

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**  
Washington, D.C. 20549

**FORM 8-K**

**Current Report**  
**Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

Date of Report (date of earliest event reported): **February 8, 2005**

**ALLIED MOTION TECHNOLOGIES INC.**

(Exact Name of Registrant as Specified in its Charter)

**Colorado**  
(State or Other Jurisdiction  
of Incorporation)

**0-04041**  
(Commission File Number)

**84-0518115**  
(IRS Employer  
Identification No.)

**23 Inverness Way East, Suite. 150, Englewood, CO, 80112**  
(Address of Principal Executive Offices, including zip code)

**303-799-8520**  
(Registrant's telephone number, including area code)

**Not Applicable**  
(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

**Item 8.01. Other Events**

As previously disclosed in the periodic reports filed by Allied Motion Technologies Inc. (the "Company"), on May 10, 2004, in connection with the Company's acquisition of Owosso Corporation, the Company repaid its existing borrowings and obtained \$8.25 million of new term loans and entered into a new revolving line-of-credit agreement (the "Loan Agreements") with PNC Bank, National Association and Silicon Valley Bank. The Loan Agreements were subsequently amended on August 23, 2004 and November 15, 2004. Copies of the Loan Agreements and amendments thereto are filed as exhibits to this Form 8-K and are incorporated herein by reference.

**Item 9.01. Financial Statements and Exhibits**

(c) Exhibits.

<u>Exhibit No.</u>	<u>Description</u>
99.1	Revolving Credit and Security Agreement dated May 7, 2004 between Allied Motion Technologies Inc. and certain subsidiaries of Allied Motion Technologies, PNC Bank, National Association and Silicon Valley Bank.
99.2	Term Loan and Security Agreement dated May 7, 2004 between Allied Motion Technologies Inc. and certain subsidiaries of Allied Motion Technologies and PNC Bank, National Association.
99.3	Term Loan and Security Agreement dated May 7, 2004 between Allied Motion Technologies Inc. and certain subsidiaries of Allied Motion Technologies and Silicon Valley Bank.
99.4	First Amendment to Revolving Credit and Security Agreement, Term Loan and Security Agreements, and Related Documents dated as of August 23, 2004.

**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 hereunto duly authorized.

Date: February 8, 2005

**ALLIED MOTION TECHNOLOGIES INC.**

By: /s/ Richard D. Smith

Richard D. Smith  
Chief Executive Officer  
and Chief Financial Officer

REVOLVING CREDIT  
AND  
SECURITY AGREEMENT

PNC BANK, NATIONAL ASSOCIATION  
(AS LENDER AND AS AGENT)

SILICON VALLEY BANK  
(AS LENDER)

WITH

ALLIED MOTION TECHNOLOGIES INC., MOTOR PRODUCTS CORPORATION,  
ALLIED MOTION CONTROL CORPORATION, EMOTEQ CORPORATION,  
COMPUTER OPTICAL PRODUCTS, INC., AMOT I, INC., AMOT II, INC.,  
AMOT III, INC., STATURE ELECTRIC, INC. F/K/A AMOT, INC.  
AND AHAB INVESTMENT COMPANY  
(BORROWERS)

May 7, 2004

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**REVOLVING CREDIT  
AND  
SECURITY AGREEMENT**

Revolving Credit and Security Agreement dated May 7, 2004 among ALLIED MOTION TECHNOLOGIES INC., a corporation organized under the laws of the State of Colorado ("Allied Motion"), MOTOR PRODUCTS CORPORATION, a corporation organized under the laws of the State of Delaware ("Motor Products"), ALLIED MOTION CONTROL CORPORATION, a corporation organized under the laws of the State of Colorado ("Allied Motion Control"), EMOTEQ CORPORATION, a corporation organized under the laws of the State of Colorado ("Emoteq"), COMPUTER OPTICAL PRODUCTS, INC., a corporation organized under the laws of the State of Colorado ("Computer Optical"), AMOT I, INC., a corporation organized under the laws of the State of Delaware ("AMOT I"), AMOT II, INC., a corporation organized under the laws of the State of Delaware ("AMOT II"), AMOT III, INC., a corporation organized under the laws of the State of Delaware ("AMOT III"), STATURE ELECTRIC, INC. f/k/a AMOT, Inc., a corporation organized under the laws of the State of Pennsylvania ("New Stature") and AHAB INVESTMENT COMPANY, a corporation organized under the laws of the State of Delaware ("Ahab") (each a "Borrower" and collectively "Borrowers"), the financial institutions which are now or which hereafter become a party hereto (collectively, the "Lenders" and individually a "Lender") and PNC BANK, NATIONAL ASSOCIATION ("PNC"), as agent for Lenders (PNC, in such capacity, the "Agent").

IN CONSIDERATION of the mutual covenants and undertakings herein contained, Borrowers, Lenders and Agent hereby agree as follows:

I. DEFINITIONS.

1.1 Accounting Terms. As used in this Agreement, the Revolving Credit Note, or any certificate, report or other document made or delivered pursuant to this Agreement, accounting terms not defined in **Section 1.2** or elsewhere in this Agreement and accounting terms partly defined in **Section 1.2** to the extent not defined, shall have the respective meanings given to them under GAAP; provided, however, whenever such accounting terms are used for the purposes of determining compliance with financial covenants in this Agreement, such accounting terms shall be defined in accordance with GAAP as applied in preparation of the audited financial statements of Borrowers.

1.2 General Terms. For purposes of this Agreement the following terms shall have the following meanings:

"Accountants" shall have the meaning set forth in **Section 9.7** hereof.

"Acquisition Agreement" shall mean collectively the Agreement and Plan of Merger among Allied Motion, New Stature, and Owosso dated as of February 10, 2004, the Plan of Merger between Owosso and Old Stature dated as of May 7, 2004, the Certificate and Articles of Merger between Owosso and Old Stature dated as of May 7, 2004, the Certificate and Article of Merger between New Stature and Owosso dated as of May 7, 2004, and any amendments, modifications, replacements or substitutions to any of the foregoing.

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"Advances" shall mean and include the Revolving Advances and Letters of Credit.

"Advance Rates" shall have the meaning set forth in **Section 2.1(a)** hereof.

"Affiliate" of any Person shall mean (a) any Person which, directly or indirectly, is in control of, is controlled by, or is under common control with such Person, or (b) any Person who is a director or officer (i) of such Person, (ii) of any Subsidiary of such Person or (iii) of any Person described in clause (a) above. For purposes of this definition, control of a Person shall mean the power, direct or indirect, (x) to vote 5% or more of the securities having ordinary voting power for the election of directors of such Person, or (y) to direct or cause the direction of the management and policies of such Person whether by contract or otherwise.

"Ahab" shall have the meaning set forth in the preamble to this Agreement and shall extend to all permitted successors and assigns of such Person.

"Agent" shall have the meaning set forth in the preamble to this Agreement and shall include its successors and assigns.

"Agreement" shall mean this Revolving Credit and Security Agreement and any amendments, modifications, replacements, and substitutions thereto.

"Allied Motion" shall have the meaning set forth in the preamble to this Agreement and shall extend to all permitted successors and assigns of such Person.

"Allied Motion Control" shall have the meaning set forth in the preamble to this Agreement and shall extend to all permitted successors and assigns of such Person.

"Alternate Base Rate" shall mean, for any day, a rate per annum equal to the higher of (i) the PNC Base Rate in effect on such day or (ii) the Federal Funds Rate in effect on such day plus one-half of one percent (0.50%).

"AMOT I" shall have the meaning set forth in the preamble to this Agreement and shall extend to all permitted successors and assigns of such Person.

"AMOT II" shall have the meaning set forth in the preamble to this Agreement and shall extend to all permitted successors and assigns of such Person.

“AMOT III” shall have the meaning set forth in the preamble to this Agreement and shall extend to all permitted successors and assigns of such Person.

“Anti-Terrorism Laws” shall mean any Laws relating to terrorism or money laundering, including Executive Order No. 13224, the USA Patriot Act, the Laws comprising or implementing the Bank Secrecy Act, and the Laws administered by the United States Treasury Department’s Office of Foreign Asset Control (as any of the foregoing Laws may from time to time be amended, renewed, extended, or replaced).

“Authority” shall have the meaning set forth in **Section 4.19(d)**.

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“Blocked Accounts” shall have the meaning set forth in **Section 4.15(h)**.

“Blocked Person” shall have the meaning set forth in **Section 5.24** hereof.

“Borrower” or “Borrowers” shall have the meaning set forth in the preamble to this Agreement and shall extend to all permitted successors and assigns of such Persons.

“Borrowing Base Certificate” shall mean the certificates duly executed by authorized officers of Borrowers appropriately completed and in substantially the form of **Exhibit A** hereto together with any changes as may be requested by Agent in its discretion from time to time.

“Borrowers on a consolidated basis” shall mean Allied Motion, Motor Products, Allied Motion Control, Emoteq, Computer Optical, AMOT I, AMOT II, AMOT III, New Stature and Ahab.

“Borrowers’ Account” shall have the meaning set forth in **Section 2.7**.

“Borrowing Agent” shall mean Allied Motion.

“Business Day” shall mean any day other than Saturday or Sunday or a legal holiday on which commercial banks are authorized or required by law to be closed for business in East Brunswick, New Jersey.

“CERCLA” shall mean the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended, 42 U.S.C. §§9601 et seq.

“Change of Control” shall mean (a) the occurrence of any event (whether in one or more transactions) which results in a transfer of control of any Borrower (besides Allied Motion) to a Person who is not an Original Owner or (b) any merger or consolidation of or with any Borrower or sale of all or substantially all of the property or assets of any Borrower. For purposes of this definition, “control of Borrower” shall mean the power, direct or indirect (x) to vote 50% or more of the securities having ordinary voting power for the election of directors of any Borrower or (y) to direct or cause the direction of the management and policies of any Borrower by contract or otherwise.

“Change of Ownership” shall mean (a) 50% or more of the common stock of any Borrower (besides Allied Motion) is no longer owned or controlled by (including for the purposes of the calculation of percentage ownership, any shares of common stock into which any capital stock of any Borrower (besides Allied Motion) held by any of the Original Owners is convertible or for which any such shares of the capital stock of any Borrower (besides Allied Motion) or of any other Person may be exchanged and any shares of common stock issuable to such Original Owners upon exercise of any warrants, options or similar rights which may at the time of calculation be held by such Original Owners) a Person who is an Original Owner or (b) any merger, consolidation or sale of substantially all of the property or assets of any Borrower; provided, that the sale by Allied Motion of any shares of the capital stock of any Borrower (besides Allied Motion) shall be deemed a sale of substantially all of such Borrower’s assets.

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“Charges” shall mean all taxes, charges, fees, imposts, levies or other assessments, including, without limitation, all net income, gross income, gross receipts, sales, use, ad valorem, value added, transfer, franchise, profits, inventory, capital stock, license, withholding, payroll, employment, social security, unemployment, excise, severance, stamp, occupation and property taxes, custom duties, fees, assessments, liens, claims and charges of any kind whatsoever, together with any interest and any penalties, additions to tax or additional amounts, imposed by any taxing or other authority, domestic or foreign (including, without limitation, the Pension Benefit Guaranty Corporation or any environmental agency or superfund), upon the Collateral, any Borrower or any of its Affiliates.

“Closing Date” shall mean May 7, 2004 or such other date as may be agreed to by the parties hereto.

“Code” shall mean the Internal Revenue Code of 1986, as amended from time to time and the regulations promulgated thereunder.

“Collateral” shall mean and include:

- (a) all Receivables;
- (b) all Equipment;
- (c) all General Intangibles;
- (d) all Inventory;
- (e) all Investment Property;

(f) all Real Property;

(g) all Subsidiary Stock;

(h) all of each Borrower's right, title and interest in and to (i) its respective goods and other property including, but not limited to, all merchandise returned or rejected by Customers, relating to or securing any of the Receivables; (ii) all of each Borrower's rights as a consignor, a consignee, an unpaid vendor, mechanic, artisan, or other lienor, including stoppage in transit, setoff, detinue, replevin, reclamation and repurchase; (iii) all additional amounts due to any Borrower from any Customer relating to the Receivables; (iv) other property, including warranty claims, relating to any goods securing this Agreement; (v) all of each Borrower's contract rights, rights of payment which have been earned under a contract right, instruments (including promissory notes), documents, chattel paper (including electronic chattel paper), warehouse receipts, letters of credit, money, and deposit accounts, including, but not limited to, Borrowers' Deposit Account Nos. , , , and maintained with and Borrowers' Deposit Account Nos. 3300365546, 3300365599, 3300365192, 3300411387, 3300089081, and 3300411391 maintained with SVB; (vi) all commercial tort claims (whether now existing or hereafter arising); (vii) if and when obtained by any Borrower, all real and personal property of third parties in which such Borrower has been granted a lien or security interest as security for

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the payment or enforcement of Receivables; and (viii) any other goods, personal property or real property now owned or hereafter acquired in which any Borrower has expressly granted a security interest or may in the future grant a security interest to Agent hereunder, or in any amendment or supplement hereto or thereto, or under any other agreement between Agent and any Borrower;

(i) all of each Borrower's ledger sheets, ledger cards, files, correspondence, records, books of account, business papers, computers, computer software (owned by any Borrower or in which it has an interest), computer programs, tapes, disks and documents relating to (a), (b), (c), (d), (e), (f), (g), or (h) of this Paragraph; and

(j) all proceeds and products of (a), (b), (c), (d), (e), (f), (g), (h), and (i) in whatever form, including, but not limited to: cash, deposit accounts (whether or not comprised solely of proceeds), certificates of deposit, insurance proceeds (including hazard, flood and credit insurance), negotiable instruments and other instruments for the payment of money, chattel paper, security agreements, documents, eminent domain proceeds, condemnation proceeds and tort claim proceeds.

“Commitment Percentage” of any Lender shall mean the percentage set forth below such Lender's name on the signature page hereof as same may be adjusted upon any assignment by a Lender pursuant to **Section 16.3(b)** hereof.

“Commitment Transfer Supplement” shall mean a document in the form of **Exhibit 16.3** hereto, properly completed and otherwise in form and substance satisfactory to Agent by which the Purchasing Lender purchases and assumes a portion of the obligation of Lenders to make Advances under this Agreement.

“Computer Optical” shall have the meaning set forth in the preamble to this Agreement and shall extend to all permitted successors and assigns of such Person.

“Consents” shall mean all filings and all licenses, permits, consents, approvals, authorizations, qualifications and orders of governmental authorities and other third parties, domestic or foreign, necessary to carry on any Borrower's business, including, without limitation, any Consents required under all applicable federal, state or other applicable law.

“Contract Rate” shall mean, as applicable, the PNC Revolving Interest Rate or the SVB Revolving Interest Rate.

“Controlled Group” shall mean all members of a controlled group of corporations and all trades or businesses (whether or not incorporated) under common control which, together with any Borrower, are treated as a single employer under Section 414 of the Code.

“Customer” shall mean and include the account debtor with respect to any Receivable and/or the prospective purchaser of goods, services or both with respect to any contract or contract right, and/or any party who enters into or proposes to enter into any contract or other arrangement with any Borrower, pursuant to which such Borrower is to deliver any personal property or perform any services.

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“Debt Payments” shall mean and include all cash actually expended by Borrowers to make (a) interest payments on any Advances hereunder, plus, (b) payments for all fees, commissions and charges set forth herein and with respect to any Advances, plus (c) capitalized lease payments, plus (d) payments with respect to any other Indebtedness for borrowed money (which shall not include payments on operating leases).

“Default” shall mean an event which, with the giving of notice or passage of time or both, would constitute an Event of Default.

“Default Rate” shall have the meaning set forth in **Section 3.1** hereof.

“Defaulting Lender” shall have the meaning set forth in **Section 2.15(a)** hereof.

“Documents” shall have the meaning set forth in **Section 8.1(c)** hereof.

“Dollar” and the sign “\$” shall mean lawful money of the United States of America.

“Early Termination Date” shall have the meaning set forth in **Section 13.1** hereof.

“EBIT” shall mean for any period the sum of (i) net income (or loss) of Borrowers on a consolidated basis for such period (excluding extraordinary gains and losses, plus (ii) all interest expense of Borrowers on a consolidated basis for such period, plus (iii) all charges against income of Borrowers on a consolidated basis for such period for federal, state and local taxes.

“EBITDA” shall mean for any period the sum of (i) EBIT for such period plus (ii) depreciation expenses for such period, plus (iii) amortization expenses for such period.

“Eligible Inventory” shall mean and include Inventory (excluding work in process) that is located at a premises that is subject to a landlord agreement in form and substance acceptable to Agent in its discretion, with respect to each Borrower valued at the lower of cost or market value, determined on a first-in-first-out basis, which is not, in Agent’s opinion, obsolete, slow moving or unmerchantable and which Agent, in its sole discretion, shall not deem ineligible Inventory, based on such considerations as Agent may from time to time deem appropriate including, without limitation, whether the Inventory is subject to a perfected, first priority security interest in favor of Agent and whether the Inventory conforms to all standards imposed by any governmental agency, division or department thereof which has regulatory authority over such goods or the use or sale thereof.

“Eligible Receivables” shall mean and include with respect to each Borrower, each Receivable of such Borrower arising in the ordinary course of such Borrower’s business and which Agent, in its sole credit judgment, shall deem to be an Eligible Receivable, based on such considerations as Agent may from time to time deem appropriate. A Receivable shall not be deemed eligible unless such Receivable is subject to Agent’s first priority perfected security interest and no other Lien (other than Permitted Encumbrances), and is evidenced by an invoice or other documentary evidence satisfactory to Agent. In addition, no Receivable shall be an Eligible Receivable if:

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- Borrower;
- (a) it arises out of a sale made by any Borrower to an Affiliate of any Borrower or to a Person controlled by an Affiliate of any Borrower;
  - (b) it is unpaid for more than ninety (90) days after the original invoice date;
  - (c) fifty percent (50%) or more of the Receivable from such Customer are unpaid more than ninety (90) days after the original invoice date;
  - (d) any covenant, representation or warranty contained in this Agreement with respect to such Receivable has been breached;
  - (e) the Customer shall (i) apply for, suffer, or consent to the appointment of, or the taking of possession by, a receiver, custodian, trustee or liquidator of itself or of all or a substantial part of its property or call a meeting of its creditors, (ii) admit in writing its inability, or be generally unable, to pay its debts as they become due or cease operations of its present business, (iii) make a general assignment for the benefit of creditors, (iv) commence a voluntary case under any state or federal bankruptcy laws (as now or hereafter in effect), (v) be adjudicated a bankrupt or insolvent, (vi) file a petition seeking to take advantage of any other law providing for the relief of debtors, (vii) acquiesce to, or fail to have dismissed, any petition which is filed against it in any involuntary case under such bankruptcy laws, or (viii) take any action for the purpose of effecting any of the foregoing;
  - (f) the sale is to a Customer outside the continental United States of America, unless the sale is on letter of credit, guaranty, or acceptance terms, in each case acceptable to Agent in its sole discretion, and Agent is provided with accounts receivable insurance coverage for such sale in form and substance and from the U.S. Export-Import Bank or another entity acceptable to Agent in its sole discretion. Notwithstanding the foregoing, Receivables to Customers outside the continental United States of America in excess of \$1,500,000.00 in the aggregate shall not constitute Eligible Receivables under any circumstances;
  - (g) the sale to the Customer is on a bill-and-hold, guaranteed sale, sale-and-return, sale on approval, consignment or any other repurchase or return basis or is evidenced by chattel paper;
  - (h) Agent believes, in its sole judgment, that collection of such Receivable is insecure or that such Receivable may not be paid by reason of the Customer’s financial inability to pay;
  - (i) the Customer is the United States of America or any department, agency or instrumentality of the United States of America unless the applicable Borrower assigns its right to payment of such Receivable to Agent pursuant to the Assignment of Claims Act of 1940, as amended (31 U.S.C. Sub-Section 3727 et seq. and 41 U.S.C. Sub-Section 15 et seq.) or has otherwise complied with other applicable statutes or ordinances;
  - (j) the goods giving rise to such Receivable have not been shipped to the Customer or the services giving rise to such Receivable have not been performed by the applicable Borrower or the Receivable otherwise does not represent a final sale;

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- (k) the Receivables of the Customer exceed a credit limit determined by Agent, in its sole discretion, to the extent such Receivable exceeds such limit;
  - (l) the Receivable is subject to any offset, deduction, defense, dispute, or counterclaim, the Customer is also a creditor or supplier of a Borrower or the Receivable is contingent in any respect or for any reason;
  - (m) the applicable Borrower has made any agreement with any Customer for any deduction therefrom, except for discounts or allowances made in the ordinary course of business for prompt payment, all of which discounts or allowances are reflected in the calculation of the face value of each respective invoice related thereto;
  - (n) any return, rejection or repossession of the merchandise has occurred or the rendition of services has been disputed;

(o) such Receivable is not payable to a Borrower; or

(p) such Receivable is not otherwise satisfactory to Agent as determined in good faith by Agent in the exercise of its discretion in a reasonable manner.

In addition, no Receivable or portion of a Receivable from any Customer of a Borrower shall be an Eligible Receivable to the extent that such Receivable or portion of a Receivable together with the other Receivables from the applicable Customer exceeds twenty percent (20%) of the total Receivables owing to the applicable Borrower at any time.

“Emoteg” shall have the meaning set forth in the preamble to this Agreement and shall extend to all permitted successors and assigns of such Person.

“Environmental Complaint” shall have the meaning set forth in **Section 4.19(d)** hereof.

“Environmental Laws” shall mean all federal, state and local environmental, land use, zoning, health, chemical use, safety and sanitation laws, statutes, ordinances and codes relating to the protection of the environment and/or governing the use, storage, treatment, generation, transportation, processing, handling, production or disposal of Hazardous Substances and the rules, regulations, decisions, orders and directives of federal, state and local governmental agencies and authorities with respect thereto.

“Equipment” shall mean and include as to each Borrower all of such Borrower’s goods (other than Inventory) whether now owned or hereafter acquired and wherever located including, without limitation, all equipment, machinery, apparatus, motor vehicles, fittings, furniture, furnishings, fixtures, parts, accessories and all replacements and substitutions therefor or accessions thereto.

“ERISA” shall mean the Employee Retirement Income Security Act of 1974, as amended from time to time and the rules and regulations promulgated thereunder.

“Event of Default” shall mean the occurrence of any of the events set forth in **Article X** hereof.

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“Federal Funds Rate” shall mean, for any day, the weighted average of the rates on overnight Federal funds transactions with members of the Federal Reserve System arranged by Federal funds brokers, as published for such day (or if such day is not a Business Day, for the next preceding Business Day) by the Federal Reserve Bank of New York, or if such rate is not so published for any day which is a Business Day, the average of quotations for such day on such transactions received by PNC from three Federal funds brokers of recognized standing selected by PNC.

“Fixed Charge Coverage Ratio” shall mean and include the ratio of (a) EBITDA for such period minus non-financed capitalized expenditures, dividends, and cash taxes made during such period to (b) all Debt Payments during such period (excluding the closing fees described in **Section 3.3** of this Agreement). The Fixed Charge Coverage Ratio shall be measured for the preceding three (3) months on June 30, 2004, the preceding six (6) months on September 30, 2004, the preceding nine (9) months on December 31, 2004 and the preceding twelve months (12) months March 31<sup>st</sup> and the end of each succeeding calendar quarter.

“Formula Amount” shall have the meaning set forth in **Section 2.1(a)**.

“GAAP” shall mean generally accepted accounting principles in the United States of America in effect from time to time.

“General Intangibles” shall mean and include as to each Borrower all of such Borrower’s general intangibles, whether now owned or hereafter acquired including, without limitation, all payment intangibles, choses in action, causes of action, corporate or other business records, inventions, designs, patents, patent applications, equipment formulations, manufacturing procedures, quality control procedures, trademarks, service marks, trade secrets, goodwill, copyrights, design rights, software, computer information, source codes, codes, records and dates, registrations, licenses, franchises, customer lists, tax refunds, tax refund claims, computer programs, all claims under guaranties, security interests or other security held by or granted to such Borrower to secure payment of any of the Receivables by a Customer (other than to the extent covered by Receivables) all rights of indemnification and all other intangible property of every kind and nature (other than Receivables).

“Good Faith” or “good faith” shall mean honesty in fact in the conduct or transaction concerned and the test for the good faith of any Person shall be a subjective rather than an objective (or reasonableness) test of such Person’s state of mind.

“Governmental Body” shall mean any nation or government, any state or other political subdivision thereof or any entity exercising the legislative, judicial, regulatory or administrative functions of or pertaining to a government.

“Guarantor” shall mean any Person who may hereafter guarantee payment or performance of the whole or any part of the Obligations and “Guarantors” means collectively all such Persons.

“Guarantor Security Agreement” shall mean any Security Agreement executed by any Guarantor in favor of Agent securing the Guaranty of such Guarantor.

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“Guaranty” shall mean any guaranty of the obligations of Borrowers executed by a Guarantor in favor of Agent for its benefit and for the ratable benefit of Lenders.

“Hazardous Discharge” shall have the meaning set forth in **Section 4.19(d)** hereof.

“Hazardous Substance” shall mean, without limitation, any flammable explosives, radon, radioactive materials, asbestos, urea formaldehyde foam insulation, polychlorinated biphenyls, petroleum and petroleum products, methane, hazardous materials, Hazardous Wastes, hazardous or Toxic Substances or related materials as defined in CERCLA, the Hazardous Materials Transportation Act, as amended (49 U.S.C. Sections 1801, et seq.), RCRA, Articles 15 and 27 of the New York State Environmental Conservation Law or any other applicable Environmental Law and in the regulations adopted pursuant thereto.

“Hazardous Wastes” shall mean all waste materials subject to regulation under CERCLA, RCRA or applicable state law, and any other applicable Federal and state laws now in force or hereafter enacted relating to hazardous waste disposal.

“Indebtedness” of a Person at a particular date shall mean all indebtedness, liabilities and obligations of such Person which in accordance with GAAP would be classified upon a balance sheet as liabilities (except Capital Stock and surplus earned or otherwise, and deferred taxes, but only to the extent such taxes are not due and payable in any given fiscal year) and in any event, without limitation by reason of enumeration, shall include all indebtedness, debt and other similar monetary obligations of such Person, whether direct or guaranteed, and all premiums, if any, due at the required prepayment dates of such indebtedness, and all indebtedness secured by a Lien on assets owned by such Person, whether or not such indebtedness actually shall have been created, assumed or incurred by such Person. Any indebtedness of such Person resulting from the acquisition by such Person of any assets subject to any Lien shall be deemed, for the purposes hereof, to be the equivalent of the creation, assumption and incurring of the indebtedness secured thereby, whether or not actually so created, assumed or incurred. In addition to and without limiting the generality of the foregoing, “Indebtedness” of a Person at a particular date shall also mean and include all of the following indebtedness, liabilities and obligations of such Person, whether or not included as liabilities of such Person in accordance with GAAP: (a) all indebtedness, liabilities and obligations of such Person for borrowed money, and all indebtedness, liabilities and obligations of such Person evidenced by bonds, debentures, notes, loan agreements or other similar instruments; (b) all direct or contingent obligations of such Person arising under letters of credit (including standby and commercial), bankers’ acceptances, bank guaranties, surety bonds and similar instruments; (c) all net obligations of such Person under any hedge agreement; (d) all obligations of such Person to pay the deferred purchase price of property or services (excluding, for the purposes of this definition, trade accounts payable in the ordinary course of business); (e) indebtedness (excluding prepaid interest thereon) secured by a Lien on property owned or being purchased by such Person (including indebtedness arising under conditional sales or other title retention agreements), whether or not such indebtedness shall have been assumed by such Person or is limited in recourse; (f) capitalized lease obligations and synthetic lease obligations; and (g) all guarantees of such Person in respect of any of the foregoing. For all purposes hereof, the Indebtedness of any Person shall include the Indebtedness of any partnership or joint venture (other than a joint venture that is itself a corporation or limited liability company) in

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which such Person is a general partner or a joint venturer, unless such Indebtedness is expressly made non-recourse to such Person. Notwithstanding anything to the contrary contained herein, the term “Indebtedness” does not include the indebtedness, liabilities and other obligations of a Person under operating leases.

“Individual Formula Amount” shall mean at the date of determination thereof, with respect to each Borrower an amount equal to: (a) up to the Receivables Advance Rate of Eligible Receivables of such Borrower, plus (b) up to the Inventory Advance Rate of the value of Eligible Inventory of such Borrower; minus (c) such reserves as Agent may reasonably deem proper and necessary from time to time.

“Individual Maximum Revolving Advance Amount” shall mean with respect to each Borrower, \$10,500,000.00 less the Revolving Advances and outstanding Letters of Credit provided to the other Borrowers at any time.

“Ineligible Security” shall mean any security which may not be underwritten or dealt in by member banks of the Federal Reserve System under Section 16 of the Banking Act of 1933 (12 U.S.C. Section 24, Seventh), as amended.

“Intercreditor Agreement” shall mean the Intercreditor Agreement between Borrowers, Agent, and Lenders dated of even date herewith and any amendments, extensions, modifications, replacements and substitutions thereto.

“Inventory” shall mean and include as to each Borrower all of such Borrower’s now owned or hereafter acquired goods, merchandise and other personal property, wherever located, to be furnished under any consignment arrangement, contract of service or held for sale or lease, all raw materials, work in process, finished goods and materials and supplies of any kind, nature or description which are or might be used or consumed in such Borrower’s business or used in selling or furnishing such goods, merchandise and other personal property, and all documents of title or other documents representing them.

“Inventory Advance Rate” shall have the meaning set forth in **Section 2.1(a)(y)(ii)** hereof.

“Investment Property” shall mean and include as to each Borrower, all of such Borrower’s now owned or hereafter acquired securities (whether certificated or uncertificated), securities entitlements, securities accounts, commodities contracts and commodities accounts.

“Issuer” shall mean any Person who issues a Letter of Credit and/or accepts a draft pursuant to the terms hereof.

“JCIDA” shall mean the Jefferson County Industrial Development Agency.

“JCIDA Industrial Development Revenue Bonds” shall mean the Variable Rate Demand Industrial Development Revenue Bonds in the original principal amount of \$5,750,000.00 issued by the JCIDA for the benefit of Old Stature on or about October 1, 1998, and any amendments, extensions, modifications, replacements or substitutions to such loan.

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“JCIDA Industrial Development Revenue Bond Documents” shall mean the JCDIA Industrial Revenue Bonds, all related reimbursements agreements, letters of credit, security agreements, UCC filings, deeds of trust, mortgages, assignments of leases and rents, guaranties, and other agreements, instruments or documents of any kind, and any amendments, extensions, modifications, replacements or substitutions to any of the foregoing.

“Leasehold Interests” shall mean all of each Borrower’s right, title and interest in and to the premises located at 9174 Deering Avenue, Chatsworth, California 91311, 23 Inverness Way East, Suite 150, Englewood, Colorado 80112, and 10002 – B East 43rd Street, Tulsa, Oklahoma 74146 and any other present or future leased premises.

“Lender” and “Lenders” shall have the meaning ascribed to such term in the preamble to this Agreement and shall include each Person which becomes a transferee, successor or assign of any Lender.

“Letter of Credit Fees” shall have the meaning set forth in **Section 3.2**.

“Letters of Credit” shall have the meaning set forth in **Section 2.9**.

“Lien” shall mean any mortgage, deed of trust, pledge, hypothecation, assignment, security interest, lien (whether statutory or otherwise), Charge, claim or encumbrance, or preference, priority or other security agreement or preferential arrangement held or asserted in respect of any asset of any kind or nature whatsoever including, without limitation, any conditional sale or other title retention agreement, any lease having substantially the same economic effect as any of the foregoing, and the filing of, or agreement to give, any financing statement under the Uniform Commercial Code or comparable law of any jurisdiction.

“Material Adverse Effect” shall mean a material adverse effect upon (a) the condition, operations, assets, business or prospects of the applicable Person or Persons, (b) any Borrower’s ability to pay the Obligations in accordance with the terms thereof, (c) the value of the Collateral, or Agent’s Liens on the Collateral or the priority of any such Lien or (d) the practical realization of the benefits of Agent’s and each Lender’s rights and remedies under this Agreement and the Other Documents.

“Maximum Revolving Advance Amount” shall mean \$10,500,000.00.

“Michigan Mortgage” shall mean the mortgage, assignments of leases and rents, and all related documents securing the Obligations and encumbering the Real Property owned by Motor Products Corporation located in Owosso, Michigan together with all extensions, renewals, amendments, supplements, modifications, substitutions and replacements thereto and thereof.

“Monthly Advances” shall have the meaning set forth in **Section 3.1** hereof.

“Mortgages” shall mean collectively the New York Mortgage and Michigan Mortgage together with all extensions, renewals, amendments, supplements, modifications, substitutions and replacements thereto and thereof.

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“Motor Products” shall have the meaning set forth in the preamble to this Agreement and shall extend to all permitted successors and assigns of such Person.

“Multiemployer Plan” shall mean a “multiemployer plan” as defined in Sections 3(37) and 4001(a)(3) of ERISA.

“New Stature” shall have the meaning set forth in the preamble to this Agreement and shall extend to all permitted successors and assigns of such Person.

“New York Mortgage” shall mean the mortgage, assignments of leases and rents, and all related documents securing the Obligations and encumbering the Real Property owned by the Jefferson County Industrial Development Agency and New Stature located in Watertown, New York together with all extensions, renewals, amendments, supplements, modifications, substitutions and replacements thereto and thereof.

