Date for the Project shall be promptly established and evidenced to the Trustee and the Bank and shall be the date on which the Borrower Representative delivers to the Trustee and the Bank a certificate stating that, except for the amounts retained by the Trustee at the Borrower's direction for any Cost of Acquisition of the Project not then due and payable, the Acquisition of the Project has been completed substantially in accordance with the Plans and Specifications, if any, and all costs and expenses incurred in connection therewith have been paid. Notwithstanding the foregoing, such certificate may state that it is given without prejudice to any rights against third parties that exist at the date of such certificate or that may subsequently come into being.

Section 4.4. DISPOSITION OF THE BALANCE IN THE PROJECT FUND. Pursuant to the Indenture, as soon as practicable after, and in any event within sixty (60) days from, the Trustee's receipt of the certificate mentioned in Section 4.3 hereof all amounts remaining in the Project Fund, including any unliquidated investments made with money theretofore deposited in the Project Fund except for amounts to be retained in the Project Fund for any Cost of Acquisition of the Project not then due and payable as provided in Section 4.3 hereof, shall be transferred by the Trustee to the Bond Fund and shall be applied to the prepayment of the principal installments of the Bonds in accordance with the terms of the Indenture.

Section 4.5. BORROWER REQUIRED TO PAY IN EVENT PROJECT FUND INSUFFICIENT. In the event the moneys in the Project Fund should not be sufficient to pay the total cost of the Project, the Borrower agrees to complete the Project and to pay that portion of such cost in excess of the moneys available therefor in the Project Fund. THE ISSUER MAKES NO WARRANTY, EITHER EXPRESS OR IMPLIED, THAT THE MONEYS PAID INTO THE PROJECT FUND AND AVAILABLE FOR PAYMENT OF THE COST OF THE PROJECT WILL BE SUFFICIENT TO PAY THE TOTAL COST OF THE PROJECT. The Borrower agrees that if, after exhaustion of the moneys in the Project Fund, the Borrower should pay any portion of the total cost of Project pursuant to the provisions of this Section, it shall not be entitled to any reimbursement therefor from the Issuer, the Bank, the Trustee, the Credit Facility Trustee or any Bondholder and it shall not be entitled to any abatement or diminution of the payments required to be made by the Borrower pursuant to the Note or Section 5.1 hereof.

Section 4.6. NO THIRD PARTY BENEFICIARY. Except with respect to the Bank, it is specifically agreed between the parties executing this Loan Agreement that it is not intended by any of the provisions of any part of this Loan Agreement to establish in favor of the public or any member thereof, other than as may be expressly provided herein or as contemplated in the Indenture, the rights of a third party beneficiary hereunder, or to authorize anyone not a party to this Loan Agreement to maintain a suit for personal injuries or property damage pursuant to the terms or provisions of this Loan Agreement. The duties, obligations, and responsibilities of the parties to this Loan Agreement with respect to third parties shall remain as imposed by law except that if deemed necessary by the Trustee, the Bank or the Issuer shall, if indemnified to its satisfaction for all liabilities and costs relating thereto, institute and pursue such actions as directed by the Borrower in writing with the written approval of the Bank against contractors, subcontractors, and suppliers relating to the construction of the Project.

ARTICLE V

LOAN BY THE ISSUER TO THE BORROWER; REPAYMENT

Section 5.1. LOAN BY THE ISSUER; REPAYMENT. Upon the terms and conditions of this Loan Agreement, the Issuer shall lend to the Borrower the proceeds of the sale of the Series A Bonds and Series B Bonds. The loan shall be evidenced by and repayable as set forth in the Notes. The loan shall be made by depositing said proceeds in the Project Fund in accordance with the terms of the Indenture.

As consideration for the issuance of the Series A Bonds and Series B Bonds and the making of the loan to the Borrower by the Issuer, the Borrower will execute and deliver this Loan Agreement and the Series A Note and Series B Note, in the form attached as Exhibit A hereto and Exhibit B hereto, respectively, and the Issuer will endorse the Series A Note and Series B Note without recourse to the order of, and pledge the Series A Note and the Series B Note and assign this Loan Agreement (subject to certain reserved rights described in the Indenture), the Series A Note and Series B Note to, the Trustee, as the assignee of the Issuer under the Indenture, contemporaneously with the issuance of the Series A Bonds and Series B Bonds. The Borrower shall repay the loan in accordance with the provisions of the Notes and of this Loan Agreement. If the Issuer shall issue the Series C Bonds pursuant to the provisions of the Indenture, the Issuer shall instruct the Trustee to surrender to the Borrower the Series B Note in exchange for the Series C Note, in the principal amount of then Outstanding principal amount of the Series B Note and in the form attached hereto as Exhibit C endorsed without recourse by the Issuer.

Section 5.2. NO SET-OFF. The obligation of the Borrower to make the payments required by the Notes shall be absolute and unconditional. The Borrower will pay without abatement, diminution or deduction (whether for taxes or otherwise) all such amounts regardless

of any cause or circumstance whatsoever including, without limitation, any defense, set-off, recoupment or counterclaim that the Borrower may have or assert against the Issuer, the Trustee, the Credit Facility Trustee, any Bondholder or any other Person.

Section 5.3. PREPAYMENTS. The Borrower may prepay all or any part of the amounts the Series A Note obligates it to pay as provided in Section 701 of the Indenture with respect to prepayment of the Bonds. Except as provided in this Section 5.3 and in Sections 4.4, 10.1(b), 10.2 and 10.3, the Borrower shall not be entitled to prepay the Notes or cause the Bonds to be prepaid. The Borrower shall prepay all of the amounts it is required to prepay as provided in Sections 10.2 and 10.3 hereof. If and when the Series C Bonds are issued, the Borrower shall be deemed to have applied the proceeds therefrom loaned to it pursuant to this Loan Agreement to the prepayment of the Series B Note. Any accrued interest due and owing on the Series B Note at the time of such prepayment shall be paid by the Borrower from its own funds or by a draw under the Credit Facility. Simultaneously with the issuance of the Series C Bonds, the Borrower shall deliver the Series C Note to the Issuer.

Section 5.4. CREDITS AGAINST THE NOTES. To the extent that principal of or interest on the Bonds shall be paid, including those payments made pursuant to a draw under a Credit Facility, there shall be credited against the unpaid principal of or interest on the Notes, as the case may be, an amount equal to the principal of or interest on the Bonds so paid. If the principal of and interest on and other amounts payable under the Bonds shall have been paid sufficiently that Payment of the Bonds shall have occurred, then the Notes, IPSO FACTO, shall be deemed to have been paid in full, the Borrower's obligations thereon shall be discharged (with the exception of the obligation of the Borrower to make certain payments which may subsequently arise as a result of a Determination of Taxability and the Borrower's obligations under Sections 7.4, 7.6, 7.7 and 11.14 hereof which shall survive, notwithstanding Payment of the Bonds), and the Notes shall be canceled and surrendered to the Borrower.

Section 5.5. LETTER OF CREDIT AND REIMBURSEMENT AGREEMENT. As a further condition to the Issuer's making the loan hereunder, the Borrower shall:

(a) cause the Letter of Credit to be issued and delivered to the Credit Facility Trustee as security for the Bonds. Until the earlier to occur of the Conversion Date or payment of the Notes and the Bonds in full, the Borrower shall cause a Credit Facility meeting the requirements of Section 603 of the Indenture to be maintained with the Credit Facility Trustee; and

(b) enter into the Reimbursement Agreement in form and substance satisfactory to the Bank and execute and deliver the other Letter of Credit Documents required by the Bank.

ARTICLE VI

GENERAL COVENANTS

Section 6.1. MAINTENANCE AND MODIFICATION OF THE PROJECT BY BORROWER.

The Borrower agrees that, until Payment of the Bonds shall be made, it will at its own expense, (i) keep the Project Site or cause the Project Site to be kept in as reasonably safe condition as its operations shall permit, (ii) make or cause to be made from time to time all necessary repairs thereto and renewals and replacements thereof and otherwise keep the Project in good repair and in good operating condition and (iii) not permit or suffer others to commit a nuisance on or about the Project Site. The Borrower shall pay or cause to be paid all costs and expenses of operation and maintenance of the Project.

The Borrower may, at its own expense, make from time to time any additions, modifications or improvements to the Project that it may deem desirable for its business purposes and that do not materially impair the effective use, or decrease the value, of the Project.

Section 6.2. TAXES AND UTILITY CHARGES.

(a) The Borrower shall pay as the same respectively become due, all taxes, assessments, impact fees, levies, claims and charges of any kind whatsoever that may at any time be lawfully assessed or levied against or with respect to the Project (including, without limiting the generality of the foregoing, any tax upon or with respect to the income or profits of the Borrower from the Project and that, if not paid, would become a charge on the payments to be made under this Loan Agreement or the Notes prior to or on a parity with the charge thereof created by the Indenture and including ad valorem, sales and excise taxes, assessments, impact fees and charges upon the Borrower's interest in the Project), all utility and other charges incurred in the operation, maintenance, use, occupancy and upkeep of the Project and all assessments, impact fees and charges lawfully made by any governmental body for public improvements that may be secured by lien on any portion of the Project.

(b) The Borrower may, at its expense, contest in good faith any such levy, tax, assessment, impact fees, claim or other charge, but the Borrower may permit the items so contested to remain undischarged and unsatisfied during the period of such contest and any appeal therefrom only if the Borrower shall notify the Issuer, the Trustee and the Credit Facility Trustee that in the opinion of Counsel, by non-payment of any such items, the rights of the Trustee and the Credit Facility Trustee with respect to this Loan Agreement and the Notes created by the assignment under the Indenture, as to the rights assigned under this Loan Agreement, or any part of the payments to be made under this Loan Agreement or the Notes, will not be materially endangered nor will the Project or any part thereof be subject to loss or forfeiture. If the Borrower is unable to deliver such an opinion of Counsel, the Borrower shall promptly pay or bond and cause to be satisfied or discharged all such unpaid items or furnish, at the expense of the Borrower, indemnity satisfactory to the Trustee and the Credit Facility Trustee; but provided further, that any tax assessment, charge, levy or claim shall be paid forthwith upon the commencement of proceedings to foreclose any lien securing the same. The Issuer (unless such contest is against the Issuer), the Trustee and the Credit Facility Trustee, at the expense of the Borrower, will cooperate fully in any such permitted contest. If the Borrower

shall fail to pay any of the foregoing items, the Issuer (unless such contest is against the Issuer) or the Trustee may (but shall be under no obligation to) pay the same and any amounts so advanced therefor by the Issuer or the Trustee shall become an additional obligation of the Borrower to the one making the advancement, which amounts, together with interest thereon at the Overdue Rate, or the maximum contract rate permitted by law, whichever is lower, from the date of payment, the Borrower agrees to pay on demand therefor.

(c) The Borrower shall furnish the Issuer, the Credit Facility Issuer, the Trustee and the Credit Facility Trustee, upon request, with proof of payment of any taxes, governmental charges, utility charges, insurance premiums or other charges required to be paid by the Borrower under this Loan Agreement.

Section 6.3. INSURANCE. Until Payment of the Bonds shall be made, the Borrower will keep the Project and the Project Site continuously insured against such risks as are customarily insured against by businesses of like size and type engaged in the same or similar manufacturing operations (other than business interruption insurance) including, without limiting the generality of the foregoing:

(a) casualty insurance on the Project in an amount not less than the full insurable value of all property located at, and all improvements to, the Project Site, against loss or damage by fire and lightning and other hazards ordinarily included under uniform broad form extended coverage policies, limited only as may be provided in the uniform broad form of extended coverage endorsement. at the time in use in the State;

(b) general comprehensive liability insurance against claims for bodily injury, death or property damage occurring on, in or about the Project Site (such coverage to include provisions waiving subrogation against the Issuer and the Trustee) in amounts not less than \$1,000,000 with respect to bodily injury to any one person, \$1,000,000 with respect to bodily injury to two or more persons in any one accident and \$1,000,000, with respect to property damage resulting from any one occurrence;

(c) liability insurance with respect to the Project Site under the workers' compensation laws of the State; provided, however, that the insurance so required may be provided by blanket policies now or hereafter maintained by the Borrower; and

(d) if at any time any portion of the Project Site is in an area that has been identified by the Secretary of Housing and Urban Development as having special flood and mud slide hazards, a policy of flood insurance covering improvements located on such portion of the Project Site with amounts and coverage satisfactory to the Trustee.

Section 6.4. GENERAL REQUIREMENTS APPLICABLE TO INSURANCE.

(a) Each insurance policy obtained in satisfaction of the requirements of Section 6.3 hereof:

(i) shall be by such insurer (or insurers) as shall be financially responsible, qualified to do business in the State and of recognized standing;

(ii) shall be in such form and have such provisions (including, without limitation, the lenders long-form loss payable clause, the waiver of subrogation clause, the deductible amount, if any, and the standard mortgagee endorsement clause), as are generally considered standard provisions for the type of insurance involved and are acceptable in all respects to the Trustee;

(iii) shall prohibit cancellation or substantial modification, termination or lapse in coverage by the insurer without at least 30 days' prior written notice to the Issuer, the Credit Facility Issuer and the Trustee;

(iv) shall provide that losses thereunder shall be adjusted with the insurer by the Borrower at its expense on behalf of the insured parties and the decision of the Borrower as to any adjustment shall be final and conclusive; and

(v) without limiting the generality of the foregoing, all insurance policies carried on the Project shall name the Borrower, the Issuer and the Trustee as parties insured thereunder as the respective interests of each may appear, and any loss thereunder shall be made payable and shall be applied as provided in Section 6.8 hereof.

(b) Prior to expiration of any such policy, the Borrower shall furnish the Trustee with evidence satisfactory to the Trustee that the policy or certificate has been renewed or replaced in compliance with this Loan Agreement or is no longer required by this Loan Agreement.

Section 6.5. ADVANCES BY THE ISSUER OR THE TRUSTEE. In the event the Borrower shall fail to maintain, or cause to be maintained, the full insurance coverage required by this Loan Agreement or shall fail to keep or cause to be kept the Project in good repair and good operating condition, the Issuer or the Trustee may (but shall be under no obligation to), after 10 days' written notice to the Borrower, contract for the required policies of insurance and pay the premiums on the same and make any required repairs, renewals and replacements, and the Borrower agrees to reimburse the Issuer and the Trustee to the extent of the amounts so advanced by them or any of them with interest thereon at the Overdue Rate or the maximum rate permitted by law, whichever is lower, from the date of advance to the date of reimbursement. Any amounts so advanced by the Issuer or the Trustee shall become an additional obligation of the Borrower, shall be payable on demand, and shall be deemed a part of the obligation of the Borrower evidenced by the Notes.

Section 6.6. BORROWER TO MAKE UP DEFICIENCY IN INSURANCE COVERAGE. The Borrower agrees that to the extent that it shall not carry insurance required by Section 6.3 hereof, it shall pay promptly to the Trustee for application in accordance with the provisions of Section 6.8 hereof, such amount as would have been received as Net Proceeds by the Trustee under the provisions of Section 6.8 hereof had such insurance been carried to the extent required.

Section 6.7. EMINENT DOMAIN. Unless the Borrower shall have prepaid the Notes pursuant to the provisions of Article X hereof, in the event that title to, or temporary use of, the Project Site or any part thereof shall be taken by Eminent Domain, the Borrower shall be obligated to continue to make the payments required to be made pursuant to the Notes and the Net Proceeds received as a result of such Eminent Domain shall be applied as provided in Section 6.8(b) hereof.

Section 6.8. APPLICATION OF NET PROCEEDS OF INSURANCE AND EMINENT DOMAIN.

(a) The Net Proceeds of the insurance carried pursuant to the provisions of Sections 6.3(b) and 6.3(c) hereof shall be applied by the Borrower toward extinguishment of the defect or claim or satisfaction of the liability with respect to which such insurance proceeds may be paid.

(b) The Net Proceeds of the insurance carried with respect to the Project pursuant to the provisions of Sections 6.3(a) and 6.3(d) hereof (excluding the Net Proceeds of any business interruption insurance, which shall be paid to the Borrower), and the Net Proceeds resulting from Eminent Domain shall be paid to the Trustee and applied as follows:

(i) If the amount of the Net Proceeds does not exceed \$50,000, the Net Proceeds shall be paid to the Borrower and shall be applied to the repair, replacement, renewal or improvement of the Project as necessary.

(ii) If the amount of the Net Proceeds exceeds \$50,000, the Net Proceeds shall be paid to and held by the Trustee as a special trust fund and invested in accordance with Section 602 of the Indenture pending receipt of written instructions from the Borrower. At the option of the Borrower, to be exercised within the period of 90 days from the receipt by the Trustee of such Net Proceeds, the Borrower shall advise the Trustee that (A) the Borrower will use the Net Proceeds for the repair, replacement, renewal or improvement of the Project (such funds to be delivered by the Trustee to the Borrower), or (B) the Net Proceeds shall be applied to the prepayment of the Bonds as provided in Article X hereof. If the Borrower does not advise the Trustee within said period of 90 days that it elects to proceed under clause (A) to use such Net Proceeds for the repair, replacement, renewal or improvement of the Project, such Net Proceeds shall be applied to the prepayment of the Bonds pursuant to Article X hereof. Any prepayment pursuant to the preceding sentence shall be effected on the next interest payment date not less than 30 days after the earlier of notice of

the Borrower's election to prepay the Bonds or expiration of said period of 90 days without an election by the Borrower.

The Borrower agrees that if it shall elect to use the moneys paid to the Trustee pursuant to subsection (b)(ii) of this Section 6.8 for the repair, replacement, renewal or improvement of the Project, it will restore the Project, or cause the same to be done, to a condition substantially equivalent to its condition prior to the occurrence of the event to which the Net Proceeds were attributable. To the extent that the Net Proceeds are not sufficient to restore or replace the Project, the Borrower shall use its own funds to restore or replace the Project. Prior to the commencement of such work, the Trustee may require the Borrower to furnish a completion bond, escrow deposit, or other satisfactory evidence of the Borrower's ability to pay or provide for the payment of any estimated costs in excess of the amount of the Net Proceeds. Any balance remaining after any such application of such Net Proceeds shall be paid to the Borrower. The Borrower shall be entitled to the Net Proceeds of any insurance or resulting from Eminent Domain relating to property of the Borrower not included in the Project Site and not providing security for the Notes or this Loan Agreement.

Section 6.9. PARTIES TO GIVE NOTICE. In case of any material damage to or destruction of all or any part of the Project, the Borrower shall give prompt notice thereof to the Issuer, the Credit Facility Issuer and the Trustee. In case of a taking or proposed taking of all or any part of the Project Site or any right therein by Eminent Domain, the Borrower shall give prompt notice thereof to the Issuer, the Credit Facility Issuer and the Trustee. Each such notice shall describe generally the nature and extent of such damage, destruction, taking, loss, proceeding or negotiations.

ARTICLE VII

SPECIAL COVENANTS

Section 7.1. ACCESS TO THE PROJECT AND INSPECTION. The Credit Facility Issuer, the Trustee, the Credit Facility Trustee and the Issuer shall have the right, at all reasonable times upon the furnishing of reasonable notice to the Borrower under the circumstances, to enter upon the Project Site and to examine and inspect the Equipment. The Trustee, the Credit Facility Trustee, the Credit Facility Issuer, the Issuer and their duly authorized agents shall also have such right of access to the Project as may be reasonably necessary to cause to be completed the construction, acquisition and installation of the Project, and thereafter for its proper maintenance, in the event of failure by the Borrower to perform its obligations relating to maintenance under this Loan Agreement. The Borrower hereby covenants to execute, acknowledge and deliver all such further documents, and do all such other acts and things as may be necessary to grant to the Issuer Representative, the Credit Facility Trustee and the Trustee such right of entry. The Issuer Representative, the Credit Facility Trustee, the Trustee and the Credit Facility Issuer shall also be permitted, at all reasonable times, to examine the books and records of the Borrower with respect to the Project and the obligations of the

Borrower hereunder, but none of them shall be entitled to access to trade secrets or other proprietary information (other than financial information) of the Borrower. Notwithstanding the foregoing, the Issuer shall have no affirmative duty to make such inspections.

Section 7.2. FURTHER ASSURANCES AND CORRECTIVE INSTRUMENTS. Subject to the provisions of the Indenture, the Issuer and the Borrower agree that they will, from time to time, execute, acknowledge and deliver, or cause to be executed, acknowledged and delivered, such supplements and amendments hereto and such further instruments as may reasonably be required for carrying out the intention or facilitating the performance of this Loan Agreement. All such supplements, amendments and further instruments shall require the approval of the Credit Facility Issuer.

Section 7.3. RECORDING AND FILING; OTHER INSTRUMENTS.

(a) The Borrower covenants that it will, at its expense, cause Counsel in the State to take all steps as reasonably necessary to render an opinion, and to render an opinion to the Issuer and the Trustee not earlier than 60 nor later than 30 days prior to each anniversary date occurring at five-year intervals after the issuance of the Bonds, to the effect that all financing statements, continuation statements, notices and other instruments required by applicable law have been recorded or filed or re-recorded or re-filed in such manner and in such places required by law in order fully to preserve and protect the rights of the Trustee and the Credit Facility Trustee in the granting by the Issuer of certain rights of the Issuer, pursuant to the Indenture, under this Loan Agreement and the Notes.

(b) The Borrower and the Issuer or the Trustee and Credit Facility Trustee on behalf of the Issuer shall execute and deliver all instruments and shall furnish all information and evidence deemed necessary or advisable by such Counsel to enable him to render the opinion referred to in subsection (a) of this Section. The Borrower shall file and re-file and record and re-record or cause to be filed and re-filed and recorded and re-recorded all instruments required to be filed and re-filed and recorded or re-recorded pursuant to the opinion of such Counsel and shall continue or cause to be continued the liens of such instruments for so long as the Bonds shall be outstanding, except as otherwise required by this Loan Agreement.

