

FORM 8-K

CURRENT REPORT

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

Date of Report (Date of earliest event reported): September 16, 1996

HEICO CORPORATION  
(Exact name of registrant as specified in its charter)

FLORIDA (State or other jurisdiction of incorporation)	1-4604 (Commission File Number)	65-0341002 (I.R.S. Employer Identification No.)
---	---------------------------------------	---

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

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

ITEM 2. ACQUISITION OR DISPOSITION OF ASSETS

Pursuant to a Stock Purchase Agreement, dated as of September 16, 1996 (the "Stock Purchase Agreement"), the Registrant acquired effective September 1, 1996, through a wholly-owned subsidiary, all of the outstanding capital stock of Trilectron Industries, Inc. ("Trilectron"), from Sigmund Borax, Trilectron's sole shareholder. In consideration of this acquisition, the Registrant paid \$6,200,000 in cash to the seller and an aggregate of \$800,000 to certain key executives of Trilectron, which purchase price was determined through arms-length negotiations.

Trilectron is a manufacturer of ground power, air conditioning and air start equipment for civil and military aircraft and a designer and manufacturer of certain military electronics.

In connection with this acquisition, the Registrant guaranteed \$2,264,000 of Trilectron's bank indebtedness. The Registrant also entered into employment and non-competition agreements with two of Trilectron's key executives.

The source of the cash purchase price was internally generated operating funds of the Registrant and the proceeds of the recent sale by the Registrant of its medical diagnostic imaging business.

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

(a) Financial Statements of businesses acquired

The financial statements of Trilectron Industries, Inc. required by Rule 3-05(b) of Regulation S-X are included as Exhibits 99.1 and 99.2.

(b) Pro forma financial information

The following unaudited pro forma consolidated condensed financial information is furnished in accordance with Article 11 of Regulation S-X:

Introductory note to unaudited pro forma consolidated condensed financial statements (page 3).

Unaudited pro forma consolidated condensed balance sheet as of July 31, 1996 (page 4).

Unaudited pro forma consolidated condensed statement of operations for the nine months ended July 31, 1996 (page 5).

Unaudited pro forma consolidated condensed statement of operations for the year ended October 31, 1995 (page 6).

(c) Exhibits

2. Stock Purchase Agreement dated as of September 16, 1996 by and between HEICO Corporation and Sigmund Borax (without Schedules).
- 10.1 Employment and Non-compete Agreements dated as of September 16, 1996 by and between HEICO Corporation and Sigmund Borax.
- 10.2 Employment and Non-compete Agreements dated as of September 16, 1996 by and between HEICO Corporation and Charles Kott.
- 99.1 Financial statements of Trilectron Industries, Inc. for the nine months ended July 31, 1996.

99.2 Financial statements of Trilectron Industries for the years ended December 31, 1995 and 1994.

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

The following unaudited pro forma consolidated condensed balance sheet and statements of operations utilize the historical financial condition and results of operations of HEICO Corporation and subsidiaries as of July 31, 1996 and for the nine months then ended and for the year ended October 31, 1995. The unaudited pro forma consolidated condensed financial statements have been prepared on the basis summarized below:

- /BULLET/      The unaudited pro forma consolidated condensed balance sheet as of July 31, 1996 assumes that the Company's acquisition of all of the outstanding capital stock of Trilectron Industries, Inc. had been consummated as of that date.
  
- /BULLET/      The unaudited pro forma consolidated condensed statement of operations for the nine months ended July 31, 1996 assumes that the Company's acquisition of all of the outstanding capital stock of Trilectron Industries, Inc. had been consummated as of the beginning of the nine-month period ended July 31, 1996.
  
- /BULLET/      The unaudited pro forma consolidated condensed statement of operations for the year ended October 31, 1995 assumes that the Company's acquisition of all of the outstanding capital stock of Trilectron Industries, Inc. had been consummated as of the beginning of the year ended October 31, 1995.

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

HEICO CORPORATION AND SUBSIDIARIES  
PRO FORMA CONSOLIDATED CONDENSED BALANCE SHEET  
as of July 31, 1996  
(unaudited)

	HEICO CORPORATION(1)	Trilectron INDUSTRIES, INC. (2)	Pro Forma ADJUSTMENTS	Pro Forma COMBINED
	-----	-----	-----	-----
<b>ASSETS</b>				
Current assets:				
Cash and cash equivalents	\$21,788,000	\$75,000	(\$7,400,000)(6)	\$14,463,000
Accounts receivable, net	5,126,000	2,746,000	(38,000)(7)	7,834,000
Inventories	6,583,000	7,090,000	(200,000)(7)	13,473,000
Prepaid expenses and other current assets	962,000	25,000		987,000
Deferred income taxes	1,621,000	---		1,621,000
	-----	-----	-----	-----
Total current assets	36,080,000	9,936,000	(7,638,000)	38,378,000
Note receivable	10,000,000	---		10,000,000
Property, plant and equipment, net	4,745,000	250,000	150,000(7)	5,145,000
Intangible assets, net	1,839,000	29,000	2,582,000(7)	4,450,000
Other assets	1,148,000	3,000		1,151,000
	-----	-----	-----	-----
Total assets	\$53,812,000	\$10,218,000	(\$4,906,000)	\$59,124,000
	=====	=====	=====	=====
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>				
Current liabilities:				
Current maturities of long-term debt	\$493,000	\$2,007,000		\$2,500,000
Trade accounts payable	1,723,000	2,335,000		4,058,000
Accrued expenses and other current liabilities	4,550,000	852,000	(\$52,000)(8)	5,350,000
Income taxes payable	2,194,000	---		2,194,000
	-----	-----	-----	-----
Total current liabilities	8,960,000	5,194,000	(52,000)	14,102,000
Long-term debt	2,645,000	170,000		2,815,000
Deferred income taxes	1,062,000	---		1,062,000
Other non-current liabilities	1,274,000	---		1,274,000
	-----	-----	-----	-----
Total liabilities	13,941,000	5,364,000	(52,000)	19,253,000
	-----	-----	-----	-----
Commitments and contingencies				
Shareholders' equity:				
Preferred stock, none issued				
Common stock	48,000	5,000	(5,000)(9)	48,000
Capital in excess of par value	20,524,000	8,000	(8,000)(9)	20,524,000
Retained earnings	22,638,000	4,841,000	(4,841,000)(8)(9)	22,638,000
	-----	-----	-----	-----
	43,210,000	4,854,000	(4,854,000)	43,210,000
Less: Note receivable from employee savings and investment plan	(3,339,000)	---	---	(3,339,000)
	-----	-----	-----	-----
Total shareholders' equity	39,871,000	4,854,000	(4,854,000)	39,871,000
	-----	-----	-----	-----
Total liabilities and shareholders' equity	\$53,812,000	\$10,218,000	(\$4,906,000)	\$59,124,000
	=====	=====	=====	=====

See accompanying notes to unaudited pro forma consolidated condensed financial statements.

HEICO CORPORATION AND SUBSIDIARIES  
PRO FORMA CONSOLIDATED CONDENSED STATEMENT OF OPERATIONS  
For the nine months ended July 31, 1996  
(unaudited)

	HEICO CORPORATION(1)	Trilectron INDUSTRIES, INC. (3)	Pro Forma ADJUSTMENTS	Pro Forma COMBINED
	-----	-----	-----	-----
Net sales	\$22,979,000	\$12,008,000		\$34,987,000
	-----	-----		-----
Operating costs and expenses:				
Cost of sales	15,044,000	8,941,000	\$16,000(10)	24,001,000
Selling, general and administrative expenses	5,067,000	1,886,000	97,000(10)	7,050,000
	-----	-----	-----	-----
Total operating costs and expenses	20,111,000	10,827,000	113,000	31,051,000
	-----	-----	-----	-----
Income from operations	2,868,000	1,181,000	(113,000)	3,936,000
Interest expense	(129,000)	(92,000)		(221,000)
Interest and other income	617,000	0	(275,000)(11)	342,000
	-----	-----	-----	-----
Income from continuing operations before income taxes	3,356,000	1,089,000	(388,000)	4,057,000
Income tax expense	1,078,000	---	218,000(12)	1,296,000
	-----	-----	-----	-----
Net income from continuing operations	2,278,000	1,089,000	(606,000)	2,761,000
Discontinued operations:				
Net income from discontinued health care operations, net of applicable income taxes	963,000	---	---	963,000
Gain on sale of health care operations, net of applicable income taxes	5,264,000	---	---	5,264,000
	-----	-----	-----	-----
Net income	\$8,505,000	\$1,089,000	(\$606,000)	\$8,988,000
	=====	=====	=====	=====
Net income per share:				
From continuing operations	\$0.43			\$0.52
From discontinued health care operations	0.18			0.18
From gain on sale of health care operations	0.99			0.99
	-----			-----
Net income per share	\$1.60			\$1.69
	=====			=====
Weighted average number of common and common equivalent shares outstanding	5,315,859			5,315,859
	=====			=====

See accompanying notes to unaudited pro forma consolidated condensed  
financial statements

HEICO CORPORATION AND SUBSIDIARIES  
PRO FORMA CONSOLIDATED CONDENSED STATEMENT OF OPERATIONS  
For the year ended October 31, 1995  
(unaudited)

	HEICO CORPORATION(4) -----	Trilectron INDUSTRIES, INC.(5) -----	Pro Forma ADJUSTMENTS -----	Pro Forma COMBINED -----
Net sales	\$25,613,000 -----	\$13,931,000 -----		\$39,544,000 -----
Operating costs and expenses:				
Cost of sales	17,497,000	10,895,000	\$21,000(10)	28,413,000
Selling, general and administrative expenses	6,405,000 -----	2,079,000 -----	129,000(10) -----	8,613,000 -----
Total operating costs and expenses	23,902,000 -----	12,974,000 -----	150,000 -----	37,026,000 -----
Income from operations	1,711,000	957,000	(150,000)	2,518,000
Interest expense	(169,000)	(82,000)		(251,000)
Interest and other income	666,000 -----	21,000 -----	(355,000)(11) -----	332,000 -----
Income from continuing operations before income taxes	2,208,000	896,000	(505,000)	2,599,000
Income tax expense	771,000 -----	--- -----	143,000(12) -----	914,000 -----
Net income from continuing operations	1,437,000	896,000	(648,000)	1,685,000
Net income from discontinued health care operations	1,258,000 -----	--- -----	--- -----	1,258,000 -----
Net income	\$2,695,000 =====	\$896,000 =====	(\$648,000) =====	\$2,943,000 =====
Net income per share:				
From continuing operations	\$0.30			\$0.35
From discontinued health care operations	0.26 -----			0.26 -----
Net income per share	\$0.56 =====			\$0.61 =====
Weighted average number of common and common equivalent shares outstanding (13)	4,820,336 =====			4,820,336 =====

See accompanying notes to unaudited pro forma consolidated condensed  
financial statements

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

1. As disclosed in the Company's Report on Form 10-Q as of and for the nine months ended July 31, 1996.
2. Represents Trilectron Industries, Inc.'s unaudited balance sheet as of July 31, 1996.
3. Represents Trilectron Industries, Inc.'s unaudited statement of operations for the nine months ended July 31, 1996 that includes the two months ended December 31, 1995. The two months ended December 31, 1995 have also been included in the pro forma year ended October 31, 1995 due to the Company's year end of October 31 and Trilectron's Industries, Inc.'s year end of December 31. The effect of the difference in these reporting periods is not reflected in the unaudited Pro Forma Consolidated Condensed Statements of Operations and the Company believes this difference is not significant.
4. Represents the Company's consolidated statement of operations from the report on Form 10-K for the year ended October 31, 1995, as adjusted to reflect the operations of MediTek Health Corporation, which was sold in July 1996, as a discontinued operation.
5. Represents Trilectron Industries, Inc.'s audited statement of operations for the year ended December 31, 1995.
6. The \$7.4 million decrease in cash resulting from the cash payments related to the acquisition and estimated acquisition costs.
7. The decrease in accounts receivable and inventories, which are to record allowances utilizing the Company's methodology, as well as the increase in property, plant and equipment to reflect their fair market values and the excess of cost over the fair value of net assets acquired from the acquisition. The origins of the purchase cost and its allocation to assets and liabilities is as follows:

Purchase costs:

Cash paid to seller.....	\$6,200,000
Cash bonus obligations paid at closing.....	800,000
Estimated acquisition costs.....	400,000
	-----
Total purchase costs.....	\$7,400,000
	=====

Allocations of purchase costs:

Accounts receivable.....	\$2,708,000
Inventories.....	6,890,000
Other current assets.....	100,000
Property, plant and equipment.....	400,000
Other assets.....	3,000
Liabilities.....	(5,312,000)
	-----
Subtotal.....	4,789,000

Excess of costs over the fair value

of net assets acquired.....	2,611,000
	-----
Total allocation of purchase costs.....	\$7,400,000
	=====

8. Represents an adjustment to accrued dividends payable to seller pursuant to the terms of the Stock Purchase Agreement.
9. The elimination of Trilectron's common stock, capital in excess of par value and retained earnings.

10. The increase in depreciation and amortization expense to properly reflect the allocation of the purchase costs as required per purchase accounting. Property, plant and equipment is to be depreciated over 7 years under the straight-line method. Excess of costs over the fair value of net assets acquired is to be amortized over 20 years.
11. The elimination of investment income from the \$7.4 million cash used for the acquisition.
12. The incremental Federal and state income taxes associated with the increase in pre-tax income from the acquisition.
13. Weighted average number of common and common equivalent shares outstanding have been adjusted from the originally reported amount to reflect a three-for-two stock split paid in April 1996 and a 10% stock dividend paid in July 1996.



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

Date:     SEPTEMBER 30, 1996  
-----

BY: /S/ THOMAS S. IRWIN  
-----

Thomas S. Irwin  
Executive Vice President,  
Chief Financial Officer

## STOCK PURCHASE AGREEMENT

SEPTEMBER 16, 1996

between

HEICO CORPORATION,

and

SIGMUND BORAX

relating to all of the outstanding capital stock of

TRILECTRON INDUSTRIES, INC.

## TABLE OF CONTENTS

PAGE

----

EXHIBITS AND SCHEDULES.....	vii
STOCK PURCHASE AGREEMENT.....	1
ARTICLE I Definitions.....	1
ARTICLE II Purchase of Shares; Consideration.....	1
2.1 Shares to be Purchased.....	1
2.2 Consideration.....	1
2.3 Allocation Of Purchase Price.....	2
ARTICLE III Representations and Warranties of the Buyer.....	2
3.1 Organization.....	2
3.2 Authorization; Enforceability.....	2
3.3 No Violation or Conflict.....	2
3.4 Brokers.....	3
3.5 Consents and Approvals.....	3
3.6 Exchange Act Reports.....	3
ARTICLE IV Representations and Warranties Of The Seller.....	3
4.1 Ownership of Shares.....	3
4.2 Power and Authority; Enforceability.....	3
4.3 Transfer of Title To Shares; Non-contravention.....	4
4.4 Consents and Approvals.....	4
4.5 Brokers.....	4
ARTICLE V Representations and Warranties Of The Seller.....	4
5.1 Organization of The Company.....	4
5.2 No Violation or Conflict.....	5
5.3 Consents and Approvals.....	5
5.4 Brokers.....	5
5.5 Capitalization.....	5
5.6 Financial Statements.....	5
5.7 Absence of Undisclosed Liabilities.....	6
5.8 Subsidiaries and Investments.....	6
5.9 Inventories.....	6
5.10 Accounts and Notes Receivable.....	6
5.11 Conduct of Business.....	7
5.12 Compliance with Laws.....	8
5.13 Litigation.....	9
5.14 Title to and Condition Of Personal Property.....	9
5.15 Real Property.....	10
5.16 Intangible Property.....	10
5.17 Governmental Authorizations.....	11
5.18 Insurance.....	11
5.19 Major Customers and Suppliers; Supplies.....	12

5.20	Personnel.....	12
5.21	Labor Relations.....	12
5.22	Employment Agreements and Employee Benefit Plans.....	13
5.23	Tax Matters.....	14
5.24	Material Agreements.....	15
5.25	Related Parties.....	17
5.26	Absence of Certain Business Practices.....	17
5.27	Products.....	17
5.28	Environmental Matters.....	18
5.29	List of Accounts.....	18
5.30	Certain Warranty and Products Liability Claims.....	19
5.31	Disclosure.....	19
ARTICLE VI	[Intentionally Omitted].....	19
ARTICLE VII	Additional Agreements.....	19
7.1	Closing of Company's Tax Year; Certain Employment Taxes.....	19
7.2	Certain Tax Returns and Indemnity.....	19
7.3	Guarantees.....	20
7.4	Survival.....	20
7.5	Indemnification.....	20
7.6	Noncompetition; Standstill.....	24
7.7	Confidentiality.....	25
7.8	Continuing Obligations.....	25
7.9	Borax and Kott Employment Agreements.....	26
7.10	Stock Option Agreements.....	26
ARTICLE VIII	Closing; Closing Deliveries.....	26
8.1	Closing.....	26
ARTICLE IX	Miscellaneous.....	28
9.1	Notices.....	28
9.2	Entire Agreement.....	29
9.3	Assignment.....	29
9.4	Waiver and Amendment.....	29
9.5	No Third Party Beneficiary.....	30
9.6	Severability.....	30
9.7	Expenses.....	30
9.8	Headings.....	30
9.9	Counterparts.....	30
9.10	Litigation; Prevailing Party.....	30
9.11	Injunctive Relief.....	31
9.12	Governing Law and Venue.....	31
9.13	Risk of Loss.....	31
9.14	Further Assurances.....	31
9.15	Remedies Cumulative.....	32

	PAGE
	----
9.16 Participation of Parties; Construction.....	32
9.17 Publicity.....	32

## EXHIBITS AND SCHEDULES

### EXHIBITS

A	Borax Employment Agreement
B	Kott Employment Agreement
C	Stock Option Agreement
D	[RESERVED]
E	Opinion Of Counsel To The Company And The Seller
F	[Reserved]
G	Opinion Of Counsel To The Buyer
H	[Reserved]

### SCHEDULES

1	Definitions
2.3	Allocation Schedule
3.3	Conflicts with Other Documents Affecting Buyer
4.1	Ownership of Shares
5.1	Foreign Qualification of the Company
5.2	Conflicts with Other Documents Affecting the Company
5.6	Financial Statements
5.7	Absence of Undisclosed Liabilities
5.8	Subsidiaries and Investments
5.11	Conduct of Business
5.12	Compliance with Laws
5.13	Litigation
5.14	Personal Property
5.15	Real Property
5.16	Intangible Property
5.17	Governmental Authorizations
5.18	Insurance
5.19	Major Customers and Suppliers
5.20	Personnel
5.22A	Employment Agreements
5.22B	Employee Benefit Plans
5.23	Taxes
5.24	Material Agreements
5.25	Related Party
5.27A	Products
5.27B	Recalled, Withdrawn or Suspended Products
5.27C	Basis for Recall, Etc.
5.29	List of Accounts
7.5(C)	Guaranties
7.10	List of Key Executives and Stock Options Grants

## STOCK PURCHASE AGREEMENT

This Stock Purchase Agreement is entered into in Dade County, Florida as of September 16, 1996, between HEICO CORPORATION, a Florida corporation ("BUYER"), and SIGMUND BORAX (the "SELLER").

### PRELIMINARY STATEMENTS

A. The Seller owns all of the issued and outstanding shares of capital stock (the "SHARES") of Trilectron Industries, Inc., a New York corporation (the "COMPANY").

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

### AGREEMENT

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

### ARTICLE I

#### DEFINITIONS

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

### ARTICLE II

#### PURCHASE OF SHARES; CONSIDERATION

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

2.2 CONSIDERATION. The aggregate purchase price (the "PURCHASE PRICE") for the Shares is Six Million Two Hundred Thousand Dollars (\$6,200,000). The Purchase Price shall be payable at the Closing by the Buyer in cash or by wire transfer or cashier's check payable to the Seller for the Purchase Price.

2.3 ALLOCATION OF PURCHASE PRICE. Set forth on SCHEDULE 2.3 is a schedule (the "ALLOCATION SCHEDULE") allocating the Purchase Price among the assets of the Company. The

parties agree that the Allocation Schedule is reasonable and has been prepared in accordance with Section 338(h)(10) of the Code and the regulations thereunder. Each of the Buyer and the Seller agrees to file appropriate Internal Revenue Service ("IRS") forms, and all federal, state, local and foreign Tax Returns, in accordance with the Allocation Schedule. Each of the Buyer and the Seller agrees to provide the other promptly with any other information required to complete the necessary IRS forms. Any such allocation shall in no event limit the liability of the Seller to the Buyer with respect to damages, liabilities or expenses incurred by the Buyer with respect to any breach of any representations, warranties, covenants or agreements made by the Seller hereunder.