“Obligations” “ shall mean and include any and all loans, advances, debts, liabilities, obligations, covenants and duties owing by Borrowers to Lenders or Agent or to any other direct or indirect subsidiary or affiliate of Agent or any Lender of any kind or nature, present or future (including, without limitation, any interest accruing thereon after maturity, or after the filing of any petition in bankruptcy, or the commencement of any insolvency, reorganization or like proceeding relating to any Borrower, whether or not a claim for post-filing or post-petition interest is allowed in such proceeding), whether or not evidenced by any note, guaranty or other instrument, whether arising under any agreement, instrument or document, (including, without limitation, this Agreement and the Other Documents) whether or not for the payment of money, whether arising by reason of an extension of credit, opening of a letter of credit, loan, equipment lease or guarantee, under any interest or currency swap, future, option or other similar agreement, or in any other manner, whether arising out of overdrafts or deposit or other accounts or electronic funds transfers (whether through automated clearing houses or otherwise) or out of the Agent’s or any Lenders non-receipt of or inability to collect funds or otherwise not being made whole in connection with depository transfer check or other similar arrangements, whether direct or indirect (including those acquired by assignment or participation), absolute or contingent, joint or several, due or to become due, now existing or hereafter arising, contractual or tortious, liquidated or unliquidated, regardless of how such indebtedness or liabilities arise or by what agreement or instrument they may be evidenced or whether evidenced by any agreement or instrument, including, but not limited to, any and all of any Borrower’s Indebtedness and/or liabilities under this Agreement, the Other Documents or under any other agreement between Agent or Lenders and any Borrower and any amendments, extensions, renewals or increases and all costs and expenses of Agent and any Lender incurred in the documentation, negotiation, modification, enforcement, collection or otherwise in connection with any of the foregoing, including but not limited to reasonable attorneys’ fees and expenses and all obligations of any Borrower to Agent or Lenders to perform acts or refrain from taking any action.

“Old Stature” shall mean Stature Electric, Inc., a New York corporation, prior to its merger with and into Owosso.

“Original Owners” shall mean New Stature with respect to Ahab, AMOT II and AMOT III with respect to New Stature, AMOT I with respect to AMOT II and AMOT III, Allied Motion

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“Other Documents” shall mean the Questionnaire, the Revolving Credit Note, the Mortgages, any Guaranty, any Guarantor Security Agreement, the Intercreditor Agreement, and any and all other agreements, instruments and documents, including, without limitation, pledges, security agreements, deeds of trust, mortgages, assignments of leases and rents, surveys, guaranties, subordination agreements, powers of attorney, consents, attornment agreements, estoppel agreements, landlord waivers, environmental and other indemnification agreements, opinion letters, and all other writings heretofore, now or hereafter executed by or for any Borrower or any Guarantor and/or delivered to Agent or any Lender in respect of the transactions contemplated by this Agreement.

“Owosso” shall mean Owosso Corporation, a Pennsylvania corporation, prior to its merger with and into New Stature.

“Owosso Companies” shall mean Owosso, Old Stature, and any related Subsidiaries and sister companies (including, but not limited to, DWZM, Inc., a Pennsylvania corporation, The Landover Company, a Pennsylvania corporation, Snowmax, Incorporated, a Pennsylvania corporation, Sooner Trailer Manufacturing Co., a Delaware corporation, GBMC, Inc., a Kansas corporation, Owosso Motor Group, Inc., a Pennsylvania corporation, Astro Air Acquisition Corporation, a Delaware corporation, and M.H. Rhodes, Inc., a Delaware corporation), prior to Owosso’s merger with and into New Stature.

“Owosso Company” shall mean each of the Owosso Companies.

“Parent” of any Person shall mean a corporation or other entity owning, directly or indirectly at least 50% of the shares of stock or other ownership interests having ordinary voting power to elect a majority of the directors of the Person, or other Persons performing similar functions for any such Person.

“Participant” shall mean each Person who shall be granted the right by any Lender to participate in any of the Advances and who shall have entered into a participation agreement in form and substance satisfactory to such Lender.

“Payment Office” shall mean initially PNC Bank, N.A., Two Tower Center Boulevard, East Brunswick, New Jersey 08816; thereafter, such other office of Agent, if any, which it may designate by notice to Borrowing Agent and to each Lender to be the Payment Office.

“PBGC” shall mean the Pension Benefit Guaranty Corporation.

“Permitted Encumbrances” shall mean (a) Liens in favor of Agent for the benefit of Agent and Lenders; (b) Liens for taxes, assessments or other governmental charges not delinquent or being contested in good faith and by appropriate proceedings and with respect to which proper reserves have been taken by Borrowers; provided, that, the Lien shall have no effect on the priority of the Liens in favor of Agent or the value of the assets in which Agent has such a Lien (unless, if such Lien affects Collateral subject to a first priority Lien in favor of Agent under the Intercreditor Agreement, Agent shall have established a reserve for such Lien

and any related interest and penalties against the amounts drawn or capable of being drawn by Borrowers as an advance under this Agreement and such reserve shall not cause an Event of Default to occur under this Agreement or the Other Documents or, if such Lien affects Collateral subject to a first priority Lien in favor of PNC or SVB’s term loans under the Intercreditor Agreement, Borrowers shall have provided PNC or SVB, as applicable, with sufficient cash collateral to satisfy such Lien and any interest and penalties that may accrue thereon) and a stay of enforcement of any such Lien shall be in effect; (c) Liens disclosed in the financial statements referred to in **Section 5.5**, the existence of which Agent has consented to in writing; (d) deposits or pledges to secure obligations under worker’s compensation, social security or similar laws, or under unemployment insurance; (e) deposits or pledges to secure bids, tenders, contracts (other than contracts for the payment of money), leases, statutory obligations, surety and appeal bonds and other obligations of like nature arising in the ordinary course of any Borrower’s business; (f) judgment Liens that have been stayed or bonded and mechanics’, workers’, materialmen’s or other like Liens arising in the ordinary course of any Borrower’s business with respect to obligations which are not due or which are being contested in good faith by the applicable Borrower; (g) Liens placed upon fixed assets hereafter acquired to secure a portion of the purchase price thereof, provided that (x) any such lien shall not encumber any other property of the Borrowers and (y) the aggregate amount of Indebtedness secured by such Liens incurred as a result of such purchases during any fiscal year shall not exceed the amount provided for in **Section 7.6**; (h) other Liens incidental to the conduct of Borrowers’ business or the ownership of its property and assets which were not incurred in connection with the borrowing of money or the obtaining of advances or credit, and which do not in the aggregate materially detract from Agent’s or Lenders’ rights in and to the Collateral or the value of Borrowers’ property or assets or which do not materially impair the use thereof in the operation of Borrowers’ business; and (i) Liens disclosed on **Schedule 1.2**.

“Person” shall mean any individual, sole proprietorship, partnership, corporation, business trust, joint stock company, trust, unincorporated organization, association, limited liability company, institution, public benefit corporation, joint venture, entity or government (whether Federal, state, county, city, municipal or otherwise, including any instrumentality, division, agency, body or department thereof).

“Plan” shall mean at any time any employee pension benefit plan (including a multiple employee plan but not a multiemployer plan) which is covered by Title IV of ERISA or is subject to the minimum funding standards under Section 412 of the Internal Revenue Code and either (i) is maintained by any member of the Controlled Group for employees of any member of the Controlled Group; or (ii) has at any time within the preceding five years been maintained by any entity which was at such time a member of the Controlled Group for employees of any entity which was at some time a member of the Controlled Group.

“PNC Base Rate” shall mean the base commercial lending rate of PNC as publicly announced to be in effect from time to time, such rate to be adjusted automatically, without notice, on the effective date of any change in such rate. This rate of interest is determined from time to time by PNC as a means of pricing some loans to its customers and is neither tied to any external rate of interest or index nor does it necessarily reflect the lowest rate of interest actually charged by PNC to any particular class or category of customers of PNC.

“PNC Revolving Interest Rate” shall mean an interest rate per annum equal to the sum of the Alternate Base Rate plus one-half of 1%.

“PNC Term Loan” shall mean the term loan between Borrowers and PNC in the original principal amount of \$5,000,000.00 pursuant to the PNC Term Loan Documents and any amendments, extensions, modifications, replacements or substitutions to such loan.

“PNC Term Loan Agreement” shall mean the Term Loan and Security Agreement among Borrowers and PNC dated of even date herewith and any amendments, extensions, modifications, replacements or substitutions thereto.

“PNC Term Loan Documents” shall mean the PNC Term Loan Agreement, PNC Term Loan Note, all related security agreements, UCC filings, guaranties, deeds of trust, mortgages, assignments of leases and rents, guaranties, and other agreements, instruments or documents of any kind, and any amendments, extensions, modifications, replacements or substitutions to any of the foregoing.

“PNC Term Loan Note” shall mean the promissory note evidencing the PNC Term Loan and any amendments, extensions, modifications, replacements or substitutions thereto.

“Pro Forma Balance Sheet” shall have the meaning set forth in **Section 5.5(a)** hereof.

“Pro Forma Financial Statements” shall have the meaning set forth in **Section 5.5(b)** hereof.

“Projections” shall have the meaning set forth in **Section 5.5(b)** hereof.

“Purchasing Lender” shall have the meaning set forth in **Section 16.3** hereof.

“Questionnaire” shall mean the Documentation Information Questionnaire and the responses thereto provided by Borrowers and delivered to Agent.

“Quick Ratio” shall mean the ratio of (a) unrestricted cash plus Receivables, as may be properly classified as such in accordance with GAAP to (b) current liabilities, as may be properly classified as such in accordance with GAAP.

“RCRA” shall mean the Resource Conservation and Recovery Act, 42 U.S.C. §§ 6901 et seq., as same may be amended from time to time.

“Real Property” shall mean all of each Borrower’s right, title and interest in and to the owned and leased premises identified on **Schedule 4.19** hereto.

“Receivables” shall mean and include, as to each Borrower, all of such Borrower’s accounts, contract rights, instruments (including those evidencing indebtedness owed to Borrowers by their Affiliates), documents, chattel paper (including electronic chattel paper), general intangibles relating to accounts, drafts and acceptances, credit card receivables, and all other forms of obligations owing to such Borrower arising out of or in connection with the sale or lease of Inventory or the rendition of services, all supporting obligations, guarantees and other

security therefor, whether secured or unsecured, now existing or hereafter created, and whether or not specifically sold or assigned to Agent hereunder.

“Receivables Advance Rate” shall have the meaning set forth in **Section 2.1(a)(y)(i)** hereof.

“Release” shall have the meaning set forth in **Section 5.7(c)(i)** hereof.

“Reportable Event” shall mean a reportable event described in Section 4043 of ERISA or the regulations promulgated thereunder.

“Required Lenders” shall mean Lenders holding at least sixty-six and two-thirds percent (66.67%) of the Advances and, if no Advances are outstanding, shall mean Lenders holding sixty-six and two-thirds percent (66.67%) of the Commitment Percentages.

“Revolving Advances” shall mean Advances made other than Letters of Credit.

“Revolving Credit Note” shall mean, collectively, the promissory notes referred to in **Section 2.1(a)** hereof.

“Section 20 Subsidiary” shall mean the Subsidiary of the bank holding company controlling PNC, which Subsidiary has been granted authority by the Federal Reserve Board to underwrite and deal in certain Ineligible Securities.

“Settlement Date” shall mean the Closing Date and thereafter Wednesday of each week unless such day is not a Business Day in which case it shall be the next succeeding Business Day.

“Subsidiary” shall mean a corporation or other entity of whose shares of stock or other ownership interests having ordinary voting power (other than stock or other ownership interests having such power only by reason of the happening of a contingency) to elect a majority of the directors of such corporation, or other Persons performing similar functions for such entity, are owned, directly or indirectly, by such Person.

“Subsidiary Stock” shall mean all of the Borrowers’ (except for Allied Motions’) issued and outstanding shares of stock.

“SVB” shall mean Silicon Valley Bank.

“SVB Base Rate” shall mean the base commercial lending rate of SVB as publicly announced to be in effect from time to time, such rate to be adjusted automatically, without notice, on the effective date of any change in such rate. This rate of interest is determined from time to time by SVB as a means of pricing some loans to its customers and is neither tied to any external rate of interest or index nor does it necessarily reflect the lowest rate of interest actually charged by SVB to any particular class or category of customers of SVB.

“SVB Revolving Interest Rate” shall mean an interest rate per annum equal to the greater of five percent (5%) per annum or the sum of the SVB Base Rate plus one and one-half of one

percent (1.50%); provided that the SVB Revolving Interest Rate shall mean an interest rate equal to the greater of five percent (5%) per annum or the sum of the SVB Base Rate plus one and one-quarter percent (1.25%) per annum if Borrowers' Quick Ratio is at least 1.50:1.00 for two (2) consecutive fiscal quarters.

"SVB Term Loan" shall mean the term loan between Borrowers and SVB in the original principal amount of \$3,250,000.00 pursuant to the SVB Term Loan Documents and any amendments, extensions, modifications, replacements or substitutions to such loan.

"SVB Term Loan Agreement" shall mean the SVB Term Loan Agreement among Borrowers and SVB dated of even date herewith and any amendments, extensions, modifications, replacements or substitutions thereto.

"SVB Term Loan Documents" shall mean the SVB Term Loan Agreement, SVB Term Loan Note, all related security agreements, UCC filings, guaranties, deeds of trust, mortgages, assignments of leases and rents, guaranties, and other agreements, instruments or documents of any kind, and any amendments, extensions, modifications, replacements or substitutions to any of the foregoing.

"SVB Term Loan Note" shall mean the promissory note evidencing the SVB Term Loan and any amendments, extensions, modifications, replacements or substitutions thereto.

"Tangible Net Worth" shall mean, at a particular date, (a) the aggregate amount of all assets of Borrowers on a consolidated basis as may be properly classified as such in accordance with GAAP consistently applied excluding such other assets as are properly classified as intangible assets under GAAP, less (b) the aggregate amount of all liabilities of the Borrowers on a consolidated basis.

"Term" shall have the meaning set forth in **Section 13.1** hereof.

"Termination Event" shall mean (i) a Reportable Event with respect to any Plan or Multiemployer Plan; (ii) the withdrawal of any Borrower or any member of the Controlled Group from a Plan or Multiemployer Plan during a plan year in which such entity was a "substantial employer" as defined in Section 4001(a)(2) of ERISA; (iii) the providing of notice of intent to terminate a Plan in a distress termination described in Section 4041(c) of ERISA; (iv) the institution by the PBGC of proceedings to terminate a Plan or Multiemployer Plan; (v) any event or condition (a) which might constitute grounds under Section 4042 of ERISA for the termination of, or the appointment of a trustee to administer, any Plan or Multiemployer Plan, or (b) that may result in termination of a Multiemployer Plan pursuant to Section 4041A of ERISA; or (vi) the partial or complete withdrawal within the meaning of Sections 4203 and 4205 of ERISA, of any Borrower or any member of the Controlled Group from a Multiemployer Plan.

"Toxic Substance" shall mean and include any material present on the Real Property or the Leasehold Interests which has been shown to have significant adverse effect on human health or which is subject to regulation under the Toxic Substances Control Act (TSCA), 15 U.S.C. §§ 2601 et seq., applicable state law, or any other applicable Federal or state laws now in force or hereafter enacted relating to toxic substances. "Toxic Substance" includes but is not limited to asbestos, polychlorinated biphenyls (PCBs) and lead-based paints.

"Transactions" shall have the meaning set forth in **Section 5.5** hereof.

"Transferee" shall have the meaning set forth in **Section 16.3(b)** hereof.

"Undrawn Availability" at a particular date shall mean an amount equal to (a) the lesser of (i) the Formula Amount or (ii) the Maximum Revolving Advance Amount, minus (b) the sum of (i) the outstanding amount of Advances plus (ii) all amounts due and owing to Borrowers' trade creditors which are outstanding thirty (30) days beyond normal trade terms, plus (iii) fees and expenses for which Borrowers are liable but which have not been paid or charged to Borrowers' Account.

"USA Patriot Act" shall mean the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001, Public Law 107-56, as the same has been, or shall hereafter be, renewed, extended, amended or replaced.

"Week" shall mean the time period commencing with the opening of business on a Wednesday and ending on the end of business the following Tuesday.

1.3 Uniform Commercial Code Terms. All terms used herein and defined in the Uniform Commercial Code as adopted in the State of Colorado from time to time shall have the meaning given therein unless otherwise defined herein. To the extent the definition of any category or type of Collateral is expanded by any amendment, modification or revision to the Uniform Commercial Code, such expanded definition will apply automatically as of the date of such amendment, modification or revision.

1.4 Certain Matters of Construction. The terms "herein", "hereof" and "hereunder" and other words of similar import refer to this Agreement as a whole and not to any particular section, paragraph or subdivision. Any pronoun used shall be deemed to cover all genders. Wherever appropriate in the context, terms used herein in the singular also include the plural and vice versa. All references to statutes and related regulations shall include any amendments of same and any successor statutes and regulations. Unless otherwise provided, all references to any instruments or agreements to which Agent is a party, including, without limitation, references to any of the Other Documents, shall include any and all modifications or amendments thereto and any and all extensions or renewals thereof.

## II. ADVANCES, PAYMENTS.

### 2.1

(a) Revolving Advances. Subject to the terms and conditions set forth in this Agreement including, without limitation, **Section 2.1(b)**, each Lender, severally and not jointly, will make Revolving Advances to Borrowers in aggregate amounts outstanding at any time equal to such Lender's Commitment Percentage of the lesser of (x) the Maximum Revolving Advance Amount less the aggregate amount of outstanding Letters of Credit or (y) an amount equal to the sum of:

- (i) up to 85%, subject to the provisions of **Section 2.1(c)** hereof ("Receivables Advance Rate"), of Eligible Receivables, plus

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(ii) up to the lesser of (A) 50%, subject to the provisions of **Section 2.1(c)** hereof ("Inventory Advance Rate"), of the value of the Eligible Inventory (the Receivables Advance Rate and the Inventory Advance Rate shall be referred to collectively, as the "Advance Rates") or (B) \$2,500,000.00 in the aggregate at any one time, minus

(iii) the aggregate amount of outstanding Letters of Credit, minus

(iv) such reserves as Agent may reasonably deem proper and necessary from time to time.

The amount derived from the sum of (x) **Sections 2.1(a)(y)(i)** and **(ii)** minus (y) **Section 2.1 (a)(y)(iii)** and **(iv)** at any time and from time to time shall be referred to as the "Formula Amount". The Revolving Advances shall be evidenced by one or more secured promissory notes (collectively, the "Revolving Credit Note") substantially in the form attached hereto as **Exhibit 2.1(a)**.

(b) Individual Revolving Advances. Each Lender, severally and not jointly, will make Revolving Advances to each Borrower in aggregate amounts outstanding at any time not greater than such Lender's Commitment Percentage of the lesser of (x) such Borrower's Individual Maximum Revolving Advance Amount less Advances to such Borrower and the aggregate amount of outstanding Letters of Credit issued for the benefit of such Borrower or (y) such Borrower's Individual Formula Amount less Advances to such Borrower and the aggregate amount of outstanding Letters of Credit issued for the benefit of such Borrower.

(c) Discretionary Rights. The Advance Rates may be increased or decreased by Agent at any time and from time to time in the exercise of its reasonable discretion. Each Borrower consents to any such increases or decreases and acknowledges that decreasing the Advance Rates or increasing the reserves may limit or restrict Advances requested by Borrowing Agent.

2.2 Procedure for Borrowing Advances. Borrowing Agent on behalf of any Borrower may notify Agent prior to 11:00 a.m. (Central Time) on a Business Day of a Borrower's request to incur, on that day, a Revolving Advance hereunder. Should any amount required to be paid as interest hereunder, or as fees or other charges under this Agreement or any other agreement with Agent or Lenders, or with respect to any other Obligation, become due, same shall be deemed a request for a Revolving Advance as of the date such payment is due, in the amount required to pay in full such interest, fee, charge or Obligation under this Agreement or any other agreement with Agent or Lenders, and such request shall be irrevocable.

2.3 Disbursement of Advance Proceeds. All Advances shall be disbursed from whichever office or other place Agent may designate from time to time and, together with any and all other Obligations of Borrowers to Agent or Lenders, shall be charged to Borrowers' Account on Agent's books. During the Term, Borrowers may use the Revolving Advances by borrowing, prepaying and reborrowing, all in accordance with the terms and conditions hereof. The proceeds of each Revolving Advance requested by Borrowers or deemed to have been requested by Borrowers under **Section 2.2(a)** hereof shall, with respect to requested Revolving

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Advances to the extent Lenders make such Revolving Advances, be made available to the applicable Borrower on the day so requested by way of credit to such Borrower's operating account at SVB, or such other bank as Borrowing Agent may designate following notification to Agent, in immediately available federal funds or other immediately available funds or, with respect to Revolving Advances deemed to have been requested by any Borrower, be disbursed to Agent to be applied to the outstanding Obligations giving rise to such deemed request.

2.4 [Reserved].

2.5 Repayment of Advances.

(a) The Revolving Advances shall be due and payable in full on the last day of the Term subject to earlier prepayment as herein provided.

(b) Each Borrower recognizes that the amounts evidenced by checks, notes, drafts or any other items of payment relating to and/or proceeds of Collateral may not be collectible by Agent on the date received. In consideration of Agent's agreement to conditionally credit Borrowers' Account as of the Business Day on which Agent receives those items of payment, each Borrower agrees that, in computing the charges under this Agreement, all items of payment shall be deemed applied by Agent on account of the Obligations one (1) Business Day after the Business Day Agent receives such payments via wire transfer or electronic depository check. Agent is not, however, required to credit Borrowers' Account for the amount of any item of payment which is unsatisfactory to Agent and Agent may charge Borrowers' Account for the amount of any item of payment which is returned to Agent unpaid.

(c) All payments of principal, interest and other amounts payable hereunder, or under any of the Other Documents shall be made to Agent at the Payment Office not later than 1:00 P.M. (New York Time) on the due date therefor in lawful money of the United States of America in federal funds or other funds immediately available to Agent. Agent shall have the right to effectuate payment on any and all Obligations due and owing hereunder by charging Borrowers' Account or by making Advances as provided in **Section 2.2** hereof.

(d) Borrowers shall pay principal, interest, and all other amounts payable hereunder, or under any related agreement, without any deduction whatsoever, including, but not limited to, any deduction for any setoff or counterclaim.

2.6 Repayment of Excess Advances. The aggregate balance of Advances outstanding at any time in excess of the maximum amount of Advances permitted hereunder shall be immediately due and payable without the necessity of any demand, at the Payment Office, whether or not a Default or Event of Default has occurred.

2.7 Statement of Account. Agent shall maintain, in accordance with its customary procedures, a loan account (“Borrowers’ Account”) in the name of Borrowers in which shall be recorded the date and amount of each Advance made by Agent and the date and amount of each payment in respect thereof; provided, however, the failure by Agent to record the date and amount of any Advance shall not adversely affect Agent or any Lender. Each month, Agent shall send to Borrowing Agent a statement showing the accounting for the Advances made, payments made or credited in respect thereof, and other transactions between Agent and

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Borrowers, during such month. The monthly statements shall be deemed correct and binding upon Borrowers in the absence of manifest error and shall constitute an account stated between Lenders and Borrowers unless Agent receives a written statement of Borrowers’ specific exceptions thereto within thirty (30) days after such statement is received by Borrowing Agent. The records of Agent with respect to the loan account shall be conclusive evidence absent manifest error of the amounts of Advances and other charges thereto and of payments applicable thereto.

2.8 Letters of Credit. Subject to the terms and conditions hereof, Agent shall issue or cause the issuance of Letters of Credit (“Letters of Credit”) on behalf of any Borrower; provided, however, that Agent will not be required to issue or cause to be issued any Letters of Credit to the extent that the face amount of such Letters of Credit would then cause the sum of (i) the outstanding Revolving Advances plus (ii) outstanding Letters of Credit to exceed the lesser of (x) the Maximum Revolving Advance Amount or (y) the Formula Amount; provided, further, however, that Agent will not be required to issue or cause to be issued any Letters of Credit to the extent that the face amount of such Letters of Credit issued for such Borrower would then cause the sum of (i) the outstanding Revolving Advances to such Borrower plus (ii) the outstanding Letters of Credit issued or caused to be issued on behalf of such Borrower to exceed the lesser of (x) such Borrower’s Individual Maximum Revolving Advance Amount or (y) such Borrower’s Individual Formula Amount. The maximum amount of outstanding Letters of Credit shall not exceed \$1,000,000.00 in the aggregate at any time. All disbursements or payments related to Letters of Credit shall be deemed to be Revolving Advances and shall bear interest at the Contract Rate; Letters of Credit that have not been drawn upon shall not bear interest.

2.9 Issuance of Letters of Credit.

(a) Borrowing Agent, on behalf of Borrowers, may request Agent to issue or cause the issuance of a Letter of Credit by delivering to Agent at the Payment Office, Agent’s form of Letter of Credit Application (the “Letter of Credit Application”) completed to the satisfaction of Agent; and, such other certificates, documents and other papers and information as Agent may reasonably request. Borrowing Agent, on behalf of Borrowers, also has the right to give instructions and make agreements with respect to any application, any applicable letter of credit and security agreement, any applicable letter of credit reimbursement agreement and/or any other applicable agreement, any letter of credit and the disposition of documents, disposition of any unutilized funds, and to agree with Agent upon any amendment, extension or renewal of any Letter of Credit.

(b) Each Letter of Credit shall, among other things, (i) provide for the payment of sight drafts or acceptances of usance drafts when presented for honor thereunder in accordance with the terms thereof and when accompanied by the documents described therein and (ii) have an expiry date not later than twelve (12) months after such Letter of Credit’s date of issuance and in no event later than the last day of the Term. Each Letter of Credit shall be subject to the Uniform Customs and Practice for Documentary Credits (1993 Revision), International Chamber of Commerce Publication No. 500, and any amendments or revision thereof adhered to by the Issuer and, to the extent not inconsistent therewith, the laws of the State of Colorado.

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(c) Agent shall use its reasonable efforts to notify Lenders of the request by Borrowing Agent for a Letter of Credit hereunder.

2.10 Requirements For Issuance of Letters of Credit .

(a) In connection with the issuance of any Letter of Credit, Borrowers shall indemnify, save and hold Agent, each Lender and each Issuer harmless from any loss, cost, expense or liability, including, without limitation, payments made by Agent, any Lender or any Issuer and expenses and reasonable attorneys’ fees incurred by Agent, any Lender or Issuer arising out of, or in connection with, any Letter of Credit to be issued or created for any Borrower. Borrowers shall be bound by Agent’s or any Issuer’s regulations and good faith interpretations of any Letter of Credit issued or created for Borrowers’ Account, although this interpretation may be different from its own; and, neither Agent, nor any Lender, nor any Issuer nor any of their correspondents shall be liable for any error, negligence, or mistakes, whether of omission or commission, in following Borrowing Agent’s or any Borrower’s instructions or those contained in any Letter of Credit or of any modifications, amendments or supplements thereto or in issuing or paying any Letter of Credit, except for Agent’s, any Lender’s, any Issuer’s or such correspondents’ willful misconduct.

(b) Borrowing Agent shall authorize and direct any Issuer to name the applicable Borrower as the “Applicant” or “Account Party” of each Letter of Credit. If Agent is not the Issuer of any Letter of Credit, Borrowing Agent shall authorize and direct the Issuer to deliver to Agent all instruments, documents, and other writings and property received by the Issuer pursuant to the Letter of Credit and to accept and rely upon Agent’s instructions and agreements with respect to all matters arising in connection with the Letter of Credit, the application therefor or any acceptance therefor.

(c) In connection with all Letters of Credit issued or caused to be issued by Agent under this Agreement, each Borrower hereby appoints Agent, or its designee, as its attorney, with full power and authority (i) to sign and/or endorse such Borrower’s name upon any warehouse or other receipts, letter of credit applications and acceptances; (ii) to sign such Borrower’s name on bills of lading; (iii) to clear Inventory through the United States of America Customs Department (“Customs”) in the name of such Borrower or Agent or Agent’s designee, and to sign and deliver to Customs officials powers of attorney in the name of such Borrower for such purpose; and (iv) to complete in such Borrower’s name or Agent’s, or in the name of Agent’s designee, any order, sale or transaction, obtain the necessary documents in connection therewith, and collect the proceeds thereof. Neither Agent nor its attorneys will be liable for any acts or omissions nor for any error of judgment or mistakes of fact or law, except for Agent’s or its attorney’s willful misconduct. This power, being coupled with an interest, is irrevocable as long as any Letters of Credit remain outstanding.

(d) Each Lender shall to the extent of the percentage amount equal to the product of such Lender's Commitment Percentage times the aggregate amount of all unreimbursed reimbursement obligations arising from disbursements made or obligations incurred with respect to the Letters of Credit be deemed to have irrevocably purchased an undivided participation in each such unreimbursed reimbursement obligation. In the event that at the time a disbursement is made the unpaid balance of Revolving Advances and outstanding

Letters of Credit exceeds or would exceed, with the making of such disbursement, the lesser of the Maximum Revolving Advance Amount or the Formula Amount, and such disbursement is not reimbursed by Borrowers within two (2) Business Days, Agent shall promptly notify each Lender and upon Agent's demand each Lender shall pay to Agent such Lender's proportionate share of such unreimbursed disbursement together with such Lender's proportionate share of Agent's unreimbursed costs and expenses relating to such unreimbursed disbursement. Upon receipt by Agent of a repayment from any Borrower of any amount disbursed by Agent for which Agent had already been reimbursed by Lenders, Agent shall deliver to each Lender that Lender's pro rata share of such repayment. Each Lender's participation commitment shall continue until the last to occur of any of the following events: (A) Agent ceases to be obligated to issue or cause to be issued Letters of Credit hereunder; (B) no Letter of Credit issued hereunder remains outstanding and uncanceled or (C) all Persons (other than the applicable Borrower) have been fully reimbursed for all payments made under or relating to Letters of Credit.

2.11 Additional Payments. Any sums expended by Agent or any Lender due to any Borrower's failure to perform or comply with its obligations under this Agreement or any Other Document including, without limitation, any Borrower's obligations under **Sections 4.2, 4.4, 4.12, 4.13, 4.14 and 6.1** hereof, may be charged to Borrowers' Account as a Revolving Advance and added to the Obligations.

2.12 Manner of Borrowing and Payment.

(a) Each borrowing of Revolving Advances shall be advanced according to the applicable Commitment Percentages of Lenders.

(b) Each payment (including each prepayment) by Borrowers on account of the principal of and interest on the Revolving Advances, shall be applied to the Revolving Advances pro rata according to the applicable Commitment Percentages of Lenders. Except as expressly provided herein, all payments (including prepayments) to be made by any Borrower on account of principal, interest and fees shall be made without set off or counterclaim and shall be made to Agent on behalf of the Lenders to the Payment Office, in each case on or prior to 1:00 P.M., New York time, in Dollars and in immediately available funds.

(c) (i) Notwithstanding anything to the contrary contained in **Sections 2.13(a)** and **(b)** hereof, commencing with the first Business Day following the Closing Date, each borrowing of Revolving Advances shall be advanced by Agent and each payment by any Borrower on account of Revolving Advances shall be applied first to those Revolving Advances advanced by Agent. On or before 1:00 P.M., New York time, on each Settlement Date commencing with the first Settlement Date following the Closing Date, Agent and Lenders shall make certain payments as follows: (I) if the aggregate amount of new Revolving Advances made by Agent during the preceding Week (if any) exceeds the aggregate amount of repayments applied to outstanding Revolving Advances during such preceding Week, then each Lender shall provide Agent with funds in an amount equal to its applicable Commitment Percentage of the difference between (w) such Revolving Advances and (x) such repayments and (II) if the aggregate amount of repayments applied to outstanding Revolving Advances during such Week exceeds the aggregate amount of new Revolving Advances made during such Week, then Agent

shall provide each Lender with funds in an amount equal to its applicable Commitment Percentage of the difference between (y) such repayments and (z) such Revolving Advances;

(ii) Each Lender shall be entitled to earn interest at the PNC Revolving Interest Rate or the SVB Revolving Interest Rate, as applicable, on outstanding Advances which it has funded.

(iii) Promptly following each Settlement Date, Agent shall submit to each Lender a certificate with respect to payments received and Advances made during the Week immediately preceding such Settlement Date. Such certificate of Agent shall be conclusive in the absence of manifest error.

(d) If any Lender or Participant (a "benefitted Lender") shall at any time receive any payment of all or part of its Advances, or interest thereon, or receive any Collateral in respect thereof (whether voluntarily or involuntarily or by set-off) in a greater proportion than any such payment to and Collateral received by any other Lender, if any, in respect of such other Lender's Advances, or interest thereon, and such greater proportionate payment or receipt of Collateral is not expressly permitted hereunder, such benefitted Lender shall purchase for cash from the other Lenders a participation in such portion of each such other Lender's Advances, or shall provide such other Lender with the benefits of any such Collateral, or the proceeds thereof, as shall be necessary to cause such benefitted Lender to share the excess payment or benefits of such Collateral or proceeds ratably with each of the other Lenders; provided, however, that if all or any portion of such excess payment or benefits is thereafter recovered from such benefitted Lender, such purchase shall be rescinded, and the purchase price and benefits returned, to the extent of such recovery, but without interest. Each Lender so purchasing a portion of another Lender's Advances may exercise all rights of payment (including, without limitation, rights of set-off) with respect to such portion as fully as if such Lender were the direct holder of such portion.