Section 7.4. NON-ARBITRAGE COVENANTS: NOTICE OF EVENT OF TAXABILITY.

(a) Neither the Borrower nor the Issuer shall take any action, and the Borrower covenants that it will not approve the Trustee's taking any action or making any investment or use of the proceeds of the Series A Bonds or the Series C Bonds, when and if issued,, which would cause any of such Bonds to be an "arbitrage bond" within the meaning of Section 148 of the Code.

(b) The Borrower's obligation to make any payments of rebate amounts required by this Loan Agreement and the Indenture and to prepare and furnish to the Issuer and the Trustee the statements and forms described herein and therein shall survive Payment of the Series A Bonds or the Series C Bonds, when and if issued, notwithstanding any provision of this Loan Agreement to the contrary.

(c) The Borrower shall give immediate telephonic notice, promptly confirmed in writing, to the Issuer and the Trustee of any Event of Taxability whether the Borrower is on Notice of such Event of Taxability by its own filing of any statement, tax schedule, return or document with the Internal Revenue Service which discloses that an Event of Taxability shall have occurred, by its receipt of any oral or written advice from the Internal Revenue Service that an Event of Taxability shall have occurred, or otherwise.

Section 7.5. ADMINISTRATIVE EXPENSES. The Borrower shall pay to or for the account of the Issuer within 30 days after notice thereof all reasonable costs and expenses incurred by the Issuer in connection with the financing and administration of the Project, including, without limitation, any fees associated with the calculation of rebate if the Borrower fails to provide such calculation, except such as may be paid out of the proceeds of the Bonds, including, without limitation, the costs of administering this Loan Agreement and the fees and expenses of attorneys, consultants and others.

Section 7.6. INDEMNITY AGAINST CLAIMS. The Borrower will pay and discharge and will indemnify and hold harmless the Issuer, the Trustee and the Credit Facility Trustee from (a) any lien or charge upon amounts payable hereunder by the Borrower to the Issuer (other than the lien of the Indenture), and (b) any taxes, assessments, impositions and other charges in respect of the Project Site or the Equipment. If any claim of any such lien or charge upon payments, or any such taxes, assessments, impositions or other charges, are sought to be imposed, the Issuer, the Trustee or the Credit Facility Trustee, as the case may be, will give prompt notice to the Borrower, and the Borrower shall have the sole right and duty to assume, and shall assume, the defense thereof, with full power to litigate, compromise or settle the same in its sole discretion.

Section 7.7. RELEASE AND INDEMNIFICATION. The Borrower hereby releases the Issuer and its officers and employees from, and covenants and agrees to indemnify, hold harmless and defend the Issuer, the Trustee, and their respective officers, members, directors, officials, agents and employees and each of them (each an "indemnified party") from and against (a) any and all claims, joint or several, by or on behalf of any person arising from any cause whatsoever in connection with transactions contemplated hereby or otherwise in connection with the Project, the Bonds or the execution or amendment of any document relating thereto; (b) any and all claims, joint or several, arising from any cause whatsoever in connection with the financing of the Project or the making of the loan; (c) any and all claims, joint or several, arising from any act or omission of the Borrower or any of its agents, servants, employees or licensees, in connection with the such loan or the Project; (d) all reasonable costs, counsel fees, expenses or liabilities incurred in connection with any such claim, or proceeding brought thereon; (e) any and all claims arising in connection with the issuance and sale, resale or marketing of any Bonds

or any certifications or representations made by any person other than the Issuer or the Party seeking indemnification in connection therewith and the carrying out by the Borrower of any of the transactions contemplated by the Bond Documents; (f) any and all claims arising in connection with the operation of the Project, or the conditions thereof, environmental or otherwise, occupancy, use, possession, conduct or management or work done in or about, or from the planning, design, acquisition, installation or construction of, the Project or any part thereof; and (g) any and all losses, claims, damages, liabilities or expenses, joint or several, arising out of or connected with the Trustee's acceptance or administration of the trusts created by the Indenture and the exercise of its powers or duties thereunder or under the other Bond Documents or any other agreements in connection therewith to which it is a party; except (i) in the case of the foregoing indemnification of the Trustee or any of its officers, members, directors, officials and employees, to the extent such damages are caused by the negligence or willful misconduct of such person, or (ii) in the case of the foregoing indemnification of the Issuer or any of its officers, members, directors, officials and employees, to the extent such damages are caused by the willful misconduct of such person. In the event that any action or proceeding is brought against any indemnified party with respect to which indemnify may be sought hereunder, the Borrower, upon written notice from the indemnified party, shall assume the investigation and defense thereof, including the employment of counsel selected by the Borrower, subject to the approval of the indemnified party in such party's sole discretion, and shall assume the payment of all expenses related thereto, with full power to litigate, compromise or settle the same in its sole discretion; PROVIDED that the Issuer and the Trustee shall have the right to review and approve or disapprove any such compromise or settlement. Each indemnified party shall have the right to employ separate counsel in any such action or proceeding and participate in the investigation and defense thereof, and the Borrower shall pay the reasonable fees and expenses of such separate counsel; PROVIDED, HOWEVER, that unless such separate counsel is employed with the approval of the Borrower, which approval shall not be unreasonably withheld, the Borrower shall not be required to pay the fees and expenses of such separate counsel.

Notwithstanding any transfer of the Project to another owner in accordance with the provisions of this Loan Agreement and the Mortgage, the Borrower shall remain obligated to indemnify each indemnified party pursuant to this Section if such subsequent owner fails to indemnify any party entitled to be indemnified hereunder, unless such indemnified party has consented to such transfer and to the assignment of the rights and obligations of the Borrower hereunder.

Section 7.8. ADDITIONAL INFORMATION. Until Payment of the Bonds shall have occurred, the Borrower shall promptly, from time to time, deliver to the Trustee such information regarding the operations, business affairs and financial condition of the Borrower as the Trustee may reasonably request. The Trustee is hereby authorized to deliver a copy of any such financial information delivered hereunder, or otherwise obtained by the Trustee, to the Credit Facility Trustee, to any Bondholder or prospective Bondholder, to any regulatory authority having jurisdiction over the Trustee and to any other Person as may be required by law. The Issuer (to the extent it has access to such information) and the Trustee are authorized to provide

information concerning the outstanding principal amount and payment history of, and other information pertaining to, the Bonds or the Notes to any agency or regulatory authority of the State requesting such information.

Section 7.9. CORPORATE EXISTENCE, SALE OF ASSETS, CONSOLIDATION OR MERGER. Unless the Trustee and the Credit Facility Trustee consent in writing (which consent shall not be unreasonably withheld or delayed), the Borrower will maintain its corporate existence, will not dissolve or otherwise dispose of all or substantially all of its assets and will not enter into any transaction of merger or consolidation; provided that, if a Reimbursement Agreement is in effect, the Borrower may take such action if it is permitted by the terms of the Reimbursement Agreement. If the Reimbursement Agreement permits such action, the Borrower shall promptly notify the Trustee and the Credit Facility Trustee thereof.

Section 7.10. DEFAULT CERTIFICATES. The Borrower shall deliver to the Trustee and the Credit Facility Trustee, annually, within 60 days after the close of each fiscal year, a certificate that no Event of Default hereunder or under the Notes, the Indenture, or the Reimbursement Agreement, or an event which would constitute such an Event of Default but for the requirement that notice be given or time elapse or both has occurred and is continuing, or if such an event has occurred or is continuing, a certificate of the Borrower specifying the nature and period of existence thereof and what action the Borrower proposes to take with respect thereto.

Section 7.11. NOTIFICATION TO TRUSTEE AND CREDIT FACILITY TRUSTEE. The Borrower shall notify the Trustee and the Credit Facility Trustee in writing promptly, but in any event within five Business Days, of the occurrence of any of the following, with respect to the Borrower:

(i) any levy of an attachment, execution or other process against its assets, which materially adversely affects the financial condition or operation of the Borrower;

(ii) any change in any existing agreement or contract which materially adversely affects its business or affairs, financial or otherwise; and

(iii) any change in the ownership or control of the Borrower.

Section 7.12. SECONDARY MARKET DISCLOSURE. On and after the Conversion Date for as long as the Borrower is obligated under this Loan Agreement, the Borrower covenants to comply with the continuing disclosure requirements with respect to the Bonds and the Project and its operations as may be required from time to time under Rule 15c2-12 of the Securities and Exchange Commission. The Borrower agrees that if it should violate the covenant set forth in this Section 7.12, the Issuer or the Trustee shall be entitled to bring an action for specific performance; provided however noncompliance by the Borrower under this Section 7.12 shall not be an Event of Default hereunder or under the Indenture.

Section 7.13. OBSERVE LAWS. The Borrower shall observe all applicable laws, regulations and other valid requirements of any regulatory authority with respect to its operations at the Project Site.

ARTICLE VIII

ASSIGNMENT, LEASING AND SELLING

Section 8.1. ASSIGNMENT OF LOAN AGREEMENT OR LEASE OR SALE OF PROJECT BY THE BORROWER. Except with the prior written consent of the Issuer, the Credit Facility Issuer, the Trustee and the Credit Facility Trustee, the rights of the Borrower under this Loan Agreement may not be assigned, and the Project may not be leased or sold as a whole or in part.

Section 8.2. RESTRICTIONS ON TRANSFER OF ISSUER'S RIGHTS. Except for the assignment made pursuant to the Indenture of certain of its rights under this Loan Agreement and its pledge of the Notes, endorsed without recourse to the order of the Trustee, to the Trustee as security pursuant to the Indenture, the Issuer will not, during the term of this Loan Agreement, sell, assign, transfer or convey any of its interests in this Loan Agreement or the Notes. The Borrower hereby assents to such assignment and pledge of the Issuer's rights under this Loan Agreement and the pledge of the Notes to the Trustee.

ARTICLE IX

EVENTS OF DEFAULT AND REMEDIES

Section 9.1. EVENTS OF DEFAULT DEFINED. The term "Event of Default" shall mean any one or more of the following events:

(a) The failure by the Borrower to pay when due any payment of principal or interest on or other amount payable under the Notes or this Loan Agreement.

(b) The failure of the Issuer to pay when due any payment of principal of or interest on or other amount payable under the Bonds.

(c) The failure of the Borrower to perform any of its obligations under Sections 7.4, 7.9 or 7.11 hereof.

(d) The occurrence of an "Event of Default" or "event of default" under any of the other Bond Documents or the Letter of Credit Documents provided the Borrower has had the

opportunity to cure any such default if the other Bond Documents or Letter of Credit Documents, as the case may be, so provide.

(e) Any representation or warranty of the Borrower contained in Section 2.2 hereof, or in any document, instrument or certificate delivered pursuant hereto or to the Indenture or in connection with the issuance and sale of the Bonds, including but not limited to the Tax Certificate, shall be false, misleading or incomplete in any material respect on the date as of which made.

(f) Failure by the Borrower to observe and perform any covenant, condition or agreement on the part of the Borrower under the Notes or this Loan Agreement, other than as referred to in the preceding paragraphs of this Section 9.1, and other than a breach of the covenant set forth in Section 7.12 hereof, for a period of 90 days after written notice, specifying such failure and requesting that it be remedied, is given to the Borrower by the Issuer or the Trustee.

(g) The commencement against the Borrower of an involuntary case under the federal bankruptcy laws, as now constituted or hereafter amended, or any other applicable federal or State bankruptcy, insolvency or other similar law, or of any action or proceeding for the appointment of a receiver, liquidator, assignee, custodian, trustee, sequestrator (or similar official) of the Borrower or for any substantial part of its property, or for the winding-up or liquidation of its affairs and the continuance of any such case, action, or proceeding unstayed and in effect for a period of 90 consecutive days.

(h) The commencement by the Borrower of a voluntary case under the federal bankruptcy laws, as now constituted or hereafter amended, or any other applicable federal or State bankruptcy, insolvency or other similar law, or the consent by it to, or its acquiescence in the appointment of or taking possession by a receiver, liquidator, assignee, trustee, custodian, sequestrator (or other similar official) of the Borrower or of any substantial part of its property, or the making by it of or the consent by it to any assignment for the benefit of creditors, or the taking of any action by the Borrower in furtherance of any of the foregoing.

(i) Failure by the Borrower to pay, when due or within any applicable grace period, any amount owing on account of indebtedness for money borrowed or for deferred purchases of property, or the failure by the Borrower to observe or perform any covenant or undertaking on its part to be observed or performed in any agreement evidencing, securing or relating to such indebtedness, if the effect of such default is to cause, or permit the holder or holders of such obligation (or a trustee for such holder or holders) to cause such obligation to become due prior to its stated maturity and the acceleration of such obligation would have a material and adverse effect on the business or financial condition of the Borrower and its subsidiaries as a whole.

(j) Unless bonded or covered by insurance to the satisfaction of the Bank, the entry of a judgment or decree against the Borrower in an amount in excess of \$100,000 which remains undischarged and unstayed for a period of 30 consecutive days.

Section 9.2. REMEDIES ON DEFAULT. If Payment of the Bonds shall not have been made, whenever any Event of Default referred to in Section 9.1 hereof shall have happened and shall not have been waived:

(a) The Issuer, or the Trustee on behalf of the Issuer, may by written notice declare all installments of principal repayable pursuant to the Notes for the remainder of the term thereof to be immediately due and payable, whereupon the same, together with accrued interest thereon as provided for in the Notes, shall become immediately due and payable without presentment, demand, protest or any other notice whatsoever, all of which are hereby expressly waived by the Borrower; provided, however, all such amounts shall automatically be and become immediately due and payable without notice upon the occurrence of any event described in Section 9.1(g) or 9.1(h) hereof, which notice the Borrower hereby expressly waives.

(b) The Issuer, or the Trustee on behalf of the Issuer, may take whatever other action at law or in equity may appear necessary or desirable to collect the amounts payable pursuant to the Notes and this Loan Agreement, then due and thereafter to become due, or to enforce the performance and observance of any obligation, agreement or covenant of the Borrower under this Loan Agreement or under any of the other Bond Documents.

In the enforcement of the remedies provided in this Section 9.2, the Issuer may treat all reasonable expenses of enforcement, including, without limitation, legal, accounting and advertising fees and expenses, as additional amounts payable by the Borrower then due and owing and the Borrower agrees to pay such additional amounts upon demand, the amount of such legal fees to be without regard to any statutory presumption.

Section 9.3. APPLICATION OF AMOUNTS REALIZED IN ENFORCEMENT OF REMEDIES. Any amounts collected pursuant to action taken under Section 9.2 hereof shall be paid to the Trustee and applied pursuant to the provision of Section 911 of the Indenture.

Section 9.4. NO REMEDY EXCLUSIVE. No remedy herein conferred upon or reserved to the Issuer or the Trustee on behalf of the Issuer is intended to be exclusive of any other available remedy or remedies, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given under this Loan Agreement or now or hereafter existing at law or in equity or by statute. No delay or omission to exercise any right or power accruing upon default shall impair any such right or power or shall be construed to be a waiver thereof, but any such right and power may be exercised from time to time and as often as may be deemed expedient.

Section 9.5. AGREEMENT TO PAY ATTORNEYS' FEES AND EXPENSES. In any Event of Default, if the Issuer, the Trustee, the Credit Facility Trustee, the Credit Facility Issuer or any

Bondholder employs attorneys or incurs other expenses for the collection of amounts payable hereunder or for the enforcement of the performance or observance of any covenants or agreements on the part of the Borrower contained herein or in the Indenture (in the case of the Issuer, the Trustee, the Credit Facility Trustee or the Credit Facility Issuer) or contained in the Indenture (on the part of any Bondholder), the Borrower agrees that it will on demand therefor pay to the Issuer, the Trustee, the Credit Facility Trustee, the Credit Facility Issuer or such Bondholder the reasonable fees of such attorneys and such other reasonable expenses so incurred by the Issuer, the Trustee, the Credit Facility Trustee, the Credit Facility Issuer or such Bondholder, the amount of such fees of attorneys to be without regard to any statutory presumption.

Section 9.6. CORRELATIVE WAIVERS. If an event of default under Section 901 of the Indenture shall be cured or waived and any remedial action by the Trustee or the Credit Facility Trustee rescinded, any correlative default under this Loan Agreement shall be deemed to have been cured or waived.

ARTICLE X

PREPAYMENTS

Section 10.1. OPTIONAL PREPAYMENTS.

(a) The Borrower is hereby granted, and shall have, the option to prepay the unpaid principal of the Notes of either or both series, at the Borrower's discretion, in whole or in part in accordance with and as set forth in Section 701 of the Indenture with respect to the prepayment of the Bonds; provided, all prepayments shall be made in immediately available funds or by a corresponding draw under the Credit Facility and with accrued interest to the date of prepayment and that any prepayment of any of the Notes in part shall be applied to unpaid installments of principal of the related series of Bonds in inverse order of maturity. Any prepayment pursuant to this subsection (a) shall be made by the Borrower taking, or causing the Issuer to take, the actions required (i) for Payment of the Bonds, in the case of prepayment of the Notes in whole, or (ii) to effect prepayment of less than all of the Bonds according to their respective terms in the case of a partial prepayment of the related Notes.

(b) In the event of damage, destruction, or condemnation of the Project or any part thereof, the Borrower may, at its option, pursuant to Section 6.8 hereof and without penalty or premium, prepay the Notes in whole or in part and, if in part, the Borrower shall instruct the Trustee in writing which Notes are to be prepaid; provided that any such prepayment shall be made in immediately available funds with accrued interest to the date of whole or partial prepayment. Any prepayment pursuant to this subsection (b) shall be made by the Borrower taking, or causing the Issuer to take, the actions required for the full or partial prepayment of the Bonds as provided for in subsection (a) hereof.

(c) To exercise the option granted in subsection (a) or (b) of this Section 10.1, the Borrower shall give written notice to the Issuer and the Trustee which shall specify therein (i) the date of the intended prepayment of the Notes, which shall not be less than 30 nor more than 60 days from the date the notice is mailed and (ii) the principal amount of the Notes to be prepaid. When given such notice shall be irrevocable by the Borrower.

Section 10.2. MANDATORY PREPAYMENTS.

(a) Unless the provisions of Section 215 of the Indenture are applicable, in the event of a Determination of Taxability, the Borrower shall, on a date selected by the Borrower not more than 180 days following the date of written notice to the Trustee of a Determination of Taxability, prepay the entire unpaid principal balance of the Series A Note and, if applicable, the Series C Note, in full, plus accrued interest to such date. Immediately upon the occurrence of a Determination of Taxability, the Borrower shall notify the Issuer, the Trustee and the Credit Facility Trustee of the date selected for payment pursuant to this Section 10.2.

(b) Prior to the Conversion Date, in the event any Credit Facility is not renewed and an Alternate Credit Facility has not been provided in accordance with Section 603 of the Indenture, the Borrower shall on or before the Interest Payment Date occurring closest but not less than 15 days prior to the expiration date of the then current Credit Facility, prepay the entire unpaid principal balance of the Notes in full. The Borrower shall promptly notify the Issuer, the Trustee and the Credit Facility Trustee of the date selected for such payment.

Section 10.3. OTHER MANDATORY PREPAYMENTS. The amounts required to be applied to the prepayment of the Notes by Sections 4.4, 5.3 and 6.8 hereof shall be applied by the Borrower to prepay, together with accrued interest, all or a portion of the unpaid principal of the respective series of Bonds. Such prepayment shall be made by the Borrower taking, or causing the Issuer or the Trustee to take, the actions required (i) for payment of the Bonds, whether by redemption prior to the maturity or by payment at maturity, or (ii) to effect the purchase, redemption or payment at maturity of less than all of the installments of principal on the Bonds in inverse order of their maturities.

ARTICLE XI

MISCELLANEOUS

Section 11.1. REFERENCES TO THE BONDS INEFFECTIVE AFTER BONDS PAID. Upon payment of any series of Bonds in whole, all references in this Loan Agreement to such series of Bonds and related Note shall be ineffective and the Issuer, the Trustee and any holder of such Bonds shall not thereafter have any rights hereunder, excepting reporting and payment of rebate amounts under the Tax Certificate and amounts due and owing under Section 7.7 hereof, if applicable.

Section 11.2. NO IMPLIED WAIVER. In the event any agreement contained in the Notes or this Loan Agreement should be breached by either party and thereafter waived by the other party, such waiver shall be limited to the particular breach so waived and shall not be deemed to waive any other breach thereunder or hereunder. Neither any failure nor any delay on the part of the Trustee to exercise any right, power or privilege hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any such right, power or privilege preclude any other or further exercise thereof, or the exercise of any other right, power or privilege.

Section 11.3. ISSUER REPRESENTATIVE. Whenever under the provisions of this Loan Agreement the approval of the Issuer is required or the Issuer is required to take some action at the request of the Borrower, such approval shall be made or such action shall be taken by the Issuer Representative; and the Borrower, the Trustee, the Credit Facility Trustee and the Bondholders shall be authorized to rely on any such approval or action.

Section 11.4. BORROWER REPRESENTATIVE. Whenever under the provisions of this Loan Agreement the approval of the Borrower is required or the Borrower is required to take some action at the request of the Issuer, such approval shall be made or such action shall be taken by the Borrower Representative; and the Issuer, the Trustee, the Credit Facility Trustee and the Bondholders shall be authorized to act on any such approval or action.