### ARTICLE III

#### REPRESENTATIONS AND WARRANTIES OF THE BUYER

In order to induce the Seller to enter into this Agreement and each Ancillary Document to which he is a party and to consummate the transactions contemplated hereby and thereby, as of the date hereof and as of the Closing Date, the Buyer makes the representations and warranties set forth below to the Seller.

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

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

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

instrument or agreement to which the Buyer is a party or by which the Buyer or any of its properties may be bound or affected.

3.4 BROKERS. Except for Corporate Finance Dimensions, Inc., whose fees will be paid by the Buyer, the Buyer has not employed any financial advisor, broker or finder and has not incurred and will not incur any broker's, finder's, investment banking or similar fees, commissions or expenses, in connection with the transactions contemplated by this Agreement.

3.5 CONSENTS AND APPROVALS. Except for appropriate filings under the Exchange Act and with the AMEX, no consent, approval, waiver or authorization of, or registration, qualification or filing with or notice to, any federal, state or local governmental or regulatory authority is required to be made by the Buyer in connection with the execution, delivery or performance of this Agreement or any Ancillary Document by the Buyer or the consummation by it of the transactions contemplated hereby or thereby.

3.6 EXCHANGE ACT REPORTS. As of the respective dates they were filed with the Commission, the Buyer's most recent Form 10-K and each of its Exchange Act filings with the Commission thereafter, complied in all material respects with the rules and regulations of the Commission and did not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading.

#### ARTICLE IV

##### REPRESENTATIONS AND WARRANTIES OF THE SELLER

In order to induce the Buyer to enter into this Agreement and the Ancillary Documents to which it is a party and to consummate the transactions contemplated hereby and thereby, as of the date hereof and as of the Closing Date, the Seller makes the representations and warranties set forth below to the Buyer.

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

4.2 POWER AND AUTHORITY; ENFORCEABILITY. The Seller has all requisite right, power and authority to enter into this Agreement and each Ancillary Document to be entered into by him pursuant hereto and to sell, transfer and deliver the Shares owned by him to the Buyer and perform his obligations hereunder and thereunder, and this Agreement and each such Ancillary Document constitutes or, will upon execution thereof constitute, the legal, valid and binding obligation of the Seller, enforceable against him in accordance with its terms, except to the extent that their enforcement is limited by bankruptcy, insolvency, reorganization or other laws relating to or affecting the enforcement of creditors' rights generally and by general principles of equity.



4.3 TRANSFER OF TITLE TO SHARES; NON-CONTRAVENTION. The execution and delivery of this Agreement and each Ancillary Document to be executed by the Seller and the consummation of the transaction contemplated hereby and thereby, (i) will convey to the Buyer good and unencumbered title to the Shares owned by the Seller as shown on SCHEDULE 4.1, free and clear of all Encumbrances, and (ii) do not and will not (a) violate or conflict with any provision of law or regulation, or any writ, order, judgment or decree of any court or governmental or regulatory authority applicable to the Seller, and (b) with or without the passage of time or the giving of notice, result in the breach of, or constitute a default, cause the acceleration of performance or require any consent under, or result in the creation of any Encumbrance upon any property or assets of the Seller pursuant to, any instrument or agreement to which the Seller is a party or by which the Seller or his properties or assets may be bound or affected.

4.4 CONSENTS AND APPROVALS. No consent, approval, waiver or authorization of, or registration, qualification or filing with or notice to any federal, state or local governmental or regulatory authority, or any other Person, is required to be made by the Seller in connection with the execution, delivery or performance of this Agreement or any Ancillary Document by the Seller or the consummation by the Seller of the transactions contemplated hereby or thereby.

4.5 BROKERS. The Seller has not employed any financial advisor, broker or finder, and has neither incurred nor will incur any broker's, finder's, investment banking or similar fees, commissions or expenses in connection with the transactions contemplated by this Agreement or any of the Ancillary Documents.

## ARTICLE V

### REPRESENTATIONS AND WARRANTIES OF THE SELLER AS TO THE COMPANY

In order to induce the Buyer to enter into this Agreement and the Ancillary Documents to which it is a party and to consummate the transactions contemplated hereby and thereby, as of the date hereof and as of the Closing Date, the Seller, subject to the limitations on liability set forth in SECTION 7.5, makes the representations and warranties set forth below to the Buyer.

5.1 ORGANIZATION OF THE COMPANY. The Company is a corporation duly organized, validly existing and in good standing under the laws of the State of New York. The Company is qualified to transact business as a foreign corporation in each jurisdiction in which such qualification is required unless the failure to so qualify would not have a Material Adverse Effect. SCHEDULE 5.1 contains a list of all jurisdictions in which the Company is so qualified. The Company has all requisite right, power and authority to (a) own or lease and operate its properties and assets, and (b) conduct its business as presently conducted. The copies of the Company's Certificate of Incorporation and Bylaws (together with all amendments thereto) which have been previously delivered to the Buyer are correct and complete.

5.2 NO VIOLATION OR CONFLICT. Except as set forth in SCHEDULE 5.2, the execution, delivery and performance of this Agreement by the Seller and the consummation by the Seller

of the transactions contemplated hereby: (a) do not and will not violate or conflict with any provision of the Company's Certificate of Incorporation, Bylaws or other organizational documents or any license, franchise or permit to which the Company is a party or by which it is bound; and (b) do not and will not, with or without the passage of time or the giving of notice, result in the breach of, or constitute a default, cause the acceleration of performance or require any consent under, or result in the creation of any Encumbrance upon any property or assets of the Company pursuant to any instrument or agreement to which the Company is a party or by which the Company or its properties or assets may be bound or affected, other than instruments or agreements as to which consent shall have been obtained at or prior to the Closing, each of which instruments or agreements is listed on SCHEDULE 5.2 hereto.

5.3 CONSENTS AND APPROVALS. Except as described on SCHEDULE 5.3, no consent, approval, waiver or authorization of, or registration, qualification or filing with or notice to any federal, state or local governmental or regulatory authority, or any other Person, is required to be made by the Company in connection with the execution, delivery or performance of this Agreement or any of the Ancillary Documents by the Company or the consummation by the Company of the transactions contemplated hereby or thereby.

5.4 BROKERS. The Company has not employed any financial advisor, broker or finder and has neither incurred nor will incur any broker's, finder's, investment banking or similar fees, commissions or expenses in connection with the transactions contemplated by this Agreement or any of the Ancillary Documents.

5.5 CAPITALIZATION. The authorized capital stock of the Company consists of 100 shares of Common Stock, no par value per Share, 100 Shares of which are validly issued and outstanding as of the date hereof. All of such issued and outstanding Shares are fully paid and, except as provided in Section 620 of the New York Business Corporation Law, are nonassessable. No shares of Common Stock are held by the Company as treasury stock. There is no existing option, warrant, call, commitment or other agreement to which the Company is a party requiring, and there are no convertible securities of the Company outstanding which upon conversion would require, the issuance of any additional shares of capital stock of the Company or other securities convertible into shares of Common Stock or other equity security of the Company.

5.6 FINANCIAL STATEMENTS. The Company has previously delivered to the Buyer a true and complete copy of (a) the balance sheets of the Company at December 31, 1995, and the statements of income, cash flows and retained earnings of the Company for the fiscal year ended on such date, including any related notes, certified by the Company's independent public accountants (collectively, the "FINANCIAL STATEMENTS"), and (b) the unaudited balance sheet of the Company at May 31, 1996 and unaudited statements of income, cash flows and retained earnings of the Company for the five-month period ended on such date, certified by the Company's chief financial officer (the "INTERIM FINANCIAL STATEMENTS"). Except as set forth on SCHEDULE 5.6, the Financial Statements and the Interim Financial Statements: (a) have been prepared in accordance with the books of account and records of the Company, which books and records have been maintained in a consistent manner; (b) are true, correct and complete in all material respects and

present fairly the Company's financial condition, assets, liabilities, equity and the results of its operations and cash flows at the dates and for the periods specified in those statements; and (c) have been prepared in accordance with generally accepted accounting principles consistently applied with prior periods, except as may be noted therein and except, in the case of the Interim Financial Statements, for normal recurring year-end adjustments (including inventory adjustments), none of which, individually or in the aggregate, would cause the Interim Financial Statement to be untrue, inaccurate or incomplete in any material respect.

5.7 ABSENCE OF UNDISCLOSED LIABILITIES. Except as set forth on SCHEDULE 5.7 hereto, specifically permitted in SECTION 5.24 or disclosed elsewhere herein or reflected in the Interim Financial Statements, the Company has no liabilities, commitments or obligations of any nature whatsoever, whether accrued, contingent or otherwise and whether due or to become due (other than accounts payable and other short-term liabilities incurred in the ordinary course of business and other nonmaterial, both individually and in the aggregate, liabilities, commitments or obligations incurred since May 31, 1996 in the ordinary course of business consistent with past practices to Persons other than the Seller or Affiliates or Associates of the Seller) or any unrealized or anticipated losses from any commitments of the Company, and there is no basis for assertion against the Company of any such liability, commitment, obligation or loss.

5.8 SUBSIDIARIES AND INVESTMENTS. Except as set forth on SCHEDULE 5.8, the Company has no Investments. The Company has no Subsidiaries.

5.9 INVENTORIES. The inventories of the Company shown on the balance sheets included in the Financial Statements and the Interim Financial Statements and the Inventories of the Company as of the Closing Date, in each case net of any reserves reflected in such Financial Statements, are stated and will be stated at not more than the lower of cost or market, are fit for their particular use, do not include any items below standard quality, defective, damaged or spoiled, obsolete or of a quality or quantity not usable or salable in the ordinary course of the business of the Company as currently conducted, the value of which has not been fully written down or reserved against in the Financial Statements and the Interim Financial Statements. The Company has and will continue to have adequate quantities and types of inventory to enable it to conduct its businesses consistent with past practices and anticipated operations. As of the Closing Date, the quality and salability of the Company's inventories are not materially worse than as at the date of the Interim Financial Statements.

5.10 ACCOUNTS AND NOTES RECEIVABLE. The Company has delivered to the Buyer a true and complete aged list of unpaid accounts and notes receivable owing to the Company as of June 30, 1996. All of such accounts and notes receivable constitute only bona fide, valid and binding claims arising in the ordinary course of the Company's business, subject to no valid defenses, counterclaims or setoffs, and are correct and, to the knowledge of Seller, collectible in accordance with their terms, net of all reserves and allowances for bad debts and doubtful accounts reflected in such list.

5.11 CONDUCT OF BUSINESS. Except as disclosed on SCHEDULE 5.11 hereto or in the Interim Financial Statements, since December 31, 1995, the Company has conducted its business

only in the ordinary and usual course consistent with past practices and there has not occurred any Material Adverse Effect. Without limiting the generality of the foregoing, except as disclosed on SCHEDULE 5.11 or the Interim Financial Statements, since December 31, 1995, the Company has not:

(a) declared or paid any dividends or other distribution (whether in cash, stock or other property) with respect to its capital stock, or otherwise transferred or agreed to transfer any assets to any of its shareholders or Affiliates other than a dividend to the Seller declared on or prior to the Closing Date, but not yet paid, in an amount sufficient to cover the Seller's federal income tax liability for the taxable income of the Company for the period from January 1, 1996 through the Closing Date less the aggregate amount of all other dividends declared or paid by the Company during such period with respect to such income;

(b) suffered any damage, destruction or loss, whether or not covered by insurance, which has had or could have a Material Adverse Effect;

(c) voluntarily or involuntarily sold, transferred, surrendered, abandoned or disposed of any of its assets or property rights (tangible or intangible) with an aggregate book value of more than \$10,000, other than inventory and minor amounts of personal property, in the ordinary course of business consistent with past practices;

(d) disclosed any proprietary or confidential information to any third party the disclosure of which would have a Material Adverse Effect;

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

(f) created, incurred or assumed any liability or indebtedness for borrowed money (other than draws under the Company's bank lines of credit made in the ordinary course of business) or entered into any capitalized lease obligations;

(g) made or committed to make any capital expenditures exceeding \$10,000 in the aggregate;

(h) applied any of its assets to the direct or indirect payment, discharge, satisfaction or reduction of any amount payable directly or indirectly to or for the benefit of the Seller or any Affiliate or Associate of the Seller or to the prepayment of any such amounts, or otherwise entered into or modified any arrangement with any Affiliate of the Company or the Seller except, dividends paid to the Seller since May 31, 1996 aggregating not more than \$164,100, representing the Seller's income tax liability in respect of the Company's operations prior to January 1, 1996;

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

(j) granted any increase in the compensation payable or to become payable to directors or officers or granted any material increase in compensation payable or to become payable to employees (including, without limitation, any such increase pursuant to any bonus, pension, profit-sharing or other plan or commitment or otherwise), other than merit increases to officers and employees (other than the Seller and his Affiliates or Associates) in the ordinary course of business and consistent with past practices, one-time cash bonuses to two officers of the Company, payable on or after the Closing Date, aggregating \$50,000, and a \$750,000 one-time cash bonus payable on or after the Closing Date to the Kott;

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

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

(m) allowed its levels of inventory to vary in any material respect from the levels consistent with the needs of the Company maintained;

(n) experienced any other event or condition of any character which has had, individually or in the aggregate, a Material Adverse Effect; or

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

5.12 COMPLIANCE WITH LAWS. The Company has conducted its business in compliance with all federal, state, local and foreign laws, ordinances, regulations, judgments, rulings, orders and other requirements applicable to it, including without limitation those relating to (a) the development, testing, manufacture, packaging, distribution and marketing of products, (b) employment, safety and health, and (c) environmental protection, building, zoning and land use, except where any noncompliance therewith would not have a Material Adverse Effect. Except as set forth in SCHEDULE 5.12, no governmental authority has notified the Company that the Company is not in compliance with any such laws, ordinances, regulations, judgments, rulings, orders and other requirements. The Company is not subject to any order, judgment or decree of any court or governmental authority which has, or the violation of which would have, a Material Adverse Effect. The Buyer has been furnished with true and correct copies of all reports of inspections of the Company's business and properties from June 30, 1993 through the date hereof under all applicable federal, state, foreign and local laws and regulations which are in the Company's possession. Except as set forth on SCHEDULE 5.12, there has been no inspection of the Company's business and properties conducted by insurance companies, consultants, or any other Persons. Except as set forth in SCHEDULE 5.12, all deficiencies noted in any such reports have been corrected.

5.13 LITIGATION. Except as set forth on SCHEDULE 5.13, there are no actions, suits, investigations, claims or proceedings pending or, to the knowledge of the Company or the Seller, threatened before any court, governmental or regulatory authority or arbitrator: (a) affecting the Company (as plaintiff or defendant) which: (i) could, individually or in the

aggregate, have a Material Adverse Effect; or (ii) without limiting the generality of the foregoing (A) threatens to revoke, vary, modify or terminate any of the Governmental Authorizations or to declare any of them invalid in any respect; (B) involves any of the Intangible Property; (C) involves any claim against the Company under any warranty, whether express or implied, on products or services sold by the Company; (D) involves any claim against the Company for injury to persons, animals or property suffered as a result of the sale, manufacture or distribution of any product or performance of any service by the Company including, but not limited to, claims arising out of the defective or unsafe nature of its products or services; or (E) involves a claim for specific performance, injunctive relief or other equitable remedies; or (b) which questions the legality or propriety of the transactions contemplated by this Agreement or any Ancillary Document; and there exist no facts or circumstances known to the Seller creating a reasonable basis for the institution of any such action, suit, investigation, claim or proceeding described in clauses (a) or (b) above. Except as set forth on SCHEDULE 5.13, no action, suit, investigation, claim or proceeding of the kind described in clauses (a) and (b) above have been pending, settled or adjudicated during the three years preceding the date of this Agreement.

5.14 TITLE TO AND CONDITION OF PERSONAL PROPERTY. The Company has, and will have at Closing, good and valid title to all of its assets and properties, including, without limitation, each item of equipment and other personal property, tangible and intangible, included as an asset in the Interim Financial Statements dated May 31, 1996 (other than inventory disposed of in the ordinary course of business consistent with past practices since May 31, 1996 to Persons other than the Seller or Affiliates or Associates of the Seller) and to each item of equipment and other personal property, tangible and intangible, acquired since May 31, 1996, free and clear of any Encumbrances whatsoever except for Permitted Encumbrances. SCHEDULE 5.14 contains a detailed list as of May 31, 1996 of all machinery, equipment, vehicles, furniture and other personal property owned by the Company or used by the Company in the operation of its business, having an original cost of \$1,000 or more. All tangible personal property owned by the Company or used by the Company in the operation of its business is in good operating condition and in a good state of maintenance and repair, ordinary wear and tear excepted, and is adequate for the business conducted by the Company. Except for the licenses to use certain Rights specifically identified on SCHEDULE 5.16, equipment leases and other leased property identified in SCHEDULE 5.14, there are no properties or assets, tangible or intangible, owned by any Person other than the Company which are used in connection with the business of the Company.

5.15 REAL PROPERTY. SCHEDULE 5.15 sets forth the street address of each parcel of real property owned by the Company (the "REAL PROPERTY") and a brief description of the improvements located thereon (the "OWNED IMPROVEMENTS"). The Seller has previously delivered to the Buyer, with respect to each parcel of Real Property: (a) a copy of the deed pursuant to which the Company acquired such parcel of Real Property; and (b) a copy of an owner's title insurance policy issued to the Company. The Real Property is not subject to any pending or, to the Seller's knowledge, threatened assessments for public improvements nor is the Real Property subject to any pending or, to the Seller's knowledge, threatened condemnation or eminent domain proceedings. There are no encroachments onto the Real Property which have had or would have a Material Adverse Effect and the Owned Improvements do not materially encroach onto any rights-of-way, easements or property of others. The Company possesses

good, marketable and insurable fee simple title to the Real Property, free and clear of all Encumbrances other than Permitted Encumbrances and matters reflected on the owner's title insurance policies previously delivered to the Buyer, which matters, individually and in the aggregate, do not adversely impair the marketability of the Real Property or the use of the Real Property as it is now used by the Company. Each of the parcels of Real Property has available adequate utilities, including electricity, water and sewer, and access for ingress and egress to and from public roads adjoining all or a part of such property, in each case which is adequate for use of such property as presently used by the Company. SCHEDULE 5.15 sets forth the street address of each parcel of real property leased by the Company (the "LEASED PROPERTY"), and a brief description of the improvements located thereon (the "LEASED IMPROVEMENTS") (the Owned Improvements and the Leased Improvements are collectively referred to as the "IMPROVEMENTS"). The Company has previously delivered to the Buyer a true and complete copy of all of the lease agreements, as amended to date (the "LEASES") relating to the Leased Property. The Company enjoys peaceful and undisturbed possession of the Leased Property. All Improvements are structurally sound, in a state of good maintenance and repair and in a condition adequate and suitable for the effective conduct therein of the business conducted and proposed to be conducted by the Company. No Person other than the Company has any right to use or occupy any part of the Leased Property. Neither the Seller nor the Company has received notice from, or been informed by, the lessor under any Lease that such Lease will not be renewed upon its expiration date on terms and conditions substantially similar to the terms existing thereunder.

5.16 INTANGIBLE PROPERTY. Set forth on SCHEDULE 5.16 is a list and description of all foreign and domestic patents, patent rights, trademarks, service marks, trade names, brands and copyrights (whether or not registered and, if applicable, including pending applications for registration) owned, used, licensed or controlled by the Company (collectively, the "RIGHTS"). Except as set forth on SCHEDULE 5.16: (a) the Company is the sole and exclusive owner of all right, title and interest in and to all of the Rights and in and to each invention, formula, software, trade secret, technology, product, composition, formula, know-how, method or process used by the Company (together with the Rights, hereinafter collectively referred to as "INTANGIBLE PROPERTY"), and, to the knowledge of the Company or the Seller, has the exclusive right to use and license the same, free and clear of any claim or conflict with the rights of others; (b) no royalties, honorariums or fees are payable by the Company to any Person by reason of the ownership or use of any of the Intangible Property; (c) there have been no claims made against the Company asserting the invalidity, abuse, misuse, or unenforceability of any of the Intangible Property, and to the Seller's knowledge, no grounds for any such claims exist; (d) the Company has not made any claim of any violation or infringement by others of its rights in the Intangible Property, and to the Company's and the Seller's knowledge, no grounds for any such claims exist; (e) the Company has not received any notice that it is in conflict with or infringing upon the asserted rights of others in connection with the Intangible Property and, to the knowledge of the Company or the Seller, neither the use of the Intangible Property nor the operation of its business is infringing or has infringed upon any rights of others; (f) the Intangible Property is sufficient and includes all rights necessary for the Company to lawfully conduct its businesses as presently being conducted; (g) no interest in any of the Company's rights to any Intangible Property has been assigned, transferred, licensed or sublicensed by the Company to any Person; (h) to the extent that any item constituting part of the Intangible Property has been registered with, filed in or issued by, as the case may be, any government or other regulatory authority,

such registrations, filings or issuances are listed on SCHEDULE 5.16 and were duly made and remain in full force and effect; and (i) the Seller has no knowledge of any act or failure to act by the Company or any of its directors, officers, employees, attorneys or agents during the prosecution or registration of, or any other proceeding relating to, any of the Intangible Property or of any other fact which could render invalid or unenforceable, or negate the right to issuance of any of the Intangible Property. To the extent any of the Intangible Property constitutes proprietary or confidential information, the Company has taken reasonable steps to safeguard such information from disclosure. Except as otherwise indicated on SCHEDULE 5.16, none of the Company's rights in the Intangible Property will be adversely affected or lost as a result of the transactions contemplated by this Agreement.