(e) Unless Agent shall have been notified by telephone, confirmed in writing, by any Lender that such Lender will not make the amount which would constitute its applicable Commitment Percentage of the Advances available to Agent, Agent may (but shall not be obligated to) assume that such Lender shall make such amount available to Agent on the next Settlement Date and, in reliance upon such assumption, make available to Borrowers a corresponding amount. Agent will promptly notify Borrowers of its receipt of any such notice from a Lender. If such amount is made available to Agent on a date after such next Settlement Date, such Lender shall pay to Agent on demand an amount equal to the product of (i) the daily average Federal Funds Rate (computed on the basis of a year of 360 days) during such period as quoted by Agent, times (ii) such amount, times (iii) the number of days from and including such Settlement Date to the date on which such amount becomes immediately available to Agent. A certificate of Agent submitted to any Lender with respect to any amounts owing under this paragraph (e) shall be conclusive, in the absence of manifest error. If such amount is not in fact made available

to Agent by such Lender within three (3) Business Days after such Settlement Date, Agent shall be entitled to recover such an amount, with interest thereon at the rate per annum then applicable to such Revolving Advances hereunder, on demand from Borrowers; provided, however, that Agent's right to such recovery shall not prejudice or otherwise adversely affect Borrowers' rights (if any) against such Lender.

2.13 **Mandatory Prepayments.** Subject to **Section 4.3** hereof and the terms and conditions set forth in the Intercreditor Agreement, when any Borrower sells or otherwise disposes of any Collateral other than Inventory in the ordinary course of business, Borrowers shall repay the Advances in an amount equal to the net proceeds of such sale (i.e., gross proceeds less the reasonable costs of such sales or other dispositions), such repayments to be made promptly but in no event more than one (1) Business Day following receipt of such net proceeds, and until the date of payment, such proceeds shall be held in trust for Agent. The foregoing shall not be deemed to be implied consent to any such sale otherwise prohibited by the terms and conditions hereof. Such repayments shall be applied to principal and interest on the Revolving Advances in such order as Agent may determine, subject to Borrower's ability to reborrow Revolving Advances in accordance with the terms hereof. Notwithstanding anything to the contrary contained herein, if Allied Motion receives any monies from a supplemental offering of its stock, Allied Motion shall not be required to use such monies to prepay the Revolving Advances or any other Indebtedness to Lenders.

2.14 **Use of Proceeds.** Borrowers shall apply the proceeds of Advances to (a) repay existing indebtedness owed to (i) Bank One, N.A., individually and/or as agent, by the Owosso Companies, (ii) JCIDA, J.P. Morgan Bank & Trust, as Trustee, the bondholders, and PNC by Old Stature under the JCIDA Industrial Development Revenue Bond Documents; (iii) JCIDA by the Owosso Companies; (iii) SVB by the Borrowers; (iv) various subordinated creditors of the Owosso Companies described in the Acquisition Agreement; and (v) any other Person possessing any lien, security interest or other encumbrance or claim against Borrowers' assets (except for the Permitted Encumbrances), (b) acquire Owosso following the merger of Old Stature into that Person, (c) pay fees and expenses relating to this transaction, and (d) to provide for their working capital needs.

2.15 **Defaulting Lender.**

(a) Notwithstanding anything to the contrary contained herein, in the event any Lender (x) has refused (which refusal constitutes a breach by such Lender of its obligations under this Agreement) to make available its portion of any Advance or (y) notifies either Agent or Borrowing Agent that it does not intend to make available its portion of any Advance (if the actual refusal would constitute a breach by such Lender of its obligations under this Agreement) (each, a "Lender Default"), all rights and obligations hereunder of such Lender (a "Defaulting Lender") as to which a Lender Default is in effect and of the other parties hereto shall be modified to the extent of the express provisions of this **Section 2.15** while such Lender Default remains in effect.

(b) Advances shall be incurred pro rata from Lenders (the "Non-Defaulting Lenders") which are not Defaulting Lenders based on their respective Commitment Percentages, and no Commitment Percentage of any Lender or any pro rata share of any Advances required to be advanced by any Lender shall be increased as a result of such Lender Default. Amounts received in respect of principal of any type of Advances shall be applied to reduce the applicable Advances of each Lender pro rata based on the aggregate of the outstanding Advances of that type of all Lenders at the time of such application; provided, that, such amount shall not be applied to any Advances of a Defaulting Lender at any time when, and to the extent that, the

aggregate amount of Advances of any Non-Defaulting Lender exceeds such Non-Defaulting Lender's Commitment Percentage of all Advances then outstanding.

(c) A Defaulting Lender shall not be entitled to give instructions to Agent or to approve, disapprove, consent to or vote on any matters relating to this Agreement and the Other Documents. All amendments, waivers and other modifications of this Agreement and the Other Documents may be made without regard to a Defaulting Lender and, for purposes of the definition of "Required Lenders", a Defaulting Lender shall be deemed not to be a Lender and not to have Advances outstanding.

(d) Other than as expressly set forth in this **Section 2.15**, the rights and obligations of a Defaulting Lender (including the obligation to indemnify Agent) and the other parties hereto shall remain unchanged. Nothing in this **Section 2.15** shall be deemed to release any Defaulting Lender from its obligations under this Agreement and the Other Documents, shall alter such obligations, shall operate as a waiver of any default by such Defaulting Lender hereunder, or shall prejudice any rights which any Borrower, Agent or any Lender may have against any Defaulting Lender as a result of any default by such Defaulting Lender hereunder.

(e) In the event a Defaulting Lender retroactively cures to the satisfaction of Agent the breach which caused a Lender to become a Defaulting Lender, such Defaulting Lender shall no longer be a Defaulting Lender and shall be treated as a Lender under this Agreement.

III. **INTEREST AND FEES.**

3.1 **Interest.** Interest on Advances shall be payable in arrears on the first day of each month with respect to Revolving Advances. Interest charges shall be computed on the actual principal amount of Advances outstanding during the month (the "Monthly Advances") at a rate per annum equal to (i) with respect to Revolving Advances made by PNC, the PNC Revolving Interest Rate and (ii) with respect to the Revolving Advances made by SVB, the SVB Revolving Interest Rate. Whenever, subsequent to the date of this Agreement, the Alternate Base Rate is increased or decreased, the PNC Revolving Interest Rate shall be similarly changed without notice or demand of any kind by an amount equal to the amount of such change in the Alternate Base Rate during the time such change or changes remain in effect. Whenever, subsequent to the date of this Agreement, the SVB Base Rate is increased or decreased, the SVB Revolving Interest Rate shall be similarly changed without notice or demand of any kind by an amount equal to the amount of such change in the SVB Base Rate during the time such change or changes remain in effect. Upon and after the occurrence of an Event of Default, and during the continuation thereof, the Obligations shall bear interest at the applicable Contract Rate plus two percent (2%) per annum (the "Default Rate").

3.2 **Letter of Credit Fees.**

(a) Borrowers shall pay (x) to Agent, for the benefit of Lenders, fees for each Letter of Credit for the period from and excluding the date of issuance of same to and including the date of expiration or termination, equal to the average daily face amount of each outstanding Letter of Credit

multiplied by three percent (3.0%) per annum, such fees to be calculated on the basis of a 360-day year for the actual number of days elapsed and to be payable monthly in

arrears on the first day of each month and on the last day of the Term and (y) to the Issuer, any and all fees and expenses as agreed upon by the Issuer and the Borrowing Agent in connection with any Letter of Credit, including, without limitation, in connection with the opening, amendment or renewal of any such Letter of Credit and any acceptances created thereunder and shall reimburse Agent for any and all fees and expenses, if any, paid by Agent to the Issuer (all of the foregoing fees, the "Letter of Credit Fees"). All such charges shall be deemed earned in full on the date when the same are due and payable hereunder and shall not be subject to rebate or proration upon the termination of this Agreement for any reason. Any such charge in effect at the time of a particular transaction shall be the charge for that transaction, notwithstanding any subsequent change in the Issuer's prevailing charges for that type of transaction. All Letter of Credit Fees payable hereunder shall be deemed earned in full on the date when the same are due and payable hereunder and shall not be subject to rebate or proration upon the termination of this Agreement for any reason.

(b) On demand, Borrowers will cause cash to be deposited and maintained in an account with SVB for the benefit of Agent, as cash collateral, in an amount equal to one hundred and five percent (105%) of the outstanding Letters of Credit, and each Borrower hereby irrevocably authorizes Agent, in its discretion, on such Borrower's behalf and in such Borrower's name, to open such an account and to make and maintain deposits therein, or in an account opened by such Borrower, in the amounts required to be made by such Borrower, out of the proceeds of Receivables or other Collateral or out of any other funds of such Borrower coming into any Lender's possession at any time. Agent will invest such cash collateral (less applicable reserves) in such short-term money-market items as to which Agent and such Borrower mutually agree and the net return on such investments shall be credited to such account and constitute additional cash collateral. No Borrower may withdraw amounts credited to any such account except upon payment and performance in full of all Obligations and termination of this Agreement.

### 3.3 Closing Fee and Facility Fee.

(a) Closing Fee. Upon the execution of this Agreement, Borrowers shall pay to Agent a closing fee of \$140,625.00 less that portion of the proposal fee of \$70,000.00 and the commitment fee of \$50,000.00 heretofore paid by Borrowers to Agent remaining after application of such fees to out of pocket expenses. The closing fee shall be distributed \$76,875.00 to PNC and \$63,750.00 to SVB less their pro rata portion of the commitment fee minus their pro rata portion of the out of pocket expenses. Such pro rata calculations shall be based upon the respective percentages of the closing fee to be remitted to PNC and SVB. Borrowers shall not pay Agent or Lenders any additional closing fee for any renewal of the revolving line of credit described in this Agreement (provided, that Agent and Lenders shall be entitled to charge Borrowers an additional closing fee upon the increased portion of the revolving line of credit if such credit facility is increased in the future and a closing fee upon the replacement revolving line of credit if such credit facility is replaced with a revolving line of credit containing substantially different terms and conditions in the future).

(b) Facility Fee. If, for any month during the Term, the average daily unpaid balance of the Revolving Advances for each day of such month does not equal the Maximum Revolving Advance Amount, then Borrowers shall pay to Agent a fee at a rate equal to one-half

of one percent (.50%) per annum on the amount by which the Maximum Revolving Advance Amount exceeds such average daily unpaid balance. Fifty percent (50%) of such fee shall be distributed to PNC and fifty percent (50%) of such fee shall be distributed to SVB. Such fee shall be calculated on the basis of a 360-day year for the actual number of days elapsed and to be payable monthly in arrears on the last day of each month and on the last day of the Term.

### 3.4 Collateral Evaluation Fee and Collateral Monitoring Fee.

(a) Collateral Evaluation Fee. Borrowers shall pay Agent a collateral evaluation fee equal to \$3,000.00 per month commencing on the first day of the month following the Closing Date and on the first day of each month thereafter during the Term. Fifty percent (50%) of such fee shall be distributed to PNC and fifty percent (50%) of such fee shall be distributed to SVB. The collateral evaluation fee shall be deemed earned in full on the date when same is due and payable hereunder and shall not be subject to rebate or proration upon termination of this Agreement for any reason.

(b) Collateral Monitoring Fee. Borrowers shall pay to Agent on the first day of each month following any month in which Agent performs any collateral monitoring - namely any field examination, collateral analysis or other business analysis, the need for which is to be determined by Agent and which monitoring is undertaken by Agent or for Agent's benefit - a collateral monitoring fee in an amount equal to \$750.00 per day for each person (other than Agent's management personnel) employed to perform such monitoring and in an amount equal to \$750.00 per day for each manager of Agent performing such monitoring, plus all costs and disbursements incurred by Agent in the performance of such examination or analysis. All of such fees shall be distributed to PNC. SVB shall be entitled to accompany Agent's personnel on any field examination, in which case, Borrowers shall pay to SVB on the first day of each month following any month in which SVB performs any such field examination, an additional collateral monitoring fee in an amount equal to \$750.00 per day for each person (other than SVB's management personnel) employed to perform such monitoring and in an amount equal to \$750.00 per day for each manager of SVB performing such monitoring, plus all costs and disbursements incurred by SVB in the performance of such examination or analysis.

3.5 Computation of Interest and Fees. Interest and fees hereunder shall be computed on the basis of a year of 360 days and for the actual number of days elapsed. If any payment to be made hereunder becomes due and payable on a day other than a Business Day, the due date thereof shall be extended to the next succeeding Business Day and interest thereon shall be payable at the applicable Contract Rate during such extension.

3.6 Maximum Charges. In no event whatsoever shall interest and other charges charged hereunder exceed the highest rate permissible under law. In the event interest and other charges as computed hereunder would otherwise exceed the highest rate permitted under law, such excess amount shall be first applied to any unpaid principal balance owed by Borrowers, and if the then remaining excess amount is greater than the previously unpaid principal balance, Lenders shall promptly refund such excess amount to Borrowers and the provisions hereof shall be deemed amended to provide for such permissible rate.



3.7 Increased Costs. In the event that any applicable law, treaty or governmental regulation, or any change therein or in the interpretation or application thereof, or compliance by any Lender (for purposes of this **Section 3.7**, the term “Lender” shall include Agent or any Lender and any corporation or bank controlling Agent or any Lender) with any request or directive (whether or not having the force of law) from any central bank or other financial, monetary or other authority, shall:

- (a) subject Agent or any Lender to any tax of any kind whatsoever with respect to this Agreement or any Other Document or change the basis of taxation of payments to Agent or any Lender of principal, fees, interest or any other amount payable hereunder or under any Other Documents (except for changes in the rate of tax on the overall net income of Agent or any Lender);
- (b) impose, modify or hold applicable any reserve, special deposit, assessment or similar requirement against assets held by, or deposits in or for the account of, advances or loans by, or other credit extended by, any office of Agent or any Lender, including (without limitation) pursuant to Regulation D of the Board of Governors of the Federal Reserve System; or
- (c) impose on Agent or any Lender any other condition with respect to this Agreement or any Other Document; and the result of any of the foregoing is to increase the cost to Agent or any Lender of making, renewing or maintaining its Advances hereunder by an amount that Agent or such Lender deems to be material or to reduce the amount of any payment (whether of principal, interest or otherwise) in respect of any of the Advances by an amount that Agent or such Lender deems to be material, then, in any case Borrowers shall promptly pay Agent or such Lender, upon its demand, such additional amount as will compensate Agent or such Lender for such additional cost or such reduction, as the case may be. Agent or such Lender shall certify the amount of such additional cost or reduced amount to Borrowers, and such certification shall be conclusive absent manifest error.

### 3.8 Capital Adequacy.

(a) In the event that Agent or any Lender shall have determined that any applicable law, rule, regulation or guideline regarding capital adequacy, or any change therein, or any change in the interpretation or administration thereof by any governmental authority, central bank or comparable agency charged with the interpretation or administration thereof, or compliance by Agent or any Lender (for purposes of this **Section 3.8**, the term “Lender” shall include Agent or any Lender and any corporation or bank controlling Agent or any Lender) with any request or directive regarding capital adequacy (whether or not having the force of law) of any such authority, central bank or comparable agency, has or would have the effect of reducing the rate of return on Agent or any Lender’s capital as a consequence of its obligations hereunder to a level below that which Agent or such Lender could have achieved but for such adoption, change or compliance (taking into consideration Agent’s and each Lender’s policies with respect to capital adequacy) by an amount deemed by Agent or any Lender to be material, then, from time to time, Borrowers shall pay upon demand to Agent or such Lender such additional amount or amounts as will compensate Agent or such Lender for such reduction. In determining such amount or amounts, Agent or such Lender may use any reasonable averaging or attribution

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methods. The protection of this **Section 3.8** shall be available to Agent and each Lender regardless of any possible contention of invalidity or inapplicability with respect to the applicable law, regulation or condition.

(b) A certificate of Agent or such Lender setting forth such amount or amounts as shall be necessary to compensate Agent or such Lender with respect to **Section 3.8(a)** hereof when delivered to Borrowers shall be conclusive absent manifest error.

## IV. COLLATERAL: GENERAL TERMS

4.1 Security Interest in the Collateral. To secure the prompt payment and performance to Agent and each Lender of the Obligations, each Borrower hereby assigns, pledges and grants to Agent for its benefit and for the ratable benefit of each Lender a continuing security interest in and to all of its Collateral, whether now owned or existing or hereafter acquired or arising and wheresoever located. Each Borrower shall mark its books and records as may be necessary or appropriate to evidence, protect and perfect Agent’s security interest and shall cause its financial statements to reflect such security interest. Each Borrower shall promptly provide Agent with written notice of all commercial tort claims, such notice to contain the case title together with the applicable court and a brief description of the claim(s). Upon delivery of each such notice, such Borrower shall be deemed to hereby grant to Agent a security interest and lien in and to such commercial tort claims and all proceeds thereof.

In addition to the foregoing, Borrowers also shall provide Agent with the Mortgages and such Mortgages shall constitute a valid, enforceable and first priority Lien on the affected real property and related assets at all times.

4.2 Perfection of Security Interest. Each Borrower shall take all action that may be necessary or desirable, or that Agent may request, so as at all times to maintain the validity, perfection, enforceability and priority of Agent’s security interest in the Collateral or to enable Agent to protect, exercise or enforce its rights hereunder and in the Collateral, including, but not limited to, (i) immediately discharging all Liens other than Permitted Encumbrances, (ii) obtaining landlords’ or mortgagees’ lien waivers, (iii) delivering to Agent, endorsed or accompanied by such instruments of assignment as Agent may specify, and stamping or marking, in such manner as Agent may specify, any and all chattel paper, instruments, letters of credits and advices thereof and documents evidencing or forming a part of the Collateral, (iv) entering into warehousing, lockbox and other custodial arrangements satisfactory to Agent, and (v) executing and delivering financing statements, control agreements, instruments of pledge, mortgages, notices and assignments, in each case in form and substance satisfactory to Agent, relating to the creation, validity, perfection, maintenance or continuation of Agent’s security interest under the Uniform Commercial Code or other applicable law. Agent is hereby authorized to file financing statements signed by Agent instead of Borrower in accordance with the Uniform Commercial Code as adopted in the State of Colorado from time to time. By its signature hereto, each Borrower hereby authorizes Agent to file against such Borrower, one or more financing, continuation, or amendment statements pursuant to the Uniform Commercial Code in form and substance satisfactory to Agent (which statements may have a description of collateral which is broader than that set forth herein). All charges, expenses and fees Agent may incur in doing any of the foregoing, and any local taxes relating thereto, shall be charged to

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Borrowers' Account as a Revolving Advance and added to the Obligations, or, at Agent's option, shall be paid to Agent for the ratable benefit of Lenders immediately upon demand.

4.3 Disposition of Collateral. Subject to the terms and conditions set forth in the Intercreditor Agreement, each Borrower will safeguard and protect all Collateral for Agent's general account and make no disposition thereof whether by sale, lease or otherwise except (a) the sale of Inventory in the ordinary course of business and (b) the disposition or transfer of obsolete and worn-out Equipment in the ordinary course of business during any fiscal year having an aggregate fair market value of not more than \$125,000.00 and only to the extent that (i) the proceeds of any such disposition are used to acquire replacement Equipment which is subject to Agent's first priority security interest or (ii) the proceeds of which are remitted to Agent to be applied pursuant to **Section 2.13**.

4.4 Preservation of Collateral. Following the occurrence and during the continuance of a Default or Event of Default, in addition to the rights and remedies set forth in **Section 11.1** hereof, Agent: (a) may at any time take such steps as Agent deems necessary to protect Agent's interest in and to preserve the Collateral, including the hiring of such security guards or the placing of other security protection measures as Agent may deem appropriate; (b) may employ and maintain at any of any Borrower's premises a custodian who shall have full authority to do all acts necessary to protect Agent's interests in the Collateral; (c) may lease warehouse facilities to which Agent may move all or part of the Collateral; (d) may use any Borrower's owned or leased lifts, hoists, trucks and other facilities or equipment for handling or removing the Collateral; and (e) shall have, and is hereby granted, a right of ingress and egress to the places where the Collateral is located, and may proceed over and through any of Borrower's owned or leased property. Each Borrower shall cooperate fully with all of Agent's efforts to preserve the Collateral and will take such actions to preserve the Collateral as Agent may direct. All of Agent's expenses of preserving the Collateral, including any expenses relating to the bonding of a custodian, shall be charged to Borrowers' Account as a Revolving Advance and added to the Obligations.

4.5 Ownership of Collateral. With respect to the Collateral, at the time the Collateral becomes subject to Agent's security interest: (a) each Borrower shall be the sole owner of and fully authorized and able to sell, transfer, pledge and/or grant a first priority security interest in each and every item of the its respective Collateral to Agent; and, except for Permitted Encumbrances the Collateral shall be free and clear of all Liens and encumbrances whatsoever; (b) each document and agreement executed by each Borrower or delivered to Agent or any Lender in connection with this Agreement shall be true and correct in all respects; (c) all signatures and endorsements of each Borrower that appear on such documents and agreements shall be genuine and each Borrower shall have full capacity to execute same; and (d) each Borrower's Equipment and Inventory shall be located as set forth on **Schedule 4.5** and shall not be removed from such location(s) without the prior written consent of Agent except with respect to the sale of Inventory in the ordinary course of business and Equipment to the extent permitted in **Section 4.3** hereof.

4.6 Defense of Agent's and Lenders' Interests. Until (a) payment and performance in full of all of the Obligations and (b) termination of this Agreement, Agent's interests in the Collateral shall continue in full force and effect. During such period no Borrower shall, without

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Agent's prior written consent, pledge, sell (except Inventory in the ordinary course of business and Equipment to the extent permitted in **Section 4.3** hereof), assign, transfer, create or suffer to exist a Lien upon or encumber or allow or suffer to be encumbered in any way except for Permitted Encumbrances, any part of the Collateral. Each Borrower shall defend Agent's interests in the Collateral against any and all Persons whatsoever. At any time following demand by Agent for payment of all Obligations: (i) Agent shall have the right to take possession of the indicia of the Collateral and the Collateral in whatever physical form contained, including without limitation: labels, stationery, documents, instruments and advertising materials; (ii) if Agent exercises this right to take possession of the Collateral, Borrowers shall, upon demand, assemble it in the best manner possible and make it available to Agent at a place reasonably convenient to Agent. In addition, with respect to all Collateral, Agent and Lenders shall be entitled to all of the rights and remedies set forth herein and further provided by the Uniform Commercial Code or other applicable law; and (iii) each Borrower shall, and Agent may, at its option, instruct all suppliers, carriers, forwarders, warehousemen or others receiving or holding cash, checks, Inventory, documents or instruments in which Agent holds a security interest to deliver same to Agent and/or subject to Agent's order and if they shall come into any Borrower's possession, they, and each of them, shall be held by such Borrower in trust as Agent's trustee, and such Borrower will immediately deliver them to Agent in their original form together with any necessary endorsement.

4.7 Books and Records. Each Borrower shall (a) keep proper books of record and account in which full, true and correct entries will be made of all dealings or transactions of or in relation to its business and affairs; (b) set up on its books accruals with respect to all taxes, assessments, charges, levies and claims; and (c) on a reasonably current basis set up on its books, from its earnings, allowances against doubtful Receivables, advances and investments and all other proper accruals (including without limitation by reason of enumeration, accruals for premiums, if any, due on required payments and accruals for depreciation, obsolescence, or amortization of properties), which should be set aside from such earnings in connection with its business. All determinations pursuant to this subsection shall be made in accordance with, or as required by, GAAP consistently applied in the opinion of such independent public accountant as shall then be regularly engaged by Borrowers.

4.8 Financial Disclosure. Each Borrower hereby irrevocably authorizes and directs all accountants and auditors employed by such Borrower at any time during the Term to exhibit and deliver to Agent and each Lender copies of any of any Borrower's financial statements, trial balances or other accounting records of any sort in the accountant's or auditor's possession, and to disclose to Agent and each Lender any information such accountants may have concerning such Borrower's financial status and business operations. Each Borrower hereby authorizes all federal, state and municipal authorities to furnish to Agent and each Lender copies of reports or examinations relating to such Borrower, whether made by such Borrower or otherwise; however, Agent and each Lender will attempt to obtain such information or materials directly from such Borrower prior to obtaining such information or materials from such accountants or such authorities.

4.9 Compliance with Laws. Each Borrower shall comply with all acts, rules, regulations and orders of any legislative, administrative or judicial body or official applicable to its respective Collateral or any part thereof or to the operation of such Borrower's business the

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non-compliance with which could reasonably be expected to have a Material Adverse Effect on such Borrower. The assets of Borrowers at all times shall be maintained in accordance with the requirements of all insurance carriers which provide insurance with respect to the assets of Borrowers so that such

insurance shall remain in full force and effect.

4.10 Inspection of Premises. At all reasonable times Agent and each Lender shall have full access to and the right to audit, check, inspect and make abstracts and copies from each Borrower's books, records, audits, correspondence and all other papers relating to the Collateral and the operation of each Borrower's business. Agent, any Lender and their agents may enter upon any of each Borrower's premises at any time during business hours and at any other reasonable time, and from time to time, for the purpose of inspecting the Collateral and any and all records pertaining thereto and the operation of such Borrower's business.

4.11 Insurance. Each Borrower shall bear the full risk of any loss of any nature whatsoever with respect to the Collateral. At each Borrower's own cost and expense in amounts and with carriers acceptable to Agent acting in good faith, each Borrower shall (a) keep all its insurable properties and properties in which each Borrower has an interest insured against the hazards of fire, flood, sprinkler leakage, those hazards covered by extended coverage insurance and such other hazards, and for such amounts, as is customary in the case of companies engaged in businesses similar to such Borrower's including, without limitation, business interruption insurance; (b) maintain a bond in such amounts as is customary in the case of companies engaged in businesses similar to such Borrower insuring against larceny, embezzlement or other criminal misappropriation of insured's officers and employees who may either singly or jointly with others at any time have access to the assets or funds of such Borrower either directly or through authority to draw upon such funds or to direct generally the disposition of such assets; (c) maintain public and product liability insurance against claims for personal injury, death or property damage suffered by others; (d) maintain all such worker's compensation or similar insurance as may be required under the laws of any state or jurisdiction in which such Borrower is engaged in business; (e) furnish Agent with (i) within sixty (60) days after the Closing Date, copies of all policies; and (f) furnish Agent with evidence of the renewal of such policies at least thirty (30) days prior to the expiration thereof, and (ii) appropriate loss payable endorsements in form and substance satisfactory to Agent, naming Agent as an additional insured and loss payee and/or mortgagee as its interests may appear with respect to all insurance coverage referred to in clauses (a) and (c) above, and providing (A) that all proceeds under clause (a) shall be payable to Agent, (B) no such insurance shall be affected by any act or neglect of the insured or owner of the property described in such policy, and (C) that such policy and loss payable clauses may not be cancelled, amended or terminated unless at least thirty (30) days' prior written notice is given to Agent. In the event of any loss thereunder, the carriers named therein hereby are directed by Agent and the applicable Borrower to make payment for such loss to Agent and not to such Borrower and Agent jointly. If any insurance losses are paid by check, draft or other instrument payable to any Borrower and Agent jointly, Agent may endorse such Borrower's name thereon and do such other things as Agent may deem advisable to reduce the same to cash. Agent is hereby authorized to adjust and compromise claims under insurance coverage referred to in clauses (a) and (b) above. All loss recoveries received by Agent upon any such insurance may be applied to the Obligations, in such order as Agent in its sole discretion shall determine. Any surplus shall be paid by Agent to Borrowers or applied as may be otherwise required by law. Any deficiency thereon shall be paid by Borrowers to Agent, on demand. Anything hereinabove

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to the contrary notwithstanding, and subject to the fulfillment of the conditions set forth below, Agent shall remit to Borrowers insurance proceeds received by Agent during any calendar year under insurance policies procured and maintained by Borrowers which insure Borrowers' insurable properties to the extent such insurance proceeds do not exceed \$100,000.00 per occurrence or \$200,000.00 in the aggregate during such calendar year (less any amounts remitted to Borrowers by Agent, PNC or SVB for such occurrence or during such calendar year). Agent shall not be obligated to remit any insurance proceeds to Borrowers unless Borrowers shall provide Agent with evidence reasonably satisfactory to Agent that the insurance proceeds will be used by Borrowers to repair, replace or restore the insured property which was the subject of the insurable loss. In the event Borrowers have previously received (or, after giving effect to any proposed remittance by Agent, PNC or SVB to Borrowers would receive) insurance proceeds which equal or exceed \$100,000.00 per occurrence or \$200,000.00 in the aggregate during any calendar year, then Agent may, in its sole discretion, either remit the insurance proceeds to Borrowers upon Borrowers providing Agent with evidence reasonably satisfactory to Agent that the insurance proceeds will be used by Borrowers to repair, replace or restore the insured property which was the subject of the insurable loss, or apply the proceeds to the Obligations, as aforesaid. The agreement of Agent to remit insurance proceeds in the manner above provided shall be subject in each instance to satisfaction of each of the following conditions: (x) No Event of Default or Default shall then have occurred, and (y) Borrowers shall use such insurance proceeds to repair, replace or restore the insurable property which was the subject of the insurable loss and for no other purpose. The terms and conditions set forth in this Section shall be subject to the terms and conditions set forth in the Intercreditor Agreement with respect to casualty insurance coverage and payments on Collateral.

4.12 Failure to Pay Insurance. If any Borrower fails to obtain insurance as hereinabove provided, or to keep the same in force, Agent, if Agent so elects, may obtain such insurance and pay the premium therefor on behalf of such Borrower, and charge Borrowers' Account therefor as a Revolving Advance and such expenses so paid shall be part of the Obligations.

4.13 Payment of Taxes. Each Borrower will pay, when due, all taxes, assessments and other Charges lawfully levied or assessed upon such Borrower or any of the Collateral including, without limitation, real and personal property taxes, assessments and charges and all franchise, income, employment, social security benefits, withholding, and sales taxes. If any tax by any governmental authority is or may be imposed on or as a result of any transaction between any Borrower and Agent or any Lender which Agent or any Lender may be required to withhold or pay or if any taxes, assessments, or other Charges remain unpaid after the date fixed for their payment, or if any claim shall be made which, in Agent's or any Lender's opinion, may possibly create a valid Lien on the Collateral (unless such Lien constitutes a Permitted Encumbrance), Agent may without notice to Borrowers pay the taxes, assessments or other Charges and each Borrower hereby indemnifies and holds Agent and each Lender harmless in respect thereof. The amount of any payment by Agent under this **Section 4.13** shall be charged to Borrowers' Account as a Revolving Advance and added to the Obligations and, until Borrowers shall furnish Agent with an indemnity therefor (or supply Agent with evidence satisfactory to Agent that due provision for the payment thereof has been made), Agent may hold without interest any balance standing to Borrowers' credit and Agent shall retain its security interest in any and all Collateral held by Agent.

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4.14 Payment of Leasehold Obligations. Each Borrower shall at all times pay, when and as due, its rental obligations under all leases under which it is a tenant, and shall otherwise comply, in all material respects, with all other terms of such leases and keep them in full force and effect and, at Agent's request will provide evidence of having done so.

4.15 Receivables.

(a) Nature of Receivables. Each of the Receivables shall be a bona fide and valid account representing a bona fide indebtedness incurred by the Customer therein named, for a fixed sum as set forth in the invoice relating thereto (provided immaterial or unintentional invoice errors shall not be deemed to be a breach hereof) with respect to an absolute sale or lease and delivery of goods upon stated terms of a Borrower, or work, labor or services theretofore rendered by a Borrower as of the date each Receivable is created. Same shall be due and owing in accordance with the applicable Borrower's standard terms of sale without dispute, setoff or counterclaim except as may be stated on the accounts receivable schedules delivered by Borrowers to Agent.

(b) Solvency of Customers. To the best of each Borrower's knowledge, each Customer, as of the date each Receivable is created, is and will be solvent and able to pay all Receivables on which the Customer is obligated in full when due or with respect to such Customers of any Borrower who are not solvent such Borrower has set up on its books and in its financial records bad debt reserves adequate to cover such Receivables.

(c) Locations of Borrower. Each Borrower's chief executive office is located at the addresses set forth on **Schedule 4.15(c)** hereto. Until written notice is given to Agent by Borrowing Agent of any other office at which any Borrower keeps its records pertaining to Receivables, all such records shall be kept at such executive office.

(d) Collection of Receivables. Until any Borrower's authority to do so is terminated by Agent (which notice Agent may give at any time following the occurrence and during the continuance of an Event of Default), each Borrower will, at such Borrower's sole cost and expense, but on Agent's behalf and for Agent's account, collect as Agent's property and in trust for Agent all amounts received on Receivables,. Each Borrower shall deliver to Agent, or deposit or cause to be deposited in the Blocked Account, in original form and on the date of receipt thereof, all checks, drafts, notes, money orders, acceptances, cash and other evidences of Indebtedness and all amounts received on Receivables.

(e) Notification of Assignment of Receivables. At any time following the occurrence and during the continuation of an Event of Default, Agent shall have the right to send notice of the assignment of, and Agent's security interest in, the Receivables to any and all Customers or any third party holding or otherwise concerned with any of the Collateral. Thereafter, Agent shall have the sole right to collect the Receivables, take possession of the Collateral, or both. Agent's actual collection expenses, including, but not limited to, stationery and postage, telephone and telegraph, secretarial and clerical expenses and the salaries of any collection personnel used for collection, may be charged to Borrowers' Account and added to the Obligations.