Section 11.5. NOTICES. All notices, certificates or other communications hereunder shall be sufficiently given and shall be deemed given when delivered by hand delivery or mailed by first class, postage prepaid, registered or certified mail, addressed as follows:

If to the Issuer: 1115 Manatee Avenue West
 Bradenton, Florida 34205
 Attention: R.B. Shore, Clerk of the Circuit
 Court

If to the Borrower: Trilectron Industries, Inc.
 12297 U.S. Highway 41 North
 Palmetto, Florida 34220-2109
 Attention: Treasurer

with a copy to: Heico Corporation
 3000 Taft Street
 Hollywood, Florida 38021-4499
 Attention: Treasurer

If to the Trustee: First Union National Bank of Florida
 200 South Biscayne Boulevard
 14th Floor (FL 6065)
 Miami, Florida 33131
 Attention: Corporate Trust Department

If to the Credit Facility Trustee: Branch Banking and Trust Company
223 West Nash Street
Wilson, North Carolina 27894-1847
Attention: Corporate Trust Department

If to the Bank: First Union National Bank of Florida
First Union Financial Center
200 South Biscayne Boulevard
15th Floor
Miami, FL 33131
Attention: William Davies

The Issuer, the Borrower or the Trustee may, by notice given hereunder, designate from time to time any further or different addresses to which subsequent notices, certificates or other communications shall be sent.

Section 11.6. IF PAYMENT OR PERFORMANCE DATE IS OTHER THAN A BUSINESS DAY. If the specified or last date for the making of any payment, the performance of any act or the exercising of any right, as provided in this Loan Agreement, shall be a day other than a Business Day, such payment may be made or act performed or right exercised on the next succeeding Business Day with the same effect as if made, performed or exercised on the specified date; provided that interest shall accrue during any such period during which payment shall not occur.

Section 11.7. BINDING EFFECT. This Loan Agreement shall inure to the benefit of and shall be binding upon the Issuer, the Borrower and their respective successors and assigns.

Section 11.8. SEVERABILITY. In the event any provision of this Loan Agreement or the Notes shall be held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision hereof or thereof.

Section 11.9. AMENDMENTS, CHANGES AND MODIFICATIONS. Subsequent to the issuance of the Bonds and prior to Payment of the Bonds, this Loan Agreement and the other Bond Documents may not be effectively amended, changed, modified, altered or terminated except in accordance with the Indenture.

Section 11.10. EXECUTION IN COUNTERPARTS. This Loan Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument, and no one counterpart of which need be executed by all parties, except that, to the extent that this Loan Agreement shall constitute personal property under the Uniform Commercial Code of State, no security interest in this Loan Agreement may be created or perfected through the transfer or possession of any counterpart of this Loan Agreement other

than the original counterpart, which shall be the counterpart containing the receipt therefor executed by the Trustee following the signatures to this Loan Agreement.

Section 11.11. APPLICABLE LAW. This Loan Agreement shall be governed by and construed in accordance with the laws of the State.

Section 11.12. NO CHARGE AGAINST ISSUER CREDIT. No provision hereof shall be construed to impose a charge against the general credit of the Issuer or any personal or pecuniary liability upon any commissioner, official, employee or agent of the Issuer.

Section 11.13. ISSUER NOT LIABLE. All covenants, stipulations, obligations and agreements of the Issuer contained in this Loan Agreement shall be deemed to be covenants, stipulations, obligations and agreements of the Issuer to the full extent permitted by the Constitution and laws of the State. No covenant, stipulation, obligation or agreement contained herein shall be deemed to be a covenant, stipulation, obligation or agreement of any present or future commissioner, agent or employee of the Issuer or the Governing Board in his or her individual capacity, and neither the Governing Board of the Issuer nor any other officer of the Issuer shall be liable personally under this Loan Agreement or be subject to any personal liability or accountability by reason thereof. No commissioner, officer, agent or employee of the Issuer or the Governing Board shall incur any personal liability in acting or proceeding or in not acting or not proceeding in accordance with the terms of this Loan Agreement. In acting under this Loan Agreement, or in refraining from acting under this Loan Agreement, the Issuer may conclusively rely on the advice of its counsel.

Section 11.14. EXPENSES. The Borrower agrees to pay all reasonable fees and expenses incurred in connection with the preparation, execution, delivery, modification, waiver, and amendment of this Loan Agreement, the other Bond Documents and related documents, and the reasonable fees and expenses of Bond Counsel, Counsel for the Issuer and, in connection with any amendments, any Counsel, if any, for any Bondholder who owns more than 25% of the aggregate principal amount of the Bonds Outstanding. The Borrower also agrees to pay all expenses incurred by the Trustee or the Issuer in collection of any indebtedness incurred hereunder in the Event of Default by the Borrower, provided that the amount of any legal fees so incurred shall be without regard to any statutory presumption.

Section 11.15. AMOUNTS REMAINING WITH THE TRUSTEE. Any amounts remaining in the Bond Fund or otherwise in trust with the Trustee under the Indenture or this Loan Agreement shall, after Payment of the Bonds and all Administrative Expenses in accordance with this Loan Agreement, be disbursed by the Trustee in accordance with the provisions of the Indenture or otherwise as may be required by law.

IN WITNESS WHEREOF, the Issuer and the Borrower have caused this Loan Agreement to be executed in their respective legal names by their duly authorized representatives

and their respective seals, if any, to be hereunto affixed, all as of the date of execution set forth below.

MANATEE COUNTY, FLORIDA

ATTEST

By: _____

By: _____

Title: Clerk of the Board of County
Commissioners of Manatee
County, Florida

Title: Chairman of the Board of County
Commissioners of Manatee County,
Florida

Date of Execution: March 27, 1997

Date of Execution: March 27, 1997

(SEAL)

(signatures continued)

TRILECTRON INDUSTRIES, INC.

By:

Title:

Date of Execution: March 27, 1997

RECEIPT

Receipt of the foregoing original counterpart of the Loan Agreement, dated as of March 27, 1997, between MANATEE COUNTY, FLORIDA and TRILECTRON INDUSTRIES, INC., is hereby acknowledged.

FIRST UNION NATIONAL BANK OF
FLORIDA, as Trustee

By: -----

Title: -----

LETTER OF CREDIT AND
REIMBURSEMENT AGREEMENT

by and between

TRILECTRON INDUSTRIES, INC.

and

FIRST UNION NATIONAL BANK OF FLORIDA

Dated as of March 1, 1997

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- Exhibit A - Form of Letter of Credit
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LETTER OF CREDIT AND
REIMBURSEMENT AGREEMENT

THIS LETTER OF CREDIT AND REIMBURSEMENT AGREEMENT (the "Agreement" or "Reimbursement Agreement"), dated as of March 1, 1997, between TRILECTRON INDUSTRIES, INC., a New York corporation (variously, the "Borrower" or "Company"), and FIRST UNION NATIONAL BANK OF FLORIDA, a national banking association organized and existing under the laws of the United States (variously, the "Bank" or "Lender");

WITNESSETH:

WHEREAS, arrangements have been made pursuant to a Trust Indenture of even date herewith (the "Indenture") by and between Manatee County (the "Issuer"), Branch Banking and Trust Company, as credit facility trustee (the "Credit Facility Trustee") and to the Bank, as trustee (the "Trustee") for the issuance and sale by the Issuer of its (i) Industrial Development Revenue Bonds, Series 1997 A (Trilectron Industries, Inc. Project), in the original aggregate principal amount of \$3,000,000 (hereinafter, the "Original Tax-exempt Bonds"), and (ii) Industrial Development Revenue Bonds, Series 1997 B (Taxable) (Trilectron Industries, Inc. Project), in the original aggregate principal amount of \$1,000,000 (the "Taxable Bonds" and together with the Original Tax-exempt Bonds, the "Bonds"); and

WHEREAS, the Borrower contemplates that the Taxable Bonds will be redeemed at some point by the issuance of the Issuer's Industrial Development Revenue Refunding Bonds, Series 199[7] C (Trilectron Industries, Inc. Project) (the "New Tax-Exempt Bonds");

WHEREAS, upon issuance of the New Tax-exempt Bonds, the term "Bonds" will mean the Initial Tax-exempt Bonds and the Subsequent Tax-exempt Bonds, but shall no longer include any Original Taxable Bonds, provided, further, however, that the term "Bonds" shall mean any Series B Bonds issued as a result of an Event of Taxability pursuant to the terms and conditions of the Indenture, and in that case, would no longer include either the Initial Tax-exempt Bonds or the Subsequent Tax-exempt Bonds;

WHEREAS, pursuant to a Loan Agreement of even date herewith between the Issuer and the Borrower (the "Loan Agreement"), the proceeds from the sale of the Bonds will be used to (i) repay an outstanding loan TO the Borrower the proceeds of which were used to acquire the Property (as defined herein); (ii) pay for the costs of

constructing a facility on the Property to be used for the manufacture of AVIATION GROUND SUPPORT EQUIPMENT AND ELECTRONIC COMPONENTS (the "Improved Land"); (iii) to pay certain costs of issuance in connection with the issuance of the Bonds; and (iv) to pay for the acquisition of certain machinery to be located and maintained on the Property; and

WHEREAS, in order to enhance the marketability of the Bonds, the Borrower has requested that the Bank issue an irrevocable direct pay letter of credit in the form attached hereto as EXHIBIT A (such letter of credit or any successor or substitute letter of credit issued by the Bank herein individually and collectively called the "Letter of Credit") in an aggregate amount of \$4,200,000 of which (a) \$4,000,000 shall support the payment of principal or portion of the purchase price corresponding to principal of the Bonds, and (b) \$200,000 shall support the payment of up to 120 days interest or portion of the purchase price corresponding to interest on the Bonds at an assumed interest rate of 15% per annum;

NOW, THEREFORE, in consideration of the premises and other good and valuable consideration, including the covenants, terms and conditions hereinafter appearing, and to induce the Bank to issue the Letter of Credit, the Borrower does hereby covenant and agree with the Bank as follows:

ARTICLE I

DEFINITIONS

All words and terms defined in Article I of the Loan Agreement shall have the same meanings in this Agreement, unless otherwise specifically defined herein. The terms defined in this Article I have, for all purposes of this Agreement, the meanings specified hereinabove or in this Article, unless defined elsewhere herein or the context clearly requires otherwise.

"Affiliate" means any other Person directly or indirectly, controlling, controlled by, or under common control with, the first Person; or any other Person which directly or indirectly owns or controls at least five percent (5%) of the Voting Stock, partnership or other equity interests of, or at least five percent (5%) of its Voting Stock, partnership or other equity interests are owned or controlled by, directly or indirectly, the first Person.

"Agreement" means this Letter of Credit and Reimbursement Agreement, as the same may from time to time be amended, modified or supplemented in accordance with the terms hereof.

"Alternate Credit Facility" means any irrevocable direct pay letter of credit, insurance policy or similar credit enhancement or support facility for the benefit of the Trustee, the terms of which

Alternate Credit Facility shall in all respects material to the registered owners of the Bonds be the same (except for the term set forth in such Alternate Credit Facility) as those of the Letter of Credit.

"Assignment" means the first Absolute Assignment of Leases, Rents and Profits dated as of March 1, 1997, from the Borrower to the Bank, as amended from time to time.

"Assignment of Mortgage" means that Assignment of Mortgage dated as of even date herewith from the Issuer to the Trustee.

"Bank" means First Union National Bank of Florida, a national banking association.

"Bankruptcy Code" means 11 U.S.C. ss. 101 ET SEQ., as amended.

"Bondholder" or "Bondholders" means the initial and any future registered owners of the Bond or Bonds as registered on the books and records of the Bond Registrar pursuant to the Indenture.

"Bond Documents" means, collectively, the Loan Agreement, the Security Instruments, the Indenture, the Bonds, the Remarketing Agreement, the Tender Agency Agreement, the Private Placement Memorandum and the Placement Letter, as the same may be amended, modified or supplemented from time to time in accordance with their respective terms.

"Borrower" means Trilectron Industries, Inc., a New York corporation, and its successors and assigns.

"Capital Lease" means any lease of any property which would, in accordance with GAAP, be required to be classified and accounted for as a capital lease on a balance sheet of the lessee.

"Closing Date" means the date of issuance of the Bonds.

"Code" means the Internal Revenue Code of 1986, as amended from time to time.

"Collateral" means all real and personal property with respect to which the Bank has been or will be granted a lien, mortgage or security interest in pursuant to the Security Instruments.

"Collateral Assignment of Construction Contracts" means that certain collateral assignment of construction contracts, architects' contracts, permits, licenses, warranties, plans and drawings, etc. from the Borrower to the Lender dated of even date herewith.

"Consistent Basis" means, in reference to the application of GAAP, that the accounting principles observed in the period referred to are comparable in all material respects to those applied in the preceding period, except as to any changes consented to by the Bank.

"Consolidated Current Ratio" means the ratio of the consolidated current assets of the Borrower and its Subsidiaries to the consolidated current liabilities of the Borrower and its Subsidiaries.

"Consolidated Leverage Ratio" means the ratio computed by dividing the Consolidated Total Liabilities by the Consolidated Tangible Net Worth.

"Consolidated Tangible Net Worth" means the subordinated debt owed by the Borrower that has been approved by the Lender plus the consolidated total assets of the Borrower and its Subsidiaries, after subtracting therefrom the aggregate amount of any intangible assets of the Borrower and its Subsidiaries, including, without limitation, goodwill, franchises, licenses, patents, trademarks, trade names, copyrights, service marks and brand names, minus the Consolidated Total Liabilities.

"Consolidated Total Liabilities" means all items which would be classified in accordance with GAAP as liabilities of the Borrower and its Subsidiaries, if any, including customer deposits, Capital Leases and all reserves for deferred taxes and other deferred sums appearing on the liabilities side of a balance sheet of the Borrower and its Subsidiaries, if any.

"Construction Disbursing Agreement" means that certain construction disbursing agreement dated of even date herewith between the Trustee, the Bank and the Borrower pursuant to which the proceeds of the Bonds will be disbursed.

"Consultant" means any third party architect or engineer satisfactory to the Bank.

"Controlled" or "controlling" or "under common control with" means, with respect to any Person, the power to direct or cause the direction of the management and policies of such Person, whether through the ownership of Voting Stock, by agreement or otherwise.

"Controlled Group" means (i) the controlled group of corporations as defined in Section 1563 of the Code or (ii) the group of trades or businesses under common control as defined in Section 414(c) of the Code, of which the Borrower or any Corporate Guarantor is a part or may become a part.

"Corporate Guarantor" or "Corporate Guarantors" means each or all, as the case may be, of any corporation or entity controlled by the Borrower, whether now or at any time hereafter.

"Credit Facility Trustee" means Branch Banking and Trust Company, a North Carolina banking institution, and its successors

and assigns.

"Debtor Laws" means all applicable liquidation, bankruptcy, conservatorship, moratorium, arrangement, receivership, insolvency, reorganization or similar laws from time to time in effect affecting the rights of creditors generally and general principles of equity.

"Debt Service Coverage Ratio" means the ratio of consolidated net earnings before depreciation and amortization of the Borrower and its Subsidiaries divided by the total annual debt service (which is the total annual principal amounts due on current long term debts and Capital Leases).

"Default" means an event or condition the occurrence of which would, with the lapse of time or the giving of notice, or both become an Event of Default.

"Dividends" means (i) cash dividends or distributions or any other distributions with respect to any class of capital stock of a corporation or any interest in a partnership or other entity, except for distributions made solely in shares of stock of the same class or an additional percentage of partner or other equity interest in the same partnership or entity, and (ii) any and all funds, cash or other payments made for the redemption, repurchase or acquisition of capital stock, partnership or other equity interest, unless, in the case of capital stock of a corporation, such stock is redeemed or acquired through the exchange of such stock with stock of the same class.

"Environmental Agreement" means that certain Environmental Compliance and Indemnity Agreement dated of even date herewith from the Borrower in favor of the Bank.

"Environmental Claim" means any accusation, allegation, notice of violation, claim, demand, abatement order, or other order or direction (conditional or otherwise) by any governmental authority or any Person for any damage, including, without limitation, personal injury (including sickness, disease, or death), tangible or intangible property damage, contribution, indemnity, direct or consequential damages, damage to the environment, nuisance, pollution, contamination, or other adverse effects on the environment, or for fines, penalties, or restrictions, in each case relating to, resulting from, or in connection with Hazardous

Materials and relating to the Borrower, or any Corporate Guarantor, or any property leased, owned, operated, or used by the Borrower or any Corporate Guarantor.

"Environmental Laws" means any and all federal, state, local, or municipal laws, rules, orders, regulations, statutes, ordinances, codes, decrees, or requirements of any governmental authority regulating, relating to or imposing liability or standards of conduct concerning, any Hazardous Materials or environmental protection or health and safety, as now or may at any time hereafter be in effect, including without limitation: the Clean Water Act also known as the Federal Water Pollution Control Act ("FWPCA"), 33 U.S.C. Section 1251 ET SEQ.; the Clean Air Act ("CAA"), 42 U.S.C. Section 7401 ET SEQ.; the Federal Insecticide, Fungicide, and Rodenticide Act ("FIFRA"), 7 U.S.C. Section 136 ET SEQ.; the Surface Mining Control and Reclamation Act ("SMCRA"), 30 U.S.C. Section 1201 ET SEQ.; the Comprehensive Environmental Response, Compensation, and Liability Act ("CERCLA"), 42 U.S.C. Section 9601 ET SEQ.; the Superfund Amendment and Reauthorization Act of 1986 ("SARA"), Public Law 99-499, 100 Stat. 1613; the Emergency Planning and Community Right to Know Act ("EPCRA"), 42 U.S.C. Section 11001 ET SEQ.; the Resource Conservation and Recovery Act ("RCRA"), 42 U.S.C. Section 6901 ET SEQ.; and the Occupational Safety and Health Act as amended ("OSHA"), 29 U.S.C. Section 655 and Section 657; together, in each case, with any amendment thereto, and the regulations adopted and publications promulgated thereunder and all substitutions thereof.

"ERISA" means the Employee Retirement Income Security Act of 1974, as it may be amended from time to time, and all regulations promulgated under that Act.

"Event of Default" has the meaning specified in Section 8.1 hereof.

"Financials" means the information required to be delivered pursuant to Section 5.1 hereof.

"First Mortgage" means the First Mortgage and Security Agreement, dated as of March 1, 1997, from the Borrower to the Issuer and the Bank, constituting a valid first lien (subject only to the Permitted Encumbrances) on the Property, together with all improvements and appurtenances presently or hereafter located thereon.

"Fiscal Year" means the twelve-month period of the Borrower and the Corporate Guarantors ending on October 31 of each calendar year.

"Generally Accepted Accounting Principles" or "GAAP" means those generally accepted accounting principles and practices which are recognized as such by the American Institute of Certified

Public Accountants acting through its Accounting Principles Board or the Financial Accounting Standards Board or through other appropriate boards or committees thereof. After any change in GAAP that affects any covenants of this Agreement, the Bank, the Borrower and the Corporate Guarantors will negotiate in good faith to revise those covenants in order to make them consistent with GAAP then in effect.

"Governmental Authority" means any government (or any political subdivision or jurisdiction thereof), court, bureau, agency, department or other governmental subdivision having jurisdiction over the Borrower, any Corporate Guarantor or any Affiliate of either of them or any of their respective businesses, operations or properties.

"Guarantor" means jointly, severally and collectively each Corporate Guarantor, if any.

"Guaranty Agreement" means collectively the Unconditional and Continuing Guaranty of each Corporate Guarantor, if any, required to be delivered to the Bank hereunder, together with any renewals, extensions, amendments or modifications.

"Guaranty" of any Person means any contract, agreement or understanding of the Person pursuant to which the Person guarantees, or in effect guarantees, any Indebtedness of any other Person (the "Primary Obligor") in any manner, whether directly or indirectly, including without limitation agreements: (i) to purchase the Indebtedness or the collateral for the Indebtedness, (ii) to provide funds (a) for the purchase or payment of the Indebtedness, or (b) to maintain net worth or working capital or other balance sheet conditions, (iii) to purchase property, securities or services primarily for the purpose of assuring the holder of the Indebtedness of the ability of the Primary Obligor to make payment of the Indebtedness, and (iv) otherwise to assure the holder of the Indebtedness against loss; EXCEPT THAT "Guaranty" does not include endorsement by the Borrower in the ordinary course of business of negotiable instruments or documents for deposit or collection.

"Hazardous Materials" means any flammable materials, explosives, radioactive materials, hazardous materials, hazardous wastes, hazardous or toxic substances, or similar materials.

"Improvements" means that certain manufacturing facility contemplated to be constructed on the Property with the proceeds from the issuance of the Bonds, as described in more detail in the Private Placement Memorandum.

"Indebtedness" of any Person means all indebtedness, obligations and liabilities of the Person, including without limitation: (i) all "liabilities" which would be reflected on a balance sheet of the Person prepared in accordance with GAAP, (ii) all obligations of the Person under any Guaranty, (iii) all obligations of the Person under any Capital Lease, (iv) all obligations, indebtedness and liabilities secured by any lien or any security interest on any property or assets of the Person, and (v) all redeemable preferred stock of the Person valued at the greater of its voluntary or involuntary liquidation preference plus accrued and unpaid dividends.

"Indemnities" has the meaning assigned in Section 9.1 hereof.

"Indemnified Matters" has the meaning assigned in Section 9.1 hereof.

"Indenture" means the Trust Indenture, dated as of March 1, 1997, between the Issuer, the Credit Facility Trustee and the Trustee, as from time to time supplemented and amended.

"Investment" means any stock, securities or evidence of indebtedness of any Person or entity except investments in direct obligations of the United States Government and certificates of deposit of United States commercial banks having a tier 1 capital ratio of not less than 6% and then in an amount not exceeding 10% of the issuing bank's unimpaired capital and surplus.

"Letter of Credit" means the irrevocable direct-pay letter of credit, dated March 27, 1997 issued by the Bank in favor of the Credit Facility Trustee for the account of the Borrower pursuant hereto and the Bond Documents.

"Lien" means any lien, mortgage, security interest, tax lien, pledge, encumbrance, conditional sale or title retention arrangement, or any other interest in property designed to secure the repayment of Indebtedness, whether arising by agreement or under any statute or law or otherwise.

"Loan Agreement" means that Loan Agreement, dated as of March 1, 1997, between the Issuer and the Company, as supplemented and amended from time to time.