5.17 GOVERNMENTAL AUTHORIZATIONS. Set forth on SCHEDULE 5.17 is a list of all authorizations, consents, approvals, franchises, licenses and permits required under applicable law or regulation for the operation of the business of the Company as presently operated (the "GOVERNMENTAL AUTHORIZATIONS") the absence of which would have a Material Adverse Effect. All the Governmental Authorizations have been duly issued or obtained and are in full force and effect, and the Company is in compliance with the terms of all the Governmental Authorizations. The Seller has no knowledge of any facts which could be expected to cause him to believe that the Governmental Authorizations will not be renewed by the appropriate governmental authorities in the ordinary course. None of the Governmental Authorizations will be adversely affected or lost as a result of the transactions contemplated in this Agreement and will continue in full force and effect after the Closing, in each case without (i) the occurrence of any breach, default or forfeiture of rights thereunder, or (ii) the consent, approval, or act of, or the making of any filings with, any Person.

5.18 INSURANCE. Set forth on SCHEDULE 5.18 is a list of all insurance policies providing insurance coverage of any nature to the Company. The Company has previously delivered to the Buyer a true and complete copy of all of such insurance policies as amended. Such policies are sufficient for compliance by the Company with all requirements of law and all Material Agreements. All of such policies are in full force and effect and are valid and enforceable in accordance with their terms, and the Company has complied with all material terms and conditions of such policies, including the payment of premium payments. None of the insurance carriers has indicated to the Company an intention to cancel any such policy. Except as described in SCHEDULE 5.18, the Company has no claim pending or anticipated against any of the insurance carriers under any of such policies and there has been no actual or alleged occurrence of any kind which may give rise to any such claim.

5.19 MAJOR CUSTOMERS AND SUPPLIERS; SUPPLIES. Set forth on SCHEDULE 5.19 is a list of the 20 largest customers of the Company and 20 largest suppliers of goods or services to the Company during the fiscal years ended December 31, 1994 and 1995 and the six-month period ending June 30, 1996, and with respect to each, the name and address, dollar volume involved and nature of the relationship (including the principal categories of products purchased or sold). Except as indicated on SCHEDULE 5.19, all supplies and services that are necessary and material for the conduct of the Company's businesses as presently conducted and as proposed to be conducted may be readily obtained from alternate sources on comparable terms and conditions



as those presently available to the Company. No facts, circumstances or conditions exist which create a reasonable basis for believing that the Company after the Closing Date would be unable to continue to procure and provide the supplies and services necessary to conduct its business on substantially the same terms and conditions as such supplies and services are currently procured and provided. Except as set forth on SCHEDULE 5.19, since December 31, 1995, no significant customer or supplier of the Company has terminated its relationship with the Company or advised the Company or the Seller of its intention to terminate its relationship with the Company.

5.20 PERSONNEL. SCHEDULE 5.20 contains the names, job descriptions and annual salary rates (and the most recent date of any increase in salary rates) and other compensation of all employees, officers, directors and consultants of the Company (including compensation paid or payable by the Company under any Plans), and a list of all employee policies (written or otherwise), employee bonus or profit sharing plans, employee manuals or other written statements of rules or policies concerning employment, including working conditions, paid time off, vacation and sick leave, a complete copy of each of which (or a description, if unwritten) has been delivered to the Buyer.

5.21 LABOR RELATIONS. None of the employees of the Company is a member of any labor union, and the Company is not a party to, otherwise bound by or, to the Seller's knowledge, threatened, with any labor or collective bargaining agreement. None of the employees of the Company is known to be engaged in organizing any labor union or other employee group that is seeking recognition as a bargaining unit. Without limiting the generality of SECTION 5.13, (i) no unfair labor practice complaints are pending or, to the Seller's knowledge, threatened against the Company, and (ii) no Person has made or threatened to make any claim, and to the Seller's knowledge, there is no basis for any claim, against the Company under any statute, regulation or ordinance relating to employees or employment practices, including without limitation those relating to age, sex and racial discrimination, conditions of employment, and wages and hours.

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

(a) EMPLOYMENT AGREEMENTS. Except as set forth on SCHEDULE 5.22a, there are no employment, consulting, severance or indemnification arrangements, agreements, or understandings between the Company and any officer, director, consultant or employee ("EMPLOYMENT AGREEMENTS"). The Company has previously delivered to the Buyer true and complete copies of all of the written Employment Agreements and descriptions of all of the terms and conditions of all oral Employment Agreements. No such Employment Agreement (i) will, except as disclosed on SCHEDULE 5.22a, require any payment by the Company or the Buyer to any director, officer or employee of the Company, or any other party, by reason of the transactions contemplated by this Agreement, or (ii) provides for the acceleration or change in the award, grant, vesting or determination of options, warrants, rights, severance payments, or other contingent obligations of any nature whatsoever of the Company in favor of any such parties. Except as set forth on SCHEDULE 5.22a, the terms of employment or engagement of all directors, officers, employees, agents, consultants and professional advisers of the Company are such that their employment or engagement may be terminated upon not more than two weeks'

notice given at any time without liability for payment of compensation or damages, and the Company has not entered into any agreement or arrangement for the management of its business or any part thereof other than with its directors or employees. The Company has no unaccrued liability for any arrears of wages, bonuses or other employee benefits (including, without limitation, termination or severance pay, sick pay, personal days and holiday pay) for any of its employees except as set forth in SCHEDULE 5.22a.

(b) EMPLOYEE BENEFIT PLANS.

(i) The only employee benefit plan (within the meaning of Section 3(3) of the Employee Retirement Income Security Act of 1974, as amended ("ERISA")), stock purchase plan, stock option plan, fringe benefit plan, bonus plan or any other deferred compensation agreement or plan or funding arrangement or commitment, policy or practice (including a simplified employee pension plan) sponsored, maintained or to which contributions are made by the Company (a "PLAN") are described on SCHEDULE 5.22b. The Company has no "MULTIEMPLOYER PLAN," as such term is defined in ERISA. With respect to each Plan, the Company has delivered or made available to the Buyer current, accurate and complete copies of such Plan (including all other instruments relating thereto), each Plan's Summary Plan Description and the two most recent Annual Reports (Forms 5500).

(ii) With respect to each Plan, (A) intended to be qualified under Code section 401(a), each such Plan is so qualified, has received a determination letter from the IRS to that effect and no event has occurred and no condition exists that would result in the revocation of such letter, (B) there are no actions, suits, proceedings, investigations or claims pending, or to the knowledge of the Seller, threatened, and the Seller has no knowledge of any facts which could give rise to any such actions, suits, proceedings, investigations or claims; (C) neither the Company nor any employee or director thereof or any fiduciary of any Plan has, with respect to any such Plan, engaged in a prohibited transaction, as such term is defined in ERISA Section 406, which would subject the Company to any penalties or other liabilities resulting from prohibited transactions under ERISA Sections 409 or 502(i); (D) no event has occurred and no condition exists that would subject the Company to any penalty under ERISA Sections 502(c) or 502(l); (E) the Plan and the Company have complied with all applicable requirements of ERISA; (F) all insurance premiums related to the Plan required to be paid as of the Closing Date have been or will be paid at or prior to the Closing Date; and (G) any Plan intended to be qualified under Code section 125 is so qualified.

(iii) With respect to any Plan which is an employee welfare benefit plan (within the meaning of ERISA Section 3(1)), the Plan does not prohibit the amendment or termination of the Plan.

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

#### 5.23 TAX MATTERS.

(a) All federal, state, local and foreign Tax Returns required to be filed with respect to the Company or its business or assets, have been duly and timely filed as required, are true, correct and complete as filed, and reflect accurately all liability for Taxes for the periods to which such returns and documents relate, and all amounts showing as owing thereon have been paid. Except as disclosed on SCHEDULE 5.23, all Taxes upon the Company or upon its properties, assets, income or franchises which are due and payable through the Closing Date have been paid. Except as disclosed on SCHEDULE 5.23, there are no agreements or applications by the Company for any extension of time for the assessment or payment of any Taxes.

(b) All Taxes collectible or payable by the Company or relating to or chargeable against any of its assets, revenues or income through December 31, 1995 were fully collected and paid by the due dates therefor and all similar items collectible or payable through the Closing Date will have been fully collected and paid by that date or an appropriate liability will have been recorded on its books in respect thereof. No taxation authority has audited the records of the Company or given notice of its intention to audit the records of the Company. No claims or deficiencies have been asserted against the Company with respect to any Taxes which have not been paid or otherwise satisfied and there exists no reasonable basis for the making of any such claims. The Company has not waived any restrictions on assessment or collection of Taxes or consented to the extension of any statute of limitations relating to taxation.

#### 5.24 MATERIAL AGREEMENTS.

(a) SCHEDULE 5.24 contains a list of all material written and oral contracts or agreements to which the Company is a party or by which the Company or any of its assets or properties is bound or affected, including without limitation any:

(i) contract resulting in a commitment for expenditure or other obligation, or which provides for the receipt or potential receipt, involving in excess of \$25,000 in any instance, or series of related contracts that in the aggregate give rise to rights or obligations exceeding such amount;

(ii) indenture, mortgage, promissory note, loan agreement, guarantee or other agreement or commitment for the borrowing or lending of money or encumbrance of assets if the amount thereof exceeds \$10,000;

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

(iv) agreement or arrangement for the sale or lease of any of the business, assets, properties, rights, licenses, permits or goodwill of the Company (the "BUSINESS ASSETS") outside the ordinary course of business or requiring the consent of any party to the transfer and assignment of any Business Assets;

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

(vi) agreement relating to the development, manufacture, distribution or sale of any products or products under development by the Company if the amount payable or receivable thereunder exceeds or is reasonably anticipated to exceed \$10,000;

(vii) warranties made with respect to products manufactured, packaged, distributed or sold by the Company within the five years preceding the Closing Date;

(viii) contract for the purchase or lease by the Company of goods, equipment, supplies or capital assets or the performance by others of services which the Company reasonably anticipates will involve the payment by the Company of more than \$25,000 after the date hereof or contract for the purchase by the Company of raw materials which the Company reasonably anticipates will involve the payment by the Company of more than \$100,000 after the date hereof;

(ix) contract for the sale of products of the Company which the Company reasonably anticipates will involve the payment of more than \$100,000 after the date hereof;

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

(xi) contract not made in the ordinary course of business consistent with past practices involving the payment or receipt by the Company of more than \$10,000 or which is not cancelable by the Company without liability on not more than 30 days' notice;

(xii) agreement, contract or arrangement with any Affiliates or Associates of the Company or the Seller involving the payment or receipt by the Company of more than \$10,000 or which is not cancelable by the Company without liability on not more than 30 days' notice; or

(xiii) any other contract, agreement, instrument, arrangement or commitment that is material to the condition (financial or otherwise), results of operations, assets, properties, liabilities, business or prospects of the Company (collectively, and together with the Employment Agreements, Plans and all other agreements required to be disclosed on any Schedule to this Agreement, the "MATERIAL AGREEMENTS"). The Company has previously furnished to the Buyer true, complete and correct copies of all written agreements, as amended, required to be listed on SCHEDULE 5.24.

(b) Except as specifically identified on SCHEDULE 5.24, none of the Material Agreements was entered into outside the ordinary course of business of the Company or to the

knowledge of the Seller or the Company, contains any provisions that could reasonably be expected to result in a Material Adverse Effect, assuming for this purpose that each of the Material Agreements is performed according to its terms.

(c) Except as set forth on SCHEDULE 5.24, the Material Agreements are each in full force and effect and are the valid and legally binding obligations of the Company and, to the Seller's knowledge, the other parties thereto, enforceable in accordance with their respective terms, subject only to bankruptcy, insolvency or similar laws affecting the rights of creditors generally and to general equitable principles. Except as set forth on SCHEDULE 5.24, neither the Company nor the Seller has received notice of default by the Company under any of the Material Agreements, and the Company is not in default under any of the Material Agreements and no event has occurred which, with the passage of time or the giving of notice or both, would constitute a default by the Company thereunder. Except as set forth on SCHEDULE 5.24, to the knowledge of the Seller, none of the other parties to the Material Agreements is in default thereunder, nor has an event occurred which, with the passage of time or the giving of notice or both, would constitute a default by such other party thereunder. Neither the Company nor the Seller has received notice of the pending or threatened cancellation, revocation or termination of any of the Material Agreements, nor is the Seller or the Company aware of any facts or circumstances which could reasonably be expected to lead to any such cancellation, revocation or termination.

(d) Except as otherwise indicated on SCHEDULE 5.24, to the knowledge of the Seller or the Company, each of the Material Agreements will continue after the Closing in full force and effect under the current terms thereof, in each case without such Closing resulting in a breach of the terms thereof or resulting in the forfeiture or impairment of any right thereunder and without the consent, approval or act of, or the making of any filing with any Person.

5.25 RELATED PARTIES. Except as disclosed on SCHEDULE 5.25, neither the Seller nor any current director or officer of the Company or, to the knowledge of the Seller, any current employee of the Company (individually a "RELATED PARTY" and collectively the "RELATED PARTIES") or any Affiliate or Associate of the Seller or any Related Party: (a) owns, directly or indirectly, any interest in any Person which is a competitor, potential competitor, supplier or customer of the Company; (b) owns, directly or indirectly, in whole or in part, any property, asset or right, real, personal or mixed, tangible or intangible (including, but not limited to, any of the Intangible Property) which is utilized by or in connection with the business of the Company; (c) is a customer or supplier of the Company; or (d) directly or indirectly has an interest in or is a party to any contract, agreement, lease, arrangement or understanding, whether or not in writing, pertaining or relating to the Company, except for employment, consulting or other personal service agreements which are listed on SCHEDULE 5.22a hereto.

5.26 ABSENCE OF CERTAIN BUSINESS PRACTICES. Neither the Seller nor, to the Seller's knowledge, any Related Party, any Affiliate or Associate of the Seller or of any Related Party, any agent of the Company, or any other Person acting on behalf of or associated with the Company, acting alone or together, has: (a) received, directly or indirectly, any rebates, payments, commissions, promotional allowances or any other economic benefits, regardless of their nature or type, from any customer, supplier, employee or agent of any customer or

supplier, official or employee of any government (domestic or foreign) or other Person; or (b) directly or indirectly, given or agreed to give any money, gift or similar benefit to any customer, supplier, employee or agent of any customer or supplier, official or employee of any government (domestic or foreign), or any political party or candidate for office (domestic or foreign) or other Person who was, is or may be in a position to help or hinder the business of the Company (or assist the Company in connection with any actual or proposed transaction) which (i) may subject the Company to any damage or penalty in any civil, criminal or governmental litigation or proceeding, (ii) if not given in the past, may have had a Material Adverse Effect, or (iii) if not continued in the future, may have a Material Adverse Effect.

#### 5.27 PRODUCTS.

(a) SCHEDULE 5.27a lists each principal product currently under development, manufactured, licensed, distributed or sold by the Company and any other products in which the Company has any proprietary rights or beneficial interest (the "PRODUCTS"). Each Product manufactured by the Company has been manufactured in accordance with (i) the specifications under which the Product is normally and has normally been manufactured, and (ii) without limiting the generality of SECTION 5.12, the provisions of all applicable laws, policies, guidelines and any other governmental requirements.

(b) SCHEDULE 5.27b sets forth (i) a list of all Products which at any time have been recalled, withdrawn or suspended by the Company within the five-year period preceding the date of this Agreement, whether voluntarily or otherwise, including the date recalled, withdrawn or suspended and a brief description of the reasons therefor, and (ii) without limiting the generality of SECTION 5.13, a brief description of all completed or pending proceedings seeking the recall, withdrawal, suspension or seizure of any Product within such five-year period, and (iii) a list of all regulatory letters received by the Company or any of its agents within such five-year period relating to the Company or any of the Products or the Company's establishments.

(c) Except as set forth on SCHEDULE 5.27c, to the knowledge of the Seller, there exist no set of facts which could furnish a basis for the recall, withdrawal or suspension of any product registration, product license, manufacturing license, wholesale dealers license, export license or other license, approval or consent of any governmental or regulatory authority with respect to the Company or any of the Products.

5.28 ENVIRONMENTAL MATTERS. Except as disclosed in SCHEDULE 5.28, no property owned, leased, used or occupied by the Company currently or in the past has been used by the Company or any other Person to manufacture, treat, store, or dispose of any hazardous substance or any other regulated material in material violation of applicable laws, and such property is free of all such substances and materials. Without limiting the generality of SECTION 5.12, the Seller and the Company, and any other Person for whose conduct either it or they are or may be responsible, are in material compliance with all laws, regulations and other federal, state or local governmental requirements, and all applicable judgments, orders, writs, notices, decrees, permits, licenses, approvals, consents or injunctions relating to the generation, management, handling, transportation, treatment, disposal, storage, delivery, discharge, release

or emission of any waste, pollutant or toxic, hazardous or other regulated substance (including, without limitation, asbestos, radioactive material and pesticides and the keeping and posting of all Material Safety Data Sheets and waste manifests) or to any other actions, omissions or conditions affecting the environment (the "ENVIRONMENTAL LAWS"). Without limiting the generality of SECTION 5.13, neither the Company nor any other Person for whose conduct it may be responsible has received any complaint, notice, order, or citation of any actual or alleged noncompliance with any Environmental Law, and there is no proceeding, suit or investigation pending or, to the Seller's knowledge, threatened against the Company or any such Person with respect to any violation or alleged violation of the Environmental Laws, and, to the Seller's and the Company's knowledge, there is no reasonable basis for the institution of any such proceeding, suit or investigation.

5.29 LIST OF ACCOUNTS. Set forth on SCHEDULE 5.29 is: (a) the name and address of each bank or other institution in which the Company maintains an account (cash, securities or other) or safe deposit box; (b) the name and phone number of the Company's contact person at such bank or institution; (c) the account number of the relevant account and a description of the type of account; and (d) the persons authorized to transact business in such accounts.

5.30 CERTAIN WARRANTY AND PRODUCTS LIABILITY CLAIMS. Except as set forth on SCHEDULE 5.30, there are no claims existing or, to the best of the Seller's knowledge, threatened under or pursuant to any warranty, whether express or implied, on products or services sold by the Company involving amounts in excess of \$50,000 in the aggregate. There are no claims existing and, to the knowledge of the Seller or the Company, there is no basis for any claim against the Company for injury to persons, animals or property as a result of the sale, distribution or manufacture of any product or performance of any service by the Company including, but not limited to claims arising out of the defective or unsafe nature of its products or services. The Company has full and adequate insurance coverage for products liability claims against it.

5.31 DISCLOSURE. No representation or warranty of the Seller contained in this Agreement or in any certificate or other document furnished by or on behalf of the Seller or the Company to the Buyer or their agents pursuant hereto or in connection with the transactions contemplated hereby, contains or will contain any untrue statement of a material fact or omits to state a material fact necessary in order to make the statements contained herein or therein not misleading.

#### ARTICLE VI

[INTENTIONALLY OMITTED]

## ARTICLE VII

### ADDITIONAL AGREEMENTS

7.1 CLOSING OF COMPANY'S TAX YEAR; CERTAIN EMPLOYMENT TAXES. The parties acknowledge and agree that the tax year of the Company will close as of the Closing Date and that the Seller will be responsible for including in his individual tax return the entire taxable income of the Company for the period from January 1, 1996 through the Closing Date. In addition, there shall be deducted from the Purchase Price otherwise payable to the Seller pursuant to SECTION 2.2 the employer's portion of all employment taxes (including, without limitation, FICA and FUTA taxes) attributable to the special bonuses being paid on or after the Closing Date to Kott and two other officers of the Company in the aggregate amount of \$800,000.