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(f) Power of Agent to Act on Borrowers' Behalf. Agent shall have the right to receive, endorse, assign and/or deliver in the name of Agent or any Borrower any and all checks, drafts and other instruments for the payment of money relating to the Receivables, and each Borrower hereby waives notice of presentment, protest and non-payment of any instrument so endorsed. Each Borrower hereby constitutes Agent or Agent's designee as such Borrower's attorney with power (i) to endorse such Borrower's name upon any notes, acceptances, checks, drafts, money orders or other evidences of payment or Collateral; (ii) to sign such Borrower's name on any invoice or bill of lading relating to any of the Receivables, drafts against Customers, assignments and verifications of Receivables; (iii) to send verifications of Receivables to any Customer (provided, that Agent shall use its best efforts to notify Borrowers of such verifications simultaneously with or within a reasonable amount of time following such verifications); (iv) to sign such Borrower's name on all financing statements or any other documents or instruments deemed necessary or appropriate by Agent to preserve, protect, or perfect Agent's interest in the Collateral and to file same; (v) following the occurrence and during the continuation of an Event of Default, to demand payment of the Receivables; (vi) following the occurrence and during the continuation of an Event of Default, to enforce payment of the Receivables by legal proceedings or otherwise; (vii) following the occurrence and during the continuation of an Event of Default, to exercise all of Borrowers' rights and remedies with respect to the collection of the Receivables and any other Collateral; (viii) following the occurrence and during the continuation of an Event of Default, to settle, adjust, compromise, extend or renew the Receivables; (ix) following the occurrence and during the continuation of an Event of Default, to settle, adjust or compromise any legal proceedings brought to collect Receivables; (x) following the occurrence and during the continuation of an Event of Default, to prepare, file and sign such Borrower's name on a proof of claim in bankruptcy or similar document against any Customer; (xi) following the occurrence and during the continuation of an Event of Default, to prepare, file and sign such Borrower's name on any notice of Lien, assignment or satisfaction of Lien or similar document in connection with the Receivables; and (xii) to do all other acts and things necessary to carry out this Agreement. All acts of said attorney or designee are hereby ratified and approved, and said attorney or designee shall not be liable for any acts of omission or commission nor for any error of judgment or mistake of fact or of law, unless done maliciously or with gross (not mere) negligence; this power being coupled with an interest is irrevocable while any of the Obligations remain unpaid. Besides possessing the right to establish Blocked Accounts as described below, following the occurrence and during the continuation of an Event of Default, Agent shall have the right at any time to change the address for delivery of mail addressed to any Borrower to such address as Agent may designate and to receive, open and dispose of all mail addressed to any Borrower.

(g) No Liability. Neither Agent nor any Lender shall, under any circumstances or in any event whatsoever, have any liability for any error or omission or delay of any kind occurring in the settlement, collection or payment of any of the Receivables or any instrument received in payment thereof, or for any damage resulting therefrom; provided, that Agent or any Lender shall be liable for any damages arising from any action taken by such Person if such action constitutes gross negligence or willful misconduct. Following the occurrence and during the continuation of an Event of Default, Agent may, without notice or consent from any Borrower, sue upon or otherwise collect, extend the time of payment of, compromise or settle for cash, credit or upon any terms any of the Receivables or any other securities, instruments or insurance applicable thereto and/or release any obligor thereof.

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Following the occurrence and during the continuation of an Event of Default, Agent is authorized and empowered to accept the return of the goods represented by any of the Receivables, without notice to or consent by any Borrower, all without discharging or in any way affecting any Borrower's liability hereunder.

(h) Establishment of a Lockbox Account, Dominion Account. All proceeds of Collateral shall be deposited by Borrowers into a lockbox account, dominion account or such other "blocked account" ("Blocked Accounts") maintained at SVB or other financial institution, as Agent may require pursuant to an arrangement with SVB or such other financial institution. Borrowers shall issue to SVB and such other financial institution, an irrevocable letter of instruction directing such other financial institution to transfer such funds so deposited to Agent, either to any account maintained by Agent at SVB or by wire transfer to appropriate account(s) of Agent to be applied against the Obligations. All funds deposited in such Blocked Account shall immediately become the property of Lenders (to be divided among them under the terms and conditions set forth in this Agreement) and Borrowers shall obtain the agreement by SVB and such other financial institution to waive any offset rights against the funds so deposited (besides SVB's offset rights for the

portion of the deposited funds to be remitted to SVB under the terms and conditions set forth in this Agreement). Neither Agent nor any Lender assumes any responsibility for such blocked account arrangement, including without limitation, any claim of accord and satisfaction or release with respect to deposits accepted by any bank thereunder.

(i) Adjustments. No Borrower will, without Agent's consent, compromise or adjust any Receivables (or extend the time for payment thereof) or accept any returns of merchandise or grant any additional discounts, allowances or credits thereon except for those compromises, adjustments, returns, discounts, credits and allowances as have been heretofore customary in the business of such Borrower.

4.16 Inventory. To the extent Inventory held for sale or lease has been produced by any Borrower, it has been and will be produced by such Borrower in accordance with the Federal Fair Labor Standards Act of 1938, as amended, and all rules, regulations and orders thereunder.

4.17 Maintenance of Equipment. The Equipment shall be maintained in good operating condition and repair (reasonable wear and tear excepted) and all necessary replacements of and repairs thereto shall be made so that the value and operating efficiency of the Equipment shall be maintained and preserved (except for obsolete and worn-out Equipment which Borrower is attempting to dispose of under **Section 4.3** hereof). No Borrower shall use or operate the Equipment in violation of any law, statute, ordinance, code, rule or regulation. Each Borrower shall have the right to sell Equipment to the extent set forth in **Section 4.3** hereof.

4.18 Exculpation of Liability. Nothing herein contained shall be construed to constitute Agent or any Lender as any Borrower's agent for any purpose whatsoever, nor shall Agent or any Lender be responsible or liable for any shortage, discrepancy, damage, loss or destruction of any part of the Collateral wherever the same may be located and regardless of the cause thereof. Neither Agent nor any Lender, whether by anything herein or in any assignment or otherwise, assume any of any Borrower's obligations under any contract or agreement assigned to Agent or such Lender, and neither Agent nor any Lender shall be responsible in any way for the performance by any Borrower of any of the terms and conditions thereof.

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Notwithstanding anything to the contrary contained herein, Agent or any Lender shall be responsible for any damages arising from any action taken by such Person if such action constitutes gross negligence or willful misconduct.

4.19 Environmental Matters.

(a) Borrowers shall ensure that the Real Property remains in compliance with all Environmental Laws and they shall not place or permit to be placed any Hazardous Substances on any Real Property except in compliance with applicable law or as allowed by appropriate governmental authorities.

(b) Borrowers shall establish and maintain a system to assure and monitor continued compliance with all applicable Environmental Laws which system shall include periodic reviews of such compliance.

(c) Borrowers shall (i) employ in connection with the use of the Real Property appropriate technology necessary to maintain compliance with any applicable Environmental Laws and (ii) dispose of any and all Hazardous Waste generated at the Real Property only at facilities and with carriers that maintain valid permits under RCRA and any other applicable Environmental Laws. Borrowers shall use their best efforts to obtain certificates of disposal, such as hazardous waste manifest receipts, from all treatment, transport, storage or disposal facilities or operators employed by Borrowers in connection with the transport or disposal of any Hazardous Waste generated at the Real Property.

(d) In the event any Borrower obtains, gives or receives notice of any Release or threat of Release of a reportable quantity of any Hazardous Substances at the Real Property (any such event being hereinafter referred to as a "Hazardous Discharge") or receives any notice of violation with respect to the Real Property, request for information concerning the Real Property or notification that it is potentially responsible for investigation or cleanup of environmental conditions at the Real Property, demand letter or complaint, order, citation, or other written notice with regard to any Hazardous Discharge or violation of Environmental Laws affecting the Real Property or any Borrower's interest therein (any of the foregoing is referred to herein as an "Environmental Complaint") from any Person, including any state agency responsible in whole or in part for environmental matters in the state in which the Real Property is located or the United States Environmental Protection Agency (any such person or entity hereinafter the "Authority"), then Borrowing Agent shall, within five (5) Business Days, give written notice of same to Agent detailing the facts and circumstances of which any Borrower is aware giving rise to the Hazardous Discharge or Environmental Complaint. Such information is to be provided to allow Agent to protect its security interest in the Real Property and the Collateral and is not intended to create nor shall it create any obligation upon Agent or any Lender with respect thereto.

(e) Borrowers shall promptly forward to Agent copies of any Authority's request for information, notification of potential liability, or demand letter relating to potential responsibility with respect to the investigation or cleanup of Hazardous Substances at any other site owned, operated or used by any Borrower to dispose of Hazardous Substances and shall continue to forward copies of correspondence between any Borrower and such Authority

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regarding such claims to Agent until the claim is settled. Borrowers shall promptly forward to Agent copies of all documents and reports concerning a Hazardous Discharge at the Real Property that any Borrower is required to file under any Environmental Laws. Such information is to be provided solely to allow Agent to protect Agent's security interest in the Real Property and the Collateral.

(f) Borrowers shall respond promptly to any Hazardous Discharge or Environmental Complaint and take all necessary action in order to safeguard the health of any Person and to avoid subjecting the Collateral or Real Property to any Lien. If any Borrower shall fail to respond promptly to any Hazardous Discharge or Environmental Complaint or any Borrower shall fail to comply with any of the requirements of any Environmental Laws, Agent on behalf of Lenders may, but without the obligation to do so, for the sole purpose of protecting Agent's interest in Collateral: (A) give such notices or (B) enter onto the Real Property (or authorize third parties to enter onto the Real Property) and take such actions as Agent (or such third parties as directed by Agent) deem reasonably necessary or advisable, to clean up, remove, mitigate or otherwise deal with any such Hazardous Discharge or Environmental Complaint. All reasonable costs and expenses incurred by Agent and Lenders (or such third parties) in the exercise of any such rights, including any sums paid in connection with any judicial or administrative investigation or proceedings, fines and penalties, together with interest thereon from the date expended

at the Default Rate for Revolving Advances shall be paid upon demand by Borrowers, and until paid shall be added to and become a part of the Obligations secured by the Liens created by the terms of this Agreement or any other agreement between Agent, any Lender and any Borrower.

(g) Promptly upon the written request of Agent from time to time, Borrowers shall provide Agent, at Borrowers' expense, with an environmental site assessment or environmental audit report prepared by an environmental engineering firm acceptable in the reasonable opinion of Agent, to assess with a reasonable degree of certainty the existence of a Hazardous Discharge and the potential costs in connection with abatement, cleanup and removal of any Hazardous Substances found on, under, at or within the Real Property. Any report or investigation of such Hazardous Discharge proposed and acceptable to an appropriate Authority that is charged to oversee the clean-up of such Hazardous Discharge shall be acceptable to Agent. If such estimates, individually or in the aggregate, exceed \$100,000, Agent shall have the right to require Borrowers to post a bond, letter of credit or other security reasonably satisfactory to Agent to secure payment of these costs and expenses.

(h) Borrowers shall defend and indemnify Agent and Lenders and hold Agent, Lenders and their respective employees, agents, directors and officers harmless from and against all loss, liability, damage and expense, claims, costs, fines and penalties, including attorney's fees, suffered or incurred by Agent or Lenders under or on account of any Environmental Laws, including, without limitation, the assertion of any Lien thereunder, with respect to any Hazardous Discharge, the presence of any Hazardous Substances affecting the Real Property, whether or not the same originates or emerges from the Real Property or any contiguous real estate, including any loss of value of the Real Property as a result of the foregoing except to the extent such loss, liability, damage and expense is attributable to any Hazardous Discharge resulting from actions on the part of Agent or any Lender. Borrowers' obligations under this **Section 4.19** shall arise upon the discovery of the presence of any Hazardous Substances at the Real Property, whether or

not any federal, state, or local environmental agency has taken or threatened any action in connection with the presence of any Hazardous Substances. Borrowers' obligation and the indemnifications hereunder shall survive the termination of this Agreement.

(i) For purposes of **Section 4.19** and **5.7**, all references to Real Property shall be deemed to include all of Borrowers' right, title and interest in and to its owned and leased premises.

#### 4.20 Financing Statements.

Except as respects the financing statements filed by Agent and the financing statements described on **Schedule 1.2**, no financing statement covering any of the Collateral or any proceeds thereof is on file in any public office.

### V. REPRESENTATIONS AND WARRANTIES.

Each Borrower represents and warrants as follows:

5.1 Authority. Each Borrower has full power, authority and legal right to enter into this Agreement and the Other Documents and to perform all its respective Obligations hereunder and thereunder. This Agreement and the Other Documents constitute the legal, valid and binding obligation of such Borrower enforceable in accordance with their terms, except as such enforceability may be limited by any applicable bankruptcy, insolvency, moratorium or similar laws affecting creditors' rights generally. The execution, delivery and performance of this Agreement and of the Other Documents (a) are within such Borrower's corporate powers, have been duly authorized, are not in contravention of law or the terms of such Borrower's by-laws, certificate of incorporation or other applicable documents relating to such Borrower's formation or to the conduct of such Borrower's business or of any material agreement or undertaking to which such Borrower is a party or by which such Borrower is bound, and (b) will not conflict with nor result in any breach in any of the provisions of or constitute a default under or result in the creation of any Lien except Permitted Encumbrances upon any asset of such Borrower under the provisions of any agreement, charter document, instrument, by-law, or other instrument to which such Borrower is a party or by which it or its property may be bound.

#### 5.2 Formation and Qualification.

(a) Each Borrower is duly incorporated and in good standing under the laws of the state listed on **Schedule 5.2(a)** and is qualified to do business and is in good standing in the states listed on **Schedule 5.2(a)** which constitute all states in which qualification and good standing are necessary for such Borrower to conduct its business and own its property and where the failure to so qualify could reasonably be expected to have a Material Adverse Effect on such Borrower. Each Borrower has delivered to Agent true and complete copies of its certificate of incorporation and by-laws and will promptly notify Agent of any amendment or changes thereto.

(b) The only Subsidiaries of each Borrower are listed on **Schedule 5.2(b)**.

5.3 Survival of Representations and Warranties. All representations and warranties of such Borrower contained in this Agreement and the Other Documents shall be true and correct in all materials respects at the time of such Borrower's execution of this Agreement and the Other

Documents, and shall survive the execution, delivery and acceptance thereof by the parties thereto and the closing of the transactions described therein or related thereto.

5.4 Tax Returns. Each Borrower's federal tax identification number is set forth on **Schedule 5.4**. Each Borrower has filed all federal, state and local tax returns and other reports each is required by law to file and has paid all taxes, assessments, fees and other governmental charges that are due and payable. To the best of each Borrower's knowledge, no federal, state or local income tax return of any Borrower for any fiscal year prior to or including the fiscal year ending December 31, 2003 is the subject of any audit or otherwise is being challenged by the applicable governmental authorities except for the audits and challenges described on **Schedule 5.4**. The provision for taxes on the books of each Borrower are adequate for all years not closed by applicable statutes, and for its current fiscal year, and no Borrower has any knowledge of any deficiency or additional assessment in connection therewith not provided for on its books.

## 5.5 Financial Statements.

(a) The pro forma balance sheet of Borrowers on a consolidated basis (the "Pro Forma Balance Sheet") which shall be furnished to Agent within thirty (30) days after the Closing Date shall reflect the consummation of the transactions contemplated by the Acquisition Agreement and under this Agreement (the "Transactions") and shall be accurate, complete and correct in all material respects and shall fairly reflect the financial condition of Borrowers on a consolidated basis as of the Closing Date after giving effect to the Transactions, and has been prepared in accordance with GAAP, consistently applied. The Pro Forma Balance Sheet shall be certified as accurate, complete and correct in all material respects by the President and Chief Financial Officer of each Borrower. All financial statements referred to in this subsection 5.5(a), including the related schedules and notes thereto, shall be prepared, in accordance with GAAP, except as may be disclosed in such financial statements.

(b) The twelve-month cash flow projections of the Borrowers on a consolidated basis and their projected balance sheets as of the Closing Date, copies of which are annexed hereto as **Exhibit 5.5(b)** (the "Projections") were prepared by the Chief Financial Officer of each Borrower, are based on underlying assumptions which provide a reasonable basis for the projections contained therein and reflect Borrowers' judgment based on present circumstances of the most likely set of conditions and course of action for the projected period. The cash flow Projections together with the Pro Forma Balance Sheet, are referred to as the "Pro Forma Financial Statements".

(c) The consolidated and consolidating balance sheets of the Borrowers (except for AMOT I, AMOT II, AMOT III, New Stature and Ahab) and such other Persons described therein as of December 31, 2003, and the related statements of income, changes in stockholder's equity, and changes in cash flow for the period ended on such date, all accompanied by reports thereon containing opinions without qualification by independent certified public accountants, copies of which have been delivered to Agent, have been prepared in accordance with GAAP, consistently applied (except for changes in application in which such accountants concur) and present fairly the financial position of the Borrowers at such date and the results of their operations for such period. Since December 31, 2003, there has been no material change in the condition, financial or otherwise, of Borrowers as shown on the

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consolidated balance sheet as of such date and no material change in the aggregate value of machinery, equipment and Real Property owned by Borrowers.

(d) The consolidated and consolidating balance sheets of the Owosso Companies as of October 31, 2003, and the related statements of income, changes in stockholder's equity, and changes in cash flow for the period ended on such date, all accompanied by reports thereon containing opinions by independent certified public accountants, copies of which have been delivered to Agent, have been prepared in accordance with GAAP, consistently applied (except for changes in application in which such accountants concur) and present fairly the financial position of the Owosso Companies at such date and the results of their operations for such period. Since October 31, 2003, there has been no change in the condition, financial or otherwise, of the Owosso Companies as shown on the consolidated balance sheet as of such date and no change in the aggregate value of machinery, equipment and Real Property owned by the Owosso Companies except changes in the ordinary course of business, none of which individually or in the aggregate has been materially adverse.

5.6 Corporate Name. No Borrower or Owosso Company has been known by any other corporate name in the past five years and does not sell and has not sold Inventory under any other name except as set forth on **Schedule 5.6**, nor has any Borrower or Owosso Company been the surviving corporation of a merger or consolidation or acquired all or substantially all of the assets of any Person during the preceding five (5) years except as set forth on **Schedule 5.6**.

## 5.7 O.S.H.A. and Environmental Compliance.

(a) Each Borrower has duly complied with, and its facilities, business, assets, property, leaseholds and Equipment are in compliance in all material respects with, the provisions of the Federal Occupational Safety and Health Act, CERCLA, RCRA and all other Environmental Laws; there have been no outstanding citations, notices or orders of non-compliance issued to any Borrower or relating to its business, assets, property, leaseholds or Equipment under any such laws, rules or regulations.

(b) Each Borrower has been issued all required federal, state and local licenses, certificates or permits relating to all applicable Environmental Laws.

(c) Except as set forth in Schedule 5.7: (i) There are no visible signs of releases, spills, discharges, leaks or disposal (collectively referred to as "Releases") of Hazardous Substances at, upon, under or within any Real Property or any premises leased by any Borrower; (ii) there are no underground storage tanks or polychlorinated biphenyls on the Real Property or any premises leased by any Borrower; (iii) neither the Real Property nor any premises leased by any Borrower has ever been used as a treatment, storage (requiring any governmental permit) or disposal facility of Hazardous Waste; and (iv) no Hazardous Substances are present on the Real Property or any premises leased by any Borrower, excepting such quantities as are handled in accordance with all applicable manufacturer's instructions and governmental regulations and in proper storage containers and as are necessary for the operation of the commercial business of any Borrower or of its tenants.

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## 5.8 Solvency; No Litigation, Violation, Indebtedness or Default.

(a) Borrowers are and, after giving effect to the Transactions, Borrowers will be solvent, able to pay their debts as they mature, have capital sufficient to carry on their business and all businesses in which they are about to engage, and (i) as of the Closing Date, the fair present saleable value of their assets, calculated on a going concern basis, is in excess of the amount of their liabilities and (ii) subsequent to the Closing Date, the fair saleable value of their assets (calculated on a going concern basis) will be in excess of the amount of their liabilities.

(b) Except as disclosed in **Schedule 5.8(b)**, no Borrower has (i) any pending or threatened litigation, arbitration, actions or proceedings which involve the possibility of having a Material Adverse Effect on such Borrower, and (ii) any liabilities nor indebtedness for borrowed money other than the Obligations.

(c) No Borrower is in violation of any applicable statute, regulation or ordinance in any respect which could reasonably be expected to have a Material Adverse Effect on such Borrower, nor is any Borrower in violation of any order of any court, governmental authority or arbitration board or tribunal.

(d) No Borrower nor any member of the Controlled Group maintains or contributes to any Plan other than those listed on **Schedule 5.8(d)** hereto. Except as set forth in **Schedule 5.8(d)**, (i) no Plan has incurred any “accumulated funding deficiency,” as defined in Section 302(a)(2) of ERISA and Section 412(a) of the Code, whether or not waived, and each Borrower and each member of the Controlled Group has met all applicable minimum funding requirements under Section 302 of ERISA in respect of each Plan, (ii) each Plan which is intended to be a qualified plan under Section 401(a) of the Code as currently in effect is the subject of an Internal Revenue Service determination letter or, in the case of a prototype plan, an Internal Revenue Service opinion letter, and the trust related thereto is exempt from federal income tax under Section 501(a) of the Code, (iii) no Borrower nor any member of the Controlled Group has incurred any liability to the PBGC other than for the payment of premiums, and there are no premium payments which have become due which are unpaid, (iv) no Plan has been terminated by the plan administrator thereof nor by the PBGC, and there is no occurrence which would cause the PBGC to institute proceedings under Title IV of ERISA to terminate any Plan, (v) at this time, the current value of the assets of each Plan exceeds the present value of the accrued benefits and other liabilities of such Plan and no Borrower nor any member of the Controlled Group knows of any facts or circumstances which would materially change the value of such assets and accrued benefits and other liabilities, (vi) no Borrower nor any member of the Controlled Group has breached any of the responsibilities, obligations or duties imposed on it by ERISA with respect to any Plan which breach reasonably could result in material liability to any Borrower or Controlled Group member, (vii) no Borrower nor any member of a Controlled Group has incurred any material liability for any excise tax arising under Section 4972 or 4980B of the Code, and no fact exists which could give rise to any such liability, (viii) no Borrower nor any member of the Controlled Group nor any fiduciary of, nor any trustee to, any Plan, has engaged in a “prohibited transaction” described in Section 406 of the ERISA or Section 4975 of the Code which reasonably could result in any material liability to any Borrower or Controlled Group member nor taken any action which would constitute or result in a Termination Event with respect to any such Plan which is subject to ERISA, (ix) each Borrower

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and each member of the Controlled Group has made all contributions due and payable with respect to each Plan, (x) there exists no event described in Section 4043 of ERISA, for which the thirty (30) day notice period contained in 29 CFR §2615.3 has not been waived, (xi) no Borrower nor any member of the Controlled Group has any fiduciary responsibility for investments with respect to any Plan existing for the benefit of persons other than employees or former employees of any Borrower and any member of the Controlled Group, and (xii) no Borrower nor any member of the Controlled Group has withdrawn, completely or partially, from any Multiemployer Plan so as to incur liability under the Multiemployer Pension Plan Amendments Act of 1980.

5.9 **Patents, Trademarks, Copyrights and Licenses.** All patents, patent applications, trademarks, trademark applications, service marks, service mark applications, copyrights, copyright applications, design rights, tradenames, assumed names, trade secrets and licenses owned or utilized by any Borrower (except for non-material licenses of software that are available to the general public such as MicroSoft Windows) are set forth on **Schedule 5.9**, are valid and have been duly registered or filed with all appropriate governmental authorities and constitute all of the intellectual property rights which are necessary for the operation of its business; there is no objection to or pending challenge to the validity of any such patent, trademark, copyright, design right, tradename, trade secret or license and no Borrower is aware of any grounds for any challenge, except as set forth in **Schedule 5.9** hereto. Each patent, patent application, patent license, trademark, trademark application, trademark license, service mark, service mark application, service mark license, design right, copyright, copyright application and copyright license owned or held by any Borrower and all trade secrets used by any Borrower consist of original material or property developed by such Borrower or was lawfully acquired by such Borrower from the proper and lawful owner thereof. Each of such items has been maintained so as to preserve the value thereof from the date of creation or acquisition thereof.

5.10 **Licenses and Permits.** Except as set forth in **Schedule 5.10**, each Borrower (a) is in compliance in all material respects with and (b) has procured and is now in possession of, all material licenses or permits required by any applicable federal, state or local law or regulation for the operation of its business in each jurisdiction wherein it is now conducting or proposes to conduct business and where the failure to procure such licenses or permits could have a Material Adverse Effect on such Borrower.

5.11 **Default of Indebtedness.** No Borrower is in default in the payment of the principal of or interest on any Indebtedness or under any instrument or agreement under or subject to which any Indebtedness has been issued (and which default would reasonably be expected to have a Material Adverse Effect on such Borrower) and no event has occurred under the provisions of any such instrument or agreement which with or without the lapse of time or the giving of notice, or both, constitutes or would constitute an event of default thereunder (and such event of default would reasonably be expected to have a Material Adverse Effect on such Borrower).

5.12 **No Default.** No Borrower is in default in any material respect in the payment or performance of any of its contractual obligations and no Default has occurred.

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5.13 **No Burdensome Restrictions.** To the best of each Borrower’s knowledge, no Borrower is party to any contract or agreement the performance of which could have a Material Adverse Effect on such Borrower. No Borrower has agreed or consented to cause or permit in the future (upon the happening of a contingency or otherwise) any of its property, whether now owned or hereafter acquired, to be subject to a Lien which is not a Permitted Encumbrance.

5.14 **No Labor Disputes.** No Borrower is involved in any labor dispute; there are no strikes or walkouts or union organization of any Borrower’s employees or in existence and no labor contract is scheduled to expire during the Term other than as set forth on **Schedule 5.14** hereto. In addition, to the best of Borrowers’ knowledge, no strikes or walkouts or union organizations are threatened.

5.15 **Margin Regulations.** No Borrower is engaged, nor will it engage, principally or as one of its important activities, in the business of extending credit for the purpose of “purchasing” or “carrying” any “margin stock” within the respective meanings of each of the quoted terms under Regulation U of the Board of Governors of the Federal Reserve System as now and from time to time hereafter in effect. No part of the proceeds of any Advance will be used for “purchasing” or “carrying” “margin stock” as defined in Regulation U of such Board of Governors.



5.16 Investment Company Act. No Borrower is an “investment company” registered or required to be registered under the Investment Company Act of 1940, as amended, nor is it controlled by such a company.

5.17 Disclosure. No representation or warranty made by any Borrower in this Agreement or in the Acquisition Agreement, or in any financial statement, report, certificate or any other document furnished in connection herewith or therewith contains any untrue statement of fact or omits to state any fact necessary to make the statements herein or therein not misleading in any material respect. There is no fact known to Borrowers or which reasonably should be known to Borrowers which Borrowers have not disclosed to Agent in writing with respect to the transactions contemplated by the Acquisition Agreement, or this Agreement which could reasonably be expected to have a Material Adverse Effect on any Borrower.

5.18 Delivery of Acquisition Agreement. Agent has received complete copies of the Acquisition Agreement (including all exhibits, schedules and disclosure letters referred to therein or delivered pursuant thereto, if any) and all amendments thereto, waivers relating thereto and other side letters or agreements affecting the terms thereof. None of such documents and agreements has been amended or supplemented, nor have any of the provisions thereof been waived, except pursuant to a written agreement or instrument which has heretofore been delivered to Agent.

5.19 Swaps. No Borrower is a party to, nor will it be a party to, any swap agreement whereby such Borrower has agreed or will agree to swap interest rates or currencies unless same provides that damages upon termination following an event of default thereunder are payable on an unlimited “two-way basis” without regard to fault on the part of either party.

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5.20 Conflicting Agreements. No provision of any mortgage, indenture, contract, agreement, judgment, decree or order binding on any Borrower or affecting the Collateral conflicts with, or requires any Consent which has not already been obtained to, or would in any way prevent the execution, delivery or performance of, the terms of this Agreement or the Other Documents.

5.21 Application of Certain Laws and Regulations. No Borrower nor any Affiliate of any Borrower is subject to any statute, rule or regulation which regulates the incurrence of any Indebtedness, including without limitation, statutes or regulations relative to common or interstate carriers or to the sale of electricity, gas, steam, water, telephone, telegraph or other public utility services.

5.22 Business and Property of Borrowers. Upon and after the Closing Date, Borrowers do not propose to engage in any business other than designing, manufacturing and selling fractional horsepower motors and motion products for commercial operations and activities necessary to conduct the foregoing. On the Closing Date, each Borrower will own all the property and possess all of the rights and Consents necessary for the conduct of the business of such Borrower.

5.23 Section 20 Subsidiaries. Borrowers do not intend to use and shall not use any portion of the proceeds of the Advances, directly or indirectly, to purchase during the underwriting period, or for 30 days thereafter, Ineligible Securities being underwritten by a Section 20 Subsidiary.

5.24 Anti-Terrorism Laws.

(a) General.

No Borrower nor any Affiliate of any Borrower is in violation of any Anti-Terrorism Law or engages in or conspires to engage in any transaction that evades or avoids, or has the purpose of evading or avoiding, or attempts to violate, any of the prohibitions set forth in any Anti-Terrorism Law.

(b) Executive Order No. 13224.

No Borrower, Affiliate of any Borrower, nor their respective agents acting or benefiting in any capacity in connection with the Advances, Letters of Credit or other transactions hereunder, is any of the following (each a “Blocked Person”):

- (i) a Person that is listed in the annex to, or is otherwise subject to the provisions of, the Executive Order No. 13224;
- (ii) a Person owned or controlled by, or acting for or on behalf of, any Person that is listed in the annex to, or is otherwise subject to the provisions of, the Executive Order No. 13224;
- (iii) a Person or entity with which any Lender is prohibited from dealing or otherwise engaging in any transaction by any Anti-Terrorism Law;

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(iv) a Person or entity that commits, threatens or conspires to commit or supports “terrorism” as defined in the Executive Order No. 13224;

(v) a Person or entity that is named as a “specially designated national” on the most current list published by the U.S. Treasury Department Office of Foreign Asset Control at its official website or any replacement website or other replacement official publication of such list, or

(vi) a person or entity who is affiliated or associated with a person or entity listed above.

No Borrower nor, to the knowledge of any Borrower, any of its agents acting in any capacity in connection with the Advances, Letters of Credit or other transactions hereunder (i) conducts any business or engages in making or receiving any contribution of funds, goods or services to or for the

benefit of any Blocked Person, or (ii) deals in, or otherwise engages in any transaction relating to, any property or interests in property blocked pursuant to the Executive Order No. 13224.

5.25 Tax Shelter Regulations. No Borrower intends to treat the Advances and/or Letters of Credit and related transactions as being a "reportable transaction" (within the meaning of Treasury Regulation Section 1.6011-4). In the event any Borrower determines to take any action inconsistent with such intention, such Borrower will promptly (1) notify the Agent thereof, and (2) deliver to the Agent a duly completed copy of IRS Form 8886 or any successor form. If the Borrower so notifies the Agent, the Borrower acknowledges that one or more of the Lenders may treat its Advances and/or Letters of Credit as part of a transaction that is subject to Treasury Regulation Section 301.6112-1, and such Lender or Lenders, as applicable, will maintain the lists and other records required by such Treasury Regulation.

5.26 Owosso and Old Stature. If Owosso and Old Stature had made the same types of representations and warranties contained in **Sections 5.2, 5.4, and 5.6** through **5.24** with respect to the their existence, business operations, financial conditions, and assets immediately prior to the Closing Date, such representations and warranties would have been accurate and complete in all respects subject to the exceptions described in **Schedule 5.26** attached hereto and provided that all references to the end of Owosso's or Old Stature's fiscal years would refer to October 31<sup>st</sup> of the applicable years.

## VI. AFFIRMATIVE COVENANTS.

Each Borrower shall, until payment in full of the Obligations and termination of this Agreement:

6.1 Payment of Fees. Pay to Agent on demand all usual and customary fees and expenses which Agent incurs in connection with (a) the forwarding of Advance proceeds and (b) the establishment and maintenance of any Blocked Accounts as provided for in **Section 4.15(h)**. Agent may, without making demand, charge Borrowers' Account for all such fees and expenses.

6.2 Conduct of Business and Maintenance of Existence and Assets. (a) Conduct continuously and operate actively its business according to good business practices and maintain

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all of its properties useful or necessary in its business in good working order and condition (reasonable wear and tear excepted and except as may be disposed of in accordance with the terms of this Agreement), including, without limitation, all licenses, patents, copyrights, design rights, tradenames, trade secrets and trademarks and take all actions necessary to enforce and protect the validity of any intellectual property right or other right included in the Collateral; (b) keep in full force and effect its existence and comply in all material respects with the laws and regulations governing the conduct of its business where the failure to do so could reasonably be expected to have a Material Adverse Effect on such Borrower; and (c) make all such reports and pay all such franchise and other taxes and license fees and do all such other acts and things as may be lawfully required to maintain its rights, licenses, leases, powers and franchises under the laws of the United States or any political subdivision thereof.

6.3 Violations. Promptly notify Agent in writing of any violation of any law, statute, regulation or ordinance of any Governmental Body, or of any agency thereof, applicable to any Borrower which could reasonably be expected to have a Material Adverse Effect on any Borrower.

6.4 Government Receivables. Take all steps necessary to protect Agent's interest in the Collateral under the Federal Assignment of Claims Act or other applicable state or local statutes or ordinances and deliver to Agent appropriately endorsed, any instrument or chattel paper connected with any Receivable arising out of contracts between any Borrower and the United States, any state or any department, agency or instrumentality of any of them.

6.5 Tangible Net Worth. Commencing on the Closing Date and continuing through June 30, 2004, maintain a minimum Tangible Net Worth of \$4,300,000.00 at all times. Commencing on July 1, 2004 and continuing through the end of such calendar quarter, maintain at all times a minimum Tangible Net Worth equal to \$4,300,000.00 plus fifty percent (50%) of Borrowers' positive net income on a consolidated basis for the quarter ending June 30, 2004. Commencing on the first day of each subsequent calendar quarter and continuing through the end of such calendar quarter, maintain at all times a minimum Tangible Net Worth equal to the sum of the prior calendar quarter's required minimum Tangible Net Worth plus fifty percent (50%) of Borrowers' positive net income on a consolidated basis for the prior calendar quarter. Tangible Net Worth shall be measured as of the end of each month.

6.6 Fixed Charge Coverage Ratio. Maintain a Fixed Charge Coverage ratio of not less than 1.25 to 1.00 measured as of the end of each calendar quarter.