"Material Adverse Effect" means any (i) material adverse effect upon the validity, performance or enforceability of this Agreement or any of the Security Instruments or any of the transactions contemplated hereby or thereby, (ii) material adverse effect upon the properties, business, prospects or condition financial or otherwise of the Borrower, or the Borrower and the Corporate Guarantors, taken as a whole. or (iii) material adverse effect upon the ability of the Borrowers to fulfill any obligation under this Agreement or any of the Security Instruments.

"Maximum Rate" means, on any day, the highest non-usurious rate of interest that may be contracted for, charged or received on the Indebtedness under the now effective laws of the United States of America and the State of Florida applicable to the holders of such Indebtedness, or, to the extent permitted by law, under such applicable laws of the United States of America and the State of Florida which may hereafter be in effect and which allow a higher maximum non-usurious interest rate than applicable laws now allow.

"Mortgages" means collectively the First Mortgage and the Second Mortgage.

"Note" means the Promissory Note, dated as of March 1, 1997, from the Company to the Bank in the stated principal amount of \$4,200,000.

"Obligations" means all loans and all other advances, debts, liabilities, obligations, covenants and duties owing, arising, due or payable from the Borrower or any Guarantor to the Bank of any kind or nature, present or future, whether or not evidenced by any note, guaranty or other instrument, whether arising under this Agreement or the Note or any of the other Bond Documents or Security Instruments or otherwise, whether direct or indirect (including those acquired by assignment), absolute or contingent, primary or secondary, due or to become due, now existing or hereafter arising and however acquired. The term includes, without limitation, all interest, charges, expenses, fees, attorney's fees and any other sums chargeable to the Borrower or any Guarantor under any of the Bond Documents or Security Instruments.

"Officer's Certificate" means the Certificate of the Accountant, the Chief Financial Officer or the Controller of the Borrower or any Corporate Guarantor as approved by the Bank.

"Other Agreements" means any and all agreements, instruments and documents (other than this Agreement, the Note and the Security Instruments), heretofore, now or hereafter executed by the Borrower or any Guarantor and delivered to the Bank in respect of the transactions contemplated by this Agreement.

"PBGC" means the Pension Benefit Guaranty Corporation, and any successor to all or any of the Pension Benefit Guaranty Corporation's functions under ERISA.

"Permitted Encumbrances" means (i) Liens granted to the Bank to secure the Obligations, (ii) pledges or deposits made to secure payment of worker's compensation insurance (or to participate in any fund in connection with worker's compensation insurance), unemployment insurance, pensions or social security programs, (iii) Liens imposed by mandatory provisions of law such as for

materialmen's, mechanics', warehousemen's and other like Liens arising in the ordinary course of business, securing Indebtedness whose payment is not yet due or is due but is being contested in good faith and as to which adequate reserves have been provided, (iv) Liens for taxes, assessments and governmental charges or levies imposed upon a Person or upon such Person's income or profits or property, if the same are not yet due and payable or if the same are being contested in good faith and as to which adequate cash reserves have been provided, (v) the Liens in favor of the Bank or the Issuer under the Security Instruments, and (vi) Liens granted on assets of the Borrower other than the Collateral.

"Person" means an individual, partnership, corporation, trust, unincorporated organization, association, joint venture or a government or agency or political subdivision or instrumentality thereof.

"Placement Letter" means the Placement Agent Agreement, dated March 27, 1997 by and among the Company, the Issuer and the Bank, as Placement Agent for the Bonds.

"Plan" means an employee benefit plan or other plan maintained for employees of the Borrower and covered by Title IV of ERISA, or subject to the minimum funding standards under Section 412 of the Internal Revenue Code of 1986, as amended.

"Plans and Specifications" means the plans and specifications for the Project.

"Pledge Agreement" means the Pledge Agreement dated as of even date herewith from the Borrower to the Bank, and First Union National Bank of Florida, in its capacity as trustee and tender agent.

"Prime Rate" means the interest rate publicly announced from time to time by the Bank to be its prime rate, which may not necessarily be its best lending rate. In the event the Bank shall abolish or abandon the practice of announcing its Prime Rate or should the same be unascertainable, the Bank shall designate a comparable reference rate which shall be deemed to be the Prime Rate under this Agreement.

"Private Placement Memorandum" means the Private Placement Memorandum dated March 27, 1997 relating to the Bonds.

"Project" means the Improvements and the Property.

"Project Fund" means the trust fund so designated and established under the Indenture.

"Property" means the real property described in the Mortgages, on which the Improvements will be constructed.

"Regulatory Change" means any change in federal, state or local laws or regulations or the adoption or making of any interpretations, directives or requests of or under any federal, state or local laws or regulations (whether or not having the force of law) by any court or Governmental Authority charged with the interpretation or administration thereof.

"Release" means any release, spill, emission, leaking, pumping, pouring, injection, escaping, deposit, disposal, discharge, dispersal, dumping, leaching, or migration of Hazardous Materials into the indoor or outdoor environment (including, without limitation, the abandonment or disposal of any barrels, containers, or other closed receptacles containing any Hazardous Materials), or into or out of any property owned, leased, operated, or used by the Borrower or any subsidiaries (if any), including the movement of any Hazardous Material through the air, soil, surface water, groundwater, or property.

"Remarketing Agreement" means the Remarketing Agreement, dated as of March 1, 1997, by and between the Company and the Bank, as Remarketing Agent, as supplemented and amended from time to time.

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

"Second Mortgage" means the Second Mortgage and Security Agreement, dated as of March 1, 1997, from the Company to the Bank, constituting a valid second lien (subject only to the First Mortgage and the Permitted Encumbrances) on the Project, together with all improvements and appurtenances presently located as hereafter to be construed thereof.

"Security Instruments" means, collectively, this Agreement, the Note, the Mortgages, the Assignment, the Construction Disbursing Agreement, the Assignment of Mortgage, the Corporate Guaranty, the Guaranty Agreement, the Pledge Agreement, the Environmental Agreement, the Collateral Assignment of Construction Contracts, any Swap Agreements, and any and all other agreements or instruments now or hereafter executed and delivered by the Borrower, any Guarantor or any other Person in connection with, or as security for the payment or performance of, the Letter of Credit or this Agreement or the Note or any other obligations of the Borrower to the Bank as described herein or therein, as such agreements may be amended, modified or supplemented from time to time in accordance with their respective terms.

"Solvent" means, as to any Person, that such Person has capital sufficient to carry on its business and transactions and all business and transactions in which it is about to engage and is

able to pay its debts as they mature and owns property having a value, both at fair valuation and at present fair saleable value, greater than the amount required to pay its debts.

"State" means the State of Florida.

"Stated Termination Date" means March 27, 2004, the stated expiration date of the Letter of Credit, or any extension thereof as reflected in an amendment or replacement of the Letter of Credit issued by the Bank.

"Subsidiary" means any corporation, more than fifty percent (50%) of the outstanding Voting Stock of which is at the time, directly or indirectly, owned by the Borrower or any Corporate Guarantor and/or one or more Subsidiaries (irrespective of whether, at the time, capital stock of any other class or classes of such corporation shall have or might have voting power by reason of the happening of any contingency).

"Swap Agreement" means (a) an agreement (including terms and conditions incorporated by reference therein) which is a rate swap agreement, basis swap, forward rate agreement, commodity swap, interest rate option, forward foreign exchange agreement, spot foreign exchange agreement, rate cap agreement, rate floor agreement, rate collar agreement, currency swap agreement, cross-currency rate swap agreement, currency option, any other similar agreement (including any option to enter into any of the foregoing); (b) any combination of the foregoing; or (c) a master agreement for any of the foregoing together with all supplements.

"Tender Agency Agreement" means the Tender Agency Agreement dated as of March 1, 1997 by and between the Company, the Trustee and the Tender Agent, as amended, from time to time thereunder.

"Tender Agent" means the Bank acting as tender agent under the Indenture, and its successors and assigns.

"Tender Draft" has the meaning assigned to that term in the Letter of Credit.

"Termination Date" means the last day a drawing is available under the Letter of Credit.

"Trustee" means any Person or group of Persons at the time serving as trustee under the Indenture.

"UCC" means the Uniform commercial Code in effect in jurisdictions where assets of the Borrower are located at anytime during the term hereof, as the same may be amended from time to time.

"Voting Stock" of any corporation means shares of any class or classes (however designated) of capital stock of such corporation having ordinary voting power for the election of at least a majority of the members of the Board of Directors (or other governing bodies) of such corporation, other than shares having such power only by reason of the happening of a contingency.

ARTICLE II

REPRESENTATIONS AND WARRANTIES OF THE BORROWER

The Borrower represents and warrants to the Bank (which representations and warranties shall survive the delivery of the documents mentioned herein and the issuance of the Letter of Credit) that:

Section 2.1. ORGANIZATION AND GOOD STANDING. The Borrower is a corporation duly organized, validly existing and in good standing under the laws of its state of organization, is duly qualified as a foreign entity and in good standing in those jurisdictions set forth on Schedule 2.1 hereof in which it is necessary to be so qualified in order to carry on its business as presently conducted and where the failure to obtain such qualification could result in a Material Adverse Effect, and has the corporate power and authority to own its properties and assets and to transact the business in which it is presently engaged.

Section 2.2. AUTHORIZATION AND POWER. The Borrower has the corporate power and authority and approvals to execute, deliver and perform this Agreement, the Note, the Security Instruments and the Bond Documents to which it is a party and to perform the obligations contemplated thereby.

Section 2.3. NO CONFLICTS; NO CONSENTS. To the best of Borrower's knowledge, neither the execution and delivery of this Agreement, the Note, the Security Instruments and Bond Documents to which the Borrower is a party, nor the consummation of the transactions contemplated in this Agreement, the Note, the Security Instruments and Bond Documents, nor the compliance by the Borrower with the terms of this Agreement, the Note, the Security Instruments and Bond Documents to which the Borrower is a party, will materially violate or conflict with any law or regulation, or any judgment, license, order or permit, or any indenture, loan agreement, mortgage, deed of trust, or other agreement or instrument to which the Borrower is a party or by which the Borrower or any of its assets may be bound or to which the Borrower may be subject, or violate any provision of the Borrower's articles of incorporation or bylaws, or create any Lien upon any of the property of the Borrower except as contemplated in the Security

Instruments and Bond Documents. To the best of Borrower's knowledge, no consent, approval, authorization, license or order of Governmental Authority or third party is required in connection with the execution and delivery by the Borrower, with respect to those documents to which it is a party, of this Agreement, the Note, the Security Instruments and Bond Documents, or for the consummation of the contemplated transactions.

Section 2.4. ENFORCEABLE OBLIGATIONS. This Agreement, the Note, the Bond Documents and Security Instruments to which the Borrower is a party have been duly executed and delivered by the Borrower and are the legal, valid and binding obligations of the Borrower, enforceable in accordance with their respective terms, except as limited by Debtor Laws.

Section 2.5. LIENS. Except for items (i) through (v) of the definitions of Permitted Liens, all of the Collateral is free and clear of all material Liens and other material adverse claims of any nature, and the Borrower has good and marketable title to the Collateral. Upon the execution and delivery of the Bond Documents and Security Instruments to which the Borrower is a party and the filing of properly completed UCC financing statements and other documents or instruments in the jurisdictions set forth in Schedule 2.5 hereof, except for Permitted Encumbrances, the Bank will have a first priority perfected security interest in all of the Collateral.

Section 2.6. FINANCIAL CONDITION. The Borrower has delivered to the Bank (i) audited financial statements of the Borrower for the fiscal years ending December 31, 1994 and December 31, 1995, and (ii) unaudited interim financial statements for the period ending November 30, 1996 prepared and reviewed by the chief financial officer of the Borrower. The Financials so delivered are true and correct, fairly represent the consolidated financial condition of the Borrower as of its date. As of the Closing Date, there are no obligations, liabilities or Indebtedness (including contingent and indirect liabilities and obligations) of the Borrower which are material and are not reflected in the Financials delivered as to that person, except those arising in the ordinary course of business. No changes having a Material Adverse Effect have occurred since the dates of the Financials.

Section 2.7. FULL DISCLOSURE. There is no material fact which is known by the Borrower that has not been disclosed in writing to the Bank which is likely to have a Material Adverse Effect. Neither this Agreement nor any agreement, document, certificate or statement delivered by the Borrower or any Affiliate contains any untrue statement of a material fact or omits to state any material fact which is known by the Borrower necessary to keep the other statements from being misleading.

Section 2.8. NO DEFAULT. No Default or Event of Default has occurred, and the execution, delivery and performance of this Agreement will not cause a Default or Event of Default.

Section 2.9. MATERIAL AGREEMENTS. To the best of the Borrower's knowledge, it is not in default in any material respect under any contract, lease, loan agreement, indenture, mortgage, security agreement or other agreement or obligation to which it is a party or by which any of its properties is bound.

Section 2.10. NO LITIGATION. There are no actions, suits or legal, equitable, arbitration or administrative proceedings pending, or, to the knowledge of the Borrower threatened or expected, against the Borrower or any Subsidiary thereof, or any of their officers or directors in the case of the Borrower or any Subsidiary which would, if adversely determined, have a Material Adverse Effect.

Section 2.11. BURDENSOME CONTRACTS. The Borrower is not a party to any agreement the effect of which is to have a material adverse effect.

Section 2.12. TITLE TO ASSETS. The Borrower has good and marketable title to all of its material assets, subject to no Liens or adverse claims except Permitted Encumbrances. The Borrower owns or leases all property which is necessary to the conduct of their respective businesses as presently conducted.

Section 2.13. TRADE RELATIONS. There exists no actual or threatened termination or limitation of, or any change in, the business relationship of the Borrower with any customer or any group of customers whose purchases individually or in the aggregate are material to the business of the Borrower, or with any material supplier, and there exists no present state of circumstances which would materially adversely affect the Borrower or prevent the Borrower from continuing to conduct its business as it has been conducted.

Section 2.14. LABOR DISPUTES. There is not now threatened by or against the Borrower, any strike, picket, lockout, work stoppage, work slowdown or other labor dispute. The Borrower has never consented to any final decree involving any claim of unfair labor practice or been held in any judicial or administrative proceeding to have committed any unfair labor practice. The Borrower is not aware of any unfair labor practice which could have a Material Adverse Effect.

Section 2.15. REPRESENTATIONS UPON REQUESTS FOR ADVANCES. Every draw under the Letter of Credit shall constitute, without the necessity of specifically containing a written statement, a

representation and warranty by the Borrower that no Default or Event of Default exists and that all representations and warranties by the Borrower contained in this Agreement, the Note, the Bond Documents and Security Instruments are true and correct as of the date the advance is to be made.

Section 2.16. USE OF PROCEEDS; MARGIN STOCK. The proceeds of the Bonds will be used by the Borrower only for the purposes set forth herein and in the Bond Documents. The Borrower's uses of the proceeds are, and continue to be, legal and proper corporate uses, and the uses are and will be consistent with all applicable laws and regulations, as in effect from time to time. None of the Loan proceeds will be used for the purpose of purchasing or carrying any "margin stock" as defined in Regulation U, Regulation X, or Regulation G of the Code of Federal Regulations, Parts 221, 224 and 207, respectively, or for the purpose of reducing or retiring any Indebtedness which was originally incurred to purchase or carry "margin stock," or for any other purpose which might cause this transaction to be deemed a "purpose credit" within the meaning of Regulation U, Regulation X or Regulation G. The Borrower is not engaged in the business of extending credit for the purpose of purchasing or carrying margin stocks. The Borrower, or any Person acting on behalf of the Borrower, has not taken or will take any action which might cause any violation of Regulation U, Regulation X, or Regulation G or any other regulations of the Board of Governors of the Federal Reserve System or any violation of Section 8 of the Securities Exchange Act of 1934 or any rule or regulation thereunder as now or hereafter in effect.

Section 2.17. TAXES. All tax returns required to be filed by the Borrower in any jurisdiction have been filed and all taxes, assessments and other governmental charges on the Borrower or on any of its respective properties, income or franchises were paid timely, except for taxes contested in good faith by appropriate legal proceedings for which reserves have been established in an amount determined in accordance with GAAP. There is no proposed tax assessment against the Borrower, and there is no basis for any such assessment. No extension of time for assessment or payment of any tax by the Borrower is in effect.

Section 2.18. ERISA. The Borrower has not incurred any material accumulated unfunded deficiency within the meaning of ERISA, or incurred any material liability to the PBGC (or any successor thereto) established under ERISA in connection with any Plan established or maintained by the Borrower.

Section 2.19. COMPLIANCE WITH LAW; ALL LICENSES, APPROVALS. The Borrower is in compliance in all material respects with regard to all laws, rules, regulations, orders and decrees which are applicable to such Person or its properties. The Borrower has, and is in good standing with respect to, all material governmental approvals, licenses, inspections, and franchises necessary to

conduct its business in the ordinary course and to own or lease and operate its properties. None of such approvals, licenses, or franchises contains any provision more burdensome than those generally applicable to businesses similar to the Borrower.

Section 2.20. INSIDER. Neither the Borrower nor any Person having "control" (as that term is defined in 12 U.S.C. ss. 375(b)(5) or in regulations promulgated pursuant thereto) of Borrower is, an "executive officer", "director", or "principal shareholder" (as those terms are defined in 12 U.S.C. ss. 375(b) or in regulations promulgated pursuant thereto) of the Bank, of a bank holding company of which the Bank is a subsidiary, or of any subsidiary of a bank holding company of which the Bank is a subsidiary, or of any bank at which the Bank maintains a "correspondent account" (as such term is defined in such statute or regulations), or of any bank which maintains a correspondent account with the Bank.

Section 2.21. FAIR LABOR STANDARDS ACT. The Borrower, in all material respects, has complied with, and will continue to comply with, the provisions of the Fair Labor Standards Act of 1938, 29 U.S.C. ss. 200, ET SEQ., as amended from time to time (the "FLSA"), including specifically, but without limitation, 29 U.S.C. ss. 215(a). This representation and warranty, and each reconfirmation hereof, shall constitute written assurance from the Borrower, given as of the date hereof and as of the date of each reconfirmation, that the Borrower has complied with the requirements of the FLSA, in general, and Section 15(a)(1), 29 U.S.C. ss. 15(a)(1), thereof, in particular.

Section 2.22. ENVIRONMENTAL. Hazardous Materials are not currently generated, used, treated or stored on, or transported to or from, released or disposed of on, any real property owned or leased by the Borrower, unless handled safely and in accordance with Environmental Law. The Borrower is in compliance with all applicable Environmental Laws with respect to any such real property and the requirements of any permits issued under such laws with respect to any such property. There are no past, pending or threatened Environmental Claims against the Borrower or any Affiliate thereof, which could have a Material Adverse Effect.

Section 2.23. INVESTMENT COMPANY ACT. The Borrower is not an "investment company" registered or required to be registered under the Investment Company Act of 1940, as amended, and is not controlled by such a company.

Section 2.24. SOLVENCY. The Borrower is Solvent, and, after consummation of this Agreement, the Note, the Bond Documents and Security Instruments and the contemplated transactions, the Borrower will be Solvent.

Section 2.25. INSURANCE. The Borrower maintains insurance coverage of the types and in the amounts required under Section 1.4 of the Mortgages naming the Trustee and the Bank as loss payee and additional insured as its interests may appear.

Section 2.26. ASSETS FOR CONDUCT OF BUSINESS. The Borrower possesses adequate assets, licenses, patents, patent applications, copyrights, trademarks and tradenames to conduct its business as presently conducted.

Section 2.27 NO SUBSIDIARIES. The Borrower has no Subsidiaries, nor any agreements to acquire or form a Subsidiary.

Section 2.28. SURVIVAL OF REPRESENTATIONS AND WARRANTIES. All of the representations and warranties by the Borrower shall survive delivery of this Agreement, the Note, the Bond Documents and the Security Instruments. Any investigation at any time made by or on behalf of the Bank will not diminish the Bank's right to rely on the representations and warranties.

ARTICLE III

REIMBURSEMENT AND OTHER PAYMENTS

Section 3.1. LETTER OF CREDIT. The Bank agrees, on the terms and conditions hereinafter set forth, to issue and deliver the Letter of Credit in favor of the Credit Facility Trustee in substantially the form of EXHIBIT A attached hereto upon fulfillment of the applicable conditions set forth in Article VII hereof. The Bank agrees that any and all payments under the Letter of Credit will be made with the Bank's own funds. All Borrower reimbursement obligations arising because of each and every draw under the Letter of Credit shall be evidenced by the Note.

Section 3.2. REIMBURSEMENT AND OTHER PAYMENTS. Except as provided in Section 3.11 hereof, the Borrower shall pay to the Bank:

(a) after the honoring of a draw by the Bank, but on or before 2:00 p.m (Miami, Florida time) on the date that any amount is drawn under the Letter of Credit, a sum together with interest on such sum equal to such amount so drawn under the Letter of Credit plus to the extent permitted by applicable law, any and all reasonable charges and expenses that the Bank may pay or incur relative to the Letter of Credit which have not been previously paid by or on behalf of the Borrower;

(b) on demand, interest on any and all amounts remaining unpaid by the Borrower when due hereunder from the date such amounts become due until payment thereof in full, at a fluctuating interest rate per annum equal at all times to the

Prime Rate plus three percent (3%), (unless such rate exceeds the highest lawful rate permitted by applicable law, in which case the applicable interest rate shall be the highest lawful rate);

(c) on demand, any and all reasonable expenses incurred by the Bank in enforcing any rights under this Agreement and the other Security Instruments which have not been previously paid by or on behalf of the Borrower; and

(d) on demand all charges, commissions, costs and expenses set forth in Sections 3.3, 3.4 and 3.8 hereof which have not been previously paid by or on behalf of the Borrower.

Section 3.3. COMMISSION AND FEES.