#### 7.2 CERTAIN TAX RETURNS AND INDEMNITY.

(a) Any Tax (including, without limitation, a sales Tax, use Tax or documentary stamp Tax) directly attributable to the sale or transfer of the Shares shall be paid by the Seller. The Buyer and the Seller agree to timely sign and deliver such certificates or forms as may be necessary or appropriate and to otherwise cooperate to establish an exemption from (or otherwise reduce), or make a report with respect to, such Taxes.

(b) The Seller will be solely responsible for the preparation and filing of the federal and state income Tax Returns of the Company for the period from the beginning of the current fiscal year of the Company through the Closing Date, which returns shall be subject to review and approval by the Buyer prior to the Company filing same. The Buyer shall reimburse the Seller for its reasonable professional fees and expenses incurred in preparing such Tax Returns promptly following the Seller's receipt of an itemized invoice therefor from the Buyer; PROVIDED, HOWEVER, that the Buyer's obligation for such reimbursement shall not exceed \$10,000.

7.3 GUARANTEES. Effective as of the Closing, the Buyer shall use its best efforts to cause the Seller to be released, as of the Closing, from the personal guarantees listed on SCHEDULE 7.5(b).

7.4 SURVIVAL. The representations and warranties of the parties hereto contained in this Agreement or in any exhibit or schedule to this Agreement shall survive the Closing Date, but the liability of a party for breach of any representation or warranty shall terminate three (3) years after the Closing Date unless written notice describing such breach is given to such party on or before the expiration of such period. The representations, warranties and covenants set forth in this Agreement shall not be affected or diminished in any way by any investigation (or failure to investigate) at any time by or on behalf of the party for whose benefit such representations, warranties and covenants were made. All statements contained herein or in any schedule, certificate, exhibit, list or other document delivered pursuant hereto shall be deemed to be representations and warranties for purposes of this Agreement. No representation,



warranty, covenant or agreement of any party shall limit the generality of any other representation, warranty, covenant or agreement of such party.

#### 7.5 INDEMNIFICATION.

(a) BY THE SELLER. Subject to the limitations set forth in SECTION 7.5(e), the Seller agrees to indemnify and hold harmless the Buyer and its directors, officers, employees and agents from, against and in respect of, the full amount of any and all liabilities, damages, claims, deficiencies, fines, assessments, losses, Taxes, penalties, interest costs and expenses, including, without limitation, reasonable fees and disbursements of counsel (collectively, "LOSSES"), arising from, relating to, in connection with, or incident to:

(i) any breach or inaccuracy of any of the representations or warranties of the Seller contained in ARTICLES 4 OR 5, in any schedule or exhibit to this Agreement or in any certificate delivered by the Seller prior to or at the Closing;

(ii) any breach or failure to perform, observe or comply with any covenant or agreement of the Seller contained in this Agreement;

(iii) any act, omission, transaction, status, event, condition, occurrence, or situation in any way relating to the Company or the conduct of its business arising or occurring on or prior to the Closing Date which have not been reflected or reserved against it the Financial Statements or this Agreement or a schedule hereto or in any document referred to in a schedule hereto, without regard to whether such claims exist on the Closing Date or arise at any time thereafter;

(iv) any and all obligations or liabilities of the Company, whether known or unknown, asserted or unasserted, absolute, contingent or otherwise, which have not been reflected or reserved against it the Financial Statements or this Agreement or a schedule hereto or in any document referred to in a schedule hereto;

(v) any and all obligations or liabilities of the Company, whether known or unknown, asserted or unasserted, absolute, contingent or otherwise, which arise out of, result from or are related to (i) to the extent in excess of the \$30,000 reserve referred to in SCHEDULE 5.7, the Company's violation of, or failure to observe or comply with, any Environmental Laws at any time prior to the Closing Date, including without limitation the matters disclosed on SCHEDULE 5.12, or (ii) to the extent in excess of \$75,000 in the aggregate, warranty and products liability claims against the Company with respect to products manufactured and services performed by the Company (to the extent such claims are not covered by the Company's products liability insurance) prior to the Closing Date; and

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

(b) BY THE BUYER. Subject to the limitations set forth in SECTION 7.5(e), the Buyer agrees to indemnify and hold harmless the Seller from, against and in respect of, the full amount of any and all Losses arising from, in connection with, or incident to:

(i) any breach or inaccuracy of any of the representations or warranties of the Buyer contained in ARTICLE 3, in any schedule or exhibit to this Agreement or in any certificate delivered by the Buyer at or prior to the Closing;

(ii) any breach or failure to perform, observe or comply with any covenant or agreement of the Buyer contained in this Agreement; and

(iii) any and all payments made after the Closing Date by the Seller under any of the guarantees listed on SCHEDULE 7.5(b); and

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

(c) TAX INDEMNIFICATION.

(i) Except as provided in clause (ii) of this paragraph (c) and except to the extent exceeding any reserves or allowances for Taxes on the books of the Company and disclosed on SCHEDULE 5.23, the Seller agrees to indemnify and hold harmless the Buyer and the Company and their respective directors, officers, employees and agents from, against and in respect of, all Taxes that may be imposed by the United States government or by any state, local or foreign government or subdivision thereof, or authorized on, or discharged against the Company with respect to (1) all taxable periods of the Company ending on or prior to, or including, the Closing Date and (2) the taxable period of the Seller including the Closing Date.

(ii) If, for any state, local, municipal or foreign tax purposes, the taxable year of the Company does not terminate on the Closing Date, Taxes, if any (whether based on income, capital or otherwise) attributable to the taxable period of the Company that includes the Closing Date shall be allocated to and shall be the responsibility of (A) the Seller, for the period up to and including the Closing Date, and (B) the Buyer for the period subsequent to the Closing Date. For purposes of this clause (ii), Taxes attributable to the period up to and including the Closing Date will be based on an interim closing of the books of the Company at the close of business on the Closing Date.

(iii) The Buyer agrees to assign and promptly remit (or to cause the Company to assign and promptly remit) to the Seller all refunds (including interest received thereon) of any Taxes received by the Buyer or the Company for which the Seller shall have previously indemnified the Buyer and the Company hereunder.

(iv) The Buyer agrees to indemnify the Seller for any additional federal income tax liability to the Seller resulting from the Code Section 338(h)(10) allocation to

be made pursuant to SECTION 2.3; PROVIDED, HOWEVER, that the amount of such indemnification shall not exceed \$10,000.

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

An Indemnified Party under this Agreement shall, with respect to claims asserted against such party by any third party, give written notice to each Indemnifying Party of any liability which might give rise to a claim for indemnity under this Agreement within 60 days of the receipt of any written claim from any such third party, and with respect to other matters for which the Indemnified Party may seek indemnification, give prompt written notice to each Indemnifying Party of any liability which might give rise to a claim for indemnity; PROVIDED, HOWEVER, that any failure to give such notice will not waive any rights of the Indemnified Party except to the extent the rights of the Indemnifying Party are materially prejudiced.

As to any claim, action, suit or proceeding by a third party, the Indemnifying Party shall be entitled, together with the Indemnified Party, to participate in the defense, compromise or settlement of any such matter through the Indemnifying Party's own attorneys and at its own expense. At the Indemnifying Party's expense, the Indemnified Party shall provide such cooperation and such access to its books, records and properties as the Indemnifying Party shall reasonably request with respect to such matter; and the parties hereto agree to cooperate with each other in order to ensure the proper and adequate defense thereof; it being understood that the Indemnified Party shall control any such defense, all at the Indemnifying Party's expense.

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

With regard to claims of third parties for which indemnification is payable hereunder, such indemnification shall be paid by the Indemnifying Party upon the earliest to occur of: (i) the entry of a judgment against the Indemnified Party and the expiration of any applicable appeal period, or if earlier, five days prior to the date that the judgment creditor has the right to execute the judgment or if earlier the date that the Indemnified Party must post any bond with respect to any judgment or other judicial ruling; (ii) the entry of an unappealable judgment or final appellate decision against the Indemnified Party; (iii) a settlement of the claim; or (iv) with respect to indemnities for Tax liabilities, upon the issuance of any resolution by a taxation authority and the expiration of any applicable appeal period. Notwithstanding the foregoing, expenses of counsel to the Indemnified Party shall be reimbursed on a current basis by the Indemnifying Party. With regard to other claims for which indemnification is payable hereunder, such indemnification shall be paid promptly by the Indemnifying Party upon demand by the Indemnified Party.

(e) LIMITATIONS. No party shall have any obligation under the indemnification provisions set forth in SECTIONS 7.5(a) or (b) until the aggregate of all claims for which such party is responsible under such indemnification provisions with respect to any breach of a representation or warranty exceeds \$100,000 (it being understood that such limitation shall be inapplicable with respect to any breach or violation of any covenant or agreement); PROVIDED, HOWEVER, that (i) if any party is responsible for indemnification hereunder for any amount in excess of such amount, then such amount shall not be deemed applicable and such party shall be responsible to fully indemnify the other party for all such claims, and (ii) such limitation shall not apply to the Buyer's obligation to indemnify the Seller under SECTION 7.5(b)(iii). None of the limitations of this SECTION 7.5(e) shall apply with respect to any action based upon willful or fraudulent actions, misrepresentations or breaches of any party.

#### 7.6 NONCOMPETITION; STANDSTILL.

(a) The Seller acknowledges that in furtherance of the sale of the Shares to the Buyer and in order to assure the Buyer that the Buyer will retain the value and goodwill of the Business Assets so sold, the Seller agrees not to utilize his special knowledge of the Business Assets and his relationships with customers, suppliers and others to compete with the Buyer in any business which is the same as or similar to the business (the "PROHIBITED BUSINESS") as conducted by the Company or the Buyer, including, without limitation, the aircraft ground support equipment business. For a period of five years beginning on the Closing Date, the Seller shall not, directly or indirectly, assist in the creation or development of, engage or have an interest, anywhere in the United States of America or any other geographic area where the Company does business or in which its Products are marketed, alone or in association with others, as principal, officer, agent, employee, director, partner or stockholder (except as an employee or consultant of the Buyer or the Company or any of their Affiliates), or through the investment of capital, lending of money or property, rendering of services or advice or otherwise, in any business competitive with or similar to the Prohibited Business. During the same period, the Seller shall not, and he shall not permit any of his employees, agents or others under any of their control to, directly or indirectly, on behalf of the Seller or any other Person, (i) call upon, accept business from, or solicit the business of any Person who is, or who had been at any time during the preceding two years, a customer of the Company or otherwise divert or attempt to divert any business from the Company; or (ii) recruit or otherwise solicit or induce any person who was an employee of, or otherwise engaged by, the Company at any time between January 1, 1996 and the Closing Date to terminate his or her employment or other relationship with the Company, or hire any person who has left the employ of the Company during the preceding two years. The Seller shall not at any time, directly or indirectly, use or purport to authorize any Person to use any name, mark, logo, trade dress or other identifying words or images which are the same as or confusingly similar to those used currently or in the past by the Company in connection with any product or service, whether or not such use would be in a business competitive with that of the Company. The ownership or control of up to five percent of the outstanding voting securities or securities of any class of a company with a class of securities registered under the Exchange Act shall not be deemed to be a violation of the provisions of this SECTION 7.6.

(b) The Seller hereby agrees that for a period ending on the date which is ten (10) years from the Closing neither the Seller nor any Affiliate, Associate, successor or assign of the Seller (regardless of whether such Person is an Affiliate or Associate on the date hereof) will (a) acquire, offer to acquire, or agree to acquire, directly or indirectly, by purchase or otherwise, control of the Buyer, (b) make, or in any way participate, directly or indirectly, as advisor or otherwise, in any "solicitation" of "proxies" or consents to vote (as such terms are used in the proxy rules of the Commission), or seek to advise or influence any Person with respect to the voting of any voting securities of the Buyer, in opposition to any proposed actions of the Board of Directors of the Buyer or in opposition to any nominees for Directors of the Buyer which nominees have been nominated by the Buyer, its management or its Board of Directors, (c) seek or assist any other party in seeking representation on the Board of Directors of the Buyer through the election to the Board of Directors of individuals(s) not nominated and supported by the Buyer, its management and Board of Directors, (d) pursue or publicly announce an interest in pursuing an acquisition of control of the Buyer or an alteration of the composition of the Buyer's Board of Directors or (e) advise or otherwise act, alone or in concert with others, directly or indirectly, to seek to control or influence the management, Board of Directors or policies of the Buyer.

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

7.8 CONTINUING OBLIGATIONS. The restrictions set forth in SECTIONS 7.6 and 7.7 are considered by the parties to be reasonable for the purposes of protecting the value of the Business Assets, the Company and the Buyer. The parties hereto acknowledge that the Company and the Buyer would be irreparably harmed and that monetary damages would not provide an adequate remedy to the Company and the Buyer in the event the covenants contained in SECTIONS 7.6 and 7.7 were not complied with in accordance with their terms. Accordingly, the Seller agrees that any breach or threatened breach by him of any provision of SECTIONS 7.6 and 7.7 shall entitle the Company and the Buyer to injunctive and other equitable relief without the posting of any bond or security to secure the enforcement of these provisions, in addition to any other remedies which may be available to the Company and the Buyer, and that the Company and the Buyer shall be entitled to receive from the Seller reimbursement for all attorneys' fees and expenses incurred by the Company and the Buyer in enforcing these provisions. In addition

to its other rights and remedies, the Company and Buyer shall have the right to require the Seller, if he breaches any of the covenants contained in SECTIONS 7.6 and 7.7, to account for and pay over to the Company and the Buyer, as the case may be, all compensation, profits, money, accruals and other benefits derived or received, directly or indirectly, by the Seller from the action constituting such breach. If the Seller breaches the covenant set forth in SECTION 7.6, the running of the noncompete period described therein shall be tolled with respect to the Seller for so long as such breach continues after written notice to the Seller from the Buyer or the Company. It is the desire and intent of the parties that the provisions of SECTIONS 7.6, 7.7 and 7.8 be enforced to the fullest extent permissible under the laws and public policies of each jurisdiction in which enforcement is sought. If any provisions of SECTIONS 7.6 geographic area of restrictions are declared by a court of competent jurisdiction to exceed the maximum permissible time period, scope of activities or geographic area, the maximum time period, scope of activities or geographic area, as the case may be, shall be reduced to the maximum which such court deems enforceable. If any provisions of SECTIONS 7.6, 7.7 or 7.8 other than those described in the preceding sentence are adjudicated to be invalid or unenforceable, the invalid or unenforceable provisions shall be deemed amended (with respect only to the jurisdiction in which such adjudication is made) in such manner as to render them enforceable and to effectuate as nearly as possible the original intentions and agreement of the parties.

7.9 BORAX AND KOTT EMPLOYMENT AGREEMENTS. At the Closing, (i) the Company and the Seller shall enter into the Employment and Non-Competition Agreement attached hereto as EXHIBIT A (the "BORAX EMPLOYMENT AGREEMENT"), and (ii) the Company and Kott shall enter into the Employment and Non-Competition Agreement attached hereto as EXHIBIT B (the "KOTT EMPLOYMENT AGREEMENT").

7.10 STOCK OPTION AGREEMENTS; SEVERANCE AND BONUS AGREEMENTS. At the Closing, the Buyer shall execute and deliver the Stock Option Agreements (the "STOCK OPTION AGREEMENTS") covering an aggregate of 74,800 shares of the Buyer Common Stock substantially in the form of EXHIBIT C in favor of the executives listed on SCHEDULE 7.10 for the number of shares set forth opposite their names on SCHEDULE 7.10.

#### ARTICLE VIII

##### CLOSING; CLOSING DELIVERIES

8.1 CLOSING. The consummation of the sale and purchase and the transfers and deliveries to be made pursuant to this Agreement (the "CLOSING") shall take place at 10:00 a.m. local time at the offices of Stearns Weaver Miller Weissler Alhadeff & Sitterson, P.A., on September 16, 1996 (the "CLOSING DATE"), or at such other place, time or date as may be agreed to by the parties. Irrespective of when the Closing takes place, the Closing shall be deemed to have occurred at 12:01 a.m. local time on September 1, 1996 and shall be so reflected by the parties hereto in all Tax Returns filed by them for any period in which the Closing takes place or is deemed to have taken place. All proceedings to be taken and all documents to be executed at the Closing shall be deemed to have been taken, delivered and executed simultaneously, and

no proceeding shall be deemed taken nor documents deemed executed or delivered until all have been taken, delivered and executed.

(a) At the Closing, the Seller shall deliver to the Buyer:

(i) A copy of the Certificate of Incorporation of the Company certified as of a recent date by the Secretary of State of New York and a copy of the Bylaws of the Company certified on the Closing Date by the Secretary or an Assistant Secretary of the Company;

(ii) Certificates of good standing of the Company issued as of a recent date by the Secretaries of State of the States of New York and Florida;

(iii) Certificates representing the Shares, with separate stock powers, endorsed in blank by the Seller with signature guarantees;

(iv) All minute books, stock certificate books and stock ledgers of the Company;

(v) Opinion of Messrs. Foley & Lardner, counsel to the Company and the Seller, substantially in the form of EXHIBIT E;

(vi) All consents, waivers or approvals obtained by the Company with respect to the sale and transfer of the Shares or the consummation of the transactions contemplated by this Agreement; and in particular, the Company shall have obtained each of the consents contemplated by SECTION 5.3 hereof;

(vii) A comfort letter, dated not more than ten days prior to the Closing Date, from the Company's independent public accountants, in form and substance acceptable to Buyer;

(viii) The Borax Employment Agreement, duly executed by the Seller, and the Kott Employment Agreement, duly executed by Kott;

(ix) Written resignations, effective as of the Closing Date, of each officer and director of the Company requested by the Buyer not less than five days prior to the Closing; and

(x) Such other instruments or documents as the Buyer may reasonably request or as may be otherwise necessary to evidence and effect the sale, assignment, transfer, conveyance and delivery of the Shares to the Buyer.

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

(b) At the Closing, the Buyer shall deliver to the Seller:

(i) A wire transfer or cashier's check for the Purchase Price, as adjusted pursuant to SECTION 7.1;

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

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

(iv) Incumbency certificates, duly executed and dated the Closing Date, with respect to the officers of the Buyer executing this Agreement and the Ancillary Documents to which Buyer is a party;

(v) Copies of the resolutions of Boards of Directors of the Buyer authorizing the execution, delivery and performance of this Agreement and the Ancillary Documents to which Buyer is a party and the transactions contemplated hereby and thereby, certified by the Secretary or an Assistant Secretary of the Buyer, as of the Closing Date;

(vi) Opinion of Stearns Weaver Miller Weissler Alhadeff & Sitterson, P.A., counsel to the Buyer, substantially in the form of EXHIBIT G;

(vii) The Borax Employment Agreement, the Kott Employment Agreement and the Stock Option Agreements, all duly executed by the Buyer.

#### ARTICLE IX

##### MISCELLANEOUS

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

IF TO THE SELLER:



c/o Trilectron Industries, Inc.  
12297 U.S. Highway 41 North  
Palmetto, Florida 34220  
Attn: President

WITH A COPY TO:

Foley & Lardner  
100 N. Tampa Street  
Suite 2700  
Tampa, Florida 33602  
Attn: Russell T. Alba, Esq.

IF TO THE BUYER:

HEICO Corporation  
825 South Bayshore Drive  
Suite 1643  
Miami, Florida 33131  
Attn: President

WITH A COPY TO:

Stearns Weaver Miller Weissler  
Alhadeff & Sitterson, P.A.  
150 West Flagler Street  
Museum Tower, Suite 2200  
Miami, Florida 33130  
Attn: Stuart D. Ames, Esq.

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

9.2 ENTIRE AGREEMENT. This Agreement and the exhibits and schedules to this Agreement contain every obligation and understanding among the parties relating to the subject matter hereof and merge all prior discussions, negotiations and agreements, if any, among them, and none of the parties shall be bound by any representations, warranties, covenants, or other understandings, other than as expressly provided or referred to herein.

9.3 ASSIGNMENT. This Agreement may not be assigned by any party without the written consent of each other party; PROVIDED, HOWEVER, that the Buyer may assign its rights hereunder to a wholly-owned subsidiary of the Buyer but such assignment shall not relieve the Buyer from any of its obligations hereunder. Subject to the preceding sentence, this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors, heirs, personal representatives, legal representatives, and permitted assigns.

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

9.5 NO THIRD PARTY BENEFICIARY. Except with respect to the officers, directors, employees and agents expressly referenced in SECTION 7.5, nothing expressed or implied in this Agreement is intended, or shall be construed, to confer upon or give any Person other than the parties hereto and their respective heirs, personal representatives, legal representatives, successors and permitted assigns, any rights or remedies under or by reason of this Agreement.