6.7 Execution of Supplemental Instruments. Execute and deliver to Agent from time to time, upon demand, such supplemental agreements, statements, assignments and transfers, or instructions or documents relating to the Collateral, and such other instruments as Agent may request, in order that the full intent of this Agreement may be carried into effect.

6.8 Payment of Indebtedness. Pay, discharge or otherwise satisfy at or before maturity (subject, where applicable, to specified grace periods and, in the case of the trade payables, to normal payment practices) all its obligations and liabilities of whatever nature, except when the failure to do so could not reasonably be expected to have a Material Adverse Effect or when the amount or validity thereof is currently being contested in good faith by

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appropriate proceedings and each Borrower shall have provided for such reserves as Agent may reasonably deem proper and necessary, subject at all times to any applicable subordination arrangement in favor of Lenders.

6.9 Standards of Financial Statements. Cause all financial statements referred to in **Sections 9.7, 9.8, 9.9, 9.10, 9.11, 9.12, 9.13 and 9.14** as to which GAAP is applicable to be complete and correct in all material respects (subject, in the case of interim financial statements, to normal year-end audit adjustments) and to be prepared in reasonable detail and in accordance with GAAP applied consistently throughout the periods reflected therein (except as concurred in by such reporting accountants or officer, as the case may be, and disclosed therein).

6.10 Exercise of Rights. Enforce all of its rights under the Acquisition Agreement and the Indemnification Agreement executed in connection therewith including, but not limited to, all indemnification rights and pursue all remedies available to it with diligence and in good faith in connection with the enforcement of any such rights.

6.11 Anti-Terrorism Laws. The Borrowers and their respective Affiliates and agents shall not (i) conduct any business or engage in any transaction or dealing with any Blocked Person, including the making or receiving any contribution of funds, goods or services to or for the benefit of any Blocked Person, (ii) deal in, or otherwise engage in any transaction relating to, any property or interests in property blocked pursuant to the Executive Order No. 13224; or (iii) engage in or conspire to engage in any transaction that evades or avoids, or has the purpose of evading or avoiding, or attempts to violate, any of the prohibitions set forth in the Executive Order No. 13224, the USA Patriot Act or any other Anti-Terrorism Law. The Borrowers shall deliver to Lenders any certification or other evidence requested from time to time by any Lender in its sole discretion, confirming Borrowers compliance with this Section.

6.12 Accounts. Borrower shall maintain all of its depository, operating and lockbox accounts with SVB (except for certain blocked accounts described in this Agreement and petty cash and payroll accounts maintained by any Borrower with a local financial institution).

## VII. NEGATIVE COVENANTS.

No Borrower shall, until satisfaction in full of the Obligations and termination of this Agreement:

### 7.1 Merger, Consolidation, Acquisition and Sale of Assets.

(a) Enter into any merger, consolidation or other reorganization with or into any other Person or acquire all or a substantial portion of the assets or stock of any Person or permit any other Person to consolidate with or merge with it.

(b) Sell, lease, transfer or otherwise dispose of any of its properties or assets, except in the ordinary course of its business and except as provided in **Section 4.3**.

7.2 Creation of Liens. Create or suffer to exist any Lien or transfer upon or against any of its property or assets now owned or hereafter acquired, except Permitted Encumbrances.

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7.3 Guarantees. Become liable upon the obligations of any Person by assumption, endorsement or guaranty thereof or otherwise (other than to Lenders) except (a) as disclosed on Schedule 7.3, and (b) the endorsement of checks in the ordinary course of business.

7.4 Investments. Purchase or acquire obligations or stock of, or any other interest in, any Person, except (a) obligations issued or guaranteed by the United States of America or any agency thereof, (b) commercial paper with maturities of not more than 180 days and a published rating of not less than A-1 or P-1 (or the equivalent rating), (c) certificates of time deposit and bankers' acceptances having maturities of not more than 180 days and repurchase agreements backed by United States government securities of a commercial bank if (i) such bank has a combined capital and surplus of at least \$500,000,000, or (ii) its debt obligations, or those of a holding company of which it is a Subsidiary, are rated not less than A (or the equivalent rating) by a nationally recognized investment rating agency, and (d) U.S. money market funds that invest solely in obligations issued or guaranteed by the United States of America or an agency thereof.

7.5 Loans. Make advances, loans or extensions of credit to any Person, including without limitation, any direct or indirect Parent, Subsidiary or Affiliate except with respect to (a) the extension of commercial trade credit in connection with the sale of Inventory in the ordinary course of its business; (b) loans to its employees in the ordinary course of business not to exceed the aggregate amount of \$100,000.00 at any time outstanding; and (c) loans by Allied Motion to its direct and indirect Subsidiaries.

7.6 Capital Expenditures. Contract for, purchase or make any expenditure or commitments for fixed or capital assets (including capitalized leases) in any fiscal year in an aggregate amount for all Borrowers in excess of \$2,000,000.00.

7.7 Dividends. Declare, pay or make any dividend or distribution on any shares of the common stock or preferred stock of any Borrower (other than dividends or distributions payable in its stock, or split-ups or reclassifications of its stock) or apply any of its funds, property or assets to the purchase, redemption or other retirement of any common or preferred stock, or of any options to purchase or acquire any such shares of common or preferred stock of any Borrower; provided that Allied Motion shall be entitled to repurchase up to \$125,000 of its employee-owned stock in the aggregate in any fiscal year.

7.8 Indebtedness. Create, incur, assume or suffer to exist any Indebtedness (exclusive of trade debt) except in respect of (a) Indebtedness to Agent and Lenders; (b) Indebtedness assumed under the Acquisition Agreement; (c) Indebtedness incurred for capital expenditures permitted under **Section 7.6** hereof; (d) Indebtedness described in **Schedule 7.8** attached hereto and incorporated herein by this reference; and (e) Indebtedness in the amount of \$5,500,000.00 or less in the aggregate so long as the repayment terms are reasonable, the debt is subordinated under terms acceptable to Lenders, and no default has occurred under this Agreement, the Other Documents, the PNC Term Loan Documents or the SVB Term Loan Documents.

7.9 Nature of Business. Substantially change the nature of the business in which it is presently engaged, nor except as specifically permitted hereby purchase or invest, directly or indirectly, in any assets or property other than in the ordinary course of business for assets or

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property which are useful in, necessary for and are to be used in its business as presently conducted.

7.10 Transactions with Affiliates. Directly or indirectly, purchase, acquire or lease any property from, or sell, transfer or lease any property to, or otherwise deal with, any Affiliate, except transactions in the ordinary course of business, on an arm's-length basis on terms no less favorable than terms which would have been obtainable from a Person other than an Affiliate.

7.11 Leases. Enter as lessee into any lease arrangement for real or personal property (unless capitalized and permitted under **Section 7.6** hereof) if after giving effect thereto, aggregate annual rental payments for all leased property would exceed \$1,000,000.00 in any one fiscal year in the aggregate for all Borrowers.

7.12 Subsidiaries and Affiliates.

(a) Form any Subsidiary, parent company or sister company (besides Borrowers and unrelated shareholders of Allied Motion), permit any Subsidiary, parent company or sister company to exist (besides Borrowers, Allied Motion's Subsidiaries Emoteq UK, Ltd., Allied Motion Systems Corporation, Allied Motion Process Instrumentation Corporation, Allied Motion Industrial Automation, Inc., Allied Motion Systems, Ltd., Allied Motion UK Group, Ltd., and Motor Products-Ohio Corporation and New Stature's Subsidiaries DWZM, Inc., The Landover Company, Snowmax, Incorporated, Sooner Trailer Manufacturing Co., GBMC, Inc., Owosso Motor Group, Inc., Astro Air Acquisition Corporation, M.H. Rhodes, Inc., and unrelated shareholders of Allied Motion) or permit any Subsidiary, parent company, or sister company (besides Borrowers and unrelated shareholders of Allied Motion) to own any assets of any kind (including, but not limited to, the stock or other ownership interests of another Person).

(b) Enter into any partnership, joint venture or similar arrangement.

7.13 Fiscal Year and Accounting Changes. Change its fiscal year from December 31 for all Borrowers or make any change (i) in accounting treatment and reporting practices except as required by GAAP or (ii) in tax reporting treatment except as required by law.

7.14 Pledge of Credit. Now or hereafter pledge Agent's or any Lender's credit on any purchases or for any purpose whatsoever or use any portion of any Advance in or for any business other than such Borrower's business as conducted on the date of this Agreement.

7.15 Amendment of Articles of Incorporation, By-Laws. Amend, modify or waive any term or material provision of its Articles of Incorporation or By-Laws unless required by law.

7.16 Compliance with ERISA. (i) (x) Maintain, or permit any member of the Controlled Group to maintain, or (y) become obligated to contribute, or permit any member of the Controlled Group to become obligated to contribute, to any Plan, other than those Plans disclosed on **Schedule 5.8(d)**, (ii) engage, or permit any member of the Controlled Group to engage, in any non-exempt "prohibited transaction", as that term is defined in section 406 of ERISA and Section 4975 of the Code, (iii) incur, or permit any member of the Controlled Group to incur, any "accumulated funding deficiency", as that term is defined in Section 302 of ERISA or Section 412 of the Code, (iv) terminate, or permit any member of the Controlled Group to

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terminate, any Plan where such event could result in any liability of any Borrower or any member of the Controlled Group or the imposition of a lien on the property of any Borrower or any member of the Controlled Group pursuant to Section 4068 of ERISA, (v) assume, or permit any member of the Controlled Group to assume, any obligation to contribute to any Multiemployer Plan not disclosed on **Schedule 5.8(d)**, (vi) incur, or permit any member of the Controlled Group to incur, any withdrawal liability to any Multiemployer Plan; (vii) fail promptly to notify Agent of the occurrence of any Termination Event, (viii) fail to comply, or permit a member of the Controlled Group to fail to comply, with the requirements of ERISA or the Code or other applicable laws in respect of any Plan, (ix) fail to meet, or permit any member of the Controlled Group to fail to meet, all minimum funding requirements under ERISA or the Code or postpone or delay or allow any member of the Controlled Group to postpone or delay any funding requirement with respect of any Plan.

7.17 Prepayment of Indebtedness. Except as permitted under **Section 2.14(a)** hereof and except for the early payment of accounts payable to obtain discounts from trade creditors on goods and services purchased by any Borrower in the ordinary course of business or the prepayment of rent, insurance premiums, and similar items that would not have a Material Adverse Effect on any Borrower in the ordinary course of business, at any time, directly or indirectly, prepay any Indebtedness (other than to Lenders), or repurchase, redeem, retire or otherwise acquire any Indebtedness of any Borrower.

7.18 Other Agreements. Enter into any material amendment, waiver or modification of the Acquisition Agreement or any related agreements.

VIII. CONDITIONS PRECEDENT.

8.1 Conditions to Initial Advances. The agreement of Lenders to make the initial Advances requested to be made on the Closing Date is subject to the satisfaction, or waiver by Lenders, immediately prior to or concurrently with the making of such Advances, of the following conditions precedent:

(a) Good Standing Certificates. Agent shall have received good standing certificates for each Borrower dated not more than fifteen (15) days prior to the Closing Date, issued by the Secretary of State or other appropriate official of each Borrower's jurisdiction of incorporation and each jurisdiction where the conduct of each Borrower's business activities or the ownership of its properties necessitates qualification;

(b) Certificates. Agent shall have received a copy of the Articles or Certificate of Incorporation of each Borrower and all amendments thereto, certified by the Secretary of each Borrower or the appropriate official of its jurisdiction of incorporation together with copies of the By-Laws of each Borrower and all agreements of each Borrower's shareholders certified as accurate and complete by the Secretary of each Borrower;

(c) Corporate Proceedings of Borrowers. Agent shall have received a copy of the resolutions in form and substance reasonably satisfactory to Agent, of the Board of Directors of each Borrower authorizing (i) the execution, delivery and performance of this Agreement, the Revolving Credit Note, the Mortgages, any related agreements, and the Acquisition Agreement

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(collectively the "Documents") and (ii) the granting by each Borrower of the security interests in and liens upon the Collateral in each case certified by the Secretary or an Assistant Secretary of each Borrower as of the Closing Date; and, such certificate shall state that the resolutions thereby certified have not been amended, modified, revoked or rescinded as of the date of such certificate;

(d) Incumbency Certificates of Borrowers. Agent shall have received a certificate of the Secretary or an Assistant Secretary of each Borrower, dated the Closing Date, as to the incumbency and signature of the officers of each Borrower executing this Agreement, any certificate or other documents to be delivered by it pursuant hereto, together with evidence of the incumbency of such Secretary or Assistant Secretary;

(e) Revolving Credit Note. Agent shall have received the Revolving Credit Note duly executed and delivered by an authorized officer of each Borrower;

(f) Blocked Accounts. Agent shall have received duly executed agreements establishing the Blocked Accounts with financial institutions acceptable to Agent for the collection or servicing of the Receivables and proceeds of the Collateral; All of each Borrower's account debtors shall have received directions to make remittances to such Blocked Accounts.

(g) Mortgages. Agent shall have received the Michigan Mortgage duly executed and delivered by an authorized officer of Motor Products and the New York Mortgage duly executed and delivered by an authorized officer of JCIDA and New Stature in form and substance acceptable to Agent in its discretion;

(h) Filings, Registrations and Recordings. Each document (including, without limitation, any Uniform Commercial Code financing statement) required by this Agreement, any related agreement or under law or reasonably requested by the Agent to be filed, registered or recorded in order to create, in favor of Agent, a perfected security interest in or lien upon the Collateral shall have been properly filed, registered or recorded in each jurisdiction in which the filing, registration or recordation thereof is so required or requested, and Agent shall have received an acknowledgment copy, or other evidence satisfactory to it, of each such filing, registration or recordation and satisfactory evidence of the payment of any necessary fee, tax or expense relating thereto;

(i) UCC, Lien and Other Searches. Agent shall have all UCC, Lien and other searches confirming the perfection and first priority of its liens and security interests against the Collateral and the absence of any unauthorized liens, security interests or other encumbrances upon such assets;

(j) Title Insurance. Agent shall have received fully paid mortgagee title insurance policies (or binding commitments to issue title insurance policies, marked to Agent's satisfaction to evidence the form of such policies to be delivered with respect to the Mortgages), in standard ALTA form, issued by a title insurance company(s) satisfactory to Agent, each in an amount equal to not less than the fair market value of the Real Property subject to the each Mortgage, insuring each Mortgage to create a valid Lien on the Real Property with no exceptions

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which Agent shall not have approved in writing and no survey exceptions and with such endorsements as required by Agent in its discretion;

(k) Acquisition. Agent shall have received final executed copies of the Acquisition Agreement, and all related agreements, documents and instruments as in effect on the Closing Date and the transactions contemplated by such documentation shall be consummated prior to the making of the initial Advance.

(l) PNC Term Loan Documents and SVB Term Loan Documents. Agent shall have received fully executed copies of the PNC Term Loan Documents and SVB Term Loan Documents containing terms and conditions acceptable to Agent in its sole discretion.

(m) Intercreditor Agreement. Agent, PNC and SVB shall have entered into an Intercreditor Agreement satisfactory in form and substance to Agent and Lenders;

(n) Leasehold Agreements. Agent shall have received landlord, mortgagee or warehouseman agreements satisfactory to Agent with respect to all premises leased by Borrowers at which Inventory is located or Equipment is located in form and substance acceptable to Agent in its discretion;

(o) Consents and Waivers. Agent shall have received any and all Consents necessary to permit the effectuation of the transactions contemplated by this Agreement and the Other Documents; and, Agent shall have received such Consents and waivers of such third parties as might assert claims with respect to the Collateral, as Agent and its counsel shall deem necessary;

(p) Other Documents. Agent shall have received environmental indemnification agreements duly executed by an authorized officer of each Borrower and all of the Other Documents duly executed by the relevant Persons, all in form and substance acceptable to Agent in its discretion;

(q) Legal Opinion. Agent shall have received the executed legal opinion of Jaeckle, Fleischmann & Mugel, LLP and any other legal counsel in form and substance satisfactory to Agent which shall cover such matters incident to the transactions contemplated by this Agreement, the Revolving Credit Note, Mortgages, Other Documents, Acquisition Agreement, and related agreements as Agent may reasonably require and each Borrower hereby authorizes and directs such counsel to deliver such opinions to Agent and Lenders;

(r) No Litigation. (i) No litigation, investigation or proceeding before or by any arbitrator or Governmental Body shall be continuing or threatened against any Borrower or against the officers or directors of any Borrower (A) in connection with the Other Documents or any of the transactions contemplated thereby and which, in the reasonable opinion of Agent, is deemed material or (B) which could, in the reasonable opinion of Agent, have a Material Adverse Effect; and (ii) no injunction, writ, restraining order or other order of any nature materially adverse to any Borrower or the conduct of its business or inconsistent with the due consummation of the Transactions shall have been issued by any Governmental Body;

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(s) Financial Condition Certificates. Agent shall have received an executed Financial Condition Certificate in the form of **Exhibit 8.1(s)**.

(t) Collateral Examination. Agent shall have completed Collateral examinations and received appraisals and Phase I environmental reports, the results of which shall be satisfactory in form and substance to Lenders, of the Receivables, Inventory, General Intangibles, Real Property,

Leasehold Interest and Equipment of each Borrower and all books and records in connection therewith, including, but not limited to, a field examination verification of the Equipment listed in the Old Stature appraisal performed by Great American in July 2003;

(u) Fees. Agent shall have received all fees payable to Agent and Lenders on or prior to the Closing Date pursuant to **Article III** hereof;

(v) Pro Forma Financial Statements. Agent shall have received a copy of the Pro Forma Financial Statements which shall be satisfactory in all respects to Lenders;

(w) Financial Statements. Agent shall have received a copy of (a) the Owosso Companies' October 31, 2003 fiscal year end audited financial statements and unaudited balance sheets and statements of operations, owners' equity, and cash flows of the Owosso Companies as of January 31, 2004 and (b) Borrowers' December 31, 2003 fiscal year end audited financial statements, which statements shall be satisfactory in all respects to Lenders;

(x) Insurance. Agent shall have received in form and substance satisfactory to Agent, certified copies of Borrowers' casualty insurance policies, together with loss payable endorsements on Agent's standard form of loss payee endorsement naming Agent as loss payee, and certified copies of Borrowers' liability insurance policies, together with endorsements naming Agent as an additional insured or, at Agent's option, Certificates of Insurance and endorsements from Borrowers' insurance companies in form and substance acceptable to Agent in its discretion (if Agent does not require Borrowers to provide Agent with the foregoing policies and endorsements prior to the closing date, such materials shall be delivered to Agent within sixty (60) days following the Closing Date);

(y) Environmental Reports. Agent shall have received all environmental studies and reports prepared by independent environmental engineering firms with respect to all Real Property owned by Borrowers;

(z) Payment Instructions. Agent shall have received written instructions from Borrowers directing the application of proceeds of the initial Advances made pursuant to this Agreement;

(aa) No Adverse Material Change. (i) since October 31, 2003, with respect to the Owosso Companies and, since December 31, 2003 with respect to Borrowers, there shall not have occurred any event, condition or state of facts which could reasonably be expected to have a Material Adverse Effect and (ii) no representations made or information supplied to Agent shall have been proven to be inaccurate or misleading in any material respect;

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(bb) Contract Review. Agent shall have reviewed all material contracts of Borrowers including, without limitation, leases, union contracts, labor contracts, vendor supply contracts, license agreements and distributorship agreements and such contracts and agreements shall be satisfactory in all respects to Agent;

(cc) Closing Certificate. Agent shall have received a closing certificate signed by the Chief Financial Officer of each Borrower dated as of the date hereof, stating that (i) all representations and warranties set forth in this Agreement and the Other Documents are true and correct in all material respects on and as of such date, (ii) Borrowers are on such date in compliance with all the terms and provisions set forth in this Agreement and the Other Documents and (iii) on such date no Default or Event of Default has occurred or is continuing;

(dd) Borrowing Base. Agent shall have received evidence from Borrowers that the aggregate amount of Eligible Receivables and Eligible Inventory is sufficient in value and amount to support Advances in the amount requested by Borrowers on the Closing Date and that Borrowers possess sufficient Undrawn Availability on the Closing Date;

(ee) Undrawn Availability. After giving effect to the initial Advances hereunder and establishing reserves for all warranties issued by Borrowers to their customers, Borrowers shall have Undrawn Availability of at least \$1,050,000;

(ff) Regulation Compliance. Agent shall have received evidence satisfactory to Lenders that each Borrower is in compliance in all material respects with all federal, state and local regulations governing or affecting such Borrower;

(gg) Background Searches. Agent shall have received background searches on Richard D. Smith, Susan M. Chiaromonte, Borrowers and the Owosso Companies, the results of which shall be satisfactory in form and substance to Agent;

(hh) Payoff Letters. Agent shall have received payoff letters from Bank One, N.A. the successor in interest to NBD Bank, N.A., for itself and as agent, JCIDA, PNC, SVB, and any other Persons deemed necessary by Agent and such payoff letters shall be satisfactory in form and substance to Agent; and

(ii) Other. All corporate and other proceedings, and all documents, instruments and other legal matters in connection with the Transactions shall be satisfactory in form and substance to Agent and its counsel.

8.2 Conditions to Each Advance. The agreement of Lenders to make any Advance requested to be made on any date (including, without limitation, the initial Advance), is subject to the satisfaction of the following conditions precedent as of the date such Advance is made:

(a) Representations and Warranties. Each of the representations and warranties made by any Borrower in or pursuant to this Agreement and any related agreements to which it is a party, and each of the representations and warranties contained in any certificate, document or financial or other statement furnished at any time under or in connection with this Agreement or any related agreement shall be true and correct in all material respects on and as of such date as if made on and as of such date;

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(b) No Default. No Event of Default or Default shall have occurred and be continuing on such date, or would exist after giving effect to the Advances requested to be made, on such date; provided, however that Agent, in its sole discretion, may continue to make Advances notwithstanding the existence of an Event of Default or Default and that any Advances so made shall not be deemed a waiver of any such Event of Default or Default; and

(c) Maximum Advances. In the case of any Advances requested to be made, after giving effect thereto, the aggregate Advances shall not exceed the maximum amount of Advances permitted under **Section 2.1** hereof.

Each request for an Advance by any Borrower hereunder shall constitute a representation and warranty by each Borrower as of the date of such Advance that the conditions contained in this subsection shall have been satisfied.

#### IX. INFORMATION AS TO BORROWERS.

Each Borrower shall, until satisfaction in full of the Obligations and the termination of this Agreement:

9.1 Disclosure of Material Matters. Immediately upon learning thereof, report to Agent all matters materially affecting the value, enforceability or collectibility of any portion of the Collateral including, without limitation, any Borrower's reclamation or repossession of, or the return to any Borrower of, a material amount of goods or claims or disputes asserted by any Customer or other obligor.

9.2 Schedules. Deliver to Agent (a) on or before the 15<sup>th</sup> day of each month, as and for the prior month (i) accounts receivable ageings, (ii) accounts payable schedules and (iii) Inventory reports and (b) on a weekly basis, a Borrowing Base Certificate which shall not be binding upon Agent or restrictive of Agent's rights under this Agreement. In addition, each Borrower will deliver to Agent at such intervals as Agent may require: (A) confirmatory assignment schedules, (B) copies of Customer's invoices, (C) evidence of shipment or delivery, and (D) such further schedules, documents and/or information regarding the Collateral as Agent may require including, without limitation, trial balances and test verifications. Agent shall have the right to confirm and verify all Receivables by any manner and through any medium it considers advisable and do whatever it may deem reasonably necessary to protect its interests hereunder (provided, that Agent shall use its best efforts to notify Borrowers of such verifications simultaneously with or within a reasonable amount of time following such verifications). The items to be provided under this Section are to be in form satisfactory to Agent and executed by each Borrower and delivered to Agent from time to time solely for Agent's convenience in maintaining records of the Collateral, and any Borrower's failure to deliver any of such items to Agent shall not affect, terminate, modify or otherwise limit Agent's Lien with respect to the Collateral.

9.3 Environmental Reports. Furnish Agent, concurrently with the delivery of the financial statements referred to in **Sections 9.7 and 9.9**, with a certificate signed by the President of each Borrower stating, to the best of his knowledge, that each Borrower is in compliance in all material respects with all federal, state and local laws relating to environmental protection and

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control and occupational safety and health. To the extent any Borrower is not in compliance with the foregoing laws, the certificate shall set forth with specificity all areas of non-compliance and the proposed action such Borrower will implement in order to achieve full compliance.

9.4 Litigation. Promptly notify Agent in writing of any litigation, suit or administrative proceeding affecting any Borrower, whether or not the claim is covered by insurance, and of any suit or administrative proceeding, which in any such case could reasonably be expected to have a Material Adverse Effect on any Borrower.

9.5 Material Occurrences. Promptly notify Agent in writing upon the occurrence of (a) any Event of Default or Default; (b) any event, development or circumstance whereby any financial statements or other reports furnished to Agent fail in any material respect to present fairly, in accordance with GAAP consistently applied, the financial condition or operating results of any Borrower as of the date of such statements; (c) any accumulated retirement plan funding deficiency which, if such deficiency continued for two plan years and was not corrected as provided in Section 4971 of the Code, could subject any Borrower to a tax imposed by Section 4971 of the Code; (d) each and every default by any Borrower which might result in the acceleration of the maturity of any Indebtedness, including the names and addresses of the holders of such Indebtedness with respect to which there is a default existing or with respect to which the maturity has been or could be accelerated, and the amount of such Indebtedness; and (f) any other development in the business or affairs of any Borrower which could reasonably be expected to have a Material Adverse Effect; in each case describing the nature thereof and the action Borrowers propose to take with respect thereto.

9.6 Government Receivables. Notify Agent immediately if any of its Receivables arise out of contracts between any Borrower and the United States, any state, or any department, agency or instrumentality of any of them.

9.7 Annual Financial Statements. Furnish Agent within ninety (90) days after the end of each fiscal year of Borrowers, financial statements of Borrowers on a consolidating and consolidated basis including, but not limited to, statements of income and stockholders' equity and cash flow from the beginning of the current fiscal year to the end of such fiscal year and the balance sheet as at the end of such fiscal year, all prepared in accordance with GAAP applied on a basis consistent with prior practices, and in reasonable detail and reported upon without qualification by an independent certified public accounting firm selected by Borrowers and satisfactory to Agent (the "Accountants"). The report of the Accountants shall be accompanied by a statement of the Accountants certifying that (i) they have caused the Loan Agreement to be reviewed, (ii) in making the examination upon which such report was based either no information came to their attention which to their knowledge constituted an Event of Default or a Default under this Agreement or any related agreement or, if such information came to their attention, specifying any such Default or Event of Default, its nature, when it occurred and whether it is continuing, and such report shall contain or have appended thereto calculations which set forth Borrowers' compliance with the requirements or restrictions imposed by **Sections 6.5, 6.6, 7.6 and 7.11** hereof. In addition, the reports shall be accompanied by a certificate of each Borrower's Chief Financial Officer which shall state that, based on an examination sufficient to permit him to make an informed statement, no Default or Event of Default exists, or, if such is not the case, specifying such Default or Event of Default, its nature,

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when it occurred, whether it is continuing and the steps being taken by such Borrower with respect to such event, and such certificate shall have appended thereto calculations which set forth Borrowers' compliance with the requirements or restrictions imposed by **Sections 6.5, 6.6, 7.6 and 7.11** hereof.

9.8 [Reserved].

9.9 Monthly and Quarterly Financial Statements. Furnish Agent within thirty (30) days after the end of each month, an unaudited balance sheet of Borrowers on a consolidated and consolidating basis and unaudited statements of income on a consolidated basis reflecting results of operations from the beginning of the fiscal year to the end of such month and for such month, prepared on a basis consistent with prior practices and complete and correct in all material respects, subject to normal and recurring year end adjustments that individually and in the aggregate are not material to the business of Borrowers. Borrowers also shall furnish Agent within (30) days after the end of each fiscal quarter, unaudited statements of stockholders' equity and cash flow of Borrowers on a consolidated basis. The reports shall be accompanied by a certificate of each Borrower's Chief Financial Officer, which shall state that, based on an examination sufficient to permit him to make an informed statement, no Default or Event of Default exists, or, if such is not the case, specifying such Default or Event of Default, its nature, when it occurred, whether it is continuing and the steps being taken by Borrowers with respect to such event and, such certificate shall have appended thereto calculations which set forth Borrowers' compliance with the requirements or restrictions imposed by **Sections 6.5, 6.6, 7.6 and 7.11** hereof.

9.10 Other Reports. Furnish Agent as soon as available, but in any event within ten (10) days after the issuance thereof with copies of such financial statements, reports and returns as each Borrower shall send to its stockholders.

9.11 Additional Information. Furnish Agent with such additional information as Agent shall reasonably request in order to enable Agent to determine whether the terms, covenants, provisions and conditions of this Agreement and the Revolving Credit Note have been complied with by Borrowers including, without limitation and without the necessity of any request by Agent, (a) copies of all environmental audits and reviews, (b) at least thirty (30) days prior thereto, notice of any Borrower's opening of any new office or place of business or any Borrower's closing of any existing office or place of business, and (c) promptly upon any Borrower's learning thereof, notice of any labor dispute to which any Borrower may become a party, any strikes or walkouts relating to any of its plants or other facilities, and the expiration of any labor contract to which any Borrower is a party or by which any Borrower is bound.

9.12 Projected Operating Budget. Furnish Agent, no later than thirty (30) days prior to the beginning of each Borrower's fiscal years commencing with fiscal year 2004, a preliminary month by month projected operating budget of Borrowers on a consolidated and consolidating basis for such fiscal year (including an income statement for each month) and no later than sixty (60) days following the beginning of each Borrower's fiscal years commencing with fiscal year 2004, a final month by month projected operating budget and cash flow of Borrowers on a consolidated and consolidating basis for such fiscal year (including an income statement for each month and a balance sheet as at the end of the last month in each fiscal quarter), such projections

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to be accompanied by a certificate signed by the President or Chief Financial Officer of each Borrower to the effect that such projections have been prepared on the basis of sound financial planning practice consistent with past budgets and financial statements and that such officer has no reason to question the reasonableness of any material assumptions on which such projections were prepared.

9.13 Variances From Operating Budget. Furnish Agent, concurrently with the delivery of the financial statements referred to in **Section 9.7** and each monthly report, a written report summarizing all material variances from budgets submitted by Borrowers pursuant to **Section 9.12** and a discussion and analysis by management with respect to such variances.

9.14 Notice of Suits, Adverse Events. Furnish Agent with prompt notice of (i) any lapse or other termination of any Consent issued to any Borrower by any Governmental Body or any other Person that is material to the operation of any Borrower's business, (ii) any refusal by any Governmental Body or any other Person to renew or extend any such Consent; and (iii) copies of any periodic or special reports filed by any Borrower with any Governmental Body or Person, if such reports indicate any material change in the business, operations, affairs or condition of any Borrower, or if copies thereof are requested by Lender, and (iv) copies of any material notices and other communications from any Governmental Body or Person which specifically relate to any Borrower.

9.15 ERISA Notices and Requests. Furnish Agent with immediate written notice in the event that (i) any Borrower or any member of the Controlled Group knows or has reason to know that a Termination Event has occurred, together with a written statement describing such Termination Event and the action, if any, which such Borrower or any member of the Controlled Group has taken, is taking, or proposes to take with respect thereto and, when known, any action taken or threatened by the Internal Revenue Service, Department of Labor or PBGC with respect thereto, (ii) any Borrower or any member of the Controlled Group knows or has reason to know that a prohibited transaction (as defined in Sections 406 of ERISA and 4975 of the Code) has occurred together with a written statement describing such transaction and the action which such Borrower or any member of the Controlled Group has taken, is taking or proposes to take with respect thereto, (iii) a funding waiver request has been filed with respect to any Plan together with all communications received by any Borrower or any member of the Controlled Group with respect to such request, (iv) any increase in the benefits of any existing Plan or the establishment of any new Plan or the commencement of contributions to any Plan to which any Borrower or any member of the Controlled Group was not previously contributing shall occur, (v) any Borrower or any member of the Controlled Group shall receive from the PBGC a notice of intention to terminate a Plan or to have a trustee appointed to administer a Plan, together with copies of each such notice, (vi) any Borrower or any member of the Controlled Group shall receive any favorable or unfavorable determination letter from the Internal Revenue Service regarding the qualification of a Plan under Section 401(a) of the Code, together with copies of each such letter; (vii) any Borrower or any member of the Controlled Group shall receive a notice regarding the imposition of withdrawal liability, together with copies of each such notice; (viii) any Borrower or any member of the Controlled Group shall fail to make a required installment or any other required payment under Section 412 of the Code on or before the due date for such installment or payment; (ix) any Borrower or any member of the Controlled Group knows that (a) a Multiemployer Plan has been terminated, (b) the administrator or plan sponsor

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of a Multiemployer Plan intends to terminate a Multiemployer Plan, or (c) the PBGC has instituted or will institute proceedings under Section 4042 of ERISA to terminate a Multiemployer Plan.

9.16 Additional Documents. Execute and deliver to Agent, upon request, such documents and agreements as Agent may, from time to time, reasonably request to carry out the purposes, terms or conditions of this Agreement.