(a) The Borrower shall pay to the Bank annually a commission at the rate of (i) one percent (1.00%) per annum on the Non-funded Portion of the stated amount of the Letter of Credit, and (ii) zero percent (0%) on the Funded Portion of the Letter of Credit (computed on the date that such commission is payable) from and including the date of issuance of the Letter of Credit until the Stated Termination Date. The term Non-funded Portion shall equal the amount determined by subtracting from the stated amount of the Letter of Credit an amount equal to the then market value of the security and/or cash then held by the Bank in the Designated Account described in Section 7A hereof and the term Funded Portion of the Letter of Credit shall equal the total of the then stated amount of the Letter of Credit minus the then Non-funded Portion. The fee is payable in advance on the date of issuance of the Letter of Credit and annually thereafter on each anniversary of the issuance of the Letter of Credit, subject to adjustment upon demand by the Bank due to any event that may increase the cost to the Bank of issuing or maintaining the Letter of Credit. The Fair Market Value shall be determined by the Bank, and shall be deemed correct absent manifest error.

(b) The Borrower shall pay to the Bank, upon transfer of the Letter of Credit in accordance with its terms, a transfer fee of \$1,000.

(c) The Borrower shall pay to the Bank, within two (2) business days after each and every draw under the Letter of Credit in accordance with its terms, a drawing fee of \$100.

Section 3.4. INCREASED COSTS DUE TO CHANGE IN LAW. In the event of any change in any existing or future law, regulation, ruling or other interpretation having influence over the Bank which shall either (a) impose, modify or make applicable any reserve, special deposit, capital requirement, assessment or similar

requirement against the Letter of Credit or (b) impose on the Bank any other condition regarding the Letter of Credit, and the result of any event referred to in clause (a) or (b) above shall be to increase the cost (including a reasonable allocation of resources) or decrease the yield to the Bank of issuing or maintaining the Letter of Credit (which increase in cost shall be the result of the Bank's reasonable allocation of the aggregate of such cost increases or yield decreases resulting from such events), then, Bank shall promptly notify Borrower of such change, and, upon demand by the Bank, the Borrower shall immediately pay to the Bank, from time to time as specified by the Bank, additional amounts which shall be sufficient to compensate the Bank for such increased cost or decreased yield. A statement of charges submitted by the Bank, shall be conclusive, absent manifest error, as to the amount owed.

Section 3.5. COMPUTATION. All payments of interest, commission and other charges under this Agreement shall be computed on the per annum basis, based on a 360 day year calculated for the actual number of days elapsed.

Section 3.6. PAYMENT PROCEDURE. All payments made by the Borrower under this Agreement shall be made to the Bank in lawful currency of the United States of America and in immediately available funds at the Bank's office in Miami, Florida before 12:00 Noon (Miami, Florida time) on the date when due, except for payments made pursuant to Section 3.2(a).

Section 3.7. BUSINESS DAYS. If the date for any payment hereunder falls on a day which is not a business day, then for all purposes of this Agreement the same shall be deemed to have fallen on the next succeeding business day, and such extension of time shall in such case be included in the computation of payments of interest or commission, as the case may be.

Section 3.8. REIMBURSEMENT OF EXPENSES. The Borrower will pay all reasonable legal fees (computed without regard to any statutory presumption) incurred by the Bank in connection with the preparation, execution and delivery of this Agreement, the Letter of Credit, the Note, the Security Instruments, any and all other agreements and transactions contemplated hereby and thereby and by the Bond Documents (including any amendments hereto or thereto or consents or waivers hereunder or thereunder) and will also pay all fees, charges or taxes for the recording or filing of Security Instruments. The Borrower will also pay for all reasonable expenses of the Bank paid or payable to third parties in connection with the administration of the Letter of Credit, this Agreement, the Note and the Security Instruments. The Borrower will, upon request, promptly reimburse the Bank for all amounts expended, advanced or incurred by the Bank to collect or satisfy any obligation of the Borrower under this Agreement, the Note or any Security Instrument, or to enforce the rights of the Bank under

this Agreement, the Note or any Security Instrument, which amounts will include, without limitation, all court costs, reasonable attorneys' fees, fees of auditors and accountants and investigation expenses reasonably incurred by the Bank in connection with any such matters.

Section 3.9. EXTENSION OF EXPIRATION DATE. Except as hereinafter provided, the Letter of Credit will expire on the Stated Termination Date. The Bank shall, in its sole discretion, have the option to extend the Stated Termination Date for successive periods of one year. Should the Bank elect not to extend the Stated Termination Date, Bank will, in its sole discretion, either (i) provide notice of that fact to the Borrower one hundred and twenty days before the Stated Termination Date, or (ii) extend the Stated Termination Date to a date selected by the Bank, which date shall be for at least one (1) year, or the maturity of the Bonds if sooner, and provide notice to the Borrower, the Trustee and the Credit Facility Trustee that the Stated Termination Date has been extended pursuant to the terms hereof, but will not be extended further. In the event the Bank elects not to extend the Stated Termination Date or has not provided the Borrower with any notice regarding extension of the Stated Termination Date one hundred twenty days before the Stated Termination Date, the Borrower will provide the Credit Facility Trustee with an Alternate Credit Facility in accordance with the requirements of the Indenture and the Loan Documents, so as to prevent the redemption of the Bonds because of the decision of the Bank not to extend the Stated Termination Date.

Section 3.10. OBLIGATIONS ABSOLUTE. The obligations of the Borrower under this Agreement and the obligations of any Guarantor under a Guaranty Agreement shall be absolute, unconditional and irrevocable, and shall be paid strictly in accordance with the terms of this Agreement or a Guaranty Agreement, as the case may be, under all circumstances whatsoever, including, without limitation, the following circumstances:

(a) any lack of validity or enforceability of the Letter of Credit, the Bonds, any of the other Bond Documents, the Note, any of the Security Instruments or any other agreement or instrument related thereto;

(b) any amendment or waiver of or any consent to departure from the terms of the Letter of Credit, the Bonds, any of the other Bond Documents, any of the Security Instruments or any other agreement or instrument related thereto;

(c) the existence of any claim, setoff, defense or other right which either the Borrower, the Guarantors or the Issuer may have at any time against the Credit Facility Trustee, the Trustee,

any beneficiary or any transferee of the Letter of Credit (or any Person for whom the Trustee, any such beneficiary or any such transferee may be acting), the Bank or any other Person, whether in connection with this Agreement, the Note, the Security Instruments, the Letter of Credit, the Bond Documents, the Project or any unrelated transaction;

(d) any statement, draft or other document presented under the Letter of Credit proving to be forged, fraudulent, invalid or insufficient in any respect, or any statement therein being untrue or inaccurate in any respect whatsoever;

(e) the surrender, exchange or impairment of any security for the performance or observance of any of the terms of this Agreement or the Note; or

(f) any other circumstance which might otherwise constitute a defense available to, or a discharge of the Borrower or the Guarantors, except subject to the qualification that obligations may be reinstated upon bankruptcy, notwithstanding payment in full of the Borrower's and Guarantors' obligations to the Bank.

Section 3.11 TENDER ADVANCES.

If the Bank shall make any payment of that portion of the purchase price corresponding to principal and interest of the Bonds drawn under the Letter of Credit pursuant to a Tender Draft (as defined in the Letter of Credit) and the conditions set forth in Section 7.3 shall have been fulfilled, such payment shall constitute a tender advance made by the Bank to the Borrower on the date and in the amount of such payment (a "Tender Advance"); provided that if the conditions of said Section 7.3 have not been fulfilled, the amount so drawn pursuant to the Tender Draft shall not be considered a Tender Advance and shall be payable in accordance with the terms of Sections 3.2(a) and (b) above. Notwithstanding any other provision hereof, the Borrower shall repay the unpaid amount of each Tender Advance, together with all unpaid interest thereon, on the earlier to occur of: (i) such date as any Bonds purchased pursuant to a Tender Draft are resold as provided in the last paragraph of this letter 3.11 hereof; (ii) on the date six months following the date of such Tender Advance; or (iii) the Termination Date. The Borrower may prepay the outstanding amount of any Tender Advance in whole or in part, together with accrued interest to the date of such prepayment on the amount prepaid. The Borrower shall notify the Bank prior to 11:00 A.M. Miami, Florida time on the date of such prepayment of the amount to be prepaid.

The Borrower shall pay interest on the unpaid amount of each Tender Advance from the date of such Tender Advance until such amount is paid in full, payable monthly, in arrears, on the first day of each month during the term of each Tender Advance and on the

date such amount is paid in full, at a fluctuating interest rate per annum in effect from time to time equal to the Prime Rate plus one percent (1%) provided that the unpaid amount of any Tender Advance which is not paid when due shall bear interest at the lower of the Prime Rate plus three percent (3%) or the highest rate permitted by applicable law, payable on demand and on the date such amount is paid in full.

Pursuant to the Pledge Agreement the Borrower has agreed that, in accordance with the terms of the Indenture, Bonds purchased with proceeds of any Tender Draft shall be delivered by the Tender Agent to the Bank or its designee to be held by the Bank or its designee in pledge as collateral securing the Borrower's payment obligations to the Bank hereunder. Bonds so delivered to the Bank or its designee shall be registered in the name of the Borrower, as provided for in the Pledge Agreement.

Prior to or simultaneously with the resale of Bonds pledged pursuant to the Pledge Agreement (the "Pledged Bonds"), the Borrower shall prepay the then outstanding Tender Advances (in the order in which they were made) by paying to the Bank an amount equal to the sum of (A) the amounts advanced by the Bank pursuant to the corresponding Tender Drafts relating to such Bonds, plus (B) the aggregate amount of accrued and unpaid interest on such Tender Advances. Such payment shall be applied by the Bank in reimbursement of such drawings (and as prepayment of Tender Advances resulting from such drawings in the manner described above), and, upon receipt by the Bank of a certificate completed and signed by the Credit Facility Trustee in substantially the form of Annex G to the Letter of Credit, the Borrower irrevocably authorizes the Bank to rely on such certificate and to reinstate the Letter of Credit in accordance therewith. Funds held by the Tender Agent as a result of sales of the Pledged Bonds by the Remarketing Agent shall be paid to the Bank by the Tender Agent to be applied to the amounts owing by Borrower to the Bank pursuant to this Section 3.11. Upon payment to the Bank of the amount of such Tender Advance to be prepaid, together with accrued interest on such Tender Advance to the date of such prepayment on the amount to be prepaid, the principal amount outstanding of Tender Advances shall be reduced by the amount of such prepayment and interest shall cease to accrue on the amount prepaid.

ARTICLE IV

SECURITY; INSURANCE

Section 4.1. SECURITY. As security for the full and timely payment and performance by the Borrower of its obligations hereunder, the Borrower shall on the date hereof deliver to the Bank the Security Instruments, conveying to the Bank duly perfected

liens upon and security interests in the Collateral, subject only to Permitted Encumbrances.

Section 4.2. ADVANCES BY BANK. In the event the Borrower shall fail to keep the Collateral in good repair and good operating condition, the Bank may (but shall be under no obligation to), after 10 days, written notice to the Borrower, and the failure of the Borrower to commence (and complete with due diligence) the making of the required repairs, renewals and replacements, contract for any required repairs, renewals and replacements; and the Borrower agree to reimburse the Bank upon demand by the Bank to the extent of the amounts so advanced with interest thereon at a rate per annum equal to the Prime Rate plus three percent (3%) (unless such rate exceeds the highest lawful rate permitted by applicable law, in which case the applicable interest rate shall be the highest lawful rate), from the date of advance to the date of reimbursement. Any amounts so advanced by the Bank shall become an additional obligation of the Borrower secured by the Security Instruments.

Section 4.3. PRESERVATION OF SECURITY INTEREST. At the request of the Bank at any time or from time to time, including at the time of acquisition of any items with the proceeds of the Bonds, the Borrower will cause to be executed by its duly authorized officers any agreement, certificate, instrument, statement or document, and to pay all connected costs, which the Bank may deem necessary or advisable to create or preserve the security interest of the Bank contemplated hereby and by the Security Instruments.

ARTICLE V

AFFIRMATIVE COVENANTS

Until all the Obligations to be performed and paid shall have been performed and paid in full, and for so long as the Letter of Credit shall be outstanding, unless the Bank shall otherwise consent in writing, the Borrower will:

Section 5.1. FINANCIAL STATEMENTS, REPORTS AND DOCUMENTS. Deliver the following to the Bank:

(a) ANNUAL FINANCIAL STATEMENTS. Within 120 days of the close of each of its fiscal years, (i) the current consolidated audited financial statements (annual balance sheets, profit/loss statements, and statements of cash flow, of HEICO Corporation and its subsidiaries, which must be audited by a Florida-licensed certified public accountant; and (ii) the current consolidating financial statements and other supporting schedules of HEICO Corporation and its Subsidiaries, with the results of the Borrower separately broken out.

(b) QUARTERLY FINANCIAL STATEMENTS. Within forty-five days of the close of each fiscal quarter during the term hereof, an unaudited financial statement (including balance sheets, profit and loss statements, statements of cash flow and supporting schedules) for the Borrower for the period then ending, which must be certified as to correctness and completeness by the chief financial officer of the Borrower.

(c) SEC AND OTHER REPORTS; ORDERS, JUDGMENTS, ETC. Within fifteen days after the filing or mailing thereof with or the receipt thereof from the Governmental Authority referred to herein, one copy of each proxy, regular or periodic report, registration statement, or prospectus filed or other filing by the Borrower, HEICO Corporation or any Corporate Guarantor with any securities exchange or the Securities and Exchange Commission or any successor agency, any notices or information mailed to its shareholders, and any material order, judgment, decree, decision or ruling issued by any Governmental Authority in any proceeding to which the Borrower, HEICO Corporation or any Corporate Guarantor is a party;

(d) COMPLIANCE CERTIFICATE. At the time of delivery of the financial statements referred to in Section 5.1(a) and (b), a certificate of the chief financial officer of the Borrower in the form attached hereto as Exhibit D, properly completed.

(e) OTHER INFORMATION. Such other information as reasonably requested by the Bank from time to time concerning the business, properties or financial condition of the Borrower or the Guarantors.

Section 5.2. PAYMENT OF TAXES AND OTHER INDEBTEDNESS. The Borrower will timely pay in full: (i) all taxes, assessments and other governmental charges imposed on the Borrower or on its income or profits, or on any property of the Borrower, (ii) all lawful claims, including claims for labor and materials (unless such labor and materials claims are being contested by the Borrower in good faith), which if not paid might give rise to a Lien on any of the Borrower's properties, and (iii) all of its other Indebtedness, except as prohibited hereunder; provided, that the Borrower will not be required to pay any tax, assessment or governmental charge if and so long as the amount, applicability or validity is being contested in good faith by appropriate proceedings and reserves for the contested charges have been established in accordance with GAAP.

Section 5.3. MAINTENANCE OF EXISTENCE, RIGHTS AND ACCOUNTS. The Borrower will preserve and maintain its corporate existence and good standing, rights and franchises, trade names, patents, trademarks and permits necessary to the conduct of its business.

The Borrower will maintain its depository and cash management accounts with the Bank.

Section 5.4. NOTICE OF DEFAULT. The Borrower will furnish to the Bank within three (3) days of becoming aware of a Default or Event of Default written notice specifying the nature and period of existence of the Default or Event of Default and the action which the Borrower is taking or proposes to take to remedy the Default or Event of Default.

Section 5.5. OTHER NOTICES. The Borrower will within five (5) business days of becoming aware thereof notify the Bank of:

(i) Any Regulatory Change, the loss of any material customer or account or any other change which may have a Material Adverse Effect;

(ii) The cancellation or termination of, or any default under, any material agreement or other instrument to which it is a party or by which any of its properties are bound, or any acceleration of the maturity of any Indebtedness of the Borrower;

(iii) Any material adverse claim against or affecting the Borrower or any of its properties, whether by a Governmental Authority or any other third party;

(iv) Any labor controversy which results in strike or other work action that may have a Material Adverse Effect;

(v) Any levy of an attachment, execution or other process against the Borrower's assets arising as a result of a judgment against Borrower in an amount in excess of \$100,000.

Section 5.6. COMPLIANCE WITH MATERIAL AGREEMENTS. The Borrower will comply with all material agreements, indentures, mortgages and other documents binding on it or affecting the Collateral, the Bond Documents and Security Instruments to which the Borrower and any Subsidiary is a party. The Borrower will cause the Improvements to be constructed on or before September 30, 1998 in accordance with the plans and specifications delivered to the Bank pursuant to Section 7.1 (0) hereof.

Section 5.7. OPERATIONS AND PROPERTIES. The Borrower will act prudently and in accordance with customary industry standards in managing or operating the assets, properties, business and investments of the Borrower. The Borrower will keep in good working order and condition, ordinary wear and tear excepted, all of its assets and properties which are necessary to the conduct of its business.

Section 5.8. BOOKS AND RECORDS; ACCESS. The Borrower will, and will cause each of its Subsidiaries to, maintain adequate books, accounts and records; prepare all Financials required under this Agreement in accordance with GAAP; and permit agents of the Bank at any reasonable time and upon prior notice to inspect the Borrower's properties and to examine the Borrower's books, accounts, and records and make copies and memoranda of them. The Borrower will, upon reasonable advance notice, permit any representative of the Bank to inspect any of the properties of the Borrower, to examine all books, accounts, records, reports and other papers, to make copies and extracts of them, and to discuss the affairs and finances of the Borrower with its officers, all at reasonable times and as often as may reasonably be requested, provided further that Bank may also discuss the foregoing with the independent accountant of Borrower (a) with the consent of Borrower which will not be unreasonably withheld, or (b) at any time without the need for Borrower consent if there shall have occurred an Event of Default.

Section 5.9. COMPLIANCE WITH LAW. The Borrower will comply with all applicable constitutions, laws, rules, regulations, judgments, orders, decisions, rulings and decrees of any Governmental Authority applicable to the Borrower and the Subsidiaries or to any of its respective properties, business operations or transactions, the breach of which could have a Material Adverse Effect.

Section 5.10. INSURANCE. In addition to the insurance requirements contained in the Security Instruments, the Borrower will maintain at all times workers' compensation insurance, general liability insurance, casualty insurance and other insurance on its properties, assets and businesses, now owned or hereafter acquired, against such casualties, risks and contingencies, and in such types and amounts, as are consistent with customary practices and standards of companies engaged in similar businesses, unless higher limits or other types of coverage are reasonably required by the Bank. The Borrower will cause a long form endorsement to be added to each casualty policy pertaining to the Project, prior to the closing date, naming the Bank as loss payee and additional insured, as its interests may appear. Each such policy will require that no such policy will be terminated without at least thirty (30) days' prior written notice to the Bank.

Section 5.11. ERISA COMPLIANCE.

(c) The Borrower shall at all times (i) pay and discharge, when due, any liability imposed upon it under ERISA (except for liabilities reasonably, in good faith and diligently being disputed by the Borrower, and (ii) comply in all respects and in a timely manner with all applicable funding, reporting,

disclosure, tax qualification and other requirements of ERISA and the Code with respect to all Plans. The Borrower shall not (i) engage in any prohibited transaction, create or participate in any new plan not in existence on the Effective Date, or terminate, reorganize, or partition any Plan, or (ii) allow any Lien imposed under the Code or ERISA to attach to any of its assets.

(d) Borrower will deliver written notice to the Bank promptly and in any event, within 10 business days after the Borrower knows or has reason to know of the occurrence (and the remedial action to be taken with respect thereto) of any of the following: (i) the occurrence of any Reportable Event (as defined in ERISA); (ii) the existence of an unfunded current liability or an accumulated funding deficiency with respect to any Plan; (iii) the filing of a waiver or modification of the minimum funding standard with respect to a Plan; or (iv) the intention to create of a new Plan or the contemplated or actual termination, reorganization, partition or insolvency of a Plan. The Borrower will, upon request, deliver to the Bank a complete copy of the annual report of each Plan required to be filed with the Internal Revenue Service.

Section 5.12. FURTHER ASSURANCES. The Borrower will execute, endorse, acknowledge, deliver or file all such vouchers, invoices, notices, certificates and additional agreements, undertakings, conveyances, transfers, assignments, financing statements or other assurances, and take any and all such other action, as the Bank may, from time to time, deem reasonably necessary or proper to carry out the intent of this Agreement, the Note, the Bond Documents or any of the Security Instruments or any part of the security granted for any of the Obligations.

Section 5.13. EXECUTION AND DELIVERY OF GUARANTY. The borrower will cause each Subsidiary to execute a Guaranty in favor of the Bank, and to deliver that executed Guaranty at the time the entity becomes a Subsidiary.

Section 5.14 CURRENT RATIO. The Borrower shall at all times maintain a Current Ratio of at least 1.25:1.00, which shall be tested on a quarterly basis.

Section 5.15 DEBT SERVICE COVERAGE RATIO. The Borrower shall at all times maintain a Debt Service Coverage Ratio of at least 1.75:1.00, which shall be tested on a quarterly basis.

ARTICLE VI

NEGATIVE COVENANTS

Until all the Obligations to be performed and paid shall have been performed and paid in full, and for so long as the Letter of Credit shall be outstanding, unless the Bank shall otherwise consent in writing, the Borrower will not, either directly or indirectly, nor permit any Subsidiary to:

Section 6.1. INVESTMENTS AND LINES OF BUSINESS. (a) Make any investment outside of its ordinary course of business; or (b) create any Subsidiary in which the business to be conducted is not similar to or complimentary with the business of the Borrower conducted as of the date hereof; or (c) engage in any business not similar to or complimentary with that conducted by the Borrower on the date hereof.