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

9.7 EXPENSES. Each party agrees to pay, without right of reimbursement from any other party, the costs incurred by it incident to the performance of its obligations under this Agreement and the consummation of the transactions contemplated hereby, including, without limitation, costs incident to the preparation of this Agreement, and the fees and disbursements of counsel, accountants and consultants employed by such party in connection herewith; PROVIDED, HOWEVER, (i) that the Buyer shall pay all fees and costs of Corporate Finance Dimensions, Inc. incurred in connection herewith, and (ii) if the transactions contemplated herein are consummated, the Seller shall not be entitled to reimbursement from the Company, and the Company shall not pay, for any of such costs of the Seller.

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

parties as to whether any obligation, item or matter not described herein or included in a Schedule is or is not material for purposes of this Agreement.

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

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

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

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

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

9.14 FURTHER ASSURANCES. On the Closing Date, the Seller shall (i) deliver to the Buyer such other endorsements, assignments and other good and sufficient instruments of conveyance and transfer, in form reasonably satisfactory to the Buyer and its counsel, as the Buyer may reasonably request or as may be otherwise reasonably necessary to vest in the Buyer all the right, title and interest of the Seller in, to or under any or all of the Shares, and (ii) take all steps as may be reasonably necessary to put the Buyer in actual possession and control of all the Shares and control of the Company. From time to time following the Closing, the Company and

the Seller shall execute and deliver, or cause to be executed and delivered, to the Buyer such other instruments of conveyance and transfer as the Buyer may reasonably request or as may be otherwise necessary to more effectively convey and transfer to, and vest in, the Buyer and to put the Buyer in possession of, any part of the Shares, and, in the case of licenses, certificates, approvals, authorizations, agreements, contracts, leases, easements and other commitments of the Company which cannot be directly or indirectly transferred or assigned effectively without the consent of third parties which consent has not been obtained prior to the Closing, to cooperate with the Buyer at its request in endeavoring to obtain such consent promptly.

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

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

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

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

HEICO CORPORATION

By: /S/ VICTOR MENDELSON  
-----  
Victor Mendelson  
Vice President

/S/ SIGMUND BORAX  
-----  
SIGMUND BORAX

## SCHEDULE 1

### DEFINITIONS

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

"AFFILIATE" has the meaning specified in Rule 144 promulgated by the Commission under the Securities Act.

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

"ALLOCATION SCHEDULE" has the meaning specified in SECTION 2.3.

"AMEX" means the American Stock Exchange.

"ANCILLARY DOCUMENTS" means the Borax Employment Agreement, the Kott Employment Agreement and the Stock Option Agreements.

"ASSOCIATE", when used to indicate a relationship with a specified Person, has the meaning specified in Rule 405 promulgated by the Commission under the Securities Act.

"BORAX EMPLOYMENT AGREEMENT" has the meaning specified in SECTION 7.10.

"BUSINESS ASSETS" has the meaning specified in SECTION 5.24(a)(iv).

"BUYER COMMON STOCK" means the common stock, par value \$.01 per share, of the Buyer.

"CLOSING" has the meaning specified in SECTION 8.1.

"CLOSING DATE" has the meaning specified in SECTION 8.1.

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

"COMMISSION" means the Securities and Exchange Commission.

"COMPANY" has the meaning specified in Preliminary Statement "A".

"EMPLOYMENT AGREEMENTS" has the meaning specified in SECTION 5.22(a).

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

"ENVIRONMENTAL LAWS" has the meaning specified in SECTION 5.28.

"ERISA" has the meaning specified in SECTION 5.22(b).

"EXCHANGE ACT" means the Securities Exchange Act of 1934, as amended.

"FINANCIAL STATEMENTS" has the meaning specified in SECTION 5.6.

"GOVERNMENTAL AUTHORIZATIONS" has the meaning specified in SECTION 5.17.

"IRS" has the meaning specified in SECTION 2.3.

"IMPROVEMENTS" has the meaning specified in SECTION 5.15.

"INDEMNIFIED PARTY" has the meaning specified in SECTION 7.5(d).

"INDEMNIFYING PARTY" has the meaning specified in SECTION 7.5(d)

"INTANGIBLE PROPERTY" has the meaning specified in SECTION 5.16.

"INTERIM FINANCIAL STATEMENTS" has the meaning specified in SECTION 5.6.

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

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

"KOTT EMPLOYMENT AGREEMENT" has the meaning specified in SECTION 7.10.

"LEASED IMPROVEMENTS" has the meaning specified in SECTION 5.15.

"LEASED PROPERTY" has the meaning specified in SECTION 5.15.

"LEASES" has the meaning specified in SECTION 5.15.

"LOSSES" has the meaning specified in SECTION 7.5(a).

"MATERIAL ADVERSE EFFECT" means a material adverse effect on the condition (financial or otherwise), results of operations, properties, assets, liabilities, business or prospects of the Company.

"MATERIAL AGREEMENTS" has the meaning specified in SECTION 5.24.

"OWNED IMPROVEMENTS" has the meaning specified in SECTION 5.15.

"PERMITTED ENCUMBRANCES" means liens for taxes which are not yet due and payable and Encumbrances disclosed in the Financial Statements or the Interim Financial Statements and other Encumbrances which secure indebtedness of the Company not exceeding \$10,000 in the aggregate.

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

"PLAN" has the meaning specified in SECTION 5.22(b).

"PRODUCTS" has the meaning specified in SECTION 5.27(a).

"PROHIBITED BUSINESS" has the meaning specified in SECTION 7.6.

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

"REAL PROPERTY" has the meaning specified in SECTION 5.15.

"RELATED PARTY" has the meaning specified in SECTION 5.25.

"RIGHTS" has the meaning specified in SECTION 5.16.

"SECURITIES ACT" means the Securities Act of 1933, as amended.

"SHARE" has the meaning specified in the Preliminary Statement "A".

"STOCK OPTION AGREEMENT" has the meaning specified in SECTION 7.10.

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

"TAX" means any federal, state, local or foreign income, gross receipts, property, sales, use, transfer, gains, license, excise, employment, payroll, withholding or minimum tax, or any other tax custom, duty, governmental fee or other like assessment or charge of any kind

whatsoever, together with any interest or any penalty, addition to tax or additional amount imposed by any foreign, federal, state, local or other governmental authority or regulatory body.

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



## EMPLOYMENT AND NONCOMPETITION AGREEMENT

AGREEMENT, dated as of the 16th day of August, 1996, by and between TRILECTRON INDUSTRIES, INC., a New York corporation (the "EMPLOYER"), and SIGMUND BORAX (the "EMPLOYEE").

## WITNESSETH:

WHEREAS, the Employee desires to continue to be employed by the Employer, and the Employer desires to continue to employ the Employee, upon the terms and conditions hereinafter set forth; and

WHEREAS, the Employee represents that he is not a party to any agreement which would prohibit him from entering into this Agreement or his performing the services required hereunder.

NOW, THEREFORE, in consideration of the premises and other good and valuable consideration, receipt of which is hereby acknowledged, the Employer and the Employee agree as follows:

## SECTION 1. EMPLOYMENT OF EMPLOYEE

(a) TERM. The Employee's employment hereunder will commence on the date of the closing of the Stock Purchase Agreement, dated as of August 16, 1996, pursuant to which all of the outstanding capital stock of the Employer is being acquired by HEICO Corporation, a Florida corporation ("HEICO"), from the Employee, and will expire on the second anniversary of such closing date (the "TERM"). Notwithstanding the foregoing, the Employee's employment hereunder may be terminated prior to the expiration of the Term as provided in SECTION 2.

(b) DUTIES AND RESPONSIBILITIES. The Employee shall serve as Vice Chairman of the Employer. The Employee agrees to use his best efforts, entire productive time, attention, and energies to the business of the Employer and shall assume and competently perform such reasonable responsibilities and duties as may be assigned to him from time to time by the Employer through its duly authorized management personnel; PROVIDED, HOWEVER, that the Employee shall not be required to work more than four (4) days per week. To the extent that the Employer shall have any parent, subsidiaries, affiliated corporations, partnerships, or joint ventures (collectively "RELATED ENTITIES"), Employee shall perform such duties to promote these entities and their respective interests to the same extent as the interests of the Employer and without additional compensation. At all

times, the Employee agrees to abide by any employee handbook, policy, or practice that the Employer has or hereafter adopts with respect to its employees generally.

(c) COMPENSATION. As full compensation for his services hereunder and in consideration for the Employee's covenants contained in this Agreement, the Employer shall pay the Employee a salary at the per annum rate of \$150,000, payable in accordance with the customary payroll practices of the Employer. Simultaneous with the execution of this Agreement, the Employer's parent company, HEICO Corporation, a Florida corporation ("HEICO"), is granting to the Employee an option to purchase 11,000 shares of HEICO's Common Stock, \$.01 par value per share, pursuant to the terms of a Stock Option Agreement of even date herewith between HEICO and the Employee.

(d) EXPENSES; FRINGE BENEFITS AND VACATION POLICY. The Employer agrees to pay or reimburse the Employee for all reasonable vouchered business expenses incurred during his employment which have been submitted in accordance with any expense reimbursement policy or practice of the Employer as in effect from time to time. The Employer will provide to the Employee a leased automobile of comparable quality to the automobile currently under lease for the Employee and such pension benefits, holidays, vacation and other employee benefits which the Employer provides to similarly situated employees, subject to the provisions of the various benefit plans, programs, or policies in effect from time to time. The Employer reserves the right to change or eliminate these benefits at any time.

(e) LIFE INSURANCE. The Employee agrees that the Employer shall have the right to obtain life insurance on the Employee's life, at the Employer's sole expense and with the Employer as the sole beneficiary thereof, but no representation is made by the Employee as to his insurability. The Employee shall (i) cooperate fully with the Employer in obtaining such life insurance, (ii) sign any necessary consents, applications and other related forms or documents, and (iii) take any required medical examinations.

## SECTION 2. TERMINATION OF EMPLOYMENT

(a) TERMINATION BY THE EMPLOYER. The Employer may terminate the employment of the Employee at any time with or without Cause (as defined below) and with or without notice. Following termination of employment of the Employee for cause, the Employer shall have no further obligations under this Agreement, including payment obligations. If the employment of the Employee is terminated by the Employer without Cause, the Employee shall continue to be entitled to receive the compensation payable to him pursuant to SECTION 1(c) but

thereafter shall not be entitled to any of the expense reimbursement or benefits referred to in SECTION 1(d) except to the extent such right to reimbursement or benefits were vested at the date of such termination. As used in this

Agreement, "CAUSE" shall mean the following: (1) the Employee's failure or refusal to perform his duties, as contemplated by this Agreement, in a satisfactory manner; after notice and a reasonable opportunity to cure, (2) dishonesty or other acts that adversely affect the Employer; (3) a violation of the Employer's written policies or practices which justifies immediate termination, as defined by the Employer; (4) arrest for or conviction of a felony or of any crime involving moral turpitude, fraud, dishonesty or misrepresentation; (5) the commission by the Employee of any act which could reasonably be expected to injure the reputation, business, or business relationships of the Employer or Related Entities; (6) the Employee's inability to perform an essential function of his position, which inability continues for 90 consecutive days or for periods aggregating 90 days in any 180-day period; or (7) any material breach by Employee of this Agreement or the Stock Purchase Agreement.

(b) TERMINATION BY EMPLOYEE. The Employee agrees to provide the Employer with at least twenty (20) business days' written notice of his intent to terminate employment voluntarily ("TERMINATION NOTICE PERIOD"). Failure to provide such notice terminates the Employee's entitlement to payment for accrued, unused benefits, such as vacation. The Employer reserves the right to terminate the Employee before the end of the Termination Notice Period provided that the Employer pays the Employee the salary that he would have received from the date of the last payroll payment to the end of the Termination Notice Period. During the Termination Notice Period, the Employee agrees to make a good faith effort to perform the duties described hereunder. If the Employee terminates his employment with the Employer for any reason, the Employer's obligations, including payment obligations, under this Agreement shall forthwith cease except as provided in this subparagraph.

### SECTION 3. NON-COMPETITION; STANDSTILL; PROTECTION OF CONFIDENTIAL INFORMATION; ETC.

(a) RATIONALE FOR RESTRICTIONS. The Employee acknowledges that his services hereunder are of a special, unique, extraordinary and intellectual character, and his position with the Employer places him in a position of confidence and trust with the customers, suppliers and employees of the Employer and/or Related Entities. The Employee also acknowledges that the Employer and Related Entities design, manufacture, sell and service aircraft, ground and support equipment (collectively "PRODUCTS") throughout the world and that the Employer competes with many companies, including, but not limited to, Hobart Corp. and Stewart and Stevenson, Inc. The Employee further acknowledges that the rendering of services under this Agreement necessarily requires the disclosure to the Employee of Confidential Information of the Employer and/or Related Entities. The Employee and the Employer agree that both prior to and during the course of employment with the Employer and Trilectron, the Employee had, has, and will

continue to develop a personal relationship with the Employer's customers, and a knowledge of these customers' affairs and requirements which may constitute the Employer's primary and only contact with such customers. The Employee acknowledges that the Employer's relationships with its established clientele may therefore be placed in the Employee's hands in confidence and trust. The Employee consequently agrees that it is reasonable and necessary for the protection of the goodwill and legitimate business interests of the Employer and the Related Entities that the Employee make the covenants contained herein, that the covenants are a material inducement for the Employer to employ the Employee and to enter into this Agreement, and that the covenants are given as an integral part of and incident to this Agreement.

(b) NON-COMPETITION IN RELATED BUSINESS. As used herein, the term "RESTRICTIVE PERIOD" means the period commencing on the date of this Agreement and ending two (2) years following the later of (i) the expiration of the Term or (ii) the termination of the employment of the Employee with the Employer, irrespective of the reason for such termination and even though such termination occurs after the expiration of the Term. During the Restrictive Period, the Employee agrees not to utilize his special knowledge of the business of the Employer and his relationships with customers, suppliers and others to compete with the Employer or any of the Related Entities or any of the Related Entities in any business which is the same as or similar to the business (the "PROHIBITED BUSINESS") conducted by the Employer or any of the Related Entities at any time during the Restrictive Period. During the Restrictive Period, the Employee shall not, directly or indirectly, assist in the creation or development of, engage or have an interest, anywhere in the United States of America or any other geographic area where the Employer or any Related Entity does business or in which its Products are marketed, alone or in association with others, as principal, officer, agent, employee, director, partner or stockholder (except as an employee or consultant of the Employer or any of the Related Entities), or through the investment of capital, lending of money or property, rendering of services or advice or otherwise, in any business competitive with or similar to the Prohibited Business. During the Restrictive Period, the Employee shall not, nor shall he permit any of his employees, agents or others under his control to, directly or indirectly, on behalf of the any entity or person, (i) call upon, accept business from, or solicit the business of any person or entity which is, or who had been at any time during the preceding two years, a customer of Trilectron, the Employer or any Related Entity otherwise divert or attempt to divert any business from the Employer or any of the Related Entities; or (ii) recruit or otherwise solicit or induce any person who was an employee of, or otherwise engaged by, the Employer or any of the Related Entities at any tictive Period to terminate his or her employment or other relationship with the Employer or any of the Related Entities, or hire any person who has left the employ of the Employer or any of the Related Entities during the Restrictive Period. The Employee shall not at any time, directly or indirectly, use or purport to authorize any person to use

any name, mark, logo, trade dress or other identifying words or images which are the same as or similar to those used currently, in the past, or during the Employee's employment by Trilectron or the Employer in connection with any Product or service, whether or not such use would be in a Prohibited Business. The ownership or control of up to five percent of the outstanding voting securities or securities of any class of a company with a class of securities registered under the Securities Exchange Act of 1934, as amended, shall not be deemed to be a violation of the provisions of this SECTION 3(b).

(c) STANDSTILL. The Employee agrees that for a period commencing on the date hereof and ending on the date which is three years from the date hereof, he will not acquire, offer or agree to acquire, directly or indirectly, by purchase or otherwise, control of the Employer or any of the Related Entities, make, or in any way participate, directly or indirectly, as advisor or otherwise, in any "solicitation" of "proxies" or consents to vote (as such terms are used in the Proxy Rules of the United States Securities and Exchange Commission), or seek to advise or influence any person or entity with respect to the voting of any voting securities of the Employer or any of the Related Entities, in opposition to any proposed actions of the Board of Directors of the Employer or any of the Related Entities or in opposition to any nominees for Directors of the Employer or any of the Related Entities which nominees have been nominated by the Employer or any of the Related Entities, their management or their Board of Directors, seek or assist any other party in seeking representation on the Board of Directors of the Employer or any of the Related Entities through the election to the Board of Directors of individuals(s) not nominated and supported by the Employer or any of the Related Entities, their management or their Board of Directors, pursue or publicly announce an interest in pursuing an acquisition of control of the Employer or any of the Related Entities or an alteration of the composition of the Employer's or any of the Related Entities' Boards of Directors, or advise or otherwise act, alone or in concert with others, directly or indirectly, to seek to control or influence the management, Board of Directors or policies of the Employer or any of the Related Entities.

(d) DISCLOSURE OF CONFIDENTIAL INFORMATION. The Employee acknowledges that the Products and the inventions, formulas, software, trade secrets, technology, compositions, know-how, methods and processes of manufacturing, assembling or fabricating (collectively, the "INTANGIBLE PROPERTY") and all other confidential or proprietary information with respect to the business and operations of the Employer are valuable, special and unique assets of the Employer. The Employee shall not, at any time during or after the Restrictive Period, disclose, directly or indirectly, to any person or entity, or use or authorize or purport to authorize any person or entity to use any confidential or proprietary information with respect to the Employer or any of the Related Entities without the prior written consent of the Employer, including without limitation, information as to the financial condition, results of operations, customers, suppliers,

Products, Products under development, Intangible Property, sources, leads or methods of obtaining new products or business, pricing methods or formulas, cost of supplies, marketing strategies or any other information relating to the Employer or any of the Related Entities which could reasonably be regarded as confidential, but not including information which is or shall become generally available to the public other than as a result of disclosure by the Employer or any of the Related Entities or any of their agents, affiliates or representatives or a person to whom any of them has provided such information.

(e) RIGHTS TO INTELLECTUAL PROPERTY. While employed by the Employer, the Employee will disclose to the Employer any ideas, inventions, or business plans ("INTELLECTUAL PROPERTY") developed by him which relate directly or indirectly to the business or a similar business of the Employer or any of the Related Entities, including without limitation, any process, operation, product or improvement which may be patentable or copyrightable. The Employee agrees that the Intellectual Property is or will be the property of the Employer and that he will, at the Employer's request and cost, do whatever is necessary to obtain the rights thereto, by patent, copyright or otherwise, for the Employer. The Employee further agrees that, whether or not he is in the employ of the Employer, he will cooperate in good faith to the extent and in the manner requested by the Employer in the prosecution or defense of any patent or copyright claims or any litigation or other proceedings involving any Intellectual Property. The Employer will pay for all expenses associated with the Employee's compliance with this provision.

(f) ANTI-DISPARAGEMENT. The Employee covenants and agrees that, both during and after the Restrictive Period, he shall not make any comments which could be construed as negative concerning the Employer or any of the Related Entities to any individual or entity, including but not limited to, clients, customers, employees, or financial or credit institutions.

(g) REMEDIES FOR BREACH OF THE AGREEMENT. The restrictions set forth in SECTIONS 3 (b), (c), (d), (e) and (f) are considered by the parties to be reasonable for the purposes of protecting the legitimate business interests of the Employer and the Related Entities and the value of the business and goodwill of the Employer and the Related Entities. The parties hereto acknowledge that the Employer and the Related Entities would be irreparably harmed, and that monetary damages would not provide an adequate remedy to the Employer and the Related Entities, in the event the covenants contained in SECTIONS 3 (b), (c), (d), (e) and (f) were not complied with in accordance with their terms. Accordingly, the Employee agrees that any breach or threatened breach by him of any provision of SECTIONS 3 (b), (c), (d), (e) and (f) shall entitle the Employer and the Related Entities to injunctive and other equitable relief, without the posting of any bond or security, to secure the enforcement of such provisions, in addition to any other rights

and remedies which may be available to the Employer and the Related Entities, and that the Employer and the Related Entities shall be entitled to receive from the Employee reimbursement for all attorneys' fees and expenses incurred by the Employer and the Related Entities in enforcing such provisions. In addition to its other rights and remedies, the Employer and the Related Entities shall have the right to require the Employee to account for and pay over to the Employer or the Related Entities, as the case may be, all compensation, profits, money, accruals and other benefits derived or received, directly or indirectly, by the Employee from the action constituting such breach. If the Employee breaches the covenant set forth in SECTION 3(b), the running of the noncompete period described therein shall be tolled with respect to the Employer or any of the Related Entities for so long as such breach continues. It is the desire and intent of 3 (b), (c), (d), (e) and (f), be enforced to the fullest extent permissible under the laws and public policies of each jurisdiction in which enforcement is sought. If any provisions of SECTIONS 3 (b), (c), (d), (e) or (f), relating to the time period, scope of activities or geographic area of restrictions are declared by a court of competent jurisdiction to exceed the maximum permissible time period, scope of activities or geographic area, the maximum time period, scope of activities or geographic area, as the case may be, shall be reduced to the maximum which such court deems enforceable. If any provisions of SECTIONS 3 (b), (c), (d), (e) or (f) other than those described in the preceding sentence are adjudicated to be invalid or unenforceable, the invalid or unenforceable provisions shall be deemed amended (with respect only to the jurisdiction in which such adjudication is made) in such manner as to render them enforceable and to effectuate as nearly as possible the original intentions and agreement of the parties.