X. EVENTS OF DEFAULT.

The occurrence of any one or more of the following events shall constitute an "Event of Default":

- 10.1 failure by any Borrower to pay any principal or interest on the Obligations when due, whether at maturity or by reason of acceleration pursuant to the terms of this Agreement or by notice of intention to prepay, or by required prepayment or failure to pay any other liabilities or make any other payment, fee or charge provided for herein when due or in any Other Document;
- 10.2 any representation or warranty made or deemed made by any Borrower in this Agreement or any related agreement or in any certificate, document or financial or other statement furnished at any time in connection herewith or therewith shall prove to have been misleading in any material respect on the date when made or deemed to have been made;
- 10.3 failure by any Borrower to (i) furnish financial information when due or when requested or (ii) permit the inspection of its books or records;
- 10.4 issuance of a notice of Lien, levy, assessment, injunction or attachment against a material portion of any Borrower's property;
- 10.5 failure or neglect of any Borrower or the JCIDA to perform, keep or observe any term, provision, condition, covenant herein contained, or contained in any other agreement or arrangement, now or hereafter entered into between any Borrower or the JDICA and Agent or any Lender which: (a) is not otherwise described as a separate Event of Default in **Section 10**, of this Agreement, and (b) if curable, is not cured by the applicable Borrower or the JCIDA within fifteen (15) days' written notice of such failure or neglect from Agent (provided, that any notice and cure rights contained in this subsection shall not apply in the event that any notice and cure rights for the same Event of Default are contained elsewhere in this Agreement or any Other Document);
- 10.6 the occurrence of any event of default by any Borrower or any other obligor under any of the PNC Term Loan Documents, SVB Term Loan Documents, or any other material agreement which event of default shall not have been cured or waived within any applicable grace period;
- 10.7 any judgment or judgments are rendered or judgment liens filed against any Borrower for an aggregate amount in excess of \$250,000.00 which within thirty (30) days of such rendering or filing is not either satisfied, stayed or discharged of record unless such

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judgment or judgments are contested in good faith and such Borrower establishes cash reserves satisfactory to Lenders;

10.8 any Borrower shall (i) apply for, consent to or suffer the appointment of, or the taking of possession by, a receiver, custodian, trustee, liquidator or similar fiduciary of itself or of all or a substantial part of its property, (ii) make a general assignment for the benefit of creditors, (iii) commence a voluntary case under any state or federal bankruptcy laws (as now or hereafter in effect), (iv) be adjudicated a bankrupt or insolvent, (v) file a petition seeking to take advantage of any other law providing for the relief of debtors, (vi) acquiesce to, or fail to have dismissed, within thirty (30) days, any petition filed against it in any involuntary case under such bankruptcy laws, or (vii) take any action for the purpose of effecting any of the foregoing;

10.9 any Borrower shall admit in writing its inability, or be generally unable, to pay its debts as they become due or cease operations of its present business;

10.10 any Affiliate or any Subsidiary of any Borrower, or any Guarantor, shall (i) apply for, consent to or suffer the appointment of, or the taking of possession by, a receiver, custodian, trustee, liquidator or similar fiduciary of itself or of all or a substantial part of its property, (ii) admit in writing its inability, or be generally unable, to pay its debts as they become due or cease operations of its present business, (iii) make a general assignment for the benefit of creditors, (iv) commence a voluntary case under any state or federal bankruptcy laws (as now or hereafter in effect), (v) be adjudicated a bankrupt or insolvent, (vi) file a petition seeking to take advantage of any other law providing for the relief of debtors, (vii) acquiesce to, or fail to have dismissed, within thirty (30) days, any petition filed against it in any involuntary case under such bankruptcy laws, or (viii) take any action for the purpose of effecting any of the foregoing;

10.11 any change in any Borrower's condition or affairs (financial or otherwise) which in Agent's opinion has a Material Adverse Effect;

10.12 any Lien created hereunder or provided for hereby or under any related agreement for any reason ceases to be or is not a valid and perfected Lien having a first priority interest except as otherwise specifically permitted under this Agreement or the Intercreditor Agreement;

10.13 a default of the obligations of any Borrower under any other agreement to which it is a party shall occur which adversely affects its condition, affairs or prospects (financial or otherwise) which default is not cured within any applicable grace period;

10.14 termination or breach of any Guaranty or Guaranty Security Agreement or similar agreement executed and delivered to Agent in connection with the Obligations of any Borrower, or if any Guarantor attempts to terminate, challenges the validity of, or its liability under, any such Guaranty or Guaranty Security Agreement or similar agreement;

10.15 any Change of Ownership or Change of Control shall occur;

10.16 any material provision of this Agreement shall, for any reason, cease to be valid and binding on any Borrower, or any Borrower shall so claim in writing to Agent;

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10.17 (i) any Governmental Body shall (A) revoke, terminate, suspend or adversely modify any license, permit, patent trademark or tradename of any Borrower, or (B) commence proceedings to suspend, revoke, terminate or adversely modify any such license, permit, trademark, tradename or patent and

such proceedings shall not be dismissed or discharged within sixty (60) days, or (c) schedule or conduct a hearing on the renewal of any license, permit, trademark, tradename or patent necessary for the continuation of any Borrower's business and the staff of such Governmental Body issues a report recommending the termination, revocation, suspension or material, adverse modification of such license, permit, trademark, tradename or patent; and any of the foregoing actions would reasonably be expected to have a Material Adverse Effect on any Borrower; or (ii) any agreement which is necessary or material to the operation of any Borrower's business shall be revoked or terminated and not replaced by a substitute acceptable to Agent within thirty (30) days after the date of such revocation or termination, and such revocation or termination and non-replacement would reasonably be expected to have a Material Adverse Effect on any Borrower;

10.18 any material portion of the Collateral possessing a fair market value in excess of \$50,000.00 in the aggregate shall be seized or taken by a Governmental Body, or any Borrower or the title and rights of any Borrower or any Original Owner which is the owner of any material portion of the Collateral shall have become the subject matter of litigation which might, in the opinion of Agent, upon final determination, result in impairment or loss exceeding \$50,000.00 in the aggregate of the security provided by this Agreement or the Other Documents;

10.19 the operations of any Borrower's manufacturing facility are interrupted at any time for more than five consecutive Business Days, unless such Borrower shall (i) be entitled to receive for such period of interruption, proceeds of business interruption insurance sufficient to assure that its per diem cash needs during such period is at least equal to its average per diem cash needs for the consecutive three month period immediately preceding the initial date of interruption and (ii) receive such proceeds in the amount described in clause (i) preceding not later than thirty (30) days following the initial date of any such interruption; provided, however, that notwithstanding the provisions of clauses (i) and (ii) of this section, an Event of Default shall be deemed to have occurred if such Borrower shall be receiving the proceeds of business interruption insurance for a period of thirty (30) consecutive days; or

10.20 an event or condition specified in **Sections 7.16 or 9.15** hereof shall occur or exist with respect to any Plan and, as a result of such event or condition, together with all other such events or conditions, any Borrower or any member of the Controlled Group shall incur, or in the opinion of Agent be reasonably likely to incur, a liability to a Plan or the PBGC (or both) which, in the reasonable judgment of Agent, would have a Material Adverse Effect on any Borrower.

## XI. LENDERS' RIGHTS AND REMEDIES AFTER DEFAULT.

11.1 Rights and Remedies. Upon the occurrence of (i) an Event of Default pursuant to **Section 10.8** all Obligations shall be immediately due and payable and this Agreement and the obligation of Lenders to make Advances shall be deemed terminated; and, (ii) any of the other Events of Default and at any time thereafter (such default not having previously been cured), at the option of Required Lenders all Obligations shall be immediately due and payable and Lenders shall have the right to terminate this Agreement and to terminate the obligation of

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Lenders to make Advances and (iii) a filing of a petition against Borrower in any involuntary case under any state or federal bankruptcy laws, the obligation of Lenders to make Advances hereunder shall be terminated other than as may be required by an appropriate order of the bankruptcy court having jurisdiction over any Borrower. Upon the occurrence of any Event of Default, Agent, at the option of the Required Lenders, shall have the right to exercise any and all other rights and remedies provided for herein, under the Uniform Commercial Code and at law or equity generally, including, without limitation, the right to foreclose the security interests granted herein and to realize upon any Collateral by any available judicial procedure and/or to take possession of and sell any or all of the Collateral with or without judicial process. Agent may enter any of any Borrower's premises or other premises without legal process and without incurring liability to any Borrower therefor, and Agent may thereupon, or at any time thereafter, in its discretion without notice or demand, take the Collateral and remove the same to such place as Agent may deem advisable and Agent may require Borrowers to make the Collateral available to Agent at a convenient place. With or without having the Collateral at the time or place of sale, Agent may sell the Collateral, or any part thereof, at public or private sale, at any time or place, in one or more sales, at such price or prices, and upon such terms, either for cash, credit or future delivery, as Agent may elect. Except as to that part of the Collateral which is perishable or threatens to decline speedily in value or is of a type customarily sold on a recognized market, Agent shall give Borrowers reasonable notification of such sale or sales, it being agreed that in all events written notice mailed to Borrowers at least five (5) days prior to such sale or sales is reasonable notification. At any public sale Agent or any Lender may bid for and become the purchaser, and Agent, any Lender or any other purchaser at any such sale thereafter shall hold the Collateral sold absolutely free from any claim or right of whatsoever kind, including any equity of redemption and such right and equity are hereby expressly waived and released by each Borrower. In connection with the exercise of the foregoing remedies, Agent is granted permission to use all of each Borrower's trademarks, trade styles, trade names, patents, patent applications, licenses, franchises and other proprietary rights which are used in connection with (a) Inventory for the purpose of disposing of such Inventory and (b) Equipment for the purpose of completing the manufacture of unfinished goods. The proceeds realized from the sale of any Collateral shall be applied as follows: first, to the reasonable costs, expenses and attorneys' fees and expenses incurred by Agent for collection and for acquisition, completion, protection, removal, storage, sale and delivery of the Collateral; second, to interest due upon any of the Obligations and any fees payable under this Agreement; and, third, to the principal of the Obligations. If any deficiency shall arise, Borrowers shall remain liable to Agent and Lenders therefor.

11.2 Agent's Discretion. Agent shall have the right in its sole discretion to determine which rights, Liens, security interests or remedies Agent may at any time pursue, relinquish, subordinate, or modify or to take any other action with respect thereto and such determination will not in any way modify or affect any of Agent's or Lenders' rights hereunder.

11.3 Setoff. In addition to any other rights which Agent or any Lender may have under applicable law, upon the occurrence of an Event of Default hereunder, Agent and such Lender shall have a right to apply any Borrower's property held by Agent and such Lender to reduce the Obligations.

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11.4 Rights and Remedies not Exclusive. The enumeration of the foregoing rights and remedies is not intended to be exhaustive and the exercise of any right or remedy shall not preclude the exercise of any other right or remedies provided for herein or otherwise provided by law, all of which shall be cumulative and not alternative.

11.5 Allocation of Payments After Event of Default. Notwithstanding any other provisions of this Agreement to the contrary, after the occurrence and during the continuance of an Event of Default, all amounts collected or received by the Agent on account of the Obligations or any other amounts outstanding under any of the Other Documents or in respect of the Collateral may, at Agent's discretion, be paid over or delivered as follows:

FIRST, to the payment of all reasonable out-of-pocket costs and expenses (including without limitation, reasonable attorneys' fees) of the Agent and Lenders in connection with enforcing the rights of the Lenders under this Agreement and the Other Documents and any protective advances made by the Agent with respect to the Collateral under or pursuant to the terms of this Document;

SECOND, to payment of any other out-of-pocket costs and expenses owing to Agent and Lenders;

THIRD, to the payment of the collateral monitoring fees payable to Agent and Lenders pursuant to **Section 3.4** hereof;

FOURTH, to the payment of any other fees payable to Agent and Lenders;

FIFTH, to the payment of all of the Obligations consisting of accrued interest;

SIXTH, to the payment of the outstanding principal amount of the Obligations (including the payment or cash collateralization of the outstanding Letters of Credit);

SEVENTH, to all other Obligations and other obligations which shall have become due and payable under the Other Documents or otherwise and not repaid pursuant to clauses "FIRST" through "SIXTH" above;

EIGHTH, to the payment of the surplus, if any, to whoever may be lawfully entitled to receive such surplus.

In carrying out the foregoing, (i) amounts received shall be applied in the numerical order provided until exhausted prior to application to the next succeeding category; (ii) each of the Lenders shall receive (so long as it is not a Defaulting Lender) an amount equal to its pro rata share (based on the proportion that the then outstanding Advances held by such Lender bears to the aggregate then outstanding Advances) of amounts available to be applied to expenses pursuant to clause "FIRST" above and of amounts available to be applied pursuant to clauses "SECOND", "THIRD", "FOURTH", "FIFTH", "SIXTH" and "SEVENTH" above; and (iii) to the extent that any amounts available for distribution pursuant to clause "SIXTH" above are attributable to the issued but undrawn amount of outstanding Letters of Credit, such amounts shall be held by the Agent in a cash collateral account and applied (A) first, to reimburse the Issuer from time to time for any drawings under such Letters of Credit and (B) then, following

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the expiration of all Letters of Credit, to all other obligations of the types described in clauses "SEVENTH" and "EIGHTH" above in the manner provided in this **Section 11.5**.

## XII. WAIVERS AND JUDICIAL PROCEEDINGS.

12.1 **Waiver of Notice.** Each Borrower hereby waives notice of non-payment of any of the Receivables, demand, presentment, protest and notice thereof with respect to any and all instruments, notice of acceptance hereof, notice of loans or advances made, credit extended, Collateral received or delivered, or any other action taken in reliance hereon, and all other demands and notices of any description, except such as are expressly provided for herein.

12.2 **Delay.** No delay or omission on Agent's or any Lender's part in exercising any right, remedy or option shall operate as a waiver of such or any other right, remedy or option or of any default.

12.3 **Jury Waiver.** **EACH PARTY TO THIS AGREEMENT HEREBY EXPRESSLY WAIVES ANY RIGHT TO TRIAL BY JURY OF ANY CLAIM, DEMAND, ACTION OR CAUSE OF ACTION (A) ARISING UNDER THIS AGREEMENT OR ANY OTHER INSTRUMENT, DOCUMENT OR AGREEMENT EXECUTED OR DELIVERED IN CONNECTION HERewith, OR (B) IN ANY WAY CONNECTED WITH OR RELATED OR INCIDENTAL TO THE DEALINGS OF THE PARTIES HERETO OR ANY OF THEM WITH RESPECT TO THIS AGREEMENT OR ANY OTHER INSTRUMENT, DOCUMENT OR AGREEMENT EXECUTED OR DELIVERED IN CONNECTION HERewith, OR THE TRANSACTIONS RELATED HERETO OR THERETO IN EACH CASE WHETHER NOW EXISTING OR HEREAFTER ARISING, AND WHETHER SOUNDING IN CONTRACT OR TORT OR OTHERWISE AND EACH PARTY HEREBY CONSENTS THAT ANY SUCH CLAIM, DEMAND, ACTION OR CAUSE OF ACTION SHALL BE DECIDED BY COURT TRIAL WITHOUT A JURY, AND THAT ANY PARTY TO THIS AGREEMENT MAY FILE AN ORIGINAL COUNTERPART OR A COPY OF THIS SECTION WITH ANY COURT AS WRITTEN EVIDENCE OF THE CONSENTS OF THE PARTIES HERETO TO THE WAIVER OF THEIR RIGHT TO TRIAL BY JURY.**

## XIII. EFFECTIVE DATE AND TERMINATION.

13.1 **Term.** This Agreement, which shall inure to the benefit of and shall be binding upon the respective successors and permitted assigns of each Borrower, Agent and each Lender, shall become effective on the date hereof and shall continue in full force and effect until May 7, 2007 (the "Term") unless sooner terminated as herein provided. Borrowers may terminate this Agreement at any time upon ninety (90) days' prior written notice upon payment in full of the Obligations. In the event the Obligations are prepaid in full prior to the last day of the Term or if this Agreement is terminated pursuant to **Article XI** of this Agreement (the date of such prepayment or termination hereinafter referred to as the "Early Termination Date"), Borrowers shall pay to Agent for the benefit of Lenders an early termination fee in an amount equal to (x) three percent (3%) of the Maximum Revolving Advance Amount if the Early Termination Date occurs on or after the Closing Date to and including the date immediately preceding the first anniversary of the Closing Date, and (y) one percent (1%) of the Maximum Revolving

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Advance Amount if the Early Termination Date occurs on or after the first anniversary of the Closing Date to and including the date immediately preceding the third anniversary of the Closing Date. Borrowers shall not be required to pay an additional early termination fee during any renewal of the Term so long as the identities of the Lenders and the terms and conditions set forth in this Agreement remain materially unchanged.

13.2 Termination. The termination of the Agreement shall not affect any Borrower's, Agent's or any Lender's rights, or any of the Obligations having their inception prior to the effective date of such termination, and the provisions hereof shall continue to be fully operative until all transactions entered into, rights or interests created or Obligations have been fully disposed of, concluded or liquidated. The security interests, Liens and rights granted to Agent and Lenders hereunder and the financing statements filed hereunder shall continue in full force and effect, notwithstanding the termination of this Agreement or the fact that Borrowers' Account may from time to time be temporarily in a zero or credit position, until all of the Obligations of each Borrower have been paid or performed in full after the termination of this Agreement or each Borrower has furnished Agent and Lenders with an indemnification satisfactory to Agent and Lenders with respect thereto. Accordingly, each Borrower waives any rights which it may have under the Uniform Commercial Code to demand the filing of termination statements with respect to the Collateral, and Agent shall not be required to send such termination statements to each Borrower, or to file them with any filing office, unless and until this Agreement shall have been terminated in accordance with its terms and all Obligations paid in full in immediately available funds. All representations, warranties, covenants, waivers and agreements contained herein shall survive termination hereof until all Obligations are paid or performed in full.

#### XIV. REGARDING AGENT.

14.1 Appointment. Each Lender hereby designates PNC to act as Agent for such Lender under this Agreement and the Other Documents. Each Lender hereby irrevocably authorizes Agent to take such action on its behalf under the provisions of this Agreement and the Other Documents and to exercise such powers and to perform such duties hereunder and thereunder as are specifically delegated to or required of Agent by the terms hereof and thereof and such other powers as are reasonably incidental thereto and Agent shall hold all Collateral, payments of principal and interest, fees (except the fees set forth in **Sections 3.3(a)** and **3.4**), charges and collections (without giving effect to any collection days) received pursuant to this Agreement, for the ratable benefit of Lenders. Agent may perform any of its duties hereunder by or through its agents or employees. As to any matters not expressly provided for by this Agreement (including without limitation, collection of the Revolving Credit Note) Agent shall not be required to exercise any discretion or take any action, but shall be required to act or to refrain from acting (and shall be fully protected in so acting or refraining from acting) upon the instructions of the Required Lenders, and such instructions shall be binding; provided, however, that Agent shall not be required to take any action which exposes Agent to liability or which is contrary to this Agreement or the Other Documents or applicable law unless Agent is furnished with an indemnification reasonably satisfactory to Agent with respect thereto.

14.2 Nature of Duties. Agent shall have no duties or responsibilities except those expressly set forth in this Agreement and the Other Documents. Neither Agent nor any of its

officers, directors, employees or agents shall be (i) liable for any action taken or omitted by them as such hereunder or in connection herewith, unless caused by their gross (not mere) negligence or willful misconduct, or (ii) responsible in any manner for any recitals, statements, representations or warranties made by any Borrower or any officer thereof contained in this Agreement, or in any of the Other Documents or in any certificate, report, statement or other document referred to or provided for in, or received by Agent under or in connection with, this Agreement or any of the Other Documents or for the value, validity, effectiveness, genuineness, due execution, enforceability or sufficiency of this Agreement, or any of the Other Documents or for any failure of any Borrower to perform its obligations hereunder. Agent shall not be under any obligation to any Lender to ascertain or to inquire as to the observance or performance of any of the agreements contained in, or conditions of, this Agreement or any of the Other Documents, or to inspect the properties, books or records of any Borrower. The duties of Agent as respects the Advances to Borrowers shall be mechanical and administrative in nature; Agent shall not have by reason of this Agreement a fiduciary relationship in respect of any Lender; and nothing in this Agreement, expressed or implied, is intended to or shall be so construed as to impose upon Agent any obligations in respect of this Agreement except as expressly set forth herein.

14.3 Lack of Reliance on Agent and Resignation. Independently and without reliance upon Agent or any other Lender, each Lender has made and shall continue to make (i) its own independent investigation of the financial condition and affairs of each Borrower in connection with the making and the continuance of the Advances hereunder and the taking or not taking of any action in connection herewith, and (ii) its own appraisal of the creditworthiness of each Borrower. Agent shall have no duty or responsibility, either initially or on a continuing basis, to provide any Lender with any credit or other information with respect thereto, whether coming into its possession before making of the Advances or at any time or times thereafter except as shall be provided by any Borrower pursuant to the terms hereof. Agent shall not be responsible to any Lender for any recitals, statements, information, representations or warranties herein or in any agreement, document, certificate or a statement delivered in connection with or for the execution, effectiveness, genuineness, validity, enforceability, collectibility or sufficiency of this Agreement or any Other Document, or of the financial condition of any Borrower, or be required to make any inquiry concerning either the performance or observance of any of the terms, provisions or conditions of this Agreement, the Revolving Credit Note, the Other Documents or the financial condition of any Borrower, or the existence of any Event of Default or any Default.

Agent may resign on sixty (60) days' written notice to each of Lenders and Borrowing Agent and upon such resignation, the Required Lenders will promptly designate a successor Agent reasonably satisfactory to Borrowers.

Any such successor Agent shall succeed to the rights, powers and duties of Agent, and the term "Agent" shall mean such successor agent effective upon its appointment, and the former Agent's rights, powers and duties as Agent shall be terminated, without any other or further act or deed on the part of such former Agent. After any Agent's resignation as Agent, the provisions of this **Article XIV** shall inure to its benefit as to any actions taken or omitted to be taken by it while it was Agent under this Agreement.

14.4 Certain Rights of Agent. If Agent shall request instructions from Lenders with respect to any act or action (including failure to act) in connection with this Agreement or any Other Document, Agent shall be entitled to refrain from such act or taking such action unless and until Agent shall have received instructions from the Required Lenders; and Agent shall not incur liability to any Person by reason of so refraining. Without limiting the foregoing, Lenders shall not have any right of action whatsoever against Agent as a result of its acting or refraining from acting hereunder in accordance with the instructions of the Required Lenders.

14.5 Reliance. Agent shall be entitled to rely, and shall be fully protected in relying, upon any note, writing, resolution, notice, statement, certificate, telex, teletype or telecopier message, cablegram, order or other document or telephone message believed by it to be genuine and correct and to have been signed, sent or made by the proper person or entity, and, with respect to all legal matters pertaining to this Agreement and the Other Documents

and its duties hereunder, upon advice of counsel selected by it. Agent may employ agents and attorneys-in-fact and shall not be liable for the default or misconduct of any such agents or attorneys-in-fact selected by Agent with reasonable care.

14.6 Notice of Default. Agent shall not be deemed to have knowledge or notice of the occurrence of any Default or Event of Default hereunder or under the Other Documents, unless Agent has received notice from a Lender or a Borrower referring to this Agreement or the Other Documents, describing such Default or Event of Default and stating that such notice is a “notice of default”. In the event that Agent receives such a notice, Agent shall give notice thereof to Lenders. Agent shall take such action with respect to such Default or Event of Default as shall be reasonably directed by the Required Lenders; provided, that, unless and until Agent shall have received such directions, Agent may (but shall not be obligated to) take such action, or refrain from taking such action, with respect to such Default or Event of Default as it shall deem advisable in the best interests of Lenders.

14.7 Indemnification. To the extent Agent is not reimbursed and indemnified by Borrowers, each Lender will reimburse and indemnify Agent in proportion to its respective portion of the Advances (or, if no Advances are outstanding, according to its Commitment Percentage), from and against any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind or nature whatsoever which may be imposed on, incurred by or asserted against Agent in performing its duties hereunder, or in any way relating to or arising out of this Agreement or any Other Document; provided that, Lenders shall not be liable for any portion of such liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements resulting from Agent’s gross (not mere) negligence or willful misconduct.

14.8 Agent in its Individual Capacity. With respect to the obligation of Agent to lend under this Agreement, the Advances made by it shall have the same rights and powers hereunder as any other Lender and as if it were not performing the duties as Agent specified herein; and the term “Lender” or any similar term shall, unless the context clearly otherwise indicates, include Agent in its individual capacity as a Lender. Agent may engage in business with any Borrower as if it were not performing the duties specified herein, and may accept fees and other consideration from any Borrower for services in connection with this Agreement or otherwise without having to account for the same to Lenders.

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14.9 Delivery of Documents. To the extent Agent receives financial statements required under **Sections 9.7, 9.8, and 9.9** from any Borrower pursuant to the terms of this Agreement, Agent will promptly furnish such documents and information to Lenders.

14.10 Borrowers’ Undertaking to Agent. Without prejudice to their respective obligations to Lenders under the other provisions of this Agreement, each Borrower hereby undertakes with Agent to pay to Agent from time to time on demand all amounts from time to time due and payable by it for the account of Agent or Lenders or any of them pursuant to this Agreement to the extent not already paid. Any payment made pursuant to any such demand shall pro tanto satisfy the relevant Borrower’s obligations to make payments for the account of Lenders or the relevant one or more of them pursuant to this Agreement.

14.11 No Reliance on Agent’s Customer Identification Program. Each Lender acknowledges and agrees that neither such Lender, nor any of its Affiliates, participants or assignees, may rely on the Agent to carry out such Lender’s, Affiliate’s, participant’s or assignee’s customer identification program, or other obligations required or imposed under or pursuant to the USA Patriot Act or the regulations thereunder, including the regulations contained in 31 CFR 103.121 (as hereafter amended or replaced, the “CIP Regulations”), or any other Anti-Terrorism Law, including any programs involving any of the following items relating to or in connection with any of the Loan Parties, their Affiliates or their agents, the Loan Documents or the transactions hereunder or contemplated hereby: (1) any identity verification procedures, (2) any recordkeeping, (3) comparisons with government lists, (4) customer notices or (5) other procedures required under the CIP Regulations or such other Laws. .

14.12 Certifications From Banks and Participants of Reliance on Agent’s Customer Identification Program. Each Lender or Transferee that is not incorporated under the Laws of the United States of America or a state thereof (and is not excepted from the certification requirement contained in Section 313 of the USA Patriot Act and the applicable regulations because it is both (i) an affiliate of a depository institution or foreign bank that maintains a physical presence in the United states or foreign county, and (ii) subject to supervision by a banking authority regulating such affiliated depository institution or foreign bank) shall deliver to the Agent the certification, or, if applicable, recertification, certifying that such Lender or Transferee is not a “shell” and certifying to other matters as required by Section 313 of the USA Patriot Act and the applicable regulations: (1) within 10 days after the Closing Date, and (2) as such other times as are required under the USA Patriot Act.

## XV. BORROWING AGENCY.

### 15.1 Borrowing Agency Provisions.

(a) Each Borrower hereby irrevocably designates Borrowing Agent to be its attorney and agent and in such capacity to borrow, sign and endorse notes, and execute and deliver all instruments, documents, writings and further assurances now or hereafter required hereunder, on behalf of such Borrower or Borrowers, and hereby authorizes Agent to pay over or credit all loan proceeds hereunder in accordance with the request of Borrowing Agent.

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(b) The handling of this credit facility as a co-borrowing facility with a borrowing agent in the manner set forth in this Agreement is solely as an accommodation to Borrowers and at their request. Neither Agent nor any Lender shall incur liability to Borrowers as a result thereof. To induce Agent and Lenders to do so and in consideration thereof, each Borrower hereby indemnifies Agent and each Lender and holds Agent and each Lender harmless from and against any and all liabilities, expenses, losses, damages and claims of damage or injury asserted against Agent or any Lender by any Person arising from or incurred by reason of the handling of the financing arrangements of Borrowers as provided herein, reliance by Agent or any Lender on any request or instruction from Borrowing Agent or any other action taken by Agent or any Lender with respect to this **Section 15.1** except due to willful misconduct or gross (not mere) negligence by the indemnified party.

(c) All Obligations shall be joint and several, and each Borrower shall make payment upon the maturity of the Obligations by acceleration or otherwise, and such obligation and liability on the part of each Borrower shall in no way be affected by any extensions, renewals and forbearance granted to Agent or any Lender to any Borrower, failure of Agent or any Lender to give any Borrower notice of borrowing or any other notice, any failure of Agent or any Lender to pursue or preserve its rights against any Borrower, the release by Agent or any Lender of any Collateral now or

thereafter acquired from any Borrower, and such agreement by each Borrower to pay upon any notice issued pursuant thereto is unconditional and unaffected by prior recourse by Agent or any Lender to the other Borrowers or any Collateral for such Borrower's Obligations or the lack thereof. Each Borrower waives all suretyship defenses.

15.2 Waiver of Subrogation. Each Borrower expressly waives any and all rights of subrogation, reimbursement, indemnity, exoneration, contribution of any other claim which such Borrower may now or hereafter have against the other Borrowers or other Person directly or contingently liable for the Obligations hereunder, or against or with respect to the other Borrowers' property (including, without limitation, any property which is Collateral for the Obligations), arising from the existence or performance of this Agreement, until termination of this Agreement and repayment in full of the Obligations.

XVI. MISCELLANEOUS.

16.1 Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of Colorado applied to contracts to be performed wholly within the State of Colorado. Any judicial proceeding brought by or against any Borrower with respect to any of the Obligations, this Agreement or any related agreement may be brought in any court of competent jurisdiction in the State of Colorado, United States of America, and, by execution and delivery of this Agreement, each Borrower accepts for itself and in connection with its properties, generally and unconditionally, the non-exclusive jurisdiction of the aforesaid courts, and irrevocably agrees to be bound by any judgment rendered thereby in connection with this Agreement. Each Borrower hereby waives personal service of any and all process upon it and consents that all such service of process may be made by registered mail (return receipt requested) directed to Borrowing Agent at its address set forth in **Section 16.6** and service so made shall be deemed completed five (5) days after the same shall have been so deposited in the mails of the United States of America, or, at the Agent's and/or any Lender's option, by service upon Borrowing Agent which each Borrower irrevocably appoints as such Borrower's Agent for

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the purpose of accepting service within the State of Colorado. Nothing herein shall affect the right to serve process in any manner permitted by law or shall limit the right of Agent or any Lender to bring proceedings against any Borrower in the courts of any other jurisdiction. Each Borrower waives any objection to jurisdiction and venue of any action instituted hereunder and shall not assert any defense based on lack of jurisdiction or venue or based upon forum non conveniens. Any judicial proceeding by any Borrower against Agent or any Lender involving, directly or indirectly, any matter or claim in any way arising out of, related to or connected with this Agreement or any related agreement, shall be brought only in a federal or state court located in the City and County of Denver, State of Colorado.

16.2 Entire Understanding.

(a) This Agreement and the documents executed concurrently herewith contain the entire understanding between each Borrower, Agent and each Lender and supersedes all prior agreements and understandings, if any, relating to the subject matter hereof. Any promises, representations, warranties or guarantees not herein contained and hereinafter made shall have no force and effect unless in writing, signed by each Borrower's, Agent's and each Lender's respective officers. Neither this Agreement nor any portion or provisions hereof may be changed, modified, amended, waived, supplemented, discharged, cancelled or terminated orally or by any course of dealing, or in any manner other than by an agreement in writing, signed by the party to be charged. Each Borrower acknowledges that it has been advised by counsel in connection with the execution of this Agreement and Other Documents and is not relying upon oral representations or statements inconsistent with the terms and provisions of this Agreement.

(b) The Required Lenders, Agent with the consent in writing of the Required Lenders, and Borrowers may, subject to the provisions of this **Section 16.2 (b)**, from time to time enter into written supplemental agreements to this Agreement or the Other Documents executed by Borrowers, for the purpose of adding or deleting any provisions or otherwise changing, varying or waiving in any manner the rights of Lenders, Agent or Borrowers thereunder or the conditions, provisions or terms thereof of waiving any Event of Default thereunder, but only to the extent specified in such written agreements; provided, however, that no such supplemental agreement shall, without the consent of all Lenders:

- (i) increase the Commitment Percentage or maximum dollar commitment of any Lender.
- (ii) extend the maturity of any Revolving Credit Note or the due date for any amount payable hereunder, or decrease the rate of interest or reduce any fee payable by Borrowers to Lenders pursuant to this Agreement.
- (iii) alter the definition of the term Required Lenders or alter, amend or modify this **Section 16.2(b)**.
- (iv) release any Collateral during any calendar year (other than in accordance with the provisions of this Agreement) having an aggregate value in excess of \$100,000.00.

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- (v) change the rights and duties of Agent.
  - (vi) permit any Revolving Advance to be made if after giving effect thereto the total of Revolving Advances and Letters of Credit outstanding hereunder would exceed the Formula Amount for more than thirty (30) consecutive Business Days or exceed one hundred and ten percent (110%) of the Formula Amount.
  - (vii) increase the Advance Rates above the Advance Rates in effect on the Closing Date.
  - (viii) release any Borrower or other obligor for any of the Obligations.

Any such supplemental agreement shall apply equally to each Lender and shall be binding upon Borrowers, Lenders and Agent and all future holders of the Obligations. In the case of any waiver, Borrowers, Agent and Lenders shall be restored to their former positions and rights, and any Event of Default waived shall be deemed to be cured and not continuing, but no waiver of a specific Event of Default shall extend to any subsequent Event of Default (whether or not the subsequent Event of Default is the same as the Event of Default which was waived), or impair any right consequent thereon.

In the event that Agent requests the consent of a Lender pursuant to this **Section 16.2** and such Lender shall not respond or reply to Agent in writing within ten (10) days of delivery of such request, such Lender shall be deemed to have consented to matter that was the subject of the request. In the event that Agent requests the consent of a Lender pursuant to this **Section 16.2** and such consent is denied, then PNC may, at its option, require such Lender to assign its interest in the Advances to PNC or to another Lender or to any other Person designated by the Agent (the "Designated Lender"), for a price equal to the then outstanding principal amount thereof plus accrued and unpaid interest and fees due such Lender, which interest and fees shall be paid when collected from Borrowers. In the event PNC elects to require any Lender to assign its interest to PNC or to the Designated Lender, PNC will so notify such Lender in writing within forty five (45) days following such Lender's denial, and such Lender will assign its interest to PNC or the Designated Lender no later than five (5) days following receipt of such notice pursuant to a Commitment Transfer Supplement executed by such Lender, PNC or the Designated Lender, as appropriate, and Agent.