Section 6.2. CHANGE OF CONTROL, LIQUIDATION, MERGERS, CONSOLIDATIONS AND DISPOSITIONS OF SUBSTANTIAL ASSETS. So long as the Letter of Credit and/or any amounts due thereunder to the Bank is outstanding, neither the Borrower nor any of the Corporate Guarantors will, without the prior written consent of the Bank, (a) dissolve or liquidate, or become a party to any merger or consolidation, (b) permit the sale, assignment, pledge or other transfer of any of its stock to parties other than to HEICO Corporation, or (c) sell or otherwise transfer its assets except in the ordinary course of business; provided, however, that notwithstanding the foregoing (i) the Borrower may sell shares of its stock at the fair market value thereof so long as the majority of its stock and Control therein remains held by HEICO Corporation; (ii) the Borrower may make sales of assets outside its ordinary course of business so long as the value of such sale or sales in the aggregate in any twelve month period does not exceed ten percent of the Consolidated Tangible Net Worth calculated without reference to the assets and liabilities of the Borrower; (iii) Borrower may grant a lien upon its assets other than the Collateral; and (iv) any Subsidiary or other corporation may merge into the Borrower or Borrower may merge with another company, so long as (A) except in the event of the proposed merger of Borrower into HEICO Bearings Corporation ("HBC"), as specified in that certain written material delivered to Bank by Borrower, the Borrower is the surviving party of such merger; (B) after giving effect to such merger, there does not exist an Event of Default; (C) the day to day and long term management of the Borrower does not change; (D) the Borrower has provided Lender with an opinion of: (i) Bond Counsel that such transaction does not result in the interest on the Bonds (other than the Taxable Bonds, if any) becoming taxable; and (ii) counsel acceptable to the Lender in form and content acceptable to Lender; (E) HBC shall have no liabilities immediately preceeding the merger; and (F) Borrower shall provide Lender with such other documents as Lender may require to perfect and protect its lien upon and rights in Collateral.

Section 6.3. LIMITATION OF GUARANTEES. The Borrower and its Subsidiaries shall not guarantee or otherwise become responsible for obligations of any other person, corporation or entity, except those required by this Agreement, the endorsement of negotiable instruments in their ordinary course of business for collection, those required by the lenders to the HEICO Corporation, provided that Borrower is Solvent after giving effect to such Guaranty.

Section 6.4. LIMITATION OF ENCUMBRANCES. The Borrower and its Subsidiaries shall not directly or indirectly create, incur, assume, or suffer to exist any mortgage, security deed, pledge, lien, charge or other encumbrance on any of their assets, whether now or hereafter acquired, other than: (i) security interests required to be given in connection herewith; (ii) liens otherwise permitted pursuant to this Agreement or the Security Instruments; (iii) permitted encumbrances; and (iv) liens in favor of the Bank.

Section 6.5. CERTAIN TRANSACTIONS. The Borrower and its Subsidiaries may only enter into transactions with Affiliates upon terms not less favorable to the Borrower or its Subsidiaries than would be obtainable at the time in comparable transactions of the Borrower or its Subsidiaries in arm's length dealings with Persons other than Affiliates.

Section 6.6. NAME, FISCAL YEAR AND ACCOUNTING METHOD. The Borrower and its Subsidiaries will not change its name, fiscal year or method of accounting, without prior notice to the Bank.

Section 6.7. LOCATION OF COLLATERAL. The Borrower will not remove its books and records or any Collateral from the address of the Borrower set herein, except that upon prior written notice to the Bank, Borrower may move its books and records to the site of the Property.

Section 6.8. CONSOLIDATED LEVERAGE RATIO. The Borrower and its Subsidiaries shall not permit at any time the Consolidated Leverage Ratio to exceed 3.00 to 1.00, which shall be tested on a quarterly basis.

Section 6.9. DIVIDENDS. The Borrower and its Subsidiaries shall not pay or otherwise make distribution of any Dividends, except that the Subsidiaries may pay Dividends to the Borrower, and the Borrower may pay Dividends to the HEICO Corporation. The foregoing is not intended to prohibit the repayment of interest on any intercompany advances to the Borrower, so long as (i) at least ninety days prior to such distribution the Borrower has provided the Bank with its pro forma financial analysis for the fiscal year in which such Dividend is contemplated to be paid, and such statements demonstrate to the satisfaction of the Lender that there will be no Event of Default after giving effect to such Dividend; and (ii) at the time of the proposed Dividend there does not then

exist, nor will there exist after giving effect to such Dividend, an Event of Default.

Section 6.10 NO DEFAULT. The Borrower and its Subsidiaries will not take any action, or fail to take any action, if after giving effect thereto, such action would otherwise result in a Event of Default hereunder, without giving effect to any notice or passage of time requirements as a condition to determining if an Event of Default had occurred.

ARTICLE VII

CONDITIONS TO ISSUANCE OF LETTER OF CREDIT

Section 7.1. CONDITIONS ON ISSUANCE. On or prior to the Closing Date, the Borrower shall have furnished to the Bank, in form satisfactory to the Bank, the following:

(a) two executed counterparts of this Agreement, the executed Note, and the executed counterparts of each of the Security Instruments, including the Mortgages;

(b) executed counterparts of each of the Bond Documents (except for the Bonds, as to which a specimen copy may be furnished);

(c) a mortgagee's title insurance commitment dated the date of closing (and committing to issue the mortgagee's title insurance policy) together with evidence that all premiums in respect of such policy have been paid, which policy shall (i) be in an amount equal to the original aggregate amount of the Letter of Credit; (ii) insure that the Mortgages create a valid first and second lien on the property covered by such Mortgages free and clear of all defects and encumbrances (except those acceptable to the Bank); (iii) name the Bank, the Issuer and the Trustee as insured parties thereunder; (iv) be in the form of ALTA Loan Policy 1970 (amended 10/17/94) or other form approved by the Bank; and (v) contain such endorsements and effective coverage as the Bank may reasonably request;

(d) a physical survey containing maps or plats of the perimeter or boundaries of the Property, and any other property covered by the Mortgages certified to the Bank and the title insurance company, in a manner acceptable to each of them, dated a date satisfactory to the Bank and the title insurance company, by an independent professionally licensed land surveyor satisfactory to the Bank and the title insurance company, which survey shall indicate the following: (i) the locations on such site of all the buildings, structures and

other improvements and the established building setback lines insofar as the foregoing affect the perimeter or boundary of such property; (ii) the lines of streets abutting the site and width thereof; (iii) all access and other easements appurtenant to the site or necessary or desirable to use the site; (iv) all roadways, paths, driveways, easements, encroachments and overhanging projections and similar encumbrances affecting the site, whether recorded, apparent from a physical inspection of the site or otherwise known to the surveyor; (v) any encroachments on any adjoining property by the building structures and improvements on the site; and (vi) if the site is described as being on a filed map, a legend relating the survey to said map, all in form satisfactory to the Bank; together with certification from an independent professionally licensed land surveyor satisfactory to the Bank as to the location of the Project or any property covered by the Mortgages in any "special flood hazard" area within the meaning of the Federal Flood Disaster Protection Act of 1973;

(e) evidence of compliance with the insurance requirements contained in Section 1.4 of the Mortgages;

(f) opinion of Bond Counsel in form and substance acceptable to the Bank, addressing the matters set forth in Exhibit B hereto;

(g) opinion of counsel for the Borrower dated the date hereof addressed to the Bank, in substantially the form of Exhibit C hereto;

(h) the Certificates of the Borrower including references to (i) Bylaws, (ii) resolutions of the Board of Directors authorizing the execution, delivery and performance of the appropriate Bond Documents, this Agreement, the Note and the Security Instruments, to which the Borrower is a party, (iii) incumbency and specimen signatures of officers, and (iv) such other matters as the Bank may require;

(i) a copy of the Articles of Incorporation of the Borrower;

(j) copies of all governmental approvals required in connection with this transaction, including the resolution of the Issuer authorizing the issuance of the Bonds;

(k) evidence of payment to the Bank of the initial annual letter of credit commission pursuant to Section 3.4 of this Agreement;

(l) evidence satisfactory to the Bank that any documents (including, without limitation, financing statements) required

to be recorded or filed in order to create, in favor of the Bank, a perfected lien on and security interest in all property covered by the Security Instruments and the Participation Pledge Agreement have been properly executed and delivered in form acceptable to be recorded or filed in each office in each jurisdiction required in order to create, in favor of the Bank, a first, perfected lien on and security interest in the respective collateral described therein subject only to the Permitted Encumbrances, and the Bank shall have received evidence that all necessary recordation and filing fees and all documentary taxes or other expenses related to such filings or recordations have been paid in full;

(m) a Phase I Environmental Report prepared by an environmental consulting firm, and in form and substance, satisfactory to the Bank for the Property;

(n) an appraisal of the Property prepared by an appraisal firm, and in form and substance, satisfactory to the Bank, and demonstrating to the satisfaction of the Bank that the Project has a minimum value of \$3,000,000;

(o) the items required under the Construction Disbursing Agreement as a condition to funding a requisition thereunder;

(p) certificates and letters from such persons, and in such form as the Bank may require, such persons to include, but not necessarily be limited to, the architect, engineer, and general contractor for the Project, the entities providing utility services to the Project, and the applicable zoning authorities;

(q) the deposit pursuant to Section 7.1A(a) hereof of cash and/or Eligible Securities having a Fair Market Value (as defined herein) of \$50,000; and

(r) such other documents, instruments and certifications as the Bank may require.

Section 7.2. ADDITIONAL CONDITIONS PRECEDENT TO ISSUANCE OF THE LETTER OF CREDIT.

(a) The obligation of the Bank to issue the Letter of Credit shall be subject to the further conditions precedent that on the date of issuance the following statements shall be true and the Bank shall have received a certificate signed by an authorized officer of the Borrower, dated the date of issuance, stating that:

(i) The representations and warranties contained in Article II of this Agreement, Section 6 of the Pledge Agreement and Section 2.2 of the Loan Agreement are correct on

and as of the date of issuance of the Letter of Credit as though made on and as of such date; and

(ii) No event has occurred or would result from the issuance of the Letter of Credit, which constitutes an Event of Default or would constitute an Event of Default but for the requirement that notice be given or time elapse or both; and

(b) there shall have been no introduction of or change in, or in the interpretation of, any law or regulation that would make it unlawful or unduly burdensome for the Bank to issue the Letter of Credit, no outbreak or escalation of hostilities or other calamity or crisis affecting the Bank, no suspension of or material limitation on trading on the New York Stock Exchange or any other national securities exchange, no declaration of a general banking moratorium by United States or Florida banking authorities, and no establishment of any new restrictions on transactions in securities or on banks materially affecting the free market for securities or the extension of credit by banks.

Section 7.3 CONDITIONS PRECEDENT TO EACH TENDER ADVANCE. Each payment made by the Bank under the Letter of Credit pursuant to a Tender Draft shall constitute a Tender Advance hereunder ONLY IF on the date of such payment the following statements shall be true:

(a) the representations and warranties contained in Article II of this Agreement, Section 2.2 of the Loan Agreement, and in the Security Instruments are correct in all material respects on and as of the date of such Tender Advance as though made on and as of such date; and

(b) No event has occurred or would result from such Tender Advance, which constitutes an Event of Default or would constitute an Event of Default but for the requirement that notice be given or time elapse or both.

Unless the Borrower shall have previously advised the Bank in writing or the Bank has actual knowledge that one or more of the above statements is no longer true, the Borrower shall be deemed to have represented and warranted, on the date of payment by the Bank under the Letter of Credit pursuant to a Tender Draft, that on the date of such payment the above statements are true and correct.

Section 7.4. APPROVAL BY BANK OF REQUISITIONS.

(a) The Borrower understands and agrees that certain terms and conditions are to be satisfied prior to the Bank's approval of any requisition of moneys from the Project Fund, and that such terms and conditions, as more fully described in the Construction Disbursing Agreement, must be satisfactorily complied

with and satisfied prior to September 30, 1998 subject to the approval of the Bank, in its sole discretion.

(b) Subject to the terms and conditions contained herein, the Borrower will requisition moneys from the Project Fund pursuant to the procedures therefor set forth in the Indenture and the Construction Disbursing Agreement.

ARTICLE SEVEN A
DESIGNATED ACCOUNT

Section 7.1.A(a) Borrower agrees that it will make to the Lender payments in accordance with the following schedule: (i) on the date of the Closing, an amount of cash and/or Eligible Securities having a Fair Market Value of \$50,000; (ii) on the date of the first anniversary of this Agreement, an amount of cash and/or Eligible Securities so that the Fair Market Value in the Designated Account (defined herein) on that anniversary equals or exceeds \$200,000; and (iii) on each anniversary of this Agreement thereafter, an amount of cash and/or Eligible Securities so that the Fair Market Value of the cash and/or Eligible Securities in the Designated Account on that anniversary is \$200,000 greater than the amount required to be in the Designated Account on the immediately preceding anniversary.

The amounts so paid are a prepayment of the Borrower's obligations to repay the Lender for the expected principal draw on the Letter of Credit to redeem the Bonds. Borrower hereby confirms that Lender has established an account with Lender or the trust department of the Lender (the "Designated Account") under the Agreement into which Lender may deposit such payments. Borrower shall not be entitled to make any withdrawals from the Designated Account. Borrower shall have no legal or equitable interest in the Designated Account.

(b) Borrower hereby agrees that any deposits into or withdrawals from the Designated Account now or hereafter directed by Lender in accordance with the terms of this Agreement are authorized by Borrower; however, Borrower acknowledges that it has no right to direct such transfers at any time.

(c) Borrower shall deposit into the Designated Account the sums described in Section 1 hereof.

(d) The parties acknowledge that the funds held in the Designated Account will be invested by Lender in Eligible Securities as selected by a capital market affiliate of the Bank, or in the Evergreen Tax-Free Municipal Fund or similar fund selected by the Bank. Earnings on investments in the Designated

Account, or amounts paid for redemption of principal portions of Eligible Securities shall be retained in the Designated Account. It is the parties' agreement that the return on any investments made with the funds in the Designated Account shall not render the Bonds "arbitrage bonds" within the meaning of the applicable sections of the Internal Revenue Code, and applicable regulations promulgated thereunder. Borrower agrees to indemnify and hold harmless Lender of and from any and all liability arising from a determination that the Bonds are "arbitrage bonds" by virtue of the investment returns on the funds deposited in the Designated Account.

(e) Upon the expiration or termination of the Letter of Credit and payment in full of all other amounts payable hereunder, as acknowledged in writing by and to Lender, all remaining funds held in the Designated Account, together with all interest and earnings thereon then remaining on deposit in the Designated Account, shall be repaid to Borrower.

7.2.A(a) Borrower hereby warrants and represents that it does not intend, by executing and delivering this Agreement or any other document contemplated herein, or by entering into any of the other transactions referred to in this Agreement, does so without the intent to hinder, delay or defraud any person or entity to whom the Borrower is indebted or shall become indebted.

(b) Borrower is solvent and the conveyances contemplated in this Agreement shall not result in the Borrower becoming insolvent.

(c) In the event Borrower files a voluntary petition seeking relief under Title 11 of the United States Code ("Bankruptcy Code"), as amended, or Borrower becomes the subject of an involuntary bankruptcy proceeding in which an order for relief is entered and not dismissed within thirty days, or otherwise becomes the subject of any petition seeking any reorganization, arrangement, composition, readjustment, liquidation, dissolution, assignment for the benefit of creditors, or similar relief under any present or future federal or state laws or statutes relating to bankruptcy, insolvency, or other relief for debtors, or Borrower seeks, consents to or acquiesces in the appointment of a trustee, receiver, conservator or liquidator, Borrower agrees that Lender will not be adequately protected and therefore will be entitled to immediate relief from any automatic stay prescribed by applicable state or federal law including, but not limited to, 11 U.S.C. 362, to enforce its rights under this Agreement. This entitlement shall be irrespective of any of the requirements of state or federal law including, but not limited to, 11 U.S.C. 362, and Lender shall not be obligated to satisfy those requirements in order to obtain stay relief. Lender shall also be entitled to automatically and immediately exercise its rights to setoff the funds proceeds in the Designated Account against any and all obligations Borrower may have to Lender under this Agreement.

(d) Borrower further agrees that to the extent Lender has received, or will receive, by virtue of this Agreement, "transfers" or "preferences" as such terms are defined by the Bankruptcy Code, Lender has given new value and reasonably equivalent value contemporaneously in exchange for such transfers and such transfers have not rendered Borrower insolvent. To the extent that Lender has received or will received by virtue of this Agreement, "transfers" or "preferences", it is hereby agreed that Lender will not have received more that it would if Borrower commenced proceedings under Chapter 7 of the Bankruptcy Code.

(e) Any and all payments made by Borrower to Lender pursuant to this Agreement shall be construed as payments of a debt incurred by the Borrower in the ordinary course of business or financial affairs of Borrower and Lender, in fact made in the ordinary course of business or financial affairs of the Borrower and Lender, and made according to ordinary business terms consistent with this Agreement.

(f) Notwithstanding the provisions of the preceding paragraphs, in the event any payments made by Borrower to Lender, directly or indirectly, or any part thereof are subsequently invalidated, declared to be fraudulent or preferential, set aside, voided, and/or required to be repaid to a trustee, receiver or any other party appointed under the Bankruptcy Code, state or federal law, common law or equitable cause, the obligation or part thereof intended to be satisfied of Borrower under this Agreement shall be reinstated or shall continue to be effective, as the case may be, and shall remain fully enforceable pursuant to the Agreement and applicable law to the extent that such payments or transfers are voided, set aside or required to be disgorged.

(g) Borrower acknowledges and agrees that it has neither legal nor equitable title or interest in the Designated Account or the monies deposited therein and further that the Designated Account and the monies deposited therein shall not be deemed property of Borrower's Bankruptcy estate pursuant to 11 U.S.C. 541 or property of an insolvency estate pursuant to any other applicable state or federal statutes in the event that an insolvency proceeding is voluntarily or involuntarily commenced with respect to Borrower.

(h) The foregoing Bankruptcy provisions collectively constitute a material inducement for Lender entering into this Agreement.

7.3.A. The Borrower represents and warrants to, and covenants with, Lender that:

(a) each of the Eligible Securities transferred by it (or will be) and will continue to be Tax Exempt Securities qualifying as Investment Grade;

(b) the Eligible Securities transferred by it are, or upon issuance will be, duly and validly authorized and issued and fully paid and nonassessable, and are the legal, valid and binding obligations of the issuer thereof enforceable in accordance with their respective terms and the constituent documents of such issuer, and the Borrower shall defend the interest in the Eligible Securities against the claims and demands of all Persons at any time claiming the same or any interest therein adverse to the Bank;

(c) the Borrower has full right, power and authority to transfer the cash and/or Eligible Securities as herein provided, and except as provided herein, there are no and will not be any restrictions upon the pledge, hypothecation, transfer or assignment of any of the Eligible Securities transferred by it;

(d) each certificate or other instrument or document evidencing any of the Eligible Securities transferred by it is issued in the name of the Borrower, has attached thereto a duly executed, undated instrument of transfer in blank and has been deposited with the Bank, except that if required by the Bank, such Eligible Securities shall be registered in the name of the Bank or its designee;

(e) the Borrower has registered the transfer of all uncertificated Eligible Securities to the extent required by the Bank, and, as to uncertificated Eligible Securities acquired after the date hereof, will register, the transfer of each uncertificated Eligible Security to the extent required by the Bank;

(f) no registration with or consent or approval of, or other action by, any Federal, state or other governmental authority or regulatory body or a securities exchange, and no consent, approval or authorization of any Person, is required in connection with the execution, delivery and performance of this Pledge Agreement or the transfer of the cash and/or Eligible Securities hereunder;

(g) if the aggregate Fair Market Value of all cash and/or Eligible Securities in the Designated Accounts is less than the amount required to have been paid into the account pursuant to Section 7.1.A. hereof, for whatever reason, as measured and determined on each anniversary hereof, the Borrower shall provide to Lender within six (6) Business Days from its receipt of written notice from Lender, additional cash and/or Eligible Securities to make up its deficiency, which in the aggregate will be sufficient to bring the Fair Market Value of all cash and/or Eligible Securities in the Designated Account to at least the amount required to have been paid into the account pursuant to Section

7.1.A. hereof; and the Borrower shall promptly take such steps required by the Bank to transfer Borrower's interest in the cash and/or Eligible Securities.

7.4.A At any time and from time to time, the Bank may cause all or any of the Eligible Securities to be transferred into its name or into the name of its nominee or nominees. The Borrower shall assure that the Bank shall at all times have the right to exchange uncertificated Eligible Securities for a certificated Eligible Securities if permitted under contract and under law, and to exchange certificated Eligible Securities for certificates of larger or smaller denominations, for any purpose consistent with this Agreement.

7.5.A In case, upon the dissolution or liquidation (in whole or in part) of the issuer of any of the Eligible Securities, any sum or property shall be paid upon or with respect to any of the Eligible Securities, such sum or property shall be paid or delivered over to the Bank, to be deposited into the Designated Account, accompanied, where appropriate, by instructions of transfer duly signed in blank by the Borrower. In case any interest payable in other than cash shall be paid with respect to any of the Eligible Securities, or any property shall be distributed upon or with respect to the Eligible Securities pursuant to the recapitalization or reclassification of the capital of the issuer thereof or the reorganization thereof, or if any payment of principal is made in respect of any Eligible Security, the interest so distributed or the amount of principal so paid shall be paid or delivered to the Bank to be held by it in the Designated Account as a further prepayment of the Obligations accompanied, where appropriate by instruments of transfer duly signed in blank by the Borrower. Borrower shall instruct any paying agent of any Eligible Security to make payment related thereto directly to the Bank. Until so delivered to the Bank, all of the foregoing shall be held in trust for the Bank and shall not be commingled with any other property of the Borrower.

(b) In addition to the rights otherwise provided herein and under applicable law, the Bank shall be entitled to exercise the consensual powers and rights with respect to the Eligible Securities and to continue to receive and retain, as a further prepayment of the Obligations any and all interest at any time and from time to time paid upon any of the Eligible Securities. Any such interest received by the Borrower shall promptly be delivered to the Bank in the same form as received. Until so delivered, such interest shall be held in trust for the Bank and shall not be commingled with any property of the Borrower.