(h) SURVIVAL. The provisions of this SECTION 3 shall survive the termination of this Agreement or the Employee's employment irrespective of the reason for such termination. The provisions of this SECTION 3 shall continue in full force and effect after the expiration of the Term even if the Employee continues to be employed by the Employer without renewing this Agreement.

#### SECTION 4. RETURN OF EMPLOYER PROPERTY ON TERMINATION

The Employee agrees to promptly return the Employer's property to the Employer's Florida headquarters upon termination of his employment with the Employer. The Employer reserves the right to take appropriate legal action against the Employee in the event of a breach of this provision.

## SECTION 5. VERIFICATION OF COMPLIANCE

Upon termination of employment, the Employee shall, at the request of the Employer, verify in writing and under oath, in the form attached hereto as Exhibit A, his compliance with the provisions of this Agreement relating to Intellectual Property and Confidential Information. This provision shall not give rise to any independent claim by the Employee for severance pay or other payments upon the Employee's termination.

## SECTION 6. MISCELLANEOUS PROVISIONS

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

### IF TO THE EMPLOYEE:

Sigmund Borax  
4212 Marina Court  
CORTEZ, FLORIDA 34215

### WITH A COPY TO:

Foley & Lardner  
100 North Tampa Street  
Suite 2700  
Tampa, Florida 33602  
Russell T. Alba, Esq.

### IF TO THE EMPLOYER OR ANY OF THE RELATED ENTITIES:

c/o HEICO Corporation  
825 S. Bayshore Drive  
Suite 1643  
Miami, Florida 33131  
Attn: President



WITH A COPY TO:

Stearns Weaver Miller Weissler  
Alhadeff & Sitterson, P.A.  
150 West Flagler Street  
Museum Tower, Suite 2200  
Miami, Florida 33130  
Attn: Stuart D. Ames, Esq.

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

(b) ENTIRE AGREEMENT. This Agreement contains the entire understanding between the parties hereto relating to the subject matter hereof and merges all prior discussions, negotiations and agreements, if any, between them, and neither of the parties hereto shall be bound by any representations, warranties, covenants, or other understandings relating to the subject matter hereof, other than as expressly provided or referred to herein.

(c) ASSIGNMENT. This Agreement may not be assigned by the Employee without the written consent of the Employer but shall be freely assignable by the Employer in connection with any sale by the Employer of the Prohibited Business or any substantial part thereof. Subject to the preceding sentence, this Agreement shall be binding upon, and inure to, the benefit of the parties hereto and their respective successors, heirs, personal representatives, legal representatives, and permitted assigns.

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

(e) NO THIRD PARTY BENEFICIARY. Nothing expressed or implied in this Agreement is intended, or shall be construed, to confer upon or give any person other than the parties hereto, the Related Parties and their respective heirs, personal representatives, legal representatives, successors and permitted assigns, any rights or remedies under or by reason of this Agreement.

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

(g) HEADINGS. Section headings herein are inserted for convenience of reference only and are not intended to be a part of, or to affect the meaning or interpretation of, this Agreement.

(h) COUNTERPARTS. This Agreement may be executed in any number of counterparts, each of which shall be deemed an original but all of which together shall constitute one and the same instrument.

(i) LITIGATION; PREVAILING PARTY. In the event of any litigation with regard to this Agreement, the prevailing party shall be entitled to receive from the non-prevailing party, and the non-prevailing party shall pay upon demand, all reasonable fees and expenses of counsel for the prevailing party in connection with such litigation.

(j) GOVERNING LAW AND VENUE. This Agreement has been entered into and shall be construed and enforced in accordance with the laws of the State of Florida without reference to the choice of law principles thereof. This Agreement shall be subject to the exclusive jurisdiction of the courts of the State of Florida located in Dade or Broward Counties, Florida or the United States District Court for the Southern District of Florida. The parties irrevocably waive, to the fullest extent permitted by law, any objection which they may now or hereafter have to the laying of venue of any suit, action or proceeding arising out of or relating to this Agreement, or any judgment entered by any court in respect hereof brought in Dade or Broward Counties, Florida, and further irrevocably waive any claim that any suit, action or proceeding brought in Dade or Broward Counties, Florida has been brought in an inconvenient forum.

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

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

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

TRILECTRON INDUSTRIES, INC.

By: /S/ VICTOR MENDELSON

-----  
Name: Victor H. Mendelson  
Title: Vice Chairman

/S/ SIGMUND BORAX

-----  
SIGMUND BORAX

EXHIBIT A

My employment by Employer is terminated. I have read and understood my Employment and Non-Competition Agreement with Employer dated September 16, 1996 (the "AGREEMENT"), and particularly the provisions relating to Intellectual Property and Confidential Information. I hereby swear, UNDER OATH, that:

I have complied with all provisions of the Agreement, including those relating to Intellectual Property and Confidential Information.

I have fully disclosed all items of Intellectual Property to Employer. I have given Employer all documents and other materials referred to in the Agreement, or if I have not done so, the withheld documents and materials are: \_\_\_\_\_. If I discover any documents and other materials covered by this Agreement in my possession in the future, I will immediately return them to the Employer after discovery.

I understand that the misappropriation of confidential information and documents may be considered a crime under the laws of the State of Florida.

-----  
SIGMUND BORAX

STATE OF FLORIDA    )  
                          )SS:  
COUNTY OF            )

The foregoing instrument was acknowledged before me this \_\_\_\_ day of \_\_\_\_\_, 199\_\_ by Sigmund Borax.

Personally Known \_\_\_\_\_ OR Produced Identification \_\_\_\_\_

Type of Identification Produced \_\_\_\_\_

-----  
Print or Stamp Name:  
Notary Public, State of Florida at Large  
Commission No.:  
My Commission Expires:

## EMPLOYMENT AND NONCOMPETITION AGREEMENT

AGREEMENT, dated as of the 16th day of September, 1996, by and between TRILECTRON INDUSTRIES, INC., a New York corporation (the "EMPLOYER"), and CHARLES L. KOTT (the "EMPLOYEE").

WITNESSETH:

WHEREAS, the Employee desires to continue his employment with the Employer, and the Employer desires to continue to employ the Employee, upon the terms and conditions hereinafter set forth; and

WHEREAS, the Employee represents that he is not a party to any agreement which would prohibit him from entering into this Agreement or his performing the services required hereunder.

NOW, THEREFORE, in consideration of the premises and other good and valuable consideration, receipt of which is hereby acknowledged, the Employer and the Employee agree as follows:

#### SECTION 1. EMPLOYMENT OF EMPLOYEE

(a) TERM. The Employee's employment hereunder will commence on the date of the closing of the Stock Purchase Agreement, dated as of September 16, 1996, pursuant to which all of the outstanding capital stock of the Employer is being acquired by HEICO Corporation, a Florida corporation ("HEICO"), and will expire on December 31, 1998 (the "Term"). Notwithstanding the foregoing, the Employee's employment hereunder may be terminated prior to the expiration of the Term as provided in SECTION 2.

(b) DUTIES AND RESPONSIBILITIES. The Employee shall serve as President of the Employer and shall report to the Chairman of the Employer's Board of Directors or his designee. The Employee agrees to use his best efforts, entire professional time, attention, and energies to the advancement and promotion of the business of the Employer and shall assume and competently perform such reasonable responsibilities and duties, consistent with the position of President, as may be assigned to him from time to time by the Chairman of the Board of the Employer. To the extent that the Employer shall have any parent, subsidiaries, affiliated corporations, partnerships, or joint ventures (collectively "RELATED ENTITIES"), Employee shall perform such duties to promote these entities and their respective interests to the same extent as the interests of the Employer and without additional compensation. At all times, the Employee agrees to abide by any employee handbook, policy, or practice that the Employer has or hereafter adopts with respect to its employees generally.

#### (c) COMPENSATION.

(i) BASE SALARY. As compensation for his services hereunder and in consideration for the Employee's covenants contained in this Agreement, the Employer shall pay the Employee a salary (i) during calendar year 1996 at a per annum rate of \$150,000, and (ii) during each succeeding 12-month period of the Term, at the per annum rate of \$150,000 increased by any increases determined to be warranted by the Employer's Board of Directors in its sole discretion. Such salary shall be payable in accordance with the customary payroll practices of the Employer.

(ii) INCENTIVE BONUS. The Employee shall be paid an annual bonus based on the Operating Income (as hereinafter defined) during each calendar year or part thereof during which the Employee is employed hereunder ("Incentive Bonus"); PROVIDED, HOWEVER, that Operating Income for calendar year 1996 shall include Operating Income of the Employer from January 1, 1996 to the date of this Agreement (the "PRE-ACQUISITION PERIOD"). Each Incentive Bonus shall be equal to six percent (6%) of Operating Income for such calendar year or part thereof and shall be paid promptly following the determination of Operating Income for such period. As used in this section and SECTION 2(b), "OPERATING INCOME" means net revenue of the Employer from operations, excluding revenue earned at the corporate level and not derived from the operations of the Employer during the Pre-Acquisition Period or the Employer after the date of this Agreement, as the case may be, minus all Operating Expenses (as hereinafter defined) and (to the extent not otherwise included in Operating Expenses) all interest expense incurred by the Employer as a result of all debt for borrowed money in excess of \$2,500,000 and its industrial development revenue bond financing, all determined, to the extent not inconsistent with the provisions of this clause (ii), in accordance with the methodology employed by the Employer prior to the date of the Stock Purchase Agreement and with generally accepted accounting principles consistently applied from year to year. For purposes of this section, "OPERATING EXPENSES" means operating expenses which are directly traceable to the business of the Employer during the Pre-Acquisition Period and to the business of the Employer thereafter but shall exclude general corporate expense allocations of HEICO other than those which are directly traceable to the operations of the Employer (such as legal and accounting fees and insurance but excluding any allocation of HEICO corporate overhead such as HEICO's officers' salaries), domestic and foreign income taxes, extraordinary items, minority interests, and the cumulative effects of changes in accounting principles.

(iii) PERFORMANCE BONUS. In addition to the Incentive Bonus, the Employee shall be eligible to participate in a bonus pool (the "Bonus Pool") to be established annually by the Employer for the benefit of the Employee and the four other executive officers of the Employer or any other executive officer or officers of the Employer who may from time to time be substituted for any such executive officer(s) whose employment

with the Employer is (are) terminated. The Employer shall contribute to the Bonus Pool each year, commencing with the calendar year 1997, an amount equal to thirty percent (30%) of the amount, if any, by which actual Operating Income for the immediately preceding calendar year exceeds the projected Operating Income for such preceding year in the Projections set forth on EXHIBIT A attached hereto. The percentages (which may be as little as zero and as great as 100%) of the Bonus Pool to be allocated to each participating executive officer in each year shall be determined in the sole discretion of the Employer and may be varied from year to year, PROVIDED, HOWEVER, that the Employee's participation in the Bonus Pool ("Performance Bonus") for any year shall not exceed twenty percent (20%) of the Bonus Pool for such year.

(iv) STOCK OPTIONS. Simultaneous with the execution of this Agreement, the Employer's parent company, HEICO, has granted to the Employee an option (the "Option") to purchase an aggregate of 19,800 shares (the "Option Shares") of HEICO's Common Stock, \$.01 par value per share, pursuant to the terms of a Grant of Non-Qualified Stock Option of even date herewith entered into between HEICO and Employee. The Option shall qualify the Employee to purchase the Option Shares at a purchase price of \$18.30 per share, shall vest as to one-third of the Option Shares on December 31, 1996, December 31, 1997 and December 31, 1998 and shall have a term of ten years. The right of the Employee to exercise the Option with respect to one-half of the total Option Shares which vest each year shall be subject to the Employer achieving plan performance for such year as specified in the Grant of Non-Qualified Stock Option, with his right to purchase the remaining one-half of the Option Shares not being so subject.

(d) EXPENSES, FRINGE BENEFITS AND VACATION POLICY. The Employer agrees to pay or reimburse the Employee for all reasonable vouchered business expenses incurred during his employment which have been submitted in accordance with any expense reimbursement policy or practice of the Employer as in effect from time to time. Except as provided herein, the Employer will provide to the Employee such pension benefits, holiday, and other employee benefits which the Employer provides to similarly situated employees, subject to the provisions of the various benefit plans, programs, or policies in effect from time to time. For purposes of determining the Employee's entitlement to, and level of, employee benefits, the Employee will be credited with his prior tenure with the Employer. The Employer shall provide the Employee with three (3) weeks paid vacation for calendar year 1996 and four (4) weeks paid vacation for each ensuing calendar year under this Agreement, but the Employee shall not be entitled to receive vacation pay in lieu of leave for accrued but unused vacation leave nor shall the Employee be entitled to accrue vacation time from year-to-year.

(e) LIFE INSURANCE. The Employee agrees that the Employer shall have the right to obtain life insurance on the Employee's life, at the Employer's sole expense and

with the Employer as the sole beneficiary thereof. The Employee shall (i) cooperate fully with the Employer in obtaining such life insurance, (ii) sign any necessary consents, applications and other related forms or documents, and (iii) take any required medical examinations.

## SECTION 2. TERMINATION OF EMPLOYMENT

(a) TERMINATION BY THE EMPLOYER FOR CAUSE. The Employer may terminate the employment of the Employee at any time for Cause (as defined below) either with or without notice. Following termination of employment of the Employee for Cause, the Employer shall: (i) promptly pay the Employee his Incentive Bonus which had accrued as of the end of the last full calendar month prior to the date on which the Employee's employment was terminated if the Incentive Bonus was not previously paid with respect to such period; and (ii) promptly pay the Employee the Performance Bonus which had accrued as of the end the last calendar year immediately prior to the year in which the Employee's employment is terminated (the "Termination Year") if the Performance Bonus was not previously paid with respect to such prior year. As used in this Agreement, "CAUSE" shall mean: (i) dishonesty or other unlawful conduct by the Employee that adversely affects the Employer; (ii) the Employee's conviction for commission of a felony or of any crime involving moral turpitude, fraud, dishonesty or misrepresentation, or (iii) any material breach by the Employee of this Agreement or failure to perform his duties hereunder (other than by reason of his death or disability), after written notice from the Chairman of the Board of Directors of the Employer to the Employee specifying in reasonable detail the nature of the acts or omissions constituting such breach or failure and a reasonable opportunity to cure said breach or failure if the same is curable.

(b) TERMINATION BY THE EMPLOYER FOR FAILURE TO MEET PROJECTIONS. The Employer may also terminate the employment of the Employee by giving notice to the Employee at any time within 90 days following the end of the calendar years 1996 or 1997, if the Operating Income for any such year is less than seventy-five percent (75%) of the projected Operating Income set forth for such year in EXHIBIT A attached hereto; PROVIDED, HOWEVER, that Operating Income for calendar year 1996 shall include Operating Income of the Employer during the Pre-Acquisition Period. If such right to terminate with respect to an Operating Income shortfall for any year is not exercised within the 90- day period following the end of such year, it may not thereafter be exercised unless there is an Operating Income shortfall with respect to a succeeding calendar year. If the Employer exercises the option to terminate the employment of the Employee pursuant to this SECTION 2(b), the Employer shall: (i) pay the Employee (in accordance with the customary payroll practices of the Employer) his base salary (in effect at the time of the Employee's termination) during the one-year period following such termination; (ii) promptly pay the Employee his Incentive Bonus which had accrued as of the end of the



last calendar year prior to the Termination Year if the Incentive Bonus was not previously paid with respect to such prior year; (iii) promptly pay the Employee the Performance Bonus which had accrued as of the end of the last calendar year prior to the Termination Year if the Performance Bonus was not previously paid with respect to such prior year; and (iv) pay to the Employee his Incentive Bonus which had accrued as of the last full calendar month prior to the date on which the Employee's employment was terminated if the Incentive Bonus was not previously paid with respect to such period.

(c) TERMINATION BY THE EMPLOYER FOR DISABILITY OF EMPLOYEE. The Employer may also terminate the employment of the Employee if the Employee becomes unable to perform his duties hereunder by reason of serious illness, mental incapacity or physical disability which continues for any continuous period of ninety (90) days or for periods aggregating ninety (90) days in any one hundred eighty (180) day period, which termination shall become effective upon giving a termination notice to the Employee at any time after the expiration of the applicable 90- or 180-day period. If the Employer terminates the employment of the Employee pursuant to this SECTION 2(c), the Employee shall be entitled to the salary, Incentive Bonus and Performance Bonus payments specified in SECTION 2(b) except that the Termination Year shall be the calendar year in which the notice of termination is given under this SECTION 2(c). In addition, the Employer shall pay to the Employee his Incentive Bonus which had accrued as of the last full calendar month prior to the date on which the Employee's employment was terminated if the Incentive Bonus was not previously paid with respect to such period.

(d) VOLUNTARY TERMINATION BY EMPLOYEE. The Employee may choose to voluntarily terminate his employment by providing the Employer with at least twenty (20) business days' written notice of his intent to voluntarily terminate employment ("TERMINATION NOTICE PERIOD"). Voluntary termination within the contemplation of this Section does not include constructive discharge. The Employer reserves the right to terminate the Employee before the end of the Termination Notice Period provided that the Employer pays the Employee the base salary that he would have received from the date of the last payroll payment to the end of the Termination Notice Period. During the Termination Notice Period, the Employee agrees to make a good faith effort to perform the duties described hereunder. If the Employee freely and voluntarily terminates his employment with the Employer, the Employer shall: (i) promptly pay the Employee his Incentive Bonus which had accrued as of the end of the last full calendar month prior to the date on which the Employee's employment is terminated if the Incentive Bonus was not previously paid with respect to such period; and (ii) promptly pay the Employee the Performance Bonus which had accrued as of the end the calendar year immediately prior to the Termination Year if the Performance Bonus was not previously paid with respect to such prior year.

(e) TERMINATION OF AGREEMENT OF BY DEATH OF THE EMPLOYEE. This

Agreement shall be terminated by the death of the Employee as of the date of death. In the event of the Employee's death, the Employer shall pay any beneficiary of the Employee designated by him in a writing on file with the Employer at the time of his death, or if no such writing is on file, to his estate, the salary, Incentive Bonus and Performance Bonus payments specified in SECTION 2(c) except that the Termination Year shall be the calendar year in which the Employee's death occurs.

(f) TERMINATION BY THE EMPLOYER WITHOUT CAUSE. If the Employer terminates the employment of the Employee for any reason other than those specified in SECTIONS 2(a), (b), (c) or (e), the Employer shall pay the Employee, in accordance with the Employer's customary payroll practices, the base salary which he would be entitled to receive pursuant to SECTION 1(c)(I) for the remainder of the Term, and the Employee shall continue to remain bound by the provisions of SECTION 3(B) and each of the other provisions of SECTION 3 for the remainder of such Term. In the event of such termination of employment, the Employee shall also be entitled to the Incentive Bonus and Performance Bonus payments specified in SECTION 2(b). In addition, the Employer shall pay to the Employee, promptly following the end of the Termination Year, a Performance Bonus, if any is earned for the Termination Year, equal to the Performance Bonus he would have received if he had been employed for the full Termination Year multiplied by a percentage the numerator of which is the number of full calendar months in the Termination Year during which the Employee was employed hereunder and the denominator of which is twelve (12) and multiplying the resultant number by the same percentage of the Bonus Pool that he was paid for the calendar year immediately prior to the Termination Year. In addition, although the Employer is not obligated to pay the Employee any additional salary pursuant to SECTION 1(c)(1) or other compensation hereunder following the expiration of the Term (except as provided above in this SECTION 2(f)), if the Employer, at its option, elects to continue to pay such salary for the one- or two-year period following the expiration of the Term, the Employee shall continue to be bound by the provisions of SECTION 3(b) for such additional year or years, as the case may be. In any event, the Employee shall continue to be bound by all of the other provisions of SECTION 3 for the time periods specified therein. The Employer shall have no liability to the Employee for termination of employment of the Employee without Cause other than as provided in this Section 2(f).