Notwithstanding (a) the existence of a Default or an Event of Default, (b) that any of the other applicable conditions precedent set forth in **Section 8.2** hereof have not been satisfied or (c) any other provision of this Loan Agreement, Agent may at its discretion and without the consent of the Required Lenders, voluntarily permit the outstanding Revolving Advances at any time to exceed the Formula Amount by up to one hundred and ten percent (110%) of the Formula

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Amount for up to sixty (60) consecutive Business Days to: (a) preserve or protect the Collateral or any portion thereof, (b) enhance the likelihood of, or maximize the amount of, repayment of the Advances and other Obligations, or (iii) pay any other amount chargeable to Borrowers pursuant to the terms of this Agreement. In addition, Agent with the consent of the Required Lenders, may voluntarily permit the outstanding Revolving Advances at any time to exceed the Formula Amount by up to one hundred and ten percent (110%) of the Formula Amount for up to sixty (60) consecutive Business Days for any other reason. For purposes of this paragraph, the discretion granted to Agent hereunder shall not preclude involuntary overadvances that may result from time to time due to the fact that the Formula Amount was unintentionally exceeded for any reason, including, but not limited to, Collateral previously deemed to be either "Eligible Receivables" or "Eligible Inventory", as applicable, becomes ineligible, collections of Receivables applied to reduce outstanding Revolving Advances are thereafter returned for insufficient funds or overadvances are made to protect or preserve the Collateral. In the event Agent involuntarily permits the outstanding Revolving Advances to exceed the Formula Amount by more than ten percent (10%), Agent shall use its efforts to have Borrowers decrease such excess in as expeditious a manner as is practicable under the circumstances and not inconsistent with the reason for such excess. Revolving Advances made after Agent has determined the existence of involuntary overadvances shall be deemed to be involuntary overadvances and shall be decreased in accordance with the preceding sentence.

In addition to (and not in substitution of) the discretionary Revolving Advances permitted above in this **Section 16.2**, the Agent is hereby authorized by the Borrowers and the Lenders, from time to time in the Agent's sole discretion, (A) after the occurrence and during the continuation of a Default or an Event of Default, or (b) at any time that any of the other applicable conditions precedent set forth in **Section 8.2** hereof have not been satisfied, to make Revolving Advances to the Borrowers on behalf of the Lenders which the Agent, in its reasonable business judgment, deems necessary or desirable (a) to preserve or protect the Collateral, or any portion thereof, (b) to enhance the likelihood of, or maximize the amount of, repayment of the Advances and other Obligations, or (iii) to pay any other amount chargeable to the Borrowers pursuant to the terms of this Agreement; provided, that at any time after giving effect to any such Revolving Advances the outstanding Revolving Advances do not exceed one hundred and ten percent (110%) of the Formula Amount.

### 16.3 Successors and Assigns; Participations; New Lenders.

(a) This Agreement shall be binding upon and inure to the benefit of Borrowers, Agent, each Lender, all future holders of the Obligations and their respective successors and assigns, except that no Borrower may assign or transfer any of its rights or obligations under this Agreement without the prior written consent of Agent and each Lender.

(b) Each Borrower acknowledges that in the regular course of commercial banking business one or more Lenders may at any time and from time to time sell participating interests in the Advances to other financial institutions (each such transferee or purchaser of a participating interest, a "Transferee"). Each Transferee may exercise all rights of payment (including without limitation rights of set-off) with respect to the portion of such Advances held by it or other Obligations payable hereunder as fully as if such Transferee were the direct holder thereof provided that Borrowers shall not be required to pay to any Transferee more than the amount which it would have been required to pay to Lender which granted an interest in its Advances or other Obligations payable hereunder to such Transferee had such Lender retained such interest in the Advances hereunder or other Obligations payable hereunder and in no event shall Borrowers be required to pay any such amount arising from the same circumstances and with respect to the same Advances or other Obligations payable hereunder to both such Lender and such Transferee. Each Borrower hereby grants to any Transferee a continuing security

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interest in any deposits, moneys or other property actually or constructively held by such Transferee as security for the Transferee's interest in the Advances.

(c) Any Lender may with the consent of Agent which shall not be unreasonably withheld or delayed sell, assign or transfer all or any part of its rights under this Agreement and the Other Documents to one or more additional banks or financial institutions and one or more additional banks or financial institutions may commit to make Advances hereunder (each a "Purchasing Lender"), in minimum amounts of not less than \$2,500,000.00 pursuant to a Commitment Transfer Supplement, executed by a Purchasing Lender, the transferor Lender, and Agent and delivered to Agent for recording. Upon such execution, delivery, acceptance and recording, from and after the transfer effective date determined pursuant to such Commitment Transfer Supplement, (i) Purchasing Lender thereunder shall be a party hereto and, to the extent provided in such Commitment Transfer Supplement, have the rights and obligations of a Lender thereunder with a Commitment Percentage as set forth therein, and (ii) the transferor Lender thereunder shall, to the extent provided in such Commitment Transfer Supplement, be released from its obligations under this Agreement, the Commitment Transfer Supplement creating a novation for that purpose. Such Commitment Transfer Supplement shall be deemed to amend this Agreement to the extent, and only to the extent, necessary to reflect the addition of such Purchasing Lender and the resulting adjustment of the Commitment Percentages arising from the purchase by such Purchasing Lender of all or a portion of the rights and obligations of such transferor Lender under this Agreement and the Other Documents. Borrowers hereby consent to the addition of such Purchasing Lender and the resulting adjustment of the Commitment Percentages arising from the purchase by such Purchasing Lender of all or a portion of the rights and obligations of such transferor Lender under this Agreement and the Other Documents. Borrowers shall execute and deliver such further documents and do such further acts and things in order to effectuate the foregoing.

(d) Agent shall maintain at its address a copy of each Commitment Transfer Supplement delivered to it and a register (the "Register") for the recordation of the names and addresses of the Advances owing to each Lender from time to time. The entries in the Register shall be conclusive, in the absence of manifest error, and Borrowers, Agent and Lenders may treat each Person whose name is recorded in the Register as the owner of the Advance recorded therein for the purposes of this Agreement. The Register shall be available for inspection by Borrowers or any Lender at any reasonable time and from time to time upon reasonable prior notice. Agent shall receive a fee in the amount of \$3,500 payable by the applicable Purchasing Lender upon the effective date of each transfer or assignment to such Purchasing Lender.

(e) Each Borrower authorizes each Lender to disclose to any Transferee or Purchasing Lender and any prospective Transferee or Purchasing Lender any and all financial information in such Lender's possession concerning such Borrower which has been delivered to such Lender by or on behalf of such Borrower pursuant to this Agreement or in connection with such Lender's credit evaluation of such Borrower.

16.4 Application of Payments. Agent shall have the continuing and exclusive right to apply or reverse and re-apply any payment and any and all proceeds of Collateral to any portion of the Obligations. To the extent that any Borrower makes a payment or Agent or any Lender receives any payment or proceeds of the Collateral for any Borrower's benefit, which are

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subsequently invalidated, declared to be fraudulent or preferential, set aside or required to be repaid to a trustee, debtor in possession, receiver, custodian or any other party under any bankruptcy law, common law or equitable cause, then, to such extent, the Obligations or part thereof intended to be satisfied shall be revived and continue as if such payment or proceeds had not been received by Agent or such Lender.

16.5 Indemnity. Each Borrower shall indemnify Agent, each Lender and each of their respective officers, directors, Affiliates, employees and agents from and against any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses and disbursements of any kind or nature whatsoever (including, without limitation, fees and disbursements of counsel) which may be imposed on, incurred by, or asserted against Agent or any Lender in any litigation, proceeding or investigation instituted or conducted by any governmental agency or instrumentality or any other Person with respect to any aspect of, or any transaction contemplated by, or referred to in, or any matter related to, this Agreement or the Other Documents, whether or not Agent or any Lender is a party thereto, except to the extent that any of the foregoing arises out of the willful misconduct of the party being indemnified.

16.6 Notice. Any notice or request hereunder may be given to Borrowing Agent or any Borrower or to Agent or any Lender at their respective addresses set forth below or at such other address as may hereafter be specified in a notice designated as a notice of change of address under this Section. Any notice, request, demand, direction or other communication (for purposes of this **Section 16.6** only, a "Notice") to be given to or made upon any party hereto under any provision of this Loan Agreement shall be given or made by telephone or in writing (which includes by means of electronic transmission (i.e., "e-mail") or facsimile transmission or by setting forth such Notice on a site on the World Wide Web (a "Website Posting") if Notice of such Website Posting (including the information necessary to access such site) has previously been delivered to the applicable parties hereto by another means set forth in this **Section 16.6**) in accordance with this **Section 16.6**. Any such Notice must be delivered to the applicable parties hereto at the addresses and numbers set forth under their respective names on **Section 16.6** hereof or in accordance with any subsequent unrevoked Notice from any such party that is given in accordance with this **Section 16.6**. Any Notice shall be effective:

(a) In the case of hand-delivery, when delivered;

(b) If given by mail, four days after such Notice is deposited with the United States Postal Service, with first-class postage prepaid, return receipt requested;

(c) In the case of a telephonic Notice, when a party is contacted by telephone, if delivery of such telephonic Notice is confirmed no later than the next Business Day by hand delivery, a facsimile or electronic transmission, a Website Posting or an overnight courier delivery of a confirmatory Notice (received at or before noon on such next Business Day)

(d) In the case of a facsimile transmission, when sent to the applicable party's facsimile machine's telephone number, if the party sending such Notice receives confirmation of the delivery thereof from its own facsimile machine;

(e) In the case of electronic transmission, when actually received;

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(f) In the case of a Website Posting, upon delivery of a Notice of such posting (including the information necessary to access such site) by another means set forth in this **Section 16.6**; and

(g) If given by any other means (including by overnight courier), when actually received.

Any Lender giving a Notice to Borrowing Agent or any Borrower shall concurrently send a copy thereof to the Agent, and the Agent shall promptly notify the other Lenders of its receipt of such Notice.

(A) If to Agent or PNC at: PNC Bank, National Association  
2121 San Jacinto  
Suite 1850  
Dallas, Texas 75201  
Attention: John Wattinger  
Telephone: (214) 871-7000  
Telecopier: (214) 871-2015

with a copy to: PNC Bank, National Association



c/o PNC Agency Services  
Two Tower Center Blvd,  
8th Floor  
East Brunswick, NJ 08816  
Attention: Josephine Griffin  
Telephone: 732-220-4388  
Telecopier: 732-220-4393

with a copy to:

Block Markus & Williams, LLC  
1700 Lincoln Avenue, Suite 4000  
Denver, Colorado 80203  
Attention: Keith Block, Esq.  
Telephone: (303) 830-0800  
Facsimile: (303) 830-0809

(B) If to a Lender other than Agent, as specified on the signature pages hereof.

(C) If to Borrowing Agent  
or any Borrower, at:

Allied Motion Technologies Inc.  
23 Inverness Way East, Suite 150  
Englewood, Colorado 80112  
Attention: Richard D. Smith  
Telephone: (303) 799-8520 ext. 27  
Telecopier: (303) 799-8521

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16.7 **Survival.** The obligations of Borrowers under **Sections 3.7, 3.8, 4.19(h), 14.7 and 16.5** shall survive termination of this Agreement and the Other Documents and payment in full of the Obligations.

16.8 **Severability.** If any part of this Agreement is contrary to, prohibited by, or deemed invalid under applicable laws or regulations, such provision shall be inapplicable and deemed omitted to the extent so contrary, prohibited or invalid, but the remainder hereof shall not be invalidated thereby and shall be given effect so far as possible.

16.9 **Expenses.** All costs and expenses including, without limitation, reasonable attorneys' fees (including the allocated costs of in house counsel) and disbursements incurred by Agent on its behalf or on behalf of Lenders or incurred by SVB (a) in all efforts made to enforce payment of any Obligation or effect collection of any Collateral, or (b) in connection with the entering into, modification, amendment, administration and enforcement of this Agreement or any consents or waivers hereunder and all related agreements, documents and instruments, or (c) in instituting, maintaining, preserving, enforcing and foreclosing on Agent's security interest in or Lien on any of the Collateral, whether through judicial proceedings or otherwise, or (d) in defending or prosecuting any actions or proceedings arising out of or relating to Agent's or any Lender's transactions with any Borrower, or (e) in connection with any advice given to Agent or any Lender with respect to its rights and obligations under this Agreement and all related agreements, may be charged to Borrowers' Account and shall be part of the Obligations.

16.10 **Injunctive Relief.** Each Borrower recognizes that, in the event any Borrower fails to perform, observe or discharge any of its obligations or liabilities under this Agreement, any remedy at law may prove to be inadequate relief to Lenders; therefore, Agent, if Agent so requests, shall be entitled to temporary and permanent injunctive relief in any such case without the necessity of proving that actual damages are not an adequate remedy.

16.11 **Consequential Damages.** Neither Agent nor any Lender, nor any agent or attorney for any of them, shall be liable to any Borrower for consequential damages arising from any breach of contract, tort or other wrong relating to the establishment, administration or collection of the Obligations.

16.12 **Captions.** The captions at various places in this Agreement are intended for convenience only and do not constitute and shall not be interpreted as part of this Agreement.

16.13 **Counterparts; Telecopied Signatures.** This Agreement may be executed in any number of and by different parties hereto on separate counterparts, all of which, when so executed, shall be deemed an original, but all such counterparts shall constitute one and the same agreement. Any signature delivered by a party by facsimile transmission shall be deemed to be an original signature hereto.

16.14 **Construction.** The parties acknowledge that each party and its counsel have reviewed this Agreement and that the normal rule of construction to the effect that any ambiguities are to be resolved against the drafting party shall not be employed in the interpretation of this Agreement or any amendments, schedules or exhibits thereto.

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16.15 **Confidentiality; Sharing Information.** Agent, each Lender and each Transferee shall hold all non-public information obtained by Agent, such Lender or such Transferee pursuant to the requirements of this Agreement in accordance with Agent's, such Lender's and such Transferee's customary procedures for handling confidential information of this nature; provided, however, Agent, each Lender and each Transferee may disclose such confidential information (a) to its examiners, affiliates, outside auditors, counsel and other professional advisors, (b) to Agent, any Lender or to any prospective Transferees and Purchasing Lenders, and (c) as required or requested by any Governmental Body or representative thereof or pursuant to legal process; provided, further that (i) unless specifically prohibited by applicable law or court order, Agent, each Lender and each Transferee shall use its best efforts prior to disclosure thereof, to notify the applicable Borrower of the applicable request for disclosure of such non-public information (A) by a Governmental Body or representative thereof (other than any such request in connection with an examination of the financial condition of a Lender or a Transferee by such

Governmental Body) or (B) pursuant to legal process and (ii) in no event shall Agent, any Lender or any Transferee be obligated to return any materials furnished by any Borrower other than those documents and instruments in possession of Agent or any Lender in order to perfect its Lien on the Collateral once the Obligations have been paid in full and this Agreement has been terminated. Notwithstanding anything herein to the contrary, Agent, any Lender and any Transferee may disclose without limitation of any kind, any information with respect to the "tax treatment" and "tax structure" (in each case, within the meaning of Treasury Regulation Section 1.6011-4) of the transactions contemplated hereby and all materials of any kind (including opinions or other tax analyses) that are provided to the Agent or such Lender or Transferee relating to such tax treatment and tax structure; provided that with respect to any document or similar item that in either case contains information concerning the tax treatment or tax structure of the transaction as well as other information, this sentence shall only apply to such portions of the document or similar item that relate to the tax treatment or tax structure of the Advances, Letters of Credit and transactions contemplated hereby.

(b) Each Borrower acknowledges that from time to time financial advisory, investment banking and other services may be offered or provided to such Borrower or one or more of its Affiliates (in connection with this Agreement or otherwise) by any Lender or by one or more Subsidiaries or Affiliates of such Lender and each Borrower hereby authorizes each Lender to share any information delivered to such Lender by such Borrower and its Subsidiaries pursuant to this Agreement, or in connection with the decision of such Lender to enter into this Agreement, to any such Subsidiary or Affiliate of such Lender, it being understood that any such Subsidiary or Affiliate of any Lender receiving such information shall be bound by the provision of **Section 16.15** as if it were a Lender hereunder. Such authorization shall survive the repayment of the other Obligations and the termination of the Loan Agreement.

16.16 **Publicity.** Each Borrower and each Lender hereby authorizes Agent to make appropriate announcements of the financial arrangement entered into among Borrowers, Agent and Lenders, including, without limitation, announcements which are commonly known as tombstones, in such publications and to such selected parties as Agent shall in its sole and absolute discretion deem appropriate.

Each of the parties has signed this Agreement as of the day and year first above written.

ATTEST ALLIED MOTION TECHNOLOGIES INC.

/s/ Susan M. Chiarmonte  
[SEAL] By: /s/ Richard D. Smith  
Name: Richard D. Smith  
Title: Chief Executive Officer  
Address: 23 Inverness Way East, Suite 150  
Englewood, Colorado 80112

ATTEST MOTOR PRODUCTS CORPORATION

/s/ Susan M. Chiarmonte  
[SEAL] By: /s/ Richard D. Smith  
Name: Richard D. Smith  
Title: Vice President  
Address: 23 Inverness Way East, Suite 150  
Englewood, Colorado 80112

ATTEST ALLIED MOTION CONTROL CORPORATION

/s/ Susan M. Chiarmonte  
[SEAL] By: /s/ Richard D. Smith  
Name: Richard D. Smith  
Title: President  
Address: 23 Inverness Way East, Suite 150  
Englewood, Colorado 80112

ATTEST EMOTEQ CORORATION

/s/ Susan M. Chiarmonte  
[SEAL] By: /s/ Richard D. Smith  
Name: Richard D. Smith  
Title: President  
Address: 23 Inverness Way East, Suite 150  
Englewood, Colorado 80112

ATTEST COMPUTER OPTICAL PRODUCTS, INC.

/s/ Susan M. Chiarmonite  
[SEAL]

By: /s/ Richard D. Smith  
Name: Richard D. Smith  
Title: President

Address: 23 Inverness Way East, Suite 150  
Englewood, Colorado 80112

ATTEST

AMOT I, INC.

/s/ Susan M. Chiarmonite  
[SEAL]

By: /s/ Richard D. Smith  
Name: Richard D. Smith  
Title: President

Address: 23 Inverness Way East, Suite 150  
Englewood, Colorado 80112

ATTEST

AMOT II, INC.

/s/ Susan M. Chiarmonite  
[SEAL]

By: /s/ Richard D. Smith  
Name: Richard D. Smith  
Title: President

Address: 23 Inverness Way East, Suite 150  
Englewood, Colorado 80112

ATTEST

AMOT III, INC.

/s/ Susan M. Chiarmonite  
[SEAL]

By: /s/ Richard D. Smith  
Name: Richard D. Smith  
Title: President

Address: 23 Inverness Way East, Suite 150  
Englewood, Colorado 80112

ATTEST

STATURE ELECTRIC, INC. f/k/a AMOT, Inc.

/s/ Susan M. Chiarmonite  
[SEAL]

By: /s/ Richard D. Smith  
Name: Richard D. Smith  
Title: President

Address: 23 Inverness  
Way East,  
Suite 150  
Englewood,  
Colorado  
80112

ATTEST

AHAB INVESTMENT COMPANY

/s/ Susan M. Chiarmonite  
[SEAL]

By: /s/ Richard D. Smith  
Name: Richard D. Smith  
Title: President

Address: 23 Inverness  
Way East,  
Suite 150  
Englewood,  
Colorado  
80112

PNC BANK, NATIONAL ASSOCIATION, as  
Lender and as Agent

By: /s/ A.M. Conneen  
Name: A.M. Conneen  
Title: V.P.

Address: Two Tower  
Center  
Boulevard  
East  
Brunswick,  
New Jersey  
08816

Commitment Percentage: 50%

SILICON VALLEY BANK

By: /s/ Kevin L. Grossman  
Name: Kevin L. Grossman  
Title: SVP

Address: 14185 Dallas  
Parkway, 7<sup>th</sup>  
Floor  
Dallas, Texas  
75254

Commitment Percentage: 50%

STATE OF COLORADO,            )  
  ) ss.  
CITY AND COUNTY OF DENVER,    )

The foregoing instrument was subscribed, sworn to, and acknowledged before me this 6<sup>th</sup> day of May, 2004, by Richard D. Smith as the Chief Executive Officer of Allied Motion Technologies Inc., a Colorado corporation, on behalf of the corporation.

/s/ Andres Gonzales  
Notary Public

STATE OF COLORADO,            )  
  ) ss.  
CITY AND COUNTY OF DENVER,    )

The foregoing instrument was subscribed, sworn to, and acknowledged before me this 6<sup>th</sup> day of May, 2004, by Richard D. Smith as the Vice President of Motor Products Corporation, a Delaware corporation, on behalf of the corporation.

/s/ Andres Gonzales  
Notary Public

STATE OF COLORADO,            )  
  ) ss.  
CITY AND COUNTY OF DENVER,    )

The foregoing instrument was subscribed, sworn to, and acknowledged before me this 6<sup>th</sup> day of May, 2004, by Richard D. Smith as the President of Allied Motion Control Corporation, a Colorado corporation, on behalf of the corporation.

/s/ Andres Gonzales  
Notary Public

STATE OF COLORADO,            )

CITY AND COUNTY OF DENVER ) ss.  
)

The foregoing instrument was subscribed, sworn to, and acknowledged before me this 6<sup>th</sup> day of May, 2004, by Richard D. Smith as the President of Emoteq Corporation, a Colorado corporation, on behalf of the corporation.

/s/ Andres Gonzales  
Notary Public

STATE OF COLORADO )  
) ss.  
CITY AND COUNTY OF DENVER )

The foregoing instrument was subscribed, sworn to, and acknowledged before me this 6<sup>th</sup> day of May, 2004, by Richard D. Smith as the President of Computer Optical Products, Inc., a Colorado corporation, on behalf of the corporation.

/s/ Andres Gonzales  
Notary Public

STATE OF COLORADO )  
) ss.  
CITY AND COUNTY OF DENVER )

The foregoing instrument was subscribed, sworn to, and acknowledged before me this 6<sup>th</sup> day of May, 2004, by Richard D. Smith as the President of AMOT I, Inc., a Delaware corporation, on behalf of the corporation.

/s/ Andres Gonzales  
Notary Public

STATE OF COLORADO )  
) ss.  
CITY AND COUNTY OF DENVER )

The foregoing instrument was subscribed, sworn to, and acknowledged before me this 6<sup>th</sup> day of May, 2004, by Richard D. Smith as the President of AMOT II, INC., a Delaware corporation, on behalf of the corporation.

/s/ Andres Gonzales  
Notary Public

STATE OF COLORADO )  
) ss.  
CITY AND COUNTY OF DENVER )

The foregoing instrument was subscribed, sworn to, and acknowledged before me this 6<sup>th</sup> day of May, 2004, by Richard D. Smith as the President of AMOT III, INC., a Delaware corporation, on behalf of the corporation.

/s/ Andres Gonzales  
Notary Public

STATE OF COLORADO )  
) ss.  
CITY AND COUNTY OF DENVER )

The foregoing instrument was subscribed, sworn to, and acknowledged before me this 6<sup>th</sup> day of May, 2004, by Richard D. Smith as the President of Stature Electric, Inc. f/k/a AMOT, Inc., a Pennsylvania corporation, on behalf of the corporation.

/s/ Andres Gonzales  
Notary Public

STATE OF COLORADO )  
) ss.  
CITY AND COUNTY OF DENVER )

The foregoing instrument was subscribed, sworn to, and acknowledged before me this 6<sup>th</sup> day of May, 2004, by Richard D. Smith as the President of Ahab Investment Company, a Delaware corporation, on behalf of the corporation.

/s/ Andres Gonzales

Notary Public

STATE OF COLORADO, )  
 ) ss.  
CITY AND COUNTY OF DENVER, )

The foregoing instrument was subscribed, sworn to, and acknowledged before me this 7<sup>th</sup> day of May, 2004, by Andrew M. Conneen, Jr., as the Vice President of PNC Bank, National Association, a national banking association, on behalf of the bank.

/s/ Andres Gonzales

Notary Public

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STATE OF COLORADO, )  
 ) ss.  
CITY AND COUNTY OF DENVER, )

The foregoing instrument was subscribed, sworn to, and acknowledged before me this 7<sup>th</sup> day of May, 2004, by Kevin Grossman as the Senior Vice President of Silicon Valley Bank, a California state chartered bank, on behalf of the bank.

/s/ Andres Gonzales

Notary Public

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TERM LOAN  
AND  
SECURITY AGREEMENT

PNC BANK, NATIONAL ASSOCIATION

(AS LENDER)

WITH

ALLIED MOTION TECHNOLOGIES INC., MOTOR PRODUCTS CORPORATION,  
ALLIED MOTION CONTROL CORPORATION, EMOTEQ CORPORATION,  
COMPUTER OPTICAL PRODUCTS, INC., AMOT I, INC., AMOT II, INC.,  
AMOT III, INC., STATURE ELECTRIC, INC. F/K/A AMOT, INC.  
AND AHAB INVESTMENT COMPANY  
(BORROWERS)

May 7, 2004

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**TERM LOAN  
AND  
SECURITY AGREEMENT**

Term Loan and Security Agreement dated May 7, 2004 among ALLIED MOTION TECHNOLOGIES INC., a corporation organized under the laws of the State of Colorado (“Allied Motion”), MOTOR PRODUCTS CORPORATION, a corporation organized under the laws of the State of Delaware (“Motor Products”), ALLIED MOTION CONTROL CORPORATION, a corporation organized under the laws of the State of Colorado (“Allied Motion Control”), EMOTEQ CORPORATION, a corporation organized under the laws of the State of Colorado (“Emoteq”), COMPUTER OPTICAL PRODUCTS, INC., a corporation organized under the laws of the State of Colorado (“Computer Optical”), AMOT I, INC., a corporation organized under the laws of the State of Delaware (“AMOT I”), AMOT II, INC., a corporation organized under the laws of the State of Delaware (“AMOT II”), AMOT III, INC., a corporation organized under the laws of the State of Delaware (“AMOT III”), STATURE ELECTRIC, INC. f/k/a AMOT, Inc., a corporation organized under the laws of the State of Pennsylvania (“New Stature”) and AHAB INVESTMENT COMPANY, a corporation organized under the laws of the State of Delaware (“Ahab”) (each a “Borrower” and collectively “Borrowers”), and PNC BANK, NATIONAL ASSOCIATION (“Lender”).

IN CONSIDERATION of the mutual covenants and undertakings herein contained, Borrowers and Lender hereby agree as follows:

I. DEFINITIONS.

1.1 Accounting Terms. As used in this Agreement, the Term Loan Note, or any certificate, report or other document made or delivered pursuant to this Agreement, accounting terms not defined in **Section 1.2** or elsewhere in this Agreement and accounting terms partly defined in **Section 1.2** to the extent not defined, shall have the respective meanings given to them under GAAP; provided, however, whenever such accounting terms are used for the purposes of determining compliance with financial covenants in this Agreement, such accounting terms shall be defined in accordance with GAAP as applied in preparation of the audited financial statements of Borrowers.

1.2 General Terms. For purposes of this Agreement the following terms shall have the following meanings:

“Acquisition Agreement” shall mean collectively the Agreement and Plan of Merger among Allied Motion, New Stature, and Owosso dated as of February 10, 2004, the Plan of Merger between Owosso and Old Stature dated as of May 7, 2004, the Certificate and Articles of Merger between Owosso and Old Stature dated as of May 7, 2004, the Certificate and Article of Merger between New Stature and Owosso dated as of May 7, 2004, and any amendments, modifications, replacements or substitutions to any of the foregoing.

“Affiliate” of any Person shall mean (a) any Person which, directly or indirectly, is in control of, is controlled by, or is under common control with such Person, or (b) any Person who is a director or officer (i) of such Person, (ii) of any Subsidiary of such Person or (iii) of any

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Person described in clause (a) above. For purposes of this definition, control of a Person shall mean the power, direct or indirect, (x) to vote 5% or more of the securities having ordinary voting power for the election of directors of such Person, or (y) to direct or cause the direction of the management and policies of such Person whether by contract or otherwise.

“Agent” shall mean PNC Bank, National Association, in its capacity as Agent for the Revolving Credit Lenders under the Revolving Credit Loan Documents.

“Ahab” shall have the meaning set forth in the preamble to this Agreement and shall extend to all permitted successors and assigns of such Person.

“Lender” shall have the meaning set forth in the preamble to this Agreement and shall include its successors and assigns.

“Agreement” shall mean this Term Loan and Security Agreement and any amendments, modifications, replacements, and substitutions thereto.

“Allied Motion” shall have the meaning set forth in the preamble to this Agreement and shall extend to all permitted successors and assigns of such Person.

“Allied Motion Control” shall have the meaning set forth in the preamble to this Agreement and shall extend to all permitted successors and assigns of such Person.

“Alternate Base Rate” shall mean, for any day, a rate per annum equal to the higher of (i) the Base Rate in effect on such day or (ii) the Federal Funds Rate in effect on such day plus one-half of one percent (0.50%).

“AMOT I” shall have the meaning set forth in the preamble to this Agreement and shall extend to all permitted successors and assigns of such Person.

“AMOT II” shall have the meaning set forth in the preamble to this Agreement and shall extend to all permitted successors and assigns of such Person.

“AMOT III” shall have the meaning set forth in the preamble to this Agreement and shall extend to all permitted successors and assigns of such Person.

“Anti-Terrorism Laws” shall mean any Laws relating to terrorism or money laundering, including Executive Order No. 13224, the USA Patriot Act, the Laws comprising or implementing the Bank Secrecy Act, and the Laws administered by the United States Treasury Department’s Office of Foreign Asset Control (as any of the foregoing Laws may from time to time be amended, renewed, extended, or replaced).

“Authority” shall have the meaning set forth in **Section 4.19(d)**.

“Base Rate” shall mean the base commercial lending rate of Lender as publicly announced to be in effect from time to time, such rate to be adjusted automatically, without notice, on the effective date of any change in such rate. This rate of interest is determined from time to time by Lender as a means of pricing some loans to its customers and is neither tied to

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any external rate of interest or index nor does it necessarily reflect the lowest rate of interest actually charged by Lender to any particular class or category of customers of Lender.

“Blocked Accounts” shall have the meaning set forth in **Section 4.15(h)**.

“Blocked Person” shall have the meaning set forth in **Section 5.24** hereof.

“Borrower” or “Borrowers” shall have the meaning set forth in the preamble to this Agreement and shall extend to all permitted successors and assigns of such Persons.

“Borrowers on a consolidated basis” shall mean Allied Motion, Motor Products, Allied Motion Control, Emoteq, Computer Optical, AMOT I, AMOT II, AMOT III, New Stature and Ahab.

“Borrowing Agent” shall mean Allied Motion.

“Business Day” shall mean any day other than Saturday or Sunday or a legal holiday on which commercial banks are authorized or required by law to be closed for business in East Brunswick, New Jersey.

“CERCLA” shall mean the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended, 42 U.S.C. §§9601 et seq.

“Change of Control” shall mean (a) the occurrence of any event (whether in one or more transactions) which results in a transfer of control of any Borrower (besides Allied Motion) to a Person who is not an Original Owner or (b) any merger or consolidation of or with any Borrower or sale of all or substantially all of the property or assets of any Borrower. For purposes of this definition, “control of Borrower” shall mean the power, direct or indirect (x) to vote 50% or more of the securities having ordinary voting power for the election of directors of any Borrower or (y) to direct or cause the direction of the management and policies of any Borrower by contract or otherwise.

“Change of Ownership” shall mean (a) 50% or more of the common stock of any Borrower (besides Allied Motion) is no longer owned or controlled by (including for the purposes of the calculation of percentage ownership, any shares of common stock into which any capital stock of any Borrower (besides Allied Motion) held by any of the Original Owners is convertible or for which any such shares of the capital stock of any Borrower (besides Allied Motion) or of any other Person may be exchanged and any shares of common stock issuable to such Original Owners upon exercise of any warrants, options or similar rights which may at the time of calculation be held by such Original Owners) a Person who is an Original Owner or (b) any merger, consolidation or sale of substantially all of the property or assets of any Borrower; provided, that the sale by Allied Motion of any shares of the capital stock of any Borrower (besides Allied Motion) shall be deemed a sale of substantially all of such Borrower’s assets.

“Charges” shall mean all taxes, charges, fees, imposts, levies or other assessments, including, without limitation, all net income, gross income, gross receipts, sales, use, ad valorem, value added, transfer, franchise, profits, inventory, capital stock, license, withholding, payroll, employment, social security, unemployment, excise, severance, stamp, occupation and property

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taxes, custom duties, fees, assessments, liens, claims and charges of any kind whatsoever, together with any interest and any penalties, additions to tax or additional amounts, imposed by any taxing or other authority, domestic or foreign (including, without limitation, the Pension Benefit Guaranty Corporation or any environmental agency or superfund), upon the Collateral, any Borrower or any of its Affiliates.

“Closing Date” shall mean May 7, 2004 or such other date as may be agreed to by the parties hereto.

“Code” shall mean the Internal Revenue Code of 1986, as amended from time to time and the regulations promulgated thereunder.