(c) The Bank shall have the right without notice to, or assent by, the Borrower or any other Person (except as otherwise

provided herein or required by applicable law), but without affecting the Obligations, in the name of the Borrower or in the name of the Bank or otherwise, (a) to offset any indebtedness the Bank then owes to the Borrower, whether or not then due, against any Obligation then owed to the Bank (including the participants, successors and assigns of the Bank) by the Borrower; [and/or (c) to exercise or enforce any and all other rights or remedies available by law or agreement against the cash and/or Eligible Securities, against the Borrower, or against any other Person or property. The Borrower acknowledges and agrees that the Bank shall have the right to immediately apply the cash and/or Eligible Securities in satisfying any and all Obligations. If, after the exercise of any or all of such rights and remedies, any of the Obligations shall remain unpaid, the Borrower shall remain liable for any deficiency to the extent that the Borrower owes payment or performance in respect of such Obligations. In furtherance of the foregoing, Borrower agrees that in the event Bank intends to exercise its rights under the second preceding sentence, Bank will give Borrower notice of the time and place of any public sale of the Eligible Securities or of the time after which any private sale or any other intended disposition thereof is to be made, by giving notice, as provided hereunder at least five (5) days before the time of such sale or disposition, which provision for notice the Bank and the Borrower agree is reasonable for all purposes. No such notice need be given by the Bank with respect to Eligible Securities which is perishable or threatens to decline speedily in value or is of a type customarily sold on a recognized market. Except as provided above, the Borrower agrees that all of the remedies set forth herein in favor of the Bank may be effected without demand, advertisement or other notice, all of which (to the extent permitted by applicable law) are hereby expressly waived. After termination of this Agreement and the payment in full of the Obligations, any surplus proceeds of the cash and/or Eligible Securities received or held by the Bank shall be turned over to the Borrower or as otherwise required by applicable law and, upon the written request of the Borrower, the cash and/or Eligible Securities shall be reassigned to the Borrower or as otherwise required by applicable law by the Bank without recourse to Bank and without any representation, warranty or agreement of any kind. The Borrower agrees to reimburse the Bank for any reasonable legal fees and expenses of collection reasonably incurred in connection with exercising its rights under this Section.

(d) The Bank shall have the right, for and in the name, place and stead of the Borrower, to execute endorsements, assignments or other instruments of conveyance or transfer with respect to all or any of the Eligible Securities, to sue for, collect, receive and give acquittance for all moneys due or to become due in connection with the Eligible Securities and to endorse checks, drafts, money orders and other instruments relating thereto.

(e) Except as otherwise provided herein, the net proceeds which the Bank shall receive from the sale, lease or other disposition of the cash and/or Eligible Securities in accordance with the provisions hereof, shall be applied in the following manner: FIRST, to the payment of all costs and expenses incurred in connection with the administration and enforcement of, or the preservation of any rights under, or otherwise in connection with this Agreement (including, without limitation, the costs and expenses of retaking, holding, preparing for sale, selling of any Eligible Securities and the fees and disbursements of its counsel and agents); SECOND, to the payment of all other Obligations in such order of priority as the Bank may determine in its sole discretion; and THIRD, as otherwise provided by applicable law.

(f) As used herein the following terms shall have the meanings herein specified and shall include in the singular number the plural and in the plural number the singular:

"Business Day" shall mean a day of a year on which commercial banks in Florida are neither authorized nor required by law or executive order to close and on which the New York Stock Exchange is not closed.

"Eligible Securities" shall mean an Investment Grade Tax-exempt Securities.

"Fair Market Value" shall mean the current market price of such investments as determined by the Bank or its designee.

"Investment Grade" shall mean, (A) for Tax-Exempt Securities, a rating of at least "Aa", in the case of a rating by Moody's Investors Service, Inc., and a rating of at least "AA", in the case of a rating by Standard & Poor's Rating Service; and (B) for shares in money market mutual funds, such shares approved by the Bank.

"Person" shall mean any individual, firm, corporation, trust or other unincorporated organization or association or other enterprise or any government or political subdivision, agency, department or instrumentality thereof.

"Proceeds" shall have the meaning assigned to it under the Uniform Commercial Code as in effect in any relevant jurisdiction and, in any event, shall include, but not be limited to, where applicable any and all other amounts from time to time paid or payable under or in connection with any of the Eligible Securities.

"Tax Exempt Securities" shall mean (i) tax exempt debt securities which are (a) Investment Grade; (b) issued as the general obligation of a municipal government; and (c) have a scheduled maturity not in excess of two years from the date such

securities are added to the Designated Account and (ii) shares in money market mutual funds which trade wholly in tax-exempt debt securities described in subsection (i) of this definition, the interest on which is exempt from federal income taxes.

(g) The Borrower hereby constitutes and appoints the Bank its attorney-in-fact for the purpose of carrying out the provisions of this Agreement and taking any action and executing any instrument which the Bank may deem necessary or advisable to accomplish the purposes hereof, which appointment is irrevocable and coupled with an interest.

ARTICLE EIGHT
EVENTS OF DEFAULT

Section 8.1. EVENTS OF DEFAULT. Each of the following shall constitute an Event of Default under this Agreement, whereupon all Obligations of the Borrower hereunder, whether then owing or contingently owing, will, in the case of an Event of Default under Sections 8.1 (g) and (h), or at the option of the Bank in the case of any other Event of Default, immediately become due and payable by the Borrower without presentation, demand, protest or notice of any kind, all of which are hereby expressly waived, and the Borrower will pay the reasonable attorneys' fees incurred by the Bank, or its successors or assigns, in connection with such Event of Default or recourse against any Collateral held by the Bank, or its successors or assigns, as security for the Obligations:

(a) Failure of the Borrower to pay when due any payment required to be paid under this Agreement, the Note, any Security Documents or any other agreement with Bank; or

(b) The occurrence of an "Event of Default" under any of the Security Instruments, or any of the Bond Documents; or

(c) Default shall occur in the performance of any of the other covenants or agreements of the Borrower or any Guarantor contained herein or in any of the Security Instruments, and such Default shall continue for a period of thirty (30) days following the Bank's written notice to the Borrower of its occurrence;

(d) Any representation or warranty made under this Agreement, the Note, the Bond Documents, Security Instruments, or in any certificate or statement furnished or made to the Bank pursuant hereto or in connection herewith or with the Loans hereunder, oral or written, shall prove to be untrue or inaccurate in any material respect as of the date on which such representation or warranty is made;

(e) The filing of an action to attach or seize any Collateral after entry of a judgment against Borrower which shall have not been bonded;

(f) This Agreement, the Note, any of the Security Instruments or the Bond Documents to which the Borrower or any Guarantor is a party shall cease to be legal, valid and binding agreements enforceable against the Person executing the same in accordance with the respective terms thereof, except as may be limited by Debtor Laws, or shall in any way be terminated or become or be declared ineffective or inoperative or shall in any way whatsoever cease to give or provide the respective liens, security interests, rights, titles, interests, remedies, powers or privileges intended to be created thereby, except as may be limited by Debtor Laws;

(g) The Borrower or any Guarantor shall (i) apply for or consent to the appointment of a receiver, trustee, custodian, intervenor or liquidator of itself or of all or a substantial part of its assets, (ii) file a voluntary petition in bankruptcy, (iii) admit in writing that it is unable to pay its debts as they become due or generally not pay its debts as they become due, (iv) make a general assignment for the benefit of creditors, (v) file a petition or answer seeking reorganization or an arrangement with creditors or to take advantage of any bankruptcy or insolvency laws, (vi) file an answer admitting the material allegations of, or consent to, or default in answering, a petition filed against it in any bankruptcy, reorganization or insolvency proceeding, or (vii) take corporate action for the purpose of effecting any of the foregoing;

(h) An involuntary petition or complaint shall be filed against the Borrower or any Corporate Guarantor seeking bankruptcy relief or reorganization or the appointment of a receiver, custodian, trustee, intervenor or liquidator of such Person, or all or substantially all of its assets, and such petition or complaint shall not have been dismissed within sixty (60) days of the filing thereof; or an order, order for relief, judgment or decree shall be entered by any court of competent jurisdiction or other competent authority approving or ordering any of the foregoing actions;

(i) Any final judgment(s) for the payment of money (not paid or fully covered by insurance) in excess of the sum of \$100,000 in the aggregate shall be rendered against the Borrower or any Guarantor, unless (i) such judgment(s) is being contested in good faith and by appropriate proceedings and for which adequate reserves have been established with the Bank or another person reasonably acceptable to the Bank, or

(ii) within thirty (30) days after entry thereof, the judgment(s) shall not be satisfied or discharged or the execution thereof stayed pending appeal, or if within thirty (30) days after the expiration of any stay of judgment shall not have been satisfied or discharged;

(j) Both the following events shall occur: (i) either (x) proceedings shall have been instituted to terminate, or a notice of termination shall have been filed with respect to, any Plan (other than a Multi-Employer Pension Plan as that term is defined in Section 3(37) of ERISA) of the Borrower, any Corporate Guarantor or a Controlled Group of which the Borrower or any Corporate Guarantor is a member, or the PBGC or any representative of any thereof, or any such Plan shall be terminated, in each case under Section 4041 or 4042 of ERISA, or (y) a Reportable Event, the occurrence of which would cause the imposition of a lien under Section 4069 of ERISA, shall have occurred with respect to any Plan (other than a Multi-Employer Pension Plan as that term is defined in Section 3(37) of ERISA); AND (ii) the sum of the estimated liability to the PBGC under Section 4062 of ERISA and the currently payable obligations of the Borrower or any Corporate Guarantor to fund liabilities (in excess of amounts required to be paid to satisfy the minimum funding standard of Section 412 of the Code) under the Plan or Plans subject to such event shall exceed ten percent (10%) of the Borrower's or the Corporate Guarantor's (in question) net worth at such time as determined in accordance with GAAP;

(k) Any or all of the following events shall occur with respect to any Multi-Employer Pension Plan (as that term is defined in Section 3(37) of ERISA) to which the Borrower or a Corporate Guarantor contributes or contributed on behalf of its employees: (i) the Borrower or a Corporate Guarantor incurs a withdrawal liability under Section 4201 of ERISA; or (ii) any such plan is "in reorganization" as that term is defined in Section 4241 of ERISA; or (iii) any such Plan is terminated under Section 4041A of ERISA and the Bank determines in good faith that the aggregate liability likely to be incurred by the Borrower or the Corporate Guarantor, as a result of all or any of the events specified in subparagraphs (i), (ii) and (iii) above occurring, shall have a Material Adverse Effect; and

(l) There occurs any abandonment or change in ownership of the Project or the Borrower or any Corporate Guarantor without the prior written consent of the Bank, provided that the foregoing shall not prohibit the merger of Borrower into HEICO Bearing Corporation if otherwise permitted pursuant to Section 6.2 hereof; then upon the occurrence of an Event of Default and at any time thereafter, the Bank may (a) pursuant to Section 902 of the Indenture, advise the Credit Facility

Trustee that an Event of Default has occurred and instruct the Credit Facility Trustee to direct the Trustee to declare the principal of all Bonds then outstanding and interest thereon to be immediately due and payable, subject to the rights of the Bank under Section 707 of the Indenture, and (b) proceed hereunder, under any of the Security Instruments, to the extent therein provided, under the Bond Documents, and under the Participation Pledge Agreement in such order as it may elect and the Bank shall have no obligation to proceed against any Person or exhaust any other remedy or remedies which it may have and without resorting to any other security, whether held by or available to the Bank.

Section 8.2. NO REMEDY EXCLUSIVE. No remedy herein conferred upon or reserved to the Bank is intended to be exclusive of any other available remedy or remedies, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given hereunder, under the Security Instruments, under the Participation Pledge Agreement or now or hereafter existing at law or in equity or by statute.

Section 8.3. ANTI-MARSHALLING PROVISIONS. The right is hereby given by the Borrower and by any Guarantor pledging any portion of the Collateral to the Bank to make releases (whether in whole or in part) of all or any part of the Collateral under the Security Instruments agreeable to the Bank without notice to, or the consent, approval or agreement of other parties and interests, including junior lienors, which releases shall not impair in any manner the validity of or priority of the liens and security interest in the remaining Collateral conferred under such documents, nor release the Borrower from liability for the obligations hereby secured, nor release any Guarantor from any obligation under the Guaranty Agreement. Notwithstanding the existence of any other security interest in the Collateral held by the Bank, the Bank shall have the right to determine the order in which any or all of the Collateral shall be subjected to the remedies provided herein, or in the Security Instruments. The Borrower and the Guarantors hereby waive any and all right to require the marshalling of assets in connection with the exercise of any of the remedies permitted by applicable law or provided herein or therein.

ARTICLE IX

MISCELLANEOUS

Section 9.1. INDEMNIFICATION.

(a) The Borrower hereby indemnifies and holds the Bank and its Affiliates and all of their respective officers, directors,

employees, attorneys, consultants and agents (collectively, the "Indemnities") harmless from and against any and all claims, damages, losses, liabilities, costs or expenses whatsoever which the Bank may incur (or which may be claimed against the Bank by any Person) (i) by reason of or in connection with the execution and delivery or transfer of, or payment or failure to pay under, the Letter of Credit, provided that the Borrower shall not be required to indemnify the Bank for any claims, damages, losses, liabilities, costs or expenses to the extent, but only to the extent, caused by (a) the negligence or willful misconduct of the Bank in connection with paying drafts presented under the Letter of Credit or (b) the Bank's wrongful failure to pay under the Letter of Credit (other than in connection with a court order) after the presentation to it by the Credit Facility Trustee or a successor corporate fiduciary under the Indenture of a sight draft and certificate strictly complying with the terms and conditions of the Letter of Credit; or (ii) by reason of or in connection with the execution, delivery or performance of any of this Agreement, the Note, the Bond Documents, the Security Instruments or any transaction contemplated by any thereof.

(b) The Borrower hereby indemnifies and holds the Bank harmless from and against any and all damages, penalties, fines, claims, liens, suits, liabilities, costs (including cleanup costs), judgments and expenses (including attorneys', consultants' or experts' fees and expenses) of every kind and nature suffered by or asserted against the Bank as a direct or indirect result of any warranty or representation made by the Borrower herein, being false or untrue in any material respect or any requirement under any law, regulation or ordinance, local, state, or federal, which requires the elimination or removal of any hazardous materials, substances, wastes or other environmentally regulated substances.

(c) The Borrower's obligations hereunder to the Bank (collectively, the "Indemnified Matters") shall not be limited to any extent by the term of this Agreement, and, as to any act or occurrence prior to the termination of this Agreement which gives rise to liability hereunder, shall continue, survive and remain in full force and effect notwithstanding the termination of the Bank's obligations hereunder.

Anything herein to the contrary notwithstanding, nothing in this Section 9.1 is intended or shall be construed to limit the Borrower's reimbursement obligation contained in Article III hereof. Without prejudice to the survival of any other obligation of the Borrower, the indemnities and obligations of the Borrower contained in this Section 9.1 shall survive the payment in full of amounts payable pursuant to Article III and the Termination Date.

Section 9.2. TRANSFER OF LETTER OF CREDIT. The Letter of Credit may be transferred and assigned in accordance with the terms of the Letter of Credit.

Section 9.3. REDUCTION OF LETTER OF CREDIT.

(a) The Letter of Credit is subject to reduction pursuant to its terms.

(b) If the amount available to be drawn under the Letter of Credit shall be permanently reduced in accordance with the terms thereof, then the Bank shall have the right to require the Credit Facility Trustee to surrender the Letter of Credit to the Bank and to issue on such date, in substitution for such outstanding Letter of Credit, a substitute irrevocable letter of credit, substantially in the form of the Letter of Credit but with such changes therein as shall be appropriate to give effect to such reduction, dated such date, for the amount to which the amount available to be drawn under the Letter of Credit shall have been reduced.

Section 9.4. LIABILITY OF THE BANK. The Borrower, to the extent not prohibited by applicable law, assumes all risks of the acts or omissions of the Credit Facility Trustee and any beneficiary or transferee of the Letter of Credit with respect to its use of the Letter of Credit. Neither the Bank nor any of its officers, directors, employees, agents or consultants shall be liable or responsible for:

(a) the use which may be made of the Letter of Credit or for any acts or omissions of the Credit Facility Trustee or any beneficiary or transferee in connection therewith;

(b) the validity, sufficiency or genuineness of documents, or of any endorsement(s) thereon, even if such documents should in fact prove to be in any or all respects invalid, insufficient, inaccurate, fraudulent or forged;

(c) payment by the Bank against presentation of documents which do not comply with the terms of the Letter of Credit, including failure of any documents to bear any reference or adequate reference to the Letter of Credit; or

(d) any other circumstances whatsoever in any way related to the making or failure to make payment under the Letter of Credit;

except only that the Borrower shall have a claim against the Bank, and the Bank, subject in all cases to the provisions of Sections 9.16 and 9.17 hereof, shall be liable to the Borrower, to the extent but only to the extent, of any direct, as opposed to consequential, damages suffered by the Borrower which the Borrower proves were caused by (i) willful misconduct or gross negligence of the Bank in determining whether documents presented under the Letter of Credit complied with the terms of the Letter of Credit or

(ii) wrongful failure of the Bank to pay under the Letter of Credit after the presentation to it by the Credit Facility Trustee or a successor trustee under the Indenture of a sight draft and certificate strictly complying with the terms and conditions of the Letter of Credit. In furtherance and not in limitation of the foregoing, the Bank may accept documents that appear on their face to be in order, without responsibility for further investigation, regardless of any notice or information to the contrary.

Section 9.5. SUCCESSORS AND ASSIGNS. This Agreement shall be binding upon the Borrower and its successors and assigns and all rights against the Borrower arising under this Agreement shall be for the sole benefit of the Bank, its successors and assigns, all of whom shall be entitled to enforce performance and observance of this Agreement to the same extent as if they were parties hereto. This provision does not authorize the Borrower to assign its obligations or to otherwise enter into a transaction not permitted hereunder. The Bank is hereby authorized to assign all or any part of its rights and obligations hereunder, and nothing herein or in any other Loan Document shall be construed as prohibiting the assignment by the Bank of its rights under any Loan Documents to any Federal Reserve Bank in accordance with applicable law.

Section 9.6. NOTICES. All notices, requests and demands to or upon the respective parties hereto shall be deemed to have been given or made when hand delivered or mailed first class, certified or registered mail, postage prepaid, or by overnight courier service, addressed as follows or to such other address as the parties hereto shall have been notified pursuant to this Section 9.6:

The Bank: First Union National Bank
 of Florida
 First Union Financial Center
 200 South Biscayne Boulevard
 15th Floor
 Attention: Carol Fine

The Borrower: Trilectron Industries, Inc.
 12297 U.S. Highway 41 North
 Palmetto, Florida 34221

 Attention: Treasurer

except in cases where it is expressly herein provided that such notice, request or demand is not effective until received or refused by the party to whom it is addressed, in which event said notice, request or demand shall be effective only upon receipt by the addressee.

Section 9.7. AMENDMENT. This Agreement may be amended, modified or discharged only upon an agreement in writing of the Borrower and the Bank.

Section 9.8. EFFECT OF DELAY AND WAIVERS. No delay or omission to exercise any right or power accruing upon any default, omission or failure of performance hereunder shall impair any such right or power or shall be construed to be a waiver thereof, but any such right and power may be exercised from time to time and as often as may be deemed expedient. In order to entitle the Bank to exercise any remedy now or hereafter existing at law or in equity or by statute, it shall not be necessary to give any notice, other than such notice as may be herein expressly required. In the event any provision contained in this Agreement should be breached by any party and thereafter waived by the other party so empowered to act, such waiver shall be limited to the particular breach hereunder. No waiver, amendment, release or modification of this Agreement shall be established by conduct, custom or course of dealing, but solely by an instrument in writing duly executed by the parties thereunto duly authorized by this Agreement.

Section 9.9. COUNTERPARTS. This Agreement may be executed simultaneously in several counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

Section 9.10. SEVERABILITY. The invalidity or unenforceability of any one or more phrases, sentences, clauses or Sections contained in this Agreement shall not affect the validity or enforceability of the remaining portions of this Agreement, or any part thereof.

Section 9.11. COST OF COLLECTION. The Borrower shall be liable for the payment of all fees and expenses, including attorneys' fees (computed without regard to any statutory presumption), incurred in connection with the enforcement of this Agreement.

Section 9.12. SET OFF. Upon the occurrence of an Event of Default hereunder, the Bank is hereby authorized, without notice to the Borrower, to set off, appropriate and apply any and all monies, securities and other properties of the Borrower hereafter held or received by or in transit to the Bank from or for the Borrower, against the obligations of the Borrower irrespective of whether the Bank shall have made any demand hereunder or under any Security Instrument although such obligations may be contingent or unmatured.

Section 9.13. GOVERNING LAW. This Agreement shall be governed by and construed in accordance with the laws of the State of

Florida. The Borrower hereby acknowledges that the Letter of Credit shall be governed by and construed in accordance with Uniform Customs and Practice for Documentary Credits (1994 Revisions), International Chamber of Commerce Publication No. 500.

Section 9.14. REFERENCES. The words "herein", "hereof", "hereunder" and other words of similar import when used in this Agreement refer to this Agreement as a whole, and not to any particular article, section or subsection.

Section 9.15. TAXES, ETC. Any taxes (excluding income taxes) payable to or ruled payable by federal or state authority in respect of the Letter of Credit, this Agreement, the Note or the Security Instruments shall be paid by the Borrower upon demand by the Bank, together with interest and penalties, if any.

Section 9.16 ASSIGNMENT, PLEDGE OF REIMBURSEMENT AGREEMENT. Nothing herein or in any Bond Document or Security Instrument shall prohibit the Bank from pledging or assigning the obligations hereunder or under the Security Instruments, including the collateral therefor, to any Federal Reserve Bank in accordance with applicable law. The Borrower consents to any such pledge in assignment pursuant to this section.