SECTION 3. NON-COMPETITION; STANDSTILL; PROTECTION OF CONFIDENTIAL INFORMATION; ETC.

(a) RATIONAL FOR RESTRICTIONS. The Employee acknowledges that his services hereunder are of a special, unique, extraordinary and intellectual character, and his position with the Employer places him in a position of confidence and trust with the customers, suppliers and employees of the Employer. The Employee also acknowledges that the Employer designs, manufactures, sells and services certain aircraft ground and

support equipment (such services and products provided or manufactured by the Employer being herein referred to collectively as "PRODUCTS") throughout the world and that the Employer competes with many companies, including , but not limited to Hobart Corp. and Stewart and Stevenson, Inc. The Employee further acknowledges that the rendering of services under this Agreement necessarily requires the disclosure to the Employee of confidential information of the Employer. The Employee and the Employer agree that both prior to and during the course of his employment with the Employer (including during the Pre-Acquisition Period) Employee had, has, and will continue to develop a personal relationship with the Employer's customers, and a knowledge of these customers' affairs and requirements which may constitute the Employer's primary and only contact with such customers. The Employee acknowledges that the Employer's relationships with its established clientele may therefore be placed in the Employee's hands in confidence and trust. The Employee consequently agrees that it is reasonable for the protection of the goodwill and legitimate business interests of the Employer that the Employee make the covenants contained herein, that the covenants are a material inducement for the Employer to employ the Employee and to enter into this Agreement, and that the covenants are given as an integral part of and incident to this Agreement.

(b) NON-COMPETITION IN COMPETING BUSINESS. As used herein, the term, "RESTRICTIVE PERIOD" means the period commencing on the date of this Agreement and ending two (2) years following the later of (i) the expiration of the Term or (ii) the termination of the employment of the Employee with the Employer, irrespective of the reason for such termination; PROVIDED, HOWEVER, that the restrictions set forth in this SECTION 3(b) shall not apply in the event of the expiration of the Term unless at least 90 days prior to the end of the Term, the Employer offers to the Employee a two-year extension of this Agreement on substantially the same terms and conditions (including the grant of an additional stock option with respect to HEICO Common Stock) as are contained in this Agreement; PROVIDED FURTHER, HOWEVER, that if the Employer terminates the employment of the Employee without Cause as provided in SECTION 2(f) and the Employer and does not elect to continue the Employee's base salary following the expiration of the Term as provided in such section, the restrictions set forth in this SECTION 3(b) shall not apply following such expiration. During the Restrictive Period, the Employee agrees not to utilize his special knowledge of the business of the Employer and his relationship with customers, suppliers and others to compete with the Employer in any business which is the same as or substantially similar to the business (the "PROHIBITED BUSINESS") conducted by the Employer at any time during the Employer's employment of the Employee. During the Restrictive Period, the Employee shall not, directly or indirectly, assist in the creation or development of, engage or have an interest, anywhere in the United States of America or any other geographic area where the Employer does business or in which its Products are marketed, alone or in association with others, as principal, officer, agent, employee, director, partner or stockholder (except as an employee or consultant of the Employer or any of the Related Entities), or through the

investment of capital, lending of money or property, rendering of services or advice or otherwise, in any business competitive with or substantially similar to the Prohibited Business. During the Restrictive Period, the Employee shall not, nor shall he permit any of his employees, agents or others under his control to, directly or indirectly, on behalf of the any entity or person, (i) call upon, accept business from, solicit the business of any person or entity which is, or who had been at any time during the preceding two years, a customer of the Employer in an attempt to divert any business relating to the Products from the Employer or prevent the Employer from receiving any business relating to the Products or (ii) recruit or otherwise solicit or induce any person who was an employee of, or otherwise engaged by, the Employer at any time during the Restrictive Period to terminate his or her employment or other relationship with the Employer or hire any person who has left the employ of the Employer during the Restrictive Period. The Employee shall not at any time, directly or indirectly, use or purport to authorize any person to use any name, mark, logo, trade dress or other identifying words or images which are the same as or similar to those used currently, in the past, or during the Employee's employment by the Employer or the employer in connection with any product or service, whether or not such use would be in a Prohibited Business. The ownership or control of up to five percent of the outstanding voting securities or securities of any class of a company with a class of securities registered under the Securities Exchange Act of 1934, as amended, shall not be deemed to be a violation of the provisions of this SECTION 3(b).

(c) STANDSTILL. The Employee agrees that for a period commencing on the date hereof and ending on the date which is ten (10) years from the date hereof, he will not (i) acquire, offer or agree to acquire, directly or indirectly, by purchase or otherwise, control of the Employer or any of the Related Entities, (ii) make, or in any way participate, directly or indirectly, as advisor or otherwise, in any "solicitation" of "proxies" or consents to vote (as such terms are used in the Proxy Rules of the United States Securities and Exchange Commission), or seek to advise or influence any person or entity with respect to the voting of any voting securities of the Employer or any of the Related Entities, in opposition to any proposed actions of the Board of Directors of the Employer or any of the Related Entities or in opposition to any nominees for Directors of the Employer or any of the Related Entities which nominees have been nominated by the Employer or any of the Related Entities, their management or their Board of Directors, (iii) seek or assist any other party in seeking representation on the Board of Directors of the Employer or any of the Related Entities through the election to the Board of Directors of individual(s) not nominated and supported by the Employer or any of the Related Entities, their management or their Board of Directors, (iv) pursue, assist any person or entity in pursuing, or publicly announce an interest in pursuing an acquisition of control of the Employer or any of the Related Entities or an alteration of the composition of the Employer's or any of the Related Entities' Board of Directors, or (v) advise or otherwise act, alone or in concert with others, directly or indirectly, to seek

to control or influence the management, Board of Directors or policies of the Employer or any of the Related Entities. References in this Section to "Related Entities" means at any time only those Related Entities which at such time have a class of securities registered under the Securities Exchange Act of 1934, as amended.

(d) DISCLOSURE OF CONFIDENTIAL INFORMATION. The Employer acknowledges that the Products and the inventions, formulas, software, trade secrets, technology, compositions, know-how, methods and processes of manufacturing, assembling or fabricating (collectively, the "INTANGIBLE PROPERTY") and all other confidential and proprietary information with respect to the business and operations of the Employer, which cannot be ascertainable by lawful means, are valuable, special and unique assets of the Employer. The Employee shall not, at any time during or after the Restrictive Period, disclose, directly or indirectly, to any person or entity, or use or authorize or purport to authorize any person or entity to use any confidential and proprietary information with respect to the Employer or any of the Related Entities without the prior written consent of the Employer, including without limitation, information as to the financial condition, results of operations, customers, suppliers, Products, Products under development, Intangible Property, sources, leads or methods of obtaining new products or business, pricing methods or formulas, cost of supplies, marketing strategies or any other information relating to the Employer or any of the Related Entities which could reasonably be regarded as confidential, but not including information which is or shall become generally available to the public other than as a result of disclosure by the Employer or any of the Related Entities or any of their agents, affiliates or representatives or a person to whom any of them has provided such information or may be readily ascertainable through lawful means.

(e) RIGHTS TO INTELLECTUAL PROPERTY. While employed by the Employer, the Employee will disclose to the Employer any ideas, inventions, or business plans ("INTELLECTUAL PROPERTY") developed by him which relate directly or indirectly to the business or a similar business of the Employer or any of the Related Entities, including without limitation, any process, operation, product or improvement which may be patentable or copyrightable. The Employee agrees that the Intellectual Property is or will be the property of the Employer and that he will, at the Employer's request and cost, do whatever is necessary to obtain the rights thereto, by patent, copyright or otherwise, for the Employer. The Employee further agrees that, whether or not he is in the employ of the Employer, he will cooperate in good faith to the extent and in the manner requested by the Employer in the prosecution or defense of any patent or copyright claims or any litigation or other proceedings involving any Intellectual Property. The Employer will pay for all expenses associated with the Employee's compliance with this provision.

(f) ANTI-DISPARAGEMENT. The Employee covenants and agrees that, during the Restrictive Period, he shall not make any comments concerning the Employer or any

of the Related Entities to any individual or entity, including but not limited to, clients, customers, employees, or financial or credit institutions, which have a reasonable likelihood of causing an adverse effect on the Employer or any of the Related Entities; PROVIDED, HOWEVER, that this provision shall not apply to statements made by the Employee pursuant to an order of a court or other tribunal having jurisdiction over the Employee or to statements made in the course of litigation or arbitration between the parties hereto.

(g) REMEDIES FOR BREACH OF THE AGREEMENT. The restrictions set forth in SECTIONS 3(b), (c), (d), (e) and (f) are considered by the parties to be reasonable for the purposes of protecting the legitimate business interests of the Employer and the Related Entities and the value of the business and goodwill of the Employer and the Related Entities. The parties hereto acknowledge that the Employer and the Related Entities would be irreparably harmed, and that monetary damages would not provide an adequate remedy to the Employer and the Related Entities, in the event the covenants contained in SECTIONS 3(b), (c), (d), (e) and (f) were not complied with in accordance with terms. Accordingly, the Employee agrees that any breach or threatened breach by him of any provision of SECTIONS 3(b), (c), (d), (e) and (f) shall entitle the Employer and the Related Entities to injunctive and other equitable relief, without the posting of any bond or security, to secure the enforcement of such provisions, in addition to any other rights and remedies which may be available to the Employer and the Related Entities. If the Employee breaches the covenant set forth in SECTION 3(b), the running of the noncompete period described therein shall be tolled with respect to the Employer or any of the Related Entities for so long as such breach continues. It is the desire and intent of the parties that the provisions of SECTIONS 3(b), (c), (d), (e) and (f), be enforced to the fullest extent permissible under the laws and public policies of each jurisdiction in which enforcement is sought. If any provisions of SECTIONS 3(b), (c), (d), (e) and (f), relating to the time period, scope of activities or geographic area of restrictions are declared by a court of competent jurisdiction to exceed the maximum permissible time period, scope of activities or geographic area, the maximum time period, scope of activities or geographic area, as the case may be, shall be reduced to the maximum which such court deems enforceable. If any provisions of this SECTION 3, other than those described in the preceding sentence, are adjudicated to be invalid or unenforceable, the invalid or unenforceable provisions shall be deemed amended (with respect only to the jurisdiction in which such adjudication is made) in such manner as to render them enforceable and to effectuate as nearly as possible the original intentions and agreement of the parties.

(h) SURVIVAL. Except as provided above, the provisions of this SECTION 3 shall survive the termination of this Agreement or the Employee's employment irrespective of the reason for such termination.

#### SECTION 4. RETURN OF EMPLOYER PROPERTY ON TERMINATION

The Employee agrees to promptly return the Employer's property to the Employer's Florida headquarters upon termination or expiration of his employment with the Employer. The Employer reserves the right to take appropriate legal action against the Employee in the event of a breach of this provision.

#### SECTION 5. VERIFICATION OF COMPLIANCE

Upon termination of employment, the Employee shall, at the request of the Employer, verify in writing and under oath, in the form attached as Exhibit A, his compliance with the provisions of this Agreement relating to Intellectual Property and Confidential Information. This provision shall not give rise to any independent claim by the Employee for severance pay or other payments upon the Employee's termination.

#### SECTION 6. MISCELLANEOUS PROVISIONS

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

IF TO THE EMPLOYEE:

Charles L. Kott  
732 Live Oak Terrace, N.E.  
St. Petersburg, Florida 33703

IF TO THE EMPLOYER OR ANY OF THE RELATED ENTITIES:

c/o HEICO Corporation  
825 S. Bayshore Drive  
Suite 1643  
Miami, Florida 33131  
Attn: President

WITH A COPY TO:

Stearns Weaver Miller Weissler  
Alhadeff & Sitterson, P.A.  
150 West Flagler Street  
Museum Tower, Suite 2200  
Miami, Florida 33130  
Attn: Stuart D. Ames, Esq.

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

(b) ENTIRE AGREEMENT. This Agreement contains the entire understanding between the parties hereto relating to the subject matter hereof and merges all prior discussions, negotiations and agreements, if any, between them, and neither of the parties hereto shall be bound by any representations, warranties, covenants, or other understandings relating to the subject matter hereof, other than as expressly provided or referred to herein.

(c) ASSIGNMENT. This Agreement may not be assigned by the Employee without the written consent of the Employer but shall be freely assignable by the Employer in connection with any sale by the Employer of the Prohibited Business or any substantial part thereof. Subject to the preceding sentence, this Agreement shall be binding upon, and inure to, the benefit of the parties hereto and their respective successors, heirs, personal representatives, legal representatives, and permitted assigns.

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

(e) NO THIRD PARTY BENEFICIARY. Nothing expressed or implied in this



Agreement is intended, or shall be construed, to confer upon or give any person other than the parties hereto, the Related Parties and their respective heirs, personal representatives, legal representatives, successors and permitted assigns, any rights or remedies under or by reason of this Agreement.

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

(g) HEADINGS. Section headings herein are inserted for convenience of reference only and are not intended to be a part of, or to affect the meaning or interpretation of, this Agreement.

(h) COUNTERPARTS. This Agreement may be executed in any number of counterparts, each of which shall be deemed an original but all of which together shall constitute one and the same instrument.

(i) LITIGATION: PREVAILING PARTY. In the event of any litigation, including without limitation any arbitration, with regard to this Agreement, the prevailing party shall be entitled to receive from the non-prevailing party, and the non-prevailing party shall pay upon demand, all reasonable fees and expenses of counsel for the prevailing party in connection with such litigation, including, without limitation, reimbursement for all attorneys' fees and expenses incurred in successfully enforcing or successfully defending against the enforcement of the provisions of SECTION 3.

(j) GOVERNING LAW AND VENUE. This Agreement has been entered into and shall be construed and enforced in accordance with the laws of the State of Florida without reference to the choice of law principles thereof. THIS AGREEMENT SHALL BE SUBJECT TO THE EXCLUSIVE JURISDICTION OF THE COURTS OF THE STATE OF FLORIDA LOCATED IN DADE OR BROWARD COUNTIES, FLORIDA OR THE UNITED STATES DISTRICT COURT FOR THE SOUTHERN DISTRICT OF FLORIDA. THE PARTIES IRREVOCABLY WAIVE, TO THE FULLEST EXTENT PERMITTED BY LAW, ANY OBJECTION WHICH THEY MAY NOW OR HEREAFTER HAVE TO THE LAYING OF VENUE OF ANY SUIT, ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT, OR ANY JUDGMENT ENTERED BY ANY COURT IN RESPECT HEREOF BROUGHT IN DADE OR BROWARD COUNTIES, FLORIDA, AND FURTHER IRREVOCABLY WAIVE ANY CLAIM THAT ANY SUIT, ACTION OR PROCEEDING BROUGHT IN DADE OR BROWARD COUNTIES, FLORIDA HAS BEEN BROUGHT IN AN INCONVENIENT FORUM.

(k) ARBITRATION. Upon demand of either party hereto, whether made before or after institution of any judicial proceeding, any dispute, claim or controversy arising out of, connected with or relating to this Agreement ("Disputes") between parties to this

Agreement shall be resolved by binding arbitration as provided herein. Disputes may include, without limitation, claims for breach of contract, counterclaims and disputes as to whether a matter is subject to arbitration. Arbitration shall be conducted under and governed by the Arbitration Rules (the "Arbitration Rules") of the American Arbitration Association. All arbitration hearings shall be conducted in Dade or Broward County, Florida, before a panel of three (3) arbitrators. Each party hereto shall select one of the three arbitrators and the two so selected shall select the third, PROVIDED, HOWEVER, that if the two arbitrators cannot agree upon a third arbitrator, the third arbitrator shall be selected in the manner provided in the Arbitration Rules. All applicable statutes of limitation shall apply to any Dispute. A judgment upon the award may be entered in any court having jurisdiction.

Notwithstanding the preceding binding arbitration provisions, the parties hereto agree to preserve, without diminution, certain remedies that the Employer may employ or exercise freely, independently or in connection with an arbitration proceeding or after an arbitration action is brought. The Employer shall have the right to proceed in any court of proper jurisdiction to obtain provisional or ancillary remedies, including injunctive or other equitable relief, against any violation by the Employee of any of the provisions of SECTION 3 hereof; PROVIDED, HOWEVER, that should the Employer initiate such an action, this section shall not bar the Employee from raising, either by way of affirmative defense or counterclaim, any claims Employee has against the Employer. Preservation of these remedies does not limit the power of the arbitrators to grant similar remedies that may be requested by a party in a Dispute.

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

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

[Signatures are on next page]

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

/S/ CHARLES L. KOTT  
-----  
CHARLES L. KOTT

TRIELECTRON INDUSTRIES, INC.

By: /S/ VICTOR MENDELSON  
-----  
Name: VICTOR MENDELSON  
Title: VICE CHAIRMAN

EXHIBIT A

PROJECTIONS (000'S \$)

YEAR	1996	1997	1998	1999*	2000*
Net Sales	15,000	17,000	18,500	21,000	22,000
Gross Profit	3,680	4,240	4,730	5,460	5,890
Operating Expense	2,250	2,550	2,775	3,150	3,330
Operating Income	1,430	1,690	1,955	2,310	2,590

\* The years 1999 and 2000 are included solely in the event this Agreement is renewed by the parties hereto, neither such party being obligated to so renew.

EXHIBIT B

My employment by Employer is terminated. I have read and understood my Employment and Non-Competition Agreement with Employer dated September 16, 1996 (the "Agreement"), and particularly the provisions relating to Intellectual Property and Confidential Information. I hereby swear, UNDER OATH, that:

1. I have complied with all provisions of the Agreement, including those relating to Intellectual Property and Confidential Information.

2. I have fully disclosed all terms of Intellectual Property to Employer. I have given Employer all documents and other materials referred to in the Agreement, or if I have not done so, the withheld documents and materials are \_\_\_\_\_. If I discover any documents and other materials covered by this Agreement in my possession in the future, I will immediately return them to the Employer after discovery.

3. I understand that the misappropriation of confidential information and documents may be considered a crime under the laws of the State of Florida.

-----  
CHARLES L. KOTT

STATE OF FLORIDA                     )  
  ) SS  
COUNTY OF \_\_\_\_\_ )

The foregoing instrument was acknowledged before me this \_\_\_\_ day of \_\_\_\_\_, 199\_\_, by Charles L Kott.

Personally Known \_\_\_\_\_ Or Produced Identification \_\_\_\_\_  
Type of Identification Produced \_\_\_\_\_

-----  
Print or Stamp Name  
Notary Public  
State of Florida at Large  
Commission No.:  
My Commission Expires:

TRILECTRON INDUSTRIES, INC.  
CONDENSED BALANCE SHEETS

ASSETS  
(Unaudited)

	July 31, 1996	December 31, 1995
	-----	-----
Current assets:		
Cash	\$ 74,803	\$ 1,591
Accounts receivable, net of allowance of \$33,000	2,746,443	2,009,028
Inventory	7,090,123	4,928,804
Cost and estimated earnings in excess of billings on un- completed contracts		490,616
Other	24,868	36,248
	-----	-----
Total current assets	9,936,237	7,466,287
	-----	-----
Property, plant and equipment	909,650	1,043,908
Less accumulated depreciation	659,799	811,729
	-----	-----
Property, plant and equipment, net	249,851	232,179
Other assets	32,025	72,856
	-----	-----
Total assets	\$10,218,113	\$ 7,771,322
	=====	=====

LIABILITIES AND SHAREHOLDERS' EQUITY

Current liabilities		
Revolving line of credit and notes payable	\$ 1,850,000	\$ 829,914
Current maturities of long- term debt	156,996	156,996
Trade accounts payable	2,334,587	1,516,429
Accrued expenses and other current liabilities	851,784	464,777
Billings in excess of costs and estimated earnings on uncompleted contracts		183,591
Advances from customers	158	81,909
	-----	-----
Total current liabilities	5,193,525	3,233,616
	-----	-----
Long-term debt	170,099	261,680
Commitments and contingencies:		
Shareholders equity:		
Common stock	5,000	5,000
Capital in excess of par value	8,300	8,300
Retained earnings	4,841,189	4,262,726
	-----	-----
Total shareholders' equity	4,854,489	4,276,026
	-----	-----
Total liabilities and shareholders' equity	\$10,218,113	\$ 7,771,322
	=====	=====

See notes to consolidated financial statements.

-1-

TRILECTRON INDUSTRIES, INC.  
CONDENSED STATEMENTS OF OPERATIONS - UNAUDITED

	Nine months ended July 31, 1996	1995
	-----	-----
Net sales	\$12,007,733	\$12,010,514
	-----	-----
Operating costs and expenses:		
Cost of sales	8,941,368	10,004,331
Selling, general and administrative expenses	1,886,006	1,572,984
	-----	-----
Total operating costs and expenses	10,827,374	11,577,315
	-----	-----

Income from operations	1,180,359	433,199
Interest expense	(91,458)	(44,643)
Interest and other income	109	920
	-----	-----
Income from continuing operations before income taxes	1,089,010	389,476
Income tax expense	0	0
	-----	-----
Net income	\$ 1,089,010 =====	\$ 389,476 =====

See notes to consolidated condensed financial statements.

TRILECTRON INDUSTRIES, INC.  
CONDENSED STATEMENTS OF CASH FLOWS - UNAUDITED

	Nine months ended July 31, 1996	1995
	-----	-----
Cash flows from operating activities:		
Net income	\$ 1,089,010	\$ 389,476
	-----	-----
Adjustments to reconcile net income to cash provided by operating activities:		
Depreciation and amortization	48,923	70,645
(Increase) decrease in operating assets		
Restricted cash	0	520
Accounts receivable	(1,007,074)	(360,376)
Inventory	(1,844,715)	(772,878)
Costs and estimated earnings in excess of billings	65,544	338,413
Other current assets	164,017	(106,268)
Prepaid royalty fees	(29,169)	0
Security deposits and other assets	0	1,308
Increase (decrease) in operating liabilities		
Accounts payable and accrued expenses	1,473,926	860,974
Billings in excess of costs and earnings on uncompleted contracts	0	0
Advances from customers	(248,201)	(292,967)
	-----	-----
Total adjustments	(1,376,749)	(260,629)
	-----	-----
Net cash provided by (used in) operating activities	(287,739)	128,847
	-----	-----
Cash flows from investing activities:		
Acquisitions of property, equipment and improvements	(128,012)	(59,506)
	-----	-----
Net cash (used in) investing activities	(128,012)	(59,506)
	-----	-----
Cash flows from financing activities:		
Proceeds from revolving line of credit	1,099,220	450,000
Principal payments on term loan	(117,747)	(117,747)
Dividend paid	(508,147)	(389,965)
	-----	-----
Net cash provided by (used in) financing activities	473,326	(57,712)
	-----	-----
Net Increase in cash	57,575	11,629
Cash, beginning of year	17,228	133,338
	-----	-----
Cash, end of year	\$ 74,803	\$ 144,966
	=====	=====
Supplementary disclosure of cash flow information:		
Interest paid	\$ 99,259	\$ 31,313
	=====	=====

See notes to consolidated condensed financial statements.



TRILECTRON INDUSTRIES, INC.  
NOTES TO CONDENSED FINANCIAL STATEMENTS - UNAUDITED  
JULY 31, 1996

1. The accompanying unaudited condensed financial statements have been prepared as interim financial statements as of and for the nine months ended July 31, 1996, consisting of the first seven months of the Company's fiscal 1996 and the last two months of the Company's fiscal 1995. Therefore, the accompanying unaudited condensed financial statements do not include all information and footnotes normally included in annual financial statements and should be read in conjunction with the financial statements for the year ended December 31, 1995. In the opinion of management, the unaudited condensed financial statements contain all adjustments (consisting of only normal recurring accruals) necessary for a fair presentation of the condensed balance sheets and condensed statements of operations and cash flow for such interim periods presented. The results of operations for the nine months ended July 31, 1996 are not necessarily indicative of the results which may be expected for the entire fiscal year.

2. Inventories are comprised of the following:

	JULY 31, 1996	OCTOBER 31, 1995
	-----	-----
Finished products.....	\$ 662,781	\$ 621,032
Work in process.....	1,593,140	1,070,751
Materials, parts, assemblies and supplies.....	4,834,202	3,237,021
	-----	-----
Total inventories.....	\$ 7,090,123	\$ 4,928,804
	=====	=====

3. Supplemental disclosures of cash flow information for the nine months ended July 31, 1996 and 1995 are as follows:

Cash paid for interest was \$99,259 and \$31,313 in fiscal 1996 and 1995, respectively.

Fiscal 1996 non-cash, investing and financing activities include purchases of property, plant and equipment totaling \$128,012, proceeds from a revolving line of credit totaling \$1,099,220, \$508,147 of dividends paid and \$117,747 of long-term debt payments.

TRILECTRON INDUSTRIES, INC.

AUDITORS' REPORT,  
FINANCIAL STATEMENTS

DECEMBER 31, 1995 AND 1994

## CONTENTS

	PAGE
INDEPENDENT AUDITORS' REPORT	1
FINANCIAL STATEMENTS	
Balance Sheets	2
Statements of Income	3
Statements of Stockholder's Equity	4
Statements of Cash Flows	5
Notes to Financial Statements	6

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Stockholder  
Trilectron Industries, Inc.

We have audited the balance sheet of Trilectron Industries, Inc. as of December 31, 1995, and the related statements of income, stockholder's equity, and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of Trilectron Industries, Inc. as of December 31, 1994, were audited by other auditors whose report dated April 6, 1995 expressed an unqualified opinion on those statements.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the 1995 financial statements referred to above present fairly, in all material respects, the financial position of Trilectron Industries, Inc. as of December 31, 1995, and the results of its operations and its cash flows for the year then ended in conformity with generally accepted accounting principles.

Kerkering, Barberio & Co.

Bradenton, Florida  
March 12, 1996

## TRILECTRON INDUSTRIES, INC.

## BALANCE SHEETS

DECEMBER 31, 1995 AND 1994

	1995	1994
	-----	-----
ASSETS		
Current assets:		
Cash	\$ 1,591	\$ 367,239
Accounts receivable, net of allowance of \$33,000 and \$35,000 in 1995 and 1994, respectively	2,009,028	1,299,535
Inventory	4,928,804	2,921,412
Costs and estimated earnings in excess of billings on uncompleted contracts	490,616	1,232,679
Other	36,248	13,365
	-----	-----
Total current assets	7,466,287	5,834,230
Property, equipment and improvements, net	232,179	198,966
Prepaid royalty fees	70,000	25,000
Security deposits and other assets	2,856	9,268
	-----	-----
Total assets	\$7,771,322	\$6,067,464
	=====	=====
LIABILITIES AND STOCKHOLDERS EQUITY		
Current liabilities:		
Bank overdraft (Note 10)	\$ 242,943	--
Revolving line of credit	829,914	--
Current portion of term loan	156,996	\$ 156,996
Accounts payable	1,273,486	886,859
Accrued payroll, vacation, pay and related taxes	171,286	147,726
Accrued commissions	154,517	--
Accrued other expenses	138,974	126,528
Billings in excess of costs and estimated earnings on uncompleted contracts	183,591	414,293
Advances from customers	81,909	9,444
	-----	-----
Total current liabilities	3,233,616	1,741,846
Term loan, net of current portion	261,680	418,678
	-----	-----
Total liabilities	3,495,296	2,160,524
	-----	-----
Stockholder's equity:		
Common stock no par value, authorized 200 shares, 100 shares issued and outstanding at stated value	5,000	5,000
Additional paid-in capital	8,300	8,300
Retained earnings	4,262,726	3,893,640
	-----	-----
Total stockholder's equity	4,276,026	3,906,940
	-----	-----
Total liabilities and stockholder's equity	\$7,771,322	\$6,067,464
	=====	=====

The accompanying notes are an integral part of these financial statements.

TRILECTRON INDUSTRIES, INC.

STATEMENTS OF INCOME

YEAR ENDED DECEMBER 31, 1995 AND 1994

	1995	1994
	-----	-----
Net sales	\$13,931,177	\$10,521,128
Cost of goods sold	10,894,857	8,036,830
	-----	-----
Gross profit	3,036,320	2,484,298
Selling and marketing expenses	1,152,660	924,778
General and administrative expenses	926,262	849,162
	-----	-----
Income from operations	957,398	710,358
	-----	-----
Other income (expense)		
Interest expense	(81,661)	(51,543)
Interest income	11,844	15,200
Miscellaneous income, net	8,450	--
Gain, net of expenses, related to Navy settlement	--	13,602
	-----	-----
Other income (expense), net	(61,327)	(22,741)
	-----	-----
Net income	\$ 896,031	\$ 687,617
	=====	=====

The accompanying notes are an integral part of these financial statements.

TRILECTRON INDUSTRIES, INC.  
STATEMENTS OF STOCKHOLDER'S EQUITY  
YEAR ENDED DECEMBER 31, 1995 AND 1994

	COMMON STOCK -----	ADDITIONAL PAID-IN CAPITAL -----	RETAINED EARNINGS -----	TOTAL STOCKHOLDER'S EQUITY -----
Balances, December 31, 1993	\$ 5,000	\$ 8,300	\$3,694,043	\$ 3,707,343
Net income			687,617	687,617
Dividends paid	--	--	(488,020)	(488,020)
	-----	-----	-----	-----
Balances, December 31, 1994	5,000	8,300	3,893,640	3,906,940
Net income			896,031	896,031
Dividends paid	--	--	(526,945)	(526,945)
	-----	-----	-----	-----
Balances, December 31, 1995	<u>\$ 5,000</u>	<u>\$ 8,300</u>	<u>\$4,262,726</u>	<u>\$ 4,276,026</u>

The accompanying notes are an integral part of these financial statements.

## TRILECTRON INDUSTRIES, INC.

## STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 1995 AND 1994

	1995	1994
	-----	-----
Cash flows from operating activities		
Net income	\$ 896,031	\$ 687,617
	-----	-----
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization	86,262	109,420
(Increase) decrease in operating assets		
Restricted cash	--	27,350
Accounts receivable	(709,493)	(325,408)
Inventory	(2,007,392)	(94,465)
Costs and estimated earnings in excess of billings on uncompleted contracts	742,063	(1,232,679)
Other current assets	(22,883)	8,619
Prepaid royalty fees	(45,000)	(25,000)
Security deposits and other assets	6,412	48,797
Increase (decrease) in operating liabilities		
Accounts payable and accrued expenses	577,150	442,389
Billings in excess of costs and estimated earnings on uncompleted contracts	(230,702)	414,293
Advances from customers	72,465	(60,019)
	-----	-----
Total adjustments	(1,531,118)	(686,703)
	-----	-----
Net cash provided by (used) in operating activities	(635,087)	914
	-----	-----
Cash flows from investing activities		
Acquisition of property, equipment and improvements	(119,475)	(68,008)
	-----	-----
Net cash used in investing activities	(119,475)	(68,008)
	-----	-----
Cash flows from financing activities		
Proceeds from revolving line of credit	829,914	--
Principal payments on term loan	(156,998)	(156,994)
Dividends paid	(526,945)	(488,020)
	-----	-----
Net cash provided by (used in) financing activities	145,971	(645,014)
	-----	-----
Net decrease in cash	(608,591)	(712,108)
Cash, beginning of year	367,239	1,079,347
	-----	-----
Cash/net bank overdraft, end of year	\$ (241,352)	\$ 367,239
	=====	=====
Supplementary disclosure of cash flow information:		
Interest paid	\$ 81,661	\$ 51,540
	=====	=====

The accompanying notes are an integral part of these financial statements.

TRILECTRON INDUSTRIES, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 1995 AND 1994

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

OPERATIONS

Trilectron Industries, Inc. (Company), a New York corporation, is a manufacturer of aircraft ground power and support equipment including jet engine air start units, aircraft air conditioning units, engine driven electrical, air conditioning and aircraft towing products, as well as electronic and rotary power converters and uninterrupted power supplies. The Company markets its products to a variety of customers engaged in commercial and military aerospace applications and its products are sold in both international and domestic markets.

The Company's manufacturing facility and corporate headquarters are located in Palmetto, Florida.

FINANCIAL STATEMENTS

The financial statements and notes are representations of the Company's management who is responsible for their integrity and objectivity. The accounting policies conform to generally accepted accounting principles and have been consistently applied in the preparation of the financial statements.

INVENTORY

Inventories are stated at a lower of cost (first-in, first-out) or market (net realizable value). Inventories costs on long term contracts include direct engineering, production and tooling costs, and applicable overhead, including general and administrative expenses.

PROPERTY, EQUIPMENT AND IMPROVEMENTS

Purchases of property, equipment and improvements are recorded at cost. Expenditures for maintenance and repairs which do not improve efficiency or extend the useful life are charged to operations as incurred. Depreciation is provided on straight-line and accelerated methods over the estimated useful lives as follows: machinery and equipment - three to seven years, furniture and fixtures - five years and leasehold improvements - ten years.

REVENUE RECOGNITION

Generally, sales are recorded when products are shipped or services are rendered. For certain long-term contracts, revenues are recorded on the percentage of completion (cost to cost) method. This method is used because management considers costs incurred to be the best available measure of progress on these contracts. Because of the inherent uncertainties in estimating costs, it is at least reasonably possible that the Company's estimates of costs and revenues will change in the near term.

INCOME TAXES

The Company has elected to be taxed under the S Corporation provisions of the Internal Revenue Code. Accordingly, the tax effect of the Company's activities accrues to the stockholder and no provision for federal income taxes is included in the accompanying financial statements.

The Company is subject to state income taxes in New York and New Jersey. A provision for state income taxes is included in general and administrative expenses in the accompanying statements of income.



TRILECTRON INDUSTRIES, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 1995 AND 1994

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

MAJOR CUSTOMERS

Net sales during 1995 were made to four major customer types: commercial domestic (41%), commercial foreign (33%), military domestic (17%) and foreign military (9%). The Company made sales of approximately \$1.6 million and \$1.4 million in 1995 to customers representing 12% and 10%, respectively, of net sales. In 1994, the Company made sales of approximately \$1.9 million, \$1.0 million and \$.9 million to customers representing 20%, 10% and 10%, respectively, of net sales in that year.

CONCENTRATION OF CREDIT RISK

The Company grants credit to domestic customers based upon an evaluation of their credit standing. Sales to most foreign customers are secured by advance payments or by international letters of credit received prior to shipment of the finished product.

RECLASSIFICATIONS

In order to facilitate comparison of financial data, certain amounts in the 1994 financial statements have been reclassified to conform to the 1995 presentation.

NOTE 2 - INVENTORY

Inventory consists of the following at December 31:

	1995	1994
	-----	-----
Raw materials and parts	\$ 3,237,021	\$ 2,539,489
Work in process	1,070,751	22,604
Finished goods	621,032	359,319
	-----	-----
	\$ 4,928,804	\$ 2,921,412
	=====	=====

TRILECTRON INDUSTRIES, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 1995 AND 1994

NOTE 3 - COSTS AND ESTIMATED EARNINGS ON UNCOMPLETED CONTRACTS

Costs and estimated earnings on uncompleted contracts at December 31 are as follows:

	1995	1994
	-----	-----
Costs incurred on uncompleted contracts	\$ 2,514,464	\$ 1,285,343
Estimated earnings	960,953	491,220
	-----	-----
	3,475,417	1,776,563
Less billings	3,168,392	958,177
	-----	-----
Net costs and estimated earnings in excess of billings	\$ 307,025	\$ 818,386
	=====	=====

Such amounts are included in the accompanying balance sheets under the following captions:

	1995	1994
	-----	-----
Costs and estimated earnings in excess of billings on uncompleted contracts	\$ 490,616	\$ 1,232,679
Billings in excess of costs and estimated earnings on uncompleted contracts	(183,591)	(414,293)
	-----	-----
	\$ 307,025	\$ 818,386
	=====	=====

NOTE 4 - PROPERTY, EQUIPMENT AND IMPROVEMENTS

Property, equipment and improvements consisted of the following at December 31:

	1995	1994
	-----	-----
Land	\$ 75,000	--
Machinery and equipment	479,800	\$ 456,406
Furniture and fixtures	396,403	375,322
Leasehold improvements	92,705	92,705
	-----	-----
	1,043,908	924,433
Less accumulated depreciation and amortization	(811,729)	(725,467)
	-----	-----
Property, equipment and improvements, net	\$ 232,179	\$ 198,966
	=====	=====

TRILECTRON INDUSTRIES, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 1995 AND 1994

NOTE 5 - REVOLVING LINE OF CREDIT

In July 1995, the Company renewed its existing \$1,500,000 revolving line of credit agreement to June 1997. At December 31, 1995 and 1994, there was \$829,914 and \$0, respectively, outstanding on the line of credit. Interest accrues on the outstanding balance at the bank's prime lending rate (8.5% at December 31, 1995) and is to be paid quarterly. The available amount of the line at December 31, 1995 was reduced by \$533,519 due to outstanding performance letters of credit secured by the line, of which \$439,424 was relieved in January, 1996. The amount available fluctuates according to a borrowing base formula included in the agreement. Under the terms of the agreement, the Company is required to comply with certain debt covenants which specify the maintenance of minimum levels of net worth and the attainment of specific financial ratios. The line is secured by inventory, accounts receivable, equipment and fixed assets and is guaranteed by the Company's stockholder.

NOTE 6 - TERM LOAN

The term loan matures in August 1998 and required monthly principal installments of \$13,083 plus interest at prime, which was 8.5% at December 31, 1995. The outstanding balances at December 31, 1995 and 1994, respectively were \$418,676 and \$575,674 of which \$156,996 was due within one year. The term loan is secured by inventory, fixed assets and accounts receivable and is guaranteed by the Company's stockholder.

Scheduled maturities of the term loan at December 31, 1995 are as follows:

YEAR	
1996	\$ 156,996
1997	156,996
1998	104,684
	-----
	\$ 418,676
	=====

In July 1995, the Company obtained a commitment from a bank for a \$500,000 equipment loan which is scheduled to mature in June 1999. Advances are based on 85% of submitted invoices, with interest accruing at prime. At December 31, 1995, nothing had been advanced to the Company under this commitment. Advances on the loan will be secured by inventory, accounts receivable, equipment and fixed assets and are guaranteed by the Company's stockholder.

TRILECTRON INDUSTRIES, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 1995 AND 1994

NOTE 7 - COMMITMENTS AND CONTINGENCIES

The Company leases its premises and certain equipment under various operating leases. The premises lease provides for renewals for up to three, five-year terms with a 10% increase in the annual rental payment upon each renewal. In July 1993, management renewed the lease for an additional five year period at the rate of \$11,011 per month. Annual minimum rentals of premises and certain equipment are as follows:

YEAR	
----	
1996	\$ 178,112
1997	161,672
1998	91,972
1999	5,998
2000	2,085
	-----
	\$ 439,839

The premises lease also requires payments of real estate taxes, insurance and repairs to the property. In addition, the premises lease provides a purchase option in the amount of \$1,109,106, adjusted for inflation, exercisable at any time prior to expiration. Rent expenses charged to operations was \$198,000 and \$183,000 in 1995 and 1994, respectively.

The Company is currently negotiating to expand its current facilities by approximately 32,000 square feet, and has committed to pay up to \$37,000 for certain permits and licenses for such an addition.

At December 31, 1995, the company was committed under letters of credit securing foreign sales contracts totaling \$533,519, expiring in 1996, of which \$439,434 was relieved in January, 1996.

In September 1994, the Company entered into a licensing agreement with a German company which provided the Company the exclusive right to manufacture and market certain products in non-German speaking countries. The Company agreed to pay a fee of \$10,000 upon signing of the agreement and \$5,000 per month for twenty-two months. Such advance payments are to be used to offset 5% royalty fees due to the German company on future product sales. In September 1995, both companies verbally agreed to postpone advance payments until September, 1996. The advance royalty payments of \$70,000 and \$25,000 in 1995 and 1994, respectively, are considered a non-current asset.

The Company had customer orders for product delivery of approximately \$12,100,000 and \$5,700,000 at December 31, 1995 and 1994, respectively. Of these amounts, customer orders of approximately \$4,700,000 and \$2,000,000 related to long-term contracts at December 31, 1995 and 1994, respectively.

TRILECTRON INDUSTRIES, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 1995 AND 1994

NOTE 8 - BENEFIT PLAN

The Company maintains a 401(k) savings plan which allows eligible employees to defer a portion of their income through contributions to the plan. Under the provisions of the plan, the Company contributes 15% of amounts contributed by employees to a maximum of 10% of employee compensation. The plan also contains an option to share in profits as directed by the sole stockholder. Company contributions to the 401(k) plan amounted to \$18,207 and \$17,500 for 1995 and 1994, respectively.

NOTE 9 - SELF-INSURANCE

The Company is self-insured for group health insurance. In addition, insurance is obtained for claims in excess of \$25,000 in the aggregate per individual. The reserve for claims at December 31, 1995 and 1994 was \$50,000 and \$47,900, respectively, and is included in accrued liabilities.

NOTE 10 - BANK OVERDRAFT

The bank overdraft of \$242,943 at December 31, 1995 was substantially relieved by the receipt of two wire transfers from customers on the next business day (January 2, 1996) totaling \$201,000. The remainder was covered through an "auto borrow" facility provided with the revolving line of credit (Note 5).