Borrower and Lender agree that they shall not have a remedy of punitive or exemplary damages against the other in any Dispute and hereby waive any right or claim to punitive or exemplary damages they have now or which may arise in the future in connection with any Dispute whether the Dispute is resolved by arbitration or judicially.

Section 9.17 CONSENT TO JURISDICTION, WAIVER OF JURY TRIAL. THE BORROWER AND EACH GUARANTOR HEREBY CONSENTS TO THE JURISDICTION OF ANY STATE COURT WITHIN DADE COUNTY, FLORIDA OR ANY FEDERAL COURT LOCATED WITHIN THE SOUTHERN DISTRICT OF THE STATE OF FLORIDA, FOR ANY PROCEEDING TO WHICH THE BANK IS A PARTY AND CONSENTS THAT ALL SERVICE OF PROCESS BE MADE BY REGISTERED OR CERTIFIED MAIL DIRECTED TO THE BORROWER AND EACH GUARANTOR AT THE ADDRESS INDICATED IN SECTION OR AT SUCH OTHER ADDRESS AS THE BORROWER AND EACH GUARANTOR MAY HAVE DESIGNATED IN WRITING TO THE BANK, AND SERVICE SO MADE SHALL BE DEEMED TO BE COMPLETED UPON THE EARLIER OF ACTUAL RECEIPT THEREOF OR THREE (3) DAYS AFTER DEPOSIT IN THE UNITED STATES MAILED, PROPER POSTAGE PREPAID AND PROPERLY ADDRESSED. TO THE EXTENT PERMITTED BY LAW, THE BORROWER AND EACH GUARANTOR VOLUNTARILY AND KNOWINGLY WAIVES TRIAL BY JURY AND WAIVES ANY OBJECTION WHICH IT MAY HAVE BASED ON LACK OF JURISDICTION OR IMPROPER VENUE OR FORUM NON CONVENIENS TO THE CONDUCT OF ANY PROCEEDING INSTITUTED HEREUNDER, OR ARISING OUT OF OR IN CONNECTION WITH THIS REIMBURSEMENT AGREEMENT, OR ANY PROCEEDING TO WHICH THE BANK IS A PARTY, INCLUDING ANY ACTIONS BASED UPON, ARISING OUT OF OR IN CONNECTION WITH ANY COURSE OF CONDUCT, COURSE OF DEALING, STATEMENT (WHETHER ORAL OR WRITTEN) OR ACTIONS OF THE BANK OR THE BORROWER OR

ANY GUARANTOR. NOTHING IN THIS SECTION SHALL AFFECT THE RIGHT OF THE BANK TO SERVE LEGAL PROCESS IN ANY OTHER MANNER PERMITTED BY LAW OR AFFECT THE RIGHT OF THE BANK TO BRING ANY ACTION AND PROCEEDING AGAINST THE BORROWER OR THE COLLATERAL IN THE COURTS OF ANY JURISDICTION THAT HAS JURISDICTION OVER THE BORROWER OR THE PLEDGED COLLATERAL.

IN WITNESS WHEREOF, the Borrower and the Bank have caused this Agreement to be executed in their respective names and their respective seals to be hereunto affixed and attested by their duly authorized representatives, all as of the date first above written.

THE BORROWER:

TRILECTRON INDUSTRIES, INC.

By: _____
Thomas S. Irwin, Treasurer

THE BANK:

FIRST UNION NATIONAL BANK OF
FLORIDA

By: _____
Carol Fine, Vice President

SECOND LOAN MODIFICATION AGREEMENT

This Second Loan Modification Agreement (the "Agreement") is made and entered into this 27th day of February, 1997, effective August 1, 1996 (the "Effective Date"), by and among Eagle National Bank of Miami, a national banking association with its principal place of business at c/o Denise Ramirez, 1550 Biscayne Boulevard, Miami, Florida 33132-1488 ("Lender"), and HEICO Corporation, HEICO Aerospace Corporation, Jet Avion Corporation, Jet Avion Heat Treat Corporation, LPI Industries Corporation, and Aircraft Technology, Inc., each a Florida corporation (collectively the "Original Borrowers"), Trilectron Industries, Inc., a New York corporation, ATI Heat Treat Corporation, and HEICO Aviation Products Corp., each a Florida corporation (the "Additional Borrowers"; the Original Borrowers and the Additional Borrower are hereinafter collectively referred to as the "Borrowers" and individually, a "Borrower").

W I T N E S S E T H

WHEREAS, on or about March 31, 1994 Lender and Original Borrowers entered into that certain Loan Agreement (the "Loan Agreement") pursuant to which Lender provided Borrowers a credit facility in the aggregate principal amount of One Million, Six Hundred Thousand Dollars (\$1,600,000.00) (the "Credit Facility") for the purpose of making term loans to Borrowers for purchasing or refinancing equipment to be used in Borrowers' business operations; and

WHEREAS, Original Borrowers requested and Lender agreed to a modification of the terms and conditions of the Loan Agreement, in accordance with the terms and conditions of that certain Loan Modification Agreement dated August 9, 1995 (the "First Modification Agreement"); and

WHEREAS, Borrowers have requested and Lender has agreed to a modification of the terms and conditions of the Loan Agreement and the First Modification in accordance with the terms and conditions of this Agreement (this Agreement, the Loan Agreement, and the First Modification Agreement shall hereafter be referred to as the "Modified Agreement");

NOW, THEREFORE, in consideration of the premises, the mutual covenants set forth below and the sum of \$10.00, and other good and valuable consideration the receipt and sufficiency of which are hereby acknowledged, Borrowers and Lender agree as follows:

TERMS

1. REAFFIRMATION OF LOAN AGREEMENT. Except as modified hereby, all of the terms and conditions of the Loan Agreement and the First Modification Agreement, as well as all other documents and instruments executed and delivered by Borrowers to Lender in connection therewith, are hereby ratified, affirmed and approved in all respects and shall remain in full force and effect.

2. DEFINITIONS. Unless otherwise defined all capitalized terms in this Agreement shall have the same meaning as in the Loan Agreement.

3. THE CREDIT FACILITY. Lender agrees, pursuant to the terms of this Agreement, to extend the period of time the Credit Facility will be available to Borrowers (except that the Credit Facility will be available to certain Borrowers only when joined by a co-borrower as described in paragraph 4 below), to increase the aggregate principal amount extended thereunder, to modify the Credit Facility from a non-revolving line of credit to a revolving line of credit, and to modify the rate of interest charged on the Equipment Loans from Eagle National Bank's Prime Rate to the Wall Street Journal Prime Rate. Pursuant to the terms and conditions of the Modified Agreement, Lender shall make separate terms loans in U.S. Dollars to Borrower or Borrowers (as applicable) on a revolving basis in such amounts as Parent shall request, provided that the aggregate principal amounts extended under the Credit Facility shall not exceed \$2,000,000.00. Each separate loan to a Borrower under this Agreement shall be referred to as an "Equipment Loan" and all such loans shall be collectively referred to as the "Equipment Loans." The Credit Facility shall be revolving. Thus, the Credit Facility shall be reduced by the amount of each Equipment Loan made only to the extent that such amounts remain outstanding and unpaid. Once said amounts have been repaid pursuant to the terms of the Equipment Loan(s) in question, said amounts shall once again be added to the Credit Facility. The Credit Facility shall be available for an additional period expiring on December 31, 1997 (the "Termination Date"). The terms for each Equipment Loan shall remain as set forth in the Loan Agreement, except to the extent modified by this Agreement.

4. CO-BORROWER RELATIONSHIPS. Aircraft Technology, Inc. shall execute, as a co-borrower, the note or notes evidencing each separate loan made by Lender to ATI Heat Treat Corporation under the Modified Agreement. Parent shall execute,

as a co-borrower, the note or notes evidencing each separate loan made by Lender to HEICO Aviation Products Corporation under the Modified Agreement.

5. CREDIT FACILITY FEE. Borrowers agree to pay Lender a non-refundable credit facility fee in the amount of Six Thousand Four Hundred One and 27/100 Dollars (\$6,401.27) upon the execution of this Agreement. The facility fee is paid to Lender as compensation for committing to make funds available to Borrowers under the Credit Facility, as set forth in paragraph 3 above, and is not paid as compensation for the Credit Facility or for any other purpose.

6. COMMITMENT. Paragraph 1.1 of the Loan Agreement is hereby modified to read as follows:

"1.1 The proceeds of each Equipment Loan shall be used exclusively for the purpose of purchasing equipment to be used in the applicable Borrower's business or to refinance existing equipment purchased not earlier than September 1, 1995 and used in the applicable Borrower's business."

7. INTEREST RATE. Paragraph 1.3 of the Loan Agreement is hereby modified to read as follows:

"1.3 Each Equipment Loan shall bear interest at a daily fluctuating rate per annum equal to the Wall Street Journal Prime Rate (computed on the actual number of days elapsed over a 360 day year, i.e., 1/360th of a full year's interest shall accrue for each day such Equipment Loan is outstanding) repayable in consecutive monthly installments of interest, commencing on the first day of the month immediately succeeding the month in which such Equipment Loan is made and continuing on the first day of each month thereafter, until such Equipment Loan is paid in full. The "Wall Street Journal Prime Rate" is a fluctuating rate of interest established and published by the Wall Street Journal from time to time. In the event the Wall Street Journal Prime Rate is no longer available, Lender will choose a new rate that is based on comparable information and will give Borrowers notice of this choice."

8. FORM OF THE NOTE(S). Paragraph 1.8 of the Loan Agreement is hereby modified to read as follows:

"1.8 Each Equipment Loan made by the Lender under the Modified Agreement shall be evidenced by a promissory note of the applicable Borrower in substantially the form of Exhibit "A" attached to the Second Loan Modification (individually, the "Note" and collectively, the "Notes") and made a part hereof, with appropriate insertions, in the amount of such Equipment Loan, dated the borrowing date payable in installments to the order of the Lender in accordance with the terms of the Modified Loan Agreement."

9. CONFLICT. The provisions of this Agreement shall control in the event of any conflict between it and any of the Loan Documents, except that the provisions of the Notes and security agreements (given pursuant to paragraph 2.3 of the Loan Agreement, the "Security Agreements") shall control in the event of any conflict between the Notes or the Security Agreements and this Agreement.

10. TIME. Time is of the essence with respect to all matters set forth herein.

11. WAIVER, MODIFICATION OR CANCELLATION. Any waiver, alteration or modification of any of the provisions of this Agreement shall not be valid unless in writing and signed by the parties hereto.

12. WAIVER OF CLAIMS OR DEFENSES. Borrowers hereby covenant that they have no claims or defenses against Lender that could give rise to any defense, off-set or counterclaim in connection with the enforcement of the Loan Agreement, as modified hereby or any Equipment Loans.

13. WAIVER OF JURY TRIAL. ALL PARTIES TO THIS AGREEMENT HEREBY KNOWINGLY, VOLUNTARILY AND INTENTIONALLY WAIVE THEIR RESPECTIVE RIGHTS TO A TRIAL BY JURY IN ANY LAWSUIT, PROCEEDING, OR COUNTERCLAIM BASED UPON, OR ARISING OUT OF THIS AGREEMENT, THE EQUIPMENT LOANS, THE LOAN DOCUMENTS AND ANY AGREEMENT EXECUTED IN CONJUNCTION HERewith OR THEREWITH, OR ANY COURSE OF CONDUCT, COURSE OF DEALING, STATEMENTS (WHETHER VERBAL OR WRITTEN), OR ACTIONS OR OMISSIONS OF EITHER PARTY. THIS PROVISION FOR WAIVER OF A JURY TRIAL IS A MATERIAL INDUCEMENT FOR LENDER TO ENTER INTO THIS AGREEMENT AND TO MAKE THE EQUIPMENT LOANS.

14. FURTHER ASSURANCES. At all times following the date of this Agreement, Borrowers agree to execute and deliver, or to cause to be executed and delivered, such documents and to do, or cause to be done, such other acts and things as might be reasonably requested by Lender to effectuate the terms and provisions of this Agreement and the transactions contemplated herein to assure that the benefits of this Agreement are realized by the parties hereto.

IN WITNESS WHEREOF, Borrowers (Parent and Subsidiaries) and Lender have hereunto caused these presents to be executed on this date first above written.

WITNESSES:

LENDER:

EAGLE NATIONAL BANK OF MIAMI, a
National banking association

/s/LOURDES ESCARZA

Lourdes Escarza
/s/ANTOINETTE INFANTE

Antoinette Infante

By: /s/ DENISE A. RAMIREZ

Name: Denise A. Ramirez
Title: Vice President

WITNESSES:

PARENT:

HEICO CORPORATION, a Florida
corporation

By: /s/ THOMAS S. IRWIN

Name: Thomas S. Irwin
Title: EVP

SUBSIDIARIES:

WITNESSES:

JET AVION CORPORATION, a Florida corporation

- -----
- -----

By: /s/THOMAS S. IRWIN

Name: Thomas S. Irwin
Title: Treasurer

WITNESSES:

HEICO AEROSPACE CORPORATION, a Florida corporation

- -----
- -----

By: /s/THOMAS S. IRWIN

Name: Thomas S. Irwin
Title: Treasurer

WITNESSES:

JET AVION HEAT TREAT CORPORATION, a Florida corporation

- -----
- -----

By: /s/THOMAS S. IRWIN

Name: Thomas S. Irwin
Title: Treasurer

WITNESSES:

LPI INDUSTRIES CORPORATION, a Florida corporation

- -----
- -----

By: /s/THOMAS S. IRWIN

Name: Thomas S. Irwin
Title: Treasurer

WITNESSES:

AIRCRAFT TECHNOLOGY, INC., a Florida corporation

- -----
- -----

By: /s/THOMAS S. IRWIN

Name: Thomas S. Irwin
Title: Treasurer

WITNESSES:

TRILECTRON INDUSTRIES, INC., a New York corporation

- -----
- -----

By: /s/THOMAS S. IRWIN

Name: Thomas S. Irwin
Title: Treasurer

WITNESSES:

ATI HEAT TREAT CORPORATION, a
Florida corporation

- -----
- -----

By: /s/THOMAS S. IRWIN

Name: Thomas S. Irwin
Title: Treasurer

WITNESSES:

HEICO AVIATION PRODUCTS CORPORATION,
a Florida corporation

- -----
- -----

By: /s/THOMAS S. IRWIN

Name: Thomas S. Irwin
Title: Treasurer

STATE OF FLORIDA)
) ss:
COUNTY OF DADE)

The foregoing instrument was acknowledged before me this 7th day of MARCH,
1997 by DENISE RAMIREZ as VICE PRESIDENT of Eagle National Bank of Miami, who is
PERSONALLY KNOWN to me or who has produced a Florida Driver's License as
identification.

/s/EARLYN G. BARTON (signature of person taking
----- acknowledgment)
Earlyn G. Barton (name of officer taking acknowledgment,
 typed, printed or stamped)
NOTARY PUBLIC (title or rank)
----- (serial number, if any)

STATE OF FLORIDA)
) ss:
COUNTY OF DADE)

The foregoing instrument was acknowledged before me this 27th day of
FEBRUARY, 1997 by THOMAS S. IRWIN as EVP of HEICO Corporation, who is PERSONALLY
KNOWN to me or who has produced a _____ as identification.

/s/GENEVIEVE A. YOUNG (signature of person taking
----- acknowledgment)
Genevieve A. Young (name of officer taking acknowledgment,
 typed, printed or stamped)
NOTARY PUBLIC (title or rank)
----- (serial number, if any)

STATE OF FLORIDA)
) ss:
COUNTY OF DADE)

The foregoing instrument was acknowledged before me this 27th day of FEBRUARY, 1997 by THOMAS S. IRWIN as TREASURER of Jet Avion Corporation, who is PERSONALLY known to me or who has produced a _____ as identification.

/s/GENEVIEVE A. YOUNG (signature of person taking
----- acknowledgment)
Genevieve A. Young (name of officer taking acknowledgment,
typed, printed or stamped)
NOTARY PUBLIC (title or rank)
----- (serial number, if any)

STATE OF FLORIDA)
) ss:
COUNTY OF DADE)

The foregoing instrument was acknowledged before me this 27th day of FEBRUARY, 1997 by THOMAS S. IRWIN as TREASURER of HEICO Aerospace Corporation, who is PERSONALLY KNOWN to me or who has produced a _____ as identification.

/s/GENEVIEVE A. YOUNG (signature of person taking
----- acknowledgment)
Genevieve A. Young (name of officer taking acknowledgment,
typed, printed or stamped)
NOTARY PUBLIC (title or rank)
----- (serial number, if any)

STATE OF FLORIDA)
) ss:
COUNTY OF DADE)

The foregoing instrument was acknowledged before me this 27th day of FEBRUARY, 1997 by THOMAS S. IRWIN as TREASURER of Jet Avion Heat Treat Corporation, who is PERSONALLY KNOWN to me or who has produced a _____ as identification.

/s/GENEVIEVE A. YOUNG (signature of person taking
----- acknowledgment)
Genevieve A. Young (name of officer taking acknowledgment,
typed, printed or stamped)
NOTARY PUBLIC (title or rank)
----- (serial number, if any)

STATE OF FLORIDA)
) ss:
COUNTY OF DADE)

The foregoing instrument was acknowledged before me this 27th day of FEBRUARY, 1997 by THOMAS S. IRWIN as TREASURER of LPI Industries Corporation, who is PERSONALLY KNOWN to me or who has produced a _____ as identification.

/s/GENEVIEVE A. YOUNG (signature of person taking
----- acknowledgment)
Genevieve A. Young (name of officer taking acknowledgment,
typed, printed or stamped)
NOTARY PUBLIC (title or rank)
----- (serial number, if any)

STATE OF FLORIDA)
) ss:
COUNTY OF DADE)

The foregoing instrument was acknowledged before me this 27th day of FEBRUARY, 1997 by THOMAS S. IRWIN as TREASURER of Aircraft Technology, Inc., who is PERSONALLY KNOWN to me or who has produced a _____ as identification.

/s/GENEVIEVE A. YOUNG (signature of person taking
----- acknowledgment)
Genevieve A. Young (name of officer taking acknowledgment,
typed, printed or stamped)
NOTARY PUBLIC (title or rank)
----- (serial number, if any)

STATE OF FLORIDA)
) ss:
COUNTY OF DADE)

The foregoing instrument was acknowledged before me this 27th day of FEBRUARY, 1997 by THOMAS S. IRWIN as TREASURER of Trilectron Industries, Inc., who is PERSONALLY KNOWN to me or who has produced a _____ as identification.

/s/GENEVIEVE A. YOUNG (signature of person taking
----- acknowledgment)
Genevieve A. Young (name of officer taking acknowledgment,
typed, printed or stamped)
NOTARY PUBLIC (title or rank)
----- (serial number, if any)

STATE OF FLORIDA)
) ss:
COUNTY OF DADE)

The foregoing instrument was acknowledged before me this 27th day of
FEBRUARY, 1997 by THOMAS S. IRWIN as TREASURER of ATI Heat Treat Corporation,
who is PERSONALLY KNOWN to me or who has produced a _____
as identification.

/s/GENEVIEVE A. YOUNG (signature of person taking
----- acknowledgment)
Genevieve A. Young (name of officer taking acknowledgment,
typed, printed or stamped)
NOTARY PUBLIC (title or rank)
----- (serial number, if any)

STATE OF FLORIDA)
) ss:
COUNTY OF DADE)

The foregoing instrument was acknowledged before me this 27th day of
FEBRUARY, 1997 by THOMAS S. IRWIN as TREASURER of HEICO Aviation Products
Corporation, who is PERSONALLY KNOWN to me or who has produced a
_____ as identification.

/s/GENEVIEVE A. YOUNG (signature of person taking
----- acknowledgment)
Genevieve A. Young (name of officer taking acknowledgment,
typed, printed or stamped)
NOTARY PUBLIC (title or rank)
----- (serial number, if any)

HEICO CORPORATION AND SUBSIDIARIES

COMPUTATION OF EARNINGS PER SHARE

	1997		1996	
	PRIMARY	FULLY DILUTED	PRIMARY	FULLY DILUTED
Six months ended April 30:				
Weighted average number of common shares outstanding	5,309,469	5,309,469	5,132,965	5,132,965
Common Stock equivalents arising from dilutive stock options (1)	1,022,211	1,046,812	575,666	618,805
	<u>6,331,680</u>	<u>6,356,281</u>	<u>5,708,631</u>	<u>5,751,770</u>
Net income per share: (1)				
From continuing operations	\$.51	\$.51	\$.21	\$.21
From discontinued operations	--	--	.13	.13
Net income per share	<u>\$.51</u>	<u>\$.51</u>	<u>\$.34</u>	<u>\$.34</u>
Three months ended April 30:				
Weighted average number of common shares outstanding	5,332,224	5,332,224	5,179,790	5,179,790
Common Stock equivalents arising from dilutive stock options (1)	1,055,478	1,055,653	649,458	726,866
	<u>6,387,702</u>	<u>6,387,877</u>	<u>5,829,248</u>	<u>5,906,656</u>
Net income per share: (1)				
From continuing operations	\$.26	\$.26	\$.11	\$.11
From discontinued operations	--	--	.07	.07
Net income per share	<u>\$.26</u>	<u>\$.26</u>	<u>\$.18</u>	<u>\$.18</u>

(1) Computed under the "treasury stock" method using the average market price for the primary computation and using the higher of average or ending market prices for the fully diluted computation.

6-MOS		
	OCT-31-1997	
	APR-30-1997	
		10,371,000
		0
		8,009,000
		(262,000)
		18,261,000
	40,100,000	
		21,420,000
	(13,835,000)	
	70,410,000	
11,480,000		
		10,106,000
	0	
		0
		53,000
		45,573,000
70,410,000		
		13,552,000
	13,552,000	
		9,016,000
		9,016,000
	2,457,000	
		0
		95,000
		2,414,000
		774,000
1,640,000		
		0
		0
		0
		1,640,000
		.26
		.26