“Collateral” shall mean and include:

- (a) all Receivables;
- (b) all Equipment;
- (c) all General Intangibles;
- (d) all Inventory;
- (e) all Investment Property;
- (f) all Real Property;
- (g) all Subsidiary Stock;

(h) all of each Borrower’s right, title and interest in and to (i) its respective goods and other property including, but not limited to, all merchandise returned or rejected by Customers, relating to or securing any of the Receivables; (ii) all of each Borrower’s rights as a consignor, a consignee, an unpaid vendor, mechanic, artisan, or other lienor, including stoppage in transit, setoff, detinue, replevin, reclamation and repurchase; (iii) all additional amounts due to any Borrower from any Customer relating to the Receivables; (iv) other property, including warranty claims, relating to any goods securing this Agreement; (v) all of each Borrower’s contract rights, rights of payment which have been earned under a contract right, instruments (including promissory notes), documents, chattel paper (including electronic chattel paper), warehouse receipts, letters of credit, money, and deposit accounts, including, but not limited to, Borrowers’ Deposit Account Nos. \_\_\_\_\_, \_\_\_\_\_, \_\_\_\_\_, and \_\_\_\_\_ maintained with \_\_\_\_\_ and Borrowers’ Deposit Account Nos. 3300365546, 3300365599, 3300365192, 3300411387, 3300089081, and 3300411391 maintained with SVB; (vi) all commercial tort claims (whether now existing or hereafter arising); (vii) if and when obtained by any Borrower, all real and personal property of third parties in which such Borrower has been granted a lien or security interest as security for the payment or enforcement of Receivables; and (viii) any other goods, personal property or real property now owned or hereafter acquired in which any Borrower has expressly granted a security interest or may in the future grant a security interest to Lender hereunder, or in any

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amendment or supplement hereto or thereto, or under any other agreement between Lender and any Borrower;

(i) all of each Borrower’s ledger sheets, ledger cards, files, correspondence, records, books of account, business papers, computers, computer software (owned by any Borrower or in which it has an interest), computer programs, tapes, disks and documents relating to (a), (b), (c), (d), (e), (f),

(g), or (h) of this Paragraph; and

(j) all proceeds and products of (a), (b), (c), (d), (e), (f), (g), (h), and (i) in whatever form, including, but not limited to: cash, deposit accounts (whether or not comprised solely of proceeds), certificates of deposit, insurance proceeds (including hazard, flood and credit insurance), negotiable instruments and other instruments for the payment of money, chattel paper, security agreements, documents, eminent domain proceeds, condemnation proceeds and tort claim proceeds.

“Commitment Transfer Supplement” shall mean a document in the form of Exhibit 16.3 hereto, properly completed and otherwise in form and substance satisfactory to Lender by which the Purchasing Lender purchases a portion of the Term Loan.

“Computer Optical” shall have the meaning set forth in the preamble to this Agreement and shall extend to all permitted successors and assigns of such Person.

“Consents” shall mean all filings and all licenses, permits, consents, approvals, authorizations, qualifications and orders of governmental authorities and other third parties, domestic or foreign, necessary to carry on any Borrower’s business, including, without limitation, any Consents required under all applicable federal, state or other applicable law.

“Controlled Group” shall mean all members of a controlled group of corporations and all trades or businesses (whether or not incorporated) under common control which, together with any Borrower, are treated as a single employer under Section 414 of the Code.

“Customer” shall mean and include the account debtor with respect to any Receivable and/or the prospective purchaser of goods, services or both with respect to any contract or contract right, and/or any party who enters into or proposes to enter into any contract or other arrangement with any Borrower, pursuant to which such Borrower is to deliver any personal property or perform any services.

“Default” shall mean an event which, with the giving of notice or passage of time or both, would constitute an Event of Default.

“Default Rate” shall have the meaning set forth in **Section 3.1** hereof.

“Documents” shall have the meaning set forth in **Section 8.1(c)** hereof.

“Dollar” and the sign “\$” shall mean lawful money of the United States of America.

“Early Termination Date” shall have the meaning set forth in **Section 13.1** hereof.

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“EBIT” shall mean for any period the sum of (i) net income (or loss) of Borrowers on a consolidated basis for such period (excluding extraordinary gains and losses, plus (ii) all interest expense of Borrowers on a consolidated basis for such period, plus (iii) all charges against income of Borrowers on a consolidated basis for such period for federal, state and local taxes.

“EBITDA” shall mean for any period the sum of (i) EBIT for such period plus (ii) depreciation expenses for such period, plus (iii) amortization expenses for such period.

“Emoteg” shall have the meaning set forth in the preamble to this Agreement and shall extend to all permitted successors and assigns of such Person.

“Environmental Complaint” shall have the meaning set forth in **Section 4.19(d)** hereof.

“Environmental Laws” shall mean all federal, state and local environmental, land use, zoning, health, chemical use, safety and sanitation laws, statutes, ordinances and codes relating to the protection of the environment and/or governing the use, storage, treatment, generation, transportation, processing, handling, production or disposal of Hazardous Substances and the rules, regulations, decisions, orders and directives of federal, state and local governmental agencies and authorities with respect thereto.

“Equipment” shall mean and include as to each Borrower all of such Borrower’s goods (other than Inventory) whether now owned or hereafter acquired and wherever located including, without limitation, all equipment, machinery, apparatus, motor vehicles, fittings, furniture, furnishings, fixtures, parts, accessories and all replacements and substitutions therefor or accessions thereto.

“ERISA” shall mean the Employee Retirement Income Security Act of 1974, as amended from time to time and the rules and regulations promulgated thereunder.

“Event of Default” shall mean the occurrence of any of the events set forth in **Article X** hereof.

“Federal Funds Rate” shall mean, for any day, the weighted average of the rates on overnight Federal funds transactions with members of the Federal Reserve System arranged by Federal funds brokers, as published for such day (or if such day is not a Business Day, for the next preceding Business Day) by the Federal Reserve Bank of New York, or if such rate is not so published for any day which is a Business Day, the average of quotations for such day on such transactions received by Lender from three Federal funds brokers of recognized standing selected by Lender.

“GAAP” shall mean generally accepted accounting principles in the United States of America in effect from time to time.

“General Intangibles” shall mean and include as to each Borrower all of such Borrower’s general intangibles, whether now owned or hereafter acquired including, without limitation, all payment intangibles, choses in action, causes of action, corporate or other business records, inventions, designs, patents, patent applications, equipment formulations, manufacturing procedures, quality control procedures, trademarks, service marks, trade secrets, goodwill,

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copyrights, design rights, software, computer information, source codes, codes, records and dates, registrations, licenses, franchises, customer lists, tax refunds, tax refund claims, computer programs, all claims under guaranties, security interests or other security held by or granted to such Borrower to secure payment of any of the Receivables by a Customer (other than to the extent covered by Receivables) all rights of indemnification and all other intangible property of every kind and nature (other than Receivables).

“Good Faith” or “good faith” shall mean honesty in fact in the conduct or transaction concerned and the test for the good faith of any Person shall be a subjective rather than an objective (or reasonableness) test of such Person’s state of mind.

“Governmental Body” shall mean any nation or government, any state or other political subdivision thereof or any entity exercising the legislative, judicial, regulatory or administrative functions of or pertaining to a government.

“Guarantor” shall mean any Person who may hereafter guarantee payment or performance of the whole or any part of the Obligations and “Guarantors” means collectively all such Persons.

“Guarantor Security Agreement” shall mean any Security Agreement executed by any Guarantor in favor of Lender securing the Guaranty of such Guarantor.

“Guaranty” shall mean any guaranty of the obligations of Borrowers executed by a Guarantor in favor of Lender.

“Hazardous Discharge” shall have the meaning set forth in **Section 4.19(d)** hereof.

“Hazardous Substance” shall mean, without limitation, any flammable explosives, radon, radioactive materials, asbestos, urea formaldehyde foam insulation, polychlorinated biphenyls, petroleum and petroleum products, methane, hazardous materials, Hazardous Wastes, hazardous or Toxic Substances or related materials as defined in CERCLA, the Hazardous Materials Transportation Act, as amended (49 U.S.C. Sections 1801, et seq.), RCRA, Articles 15 and 27 of the New York State Environmental Conservation Law or any other applicable Environmental Law and in the regulations adopted pursuant thereto.

“Hazardous Wastes” shall mean all waste materials subject to regulation under CERCLA, RCRA or applicable state law, and any other applicable Federal and state laws now in force or hereafter enacted relating to hazardous waste disposal.

“Indebtedness” of a Person at a particular date shall mean all indebtedness, liabilities and obligations of such Person which in accordance with GAAP would be classified upon a balance sheet as liabilities (except Capital Stock and surplus earned or otherwise, and deferred taxes, but only to the extent such taxes are not due and payable in any given fiscal year) and in any event, without limitation by reason of enumeration, shall include all indebtedness, debt and other similar monetary obligations of such Person, whether direct or guaranteed, and all premiums, if any, due at the required prepayment dates of such indebtedness, and all indebtedness secured by a Lien on assets owned by such Person, whether or not such indebtedness actually shall have been created, assumed or incurred by such Person. Any

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indebtedness of such Person resulting from the acquisition by such Person of any assets subject to any Lien shall be deemed, for the purposes hereof, to be the equivalent of the creation, assumption and incurring of the indebtedness secured thereby, whether or not actually so created, assumed or incurred. In addition to and without limiting the generality of the foregoing, “Indebtedness” of a Person at a particular date shall also mean and include all of the following indebtedness, liabilities and obligations of such Person, whether or not included as liabilities of such Person in accordance with GAAP: (a) all indebtedness, liabilities and obligations of such Person for borrowed money, and all indebtedness, liabilities and obligations of such Person evidenced by bonds, debentures, notes, loan agreements or other similar instruments; (b) all direct or contingent obligations of such Person arising under letters of credit (including standby and commercial), bankers’ acceptances, bank guaranties, surety bonds and similar instruments; (c) all net obligations of such Person under any hedge agreement; (d) all obligations of such Person to pay the deferred purchase price of property or services (excluding, for the purposes of this definition, trade accounts payable in the ordinary course of business); (e) indebtedness (excluding prepaid interest thereon) secured by a Lien on property owned or being purchased by such Person (including indebtedness arising under conditional sales or other title retention agreements), whether or not such indebtedness shall have been assumed by such Person or is limited in recourse; (f) capitalized lease obligations and synthetic lease obligations; and (g) all guaranties of such Person in respect of any of the foregoing. For all purposes hereof, the Indebtedness of any Person shall include the Indebtedness of any partnership or joint venture (other than a joint venture that is itself a corporation or limited liability company) in which such Person is a general partner or a joint venturer, unless such Indebtedness is expressly made non-recourse to such Person. Notwithstanding anything to the contrary contained herein, the term “Indebtedness” does not include the indebtedness, liabilities and other obligations of a Person under operating leases.

“Ineligible Security” shall mean any security which may not be underwritten or dealt in by member banks of the Federal Reserve System under Section 16 of the Banking Act of 1933 (12 U.S.C. Section 24, Seventh), as amended.

“Initial Advance” shall mean the portion of the Term Loan in the amount of Four Hundred Thousand and No/100ths Dollars (\$400,000.00) that, subject to the terms and conditions set forth in this Agreement, shall be advanced on the Closing Date.

“Intercreditor Agreement” shall mean the Intercreditor Agreement between Borrowers, Agent, Lender and SVB dated of even date herewith and any amendments, extensions, modifications, replacements and substitutions thereto.

“Inventory” shall mean and include as to each Borrower all of such Borrower’s now owned or hereafter acquired goods, merchandise and other personal property, wherever located, to be furnished under any consignment arrangement, contract of service or held for sale or lease, all raw materials, work in process, finished goods and materials and supplies of any kind, nature or description which are or might be used or consumed in such Borrower’s business or used in selling or furnishing such goods, merchandise and other personal property, and all documents of title or other documents representing them.

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“Investment Property” shall mean and include as to each Borrower, all of such Borrower’s now owned or hereafter acquired securities (whether certificated or uncertificated), securities entitlements, securities accounts, commodities contracts and commodities accounts.

“JCIDA” shall mean the Jefferson County Industrial Development Agency.

“JCIDA Industrial Development Revenue Bonds” shall mean the Variable Rate Demand Industrial Development Revenue Bonds in the original principal amount of \$5,750,000.00 issued by the JCIDA for the benefit of Old Stature on or about October 1, 1998, and any amendments, extensions, modifications, replacements or substitutions to such loan.

“JCIDA Industrial Development Revenue Bond Documents” shall mean the JCIDA Industrial Revenue Bonds, all related reimbursements agreements, letters of credit, security agreements, UCC filings, deeds of trust, mortgages, assignments of leases and rents, guaranties, and other agreements, instruments or documents of any kind, and any amendments, extensions, modifications, replacements or substitutions to any of the foregoing.

“Leasehold Interests” shall mean all of each Borrower’s right, title and interest in and to the premises located at 9174 Deering Avenue, Chatsworth, California 91311, 23 Inverness Way East, Suite 150, Englewood, Colorado 80112, and 10002 – B East 43rd Street, Tulsa, Oklahoma 74146 and any other present or future leased premises.

“Lender” shall have the meaning ascribed to such term in the preamble to this Agreement and shall include each Person which becomes a transferee, successor or assign of Lender.

“Lien” shall mean any mortgage, deed of trust, pledge, hypothecation, assignment, security interest, lien (whether statutory or otherwise), Charge, claim or encumbrance, or preference, priority or other security agreement or preferential arrangement held or asserted in respect of any asset of any kind or nature whatsoever including, without limitation, any conditional sale or other title retention agreement, any lease having substantially the same economic effect as any of the foregoing, and the filing of, or agreement to give, any financing statement under the Uniform Commercial Code or comparable law of any jurisdiction.

“Material Adverse Effect” shall mean a material adverse effect upon (a) the condition, operations, assets, business or prospects of the applicable Person or Persons, (b) any Borrower’s ability to pay the Obligations in accordance with the terms thereof, (c) the value of the Collateral, or Lender’s Liens on the Collateral or the priority of any such Lien or (d) the practical realization of the benefits of Lender’s rights and remedies under this Agreement and the Other Documents.

“Michigan Mortgage” shall mean the mortgage, assignments of leases and rents, and all related documents securing the Obligations and encumbering the Real Property owned by Motor Products Corporation located in Owosso, Michigan together with all extensions, renewals, amendments, supplements, modifications, substitutions and replacements thereto and thereof.

“Mortgages” shall mean collectively the New York Mortgage and Michigan Mortgage together with all extensions, renewals, amendments, supplements, modifications, substitutions and replacements thereto and thereof.

“Motor Products” shall have the meaning set forth in the preamble to this Agreement and shall extend to all permitted successors and assigns of such Person.

“Multiemployer Plan” shall mean a “multiemployer plan” as defined in Sections 3(37) and 4001(a)(3) of ERISA.

“New Stature” shall have the meaning set forth in the preamble to this Agreement and shall extend to all permitted successors and assigns of such Person.

“New York Mortgage” shall mean the mortgage, assignments of leases and rents, and all related documents securing the Obligations and encumbering the Real Property owned by the Jefferson County Industrial Development Agency and New Stature located in Watertown, New York together with all extensions, renewals, amendments, supplements, modifications, substitutions and replacements thereto and thereof.

“Obligations” shall mean and include any and all loans, advances, debts, liabilities, obligations, covenants and duties owing by Borrowers to Lender or to any other direct or indirect subsidiary or affiliate of Lender of any kind or nature, present or future (including, without limitation, any interest accruing thereon after maturity, or after the filing of any petition in bankruptcy, or the commencement of any insolvency, reorganization or like proceeding relating to any Borrower, whether or not a claim for post-filing or post-petition interest is allowed in such proceeding), whether or not evidenced by any note, guaranty or other instrument, whether arising under any agreement, instrument or document, (including, without limitation, this Agreement and the Other Documents) whether or not for the payment of money, whether arising by reason of an extension of credit, opening of a letter of credit, loan, equipment lease or guarantee, under any interest or currency swap, future, option or other similar agreement, or in any other manner, whether arising out of overdrafts or deposit or other accounts or electronic funds transfers (whether through automated clearing houses or otherwise) or out of the Lender’s non-receipt of or inability to collect funds or otherwise not being made whole in connection with depository transfer check or other similar arrangements, whether direct or indirect (including those acquired by assignment or participation), absolute or contingent, joint or several, due or to become due, now existing or hereafter arising, contractual or tortious, liquidated or unliquidated, regardless of how such indebtedness or liabilities arise or by what agreement or instrument they may be evidenced or whether evidenced by any agreement or instrument, including, but not limited to, any and all of any Borrower’s Indebtedness and/or liabilities under this Agreement, the Other Documents or under any other agreement between Lender and any Borrower and any amendments, extensions, renewals or increases and all costs and expenses of Lender incurred in the documentation, negotiation, modification, enforcement, collection or otherwise in connection with any of the foregoing, including but not limited to reasonable attorneys’ fees and expenses and all obligations of any Borrower to Lender to perform acts or refrain from taking any action.

“Old Stature” shall mean Stature Electric, Inc., a New York corporation, prior to its merger with and into Owosso.

“Original Owners” shall mean New Stature with respect to Ahab, AMOT II and AMOT III with respect to New Stature, AMOT I with respect to AMOT II and AMOT III, Allied Motion

Control with respect to Motor Products, Computer Optical and Emoteq, and Allied Motion with Allied Motion Control and AMOT I.

“Other Documents” shall mean the Term Loan Note, the Mortgages, any Guaranty, any Guarantor Security Agreement, the Intercreditor Agreement, and any and all other agreements, instruments and documents, including, without limitation, pledges, security agreements, deeds of trust, mortgages, assignments of leases and rents, surveys, guaranties, subordination agreements, powers of attorney, consents, attornment agreements, estoppel agreements, landlord waivers, environmental and other indemnification agreements, opinion letters, and all other writings heretofore, now or hereafter executed by or for any Borrower or any Guarantor and/or delivered to Lender in respect of the transactions contemplated by this Agreement.

“Owosso” shall mean Owosso Corporation, a Pennsylvania corporation, prior to its merger with and into New Stature.

“Owosso Companies” shall mean Owosso, Old Stature, and any related Subsidiaries and sister companies (including, but not limited to, DWZM, Inc., a Pennsylvania corporation, The Landover Company, a Pennsylvania corporation, Snowmax, Incorporated, a Pennsylvania corporation, Sooner Trailer Manufacturing Co., a Delaware corporation, GBMC, Inc., a Kansas corporation, Owosso Motor Group, Inc., a Pennsylvania corporation, Astro Air Acquisition Corporation, a Delaware corporation, and M.H. Rhodes, Inc., a Delaware corporation), prior to Owosso’s merger with and into New Stature.

“Owosso Company” shall mean each of the Owosso Companies.

“Parent” of any Person shall mean a corporation or other entity owning, directly or indirectly at least 50% of the shares of stock or other ownership interests having ordinary voting power to elect a majority of the directors of the Person, or other Persons performing similar functions for any such Person.

“Participant” shall mean each Person who shall be granted the right by Lender to participate in the Term Loan and who shall have entered into a participation agreement in form and substance satisfactory to Lender.

“Payment Office” shall mean initially PNC Bank, N.A., Two Tower Center Boulevard, East Brunswick, New Jersey 08816; thereafter, such other office of Lender, if any, which it may designate by notice to Borrowing Agent to be the Payment Office.

“PBGC” shall mean the Pension Benefit Guaranty Corporation.

“Permitted Encumbrances” shall mean (a) Liens in favor of Lender, Agent, and SVB; (b) Liens for taxes, assessments or other governmental charges not delinquent or being contested in good faith and by appropriate proceedings and with respect to which proper reserves have been taken by Borrowers; provided, that, the Lien shall have no effect on the priority of the Liens in favor of Lender or the value of the assets in which Lender has such a Lien (unless, if such Lien affects Collateral subject to a first priority Lien in favor of Agent under the Intercreditor Agreement, Agent shall have established a reserve for such Lien and any related interest and penalties against the amounts drawn or capable of being drawn by Borrowers as an advance

under the Revolving Credit Agreement and such reserve shall not cause an Event of Default to occur under the Revolving Credit Loan Documents or, if such Lien affects Collateral subject to a first priority Lien in favor of Lender’s or SVB’s term loans under the Intercreditor Agreement, Borrowers shall have provided Lender or SVB, as applicable, with sufficient cash collateral to satisfy such Lien and any interest and penalties that may accrue thereon) and a stay of enforcement of any such Lien shall be in effect; (c) Liens disclosed in the financial statements referred to in **Section 5.5**, the existence of which Lender has consented to in writing; (d) deposits or pledges to secure obligations under worker’s compensation, social security or similar laws, or under unemployment insurance; (e) deposits or pledges to secure bids, tenders, contracts (other than contracts for the payment of money), leases, statutory obligations, surety and appeal bonds and other obligations of like nature arising in the ordinary course of any Borrower’s business; (f) judgment Liens that have been stayed or bonded and mechanics’, workers’, materialmen’s or other like Liens arising in the ordinary course of any Borrower’s business with respect to obligations which are not due or which are being contested in good faith by the applicable Borrower; (g) Liens placed upon fixed assets hereafter acquired to secure a portion of the purchase price thereof, provided that (x) any such lien shall not encumber any other property of the Borrowers and (y) the aggregate amount of Indebtedness secured by such Liens incurred as a result of such purchases during any fiscal year shall not exceed the amount provided for in **Section 7.6**; (h) other Liens incidental to the conduct of Borrowers’ business or the ownership of its property and assets which were not incurred in connection with the borrowing of money or the obtaining of advances or credit, and which do not in the aggregate materially detract from Lender’s rights in and to the Collateral or the value of Borrowers’ property or assets or which do not materially impair the use thereof in the operation of Borrowers’ business; and (i) Liens disclosed on **Schedule 1.2**.

“Person” shall mean any individual, sole proprietorship, partnership, corporation, business trust, joint stock company, trust, unincorporated organization, association, limited liability company, institution, public benefit corporation, joint venture, entity or government (whether Federal, state, county, city, municipal or otherwise, including any instrumentality, division, agency, body or department thereof).

“Plan” shall mean at any time any employee pension benefit plan (including a multiple employee plan but not a multiemployer plan) which is covered by Title IV of ERISA or is subject to the minimum funding standards under Section 412 of the Internal Revenue Code and either (i) is maintained by any member of the Controlled Group for employees of any member of the Controlled Group; or (ii) has at any time within the preceding five years been maintained by any entity which was at such time a member of the Controlled Group for employees of any entity which was at some time a member of the Controlled Group.

“Pro Forma Balance Sheet” shall have the meaning set forth in **Section 5.5(a)** hereof.

“Pro Forma Financial Statements” shall have the meaning set forth in **Section 5.5(b)** hereof.

“Projections” shall have the meaning set forth in **Section 5.5(b)** hereof.

“Purchasing Lender” shall have the meaning set forth in **Section 16.3** hereof.

“RCRA” shall mean the Resource Conservation and Recovery Act, 42 U.S.C. §§ 6901 et seq., as same may be amended from time to time.

“Real Property” shall mean all of each Borrower’s right, title and interest in and to the owned and leased premises identified on **Schedule 4.19** hereto.

“Receivables” shall mean and include, as to each Borrower, all of such Borrower’s accounts, contract rights, instruments (including those evidencing indebtedness owed to Borrowers by their Affiliates), documents, chattel paper (including electronic chattel paper), general intangibles relating to accounts, drafts and acceptances, credit card receivables, and all other forms of obligations owing to such Borrower arising out of or in connection with the sale or lease of Inventory or the rendition of services, all supporting obligations, guarantees and other security therefor, whether secured or unsecured, now existing or hereafter created, and whether or not specifically sold or assigned to Lender hereunder.

“Revolving Credit Loan” shall mean the revolving credit loan between Borrowers and the Revolving Credit Lenders in the original principal amount of \$10,500,000.00 pursuant to the Revolving Credit Loan Documents and any amendments, extensions, modifications, replacements or substitutions to such loan.

“Revolving Credit Agreement” shall mean the Revolving Credit and Security Agreement among Borrowers, Revolving Credit Lenders, and Lender, as Lender for the Revolving Credit Lenders, dated of even date herewith and any amendments, modifications, extensions, replacements or substitutions thereto.

“Revolving Credit Lenders” shall mean Lender, SVB and the other financial institutions which are now or which hereafter become a party to the Revolving Credit Agreement.

“Revolving Credit Loan Documents” shall mean the Revolving Credit Agreement, Revolving Credit Note, all related security agreements, UCC filings, guaranties, deeds of trust, mortgages, assignments of leases and rents, guaranties, and other agreements, instruments or documents of any kind, and any amendments, extensions, modifications, replacements or substitutions to any of the foregoing.

“Revolving Credit Note” shall mean the promissory note(s) evidencing the Revolving Credit Loan and any amendments, extensions, modifications, replacements or substitutions thereto.

“Release” shall have the meaning set forth in **Section 5.7(c)(i)** hereof.

“Reportable Event” shall mean a reportable event described in Section 4043 of ERISA or the regulations promulgated thereunder.

“Section 20 Subsidiary” shall mean the Subsidiary of the bank holding company controlling Lender, which Subsidiary has been granted authority by the Federal Reserve Board to underwrite and deal in certain Ineligible Securities.

“Subsidiary” shall mean a corporation or other entity of whose shares of stock or other ownership interests having ordinary voting power (other than stock or other ownership interests having such power only by reason of the happening of a contingency) to elect a majority of the directors of such corporation, or other Persons performing similar functions for such entity, are owned, directly or indirectly, by such Person.

“Subsidiary Stock” shall mean all of the Borrowers’ (except for Allied Motions’) issued and outstanding shares of stock.

“Subsequent Advance” shall mean the portion of the Term Loan in the amount of Four Million Six Hundred Thousand and No/100ths Dollars (\$4,600,000.00) that, subject to the terms and conditions of this Agreement, shall be advanced simultaneously with the redemption of the JCIDA Industrial Development Revenue Bonds and draw of the remaining monies capable of being drawn under the letter of credit from Lender constituting a portion of the JCIDA Industrial Development Revenue Bond Documents.

“SVB” shall mean Silicon Valley Bank and its successors and assigns.

“SVB Term Loan” shall mean the term loan between Borrowers and SVB in the original principal amount of \$3,250,000.00 pursuant to the SVB Term Loan Documents and any amendments, extensions, modifications, replacements or substitutions to such loan.

“SVB Term Loan Agreement” shall mean the SVB Term Loan Agreement among Borrowers and SVB dated of even date herewith and any amendments, extensions, modifications, replacements or substitutions thereto.

“SVB Term Loan Documents” shall mean the SVB Term Loan Agreement, SVB Term Loan Note, all related security agreements, UCC filings, guaranties, deeds of trust, mortgages, assignments of leases and rents, guaranties, and other agreements, instruments or documents of any kind, and any amendments, extensions, modifications, replacements or substitutions to any of the foregoing.

“SVB Term Loan Note” shall mean the promissory note evidencing the SVB Term Loan and any amendments, extensions, modifications, replacements or substitutions thereto.

“Term” shall have the meaning set forth in **Section 13.1** hereof.

“Termination Event” shall mean (i) a Reportable Event with respect to any Plan or Multiemployer Plan; (ii) the withdrawal of any Borrower or any member of the Controlled Group from a Plan or Multiemployer Plan during a plan year in which such entity was a “substantial employer” as defined in Section 4001(a)(2) of ERISA; (iii) the providing of notice of intent to terminate a Plan in a distress termination described in Section 4041(c) of ERISA; (iv)

the institution by the PBGC of proceedings to terminate a Plan or Multiemployer Plan; (v) any event or condition (a) which might constitute grounds under Section 4042 of ERISA for the termination of, or the appointment of a trustee to administer, any Plan or Multiemployer Plan, or (b) that may result in termination of a Multiemployer Plan pursuant to Section 4041A of ERISA; or (vi) the partial or complete withdrawal within the meaning of Sections 4203 and 4205 of ERISA, of any Borrower or any member of the Controlled Group from a Multiemployer Plan.

“Term Loan Interest Rate” shall mean an interest rate per annum equal to the sum of the Alternate Base Rate plus three-quarters of 1%.

“Term Loan Note” shall mean, collectively, the promissory notes referred to in **Section 2.1(a)** hereof.

“Toxic Substance” shall mean and include any material present on the Real Property or the Leasehold Interests which has been shown to have significant adverse effect on human health or which is subject to regulation under the Toxic Substances Control Act (TSCA), 15 U.S.C. §§ 2601 et seq., applicable state law, or any other applicable Federal or state laws now in force or hereafter enacted relating to toxic substances. “Toxic Substance” includes but is not limited to asbestos, polychlorinated biphenyls (PCBs) and lead-based paints.

“Transactions” shall have the meaning set forth in **Section 5.5** hereof.

“Transferee” shall have the meaning set forth in the **Section 16.3** hereof..

“USA Patriot Act” shall mean the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001, Public Law 107-56, as the same has been, or shall hereafter be, renewed, extended, amended or replaced.

1.3 Uniform Commercial Code Terms. All terms used herein and defined in the Uniform Commercial Code as adopted in the State of Colorado from time to time shall have the meaning given therein unless otherwise defined herein. To the extent the definition of any category or type of Collateral is expanded by any amendment, modification or revision to the Uniform Commercial Code, such expanded definition will apply automatically as of the date of such amendment, modification or revision.

1.4 Certain Matters of Construction. The terms “herein”, “hereof” and “hereunder” and other words of similar import refer to this Agreement as a whole and not to any particular section, paragraph or subdivision. Any pronoun used shall be deemed to cover all genders. Wherever appropriate in the context, terms used herein in the singular also include the plural and vice versa. All references to statutes and related regulations shall include any amendments of same and any successor statutes and regulations. Unless otherwise provided, all references to any instruments or agreements to which Lender is a party, including, without limitation, references to any of the Other Documents, shall include any and all modifications or amendments thereto and any and all extensions or renewals thereof.

## II. TERM LOAN, PAYMENTS.

### 2.1 Term Loan.

Subject to the terms and conditions of this Agreement, Lender will make a Term Loan to Borrowers in the amount of Five Million and No/100ths Dollars (\$5,000,000.00) in the aggregate which shall be advanced as follows: (a) the Initial Advance shall be advanced on the Closing Date; and (b) the Subsequent Advance shall be advanced simultaneously with the redemption of the JCIDA Industrial Development Revenue Bonds and the draw of the remaining monies capable of being drawn under the letter of credit from Lender constituting a portion of the JCIDA Industrial Development Revenue Bond Documents. Subject to acceleration upon the occurrence of an Event of Default under this Agreement or termination

of this Agreement, Borrowers shall pay Lender thirty-five (35) consecutive monthly principal and interest payments in the amount of \$59,362.00 in principal plus all accrued but unpaid interest each on June 1, 2004 and continuing on a like date each month thereafter followed by one (1) final monthly payment of all remaining principal and accrued but unpaid interest on the Term Loan (such payment shall be due and payable on May 7, 2007). The Term Loan shall be evidenced by a secured promissory note (“Term Loan Note”) in substantially the form attached hereto as Exhibit 2.1.

### 2.2 Repayment of Term Loan.

(a) All payments of principal, interest and other amounts payable hereunder, or under any of the Other Documents shall be made to Lender at the Payment Office not later than 1:00 P.M. (New York Time) on the due date therefor in lawful money of the United States of America in federal funds or other funds immediately available to Lender.

(b) Borrowers shall pay principal, interest, and all other amounts payable hereunder, or under any related agreement, without any deduction whatsoever, including, but not limited to, any deduction for any setoff or counterclaim.

2.3 Additional Payments. Borrowers, immediately upon demand, shall pay Lender for any sums expended by Lender due to any Borrower’s failure to perform or comply with its obligations under this Agreement or any Other Document (including, without limitation, any Borrower’s obligations under **Sections 4.2, 4.4, 4.12, 4.13, 4.14 and 6.1** hereof) and, if not promptly paid, shall accrue interest at the Default Rate. All of the foregoing Obligations shall be secured by the Collateral.

2.4 Mandatory Prepayments. Subject to **Section 4.3** hereof and the terms and conditions set forth in the Intercreditor Agreement, when any Borrower sells or otherwise disposes of any Collateral other than Inventory in the ordinary course of business, Borrowers shall repay the Term Loan in an amount equal to the net proceeds of such sale (i.e., gross proceeds less the reasonable costs of such sales or other dispositions), such repayments to be made promptly but in no event more than one (1) Business Day following receipt of such net proceeds, and until the date of payment, such proceeds shall be held in trust for Lender. The foregoing shall not be deemed to be implied consent to any such sale otherwise prohibited by the terms and conditions hereof. Such repayments shall be applied to principal and interest on the Term Loan in such order as Lender may determine. Notwithstanding anything to the contrary

contained herein: (a) if Allied Motion receives any monies from a supplemental offering of its stock, Allied Motion shall not be required to use such monies to prepay the Term Loan or any other Indebtedness to Lender; and (b) all amounts owing under the Term Loan shall become immediately due and payable upon the expiration or earlier termination of the Revolving Credit Loan Documents.

2.5 Statement of Account. Lender shall maintain, in accordance with its customary procedures, a loan account (“Borrowers’ Account”) in the name of Borrowers in which shall be recorded the date and amount of the Initial Advance and Subsequent Advance and the date and amount of each payment in respect thereof; provided, however, the failure by Lender to record the date and amount of the Initial Advance or Subsequent Advance shall not adversely affect

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Lender. Each month, Lender shall send to Borrowing Agent a statement showing the accounting for the Initial Advance and/or Subsequent Advance, payments made or credited in respect thereof, and other transactions between Lender and Borrowers, during such month. The monthly statements shall be deemed correct and binding upon Borrowers in the absence of manifest error and shall constitute an account stated between Lender and Borrowers unless Lender receives a written statement of Borrowers’ specific exceptions thereto within thirty (30) days after such statement is received by Borrowing Agent. The records of Lender with respect to the loan account shall be conclusive evidence absent manifest error of the amounts of Advances and other charges thereto and of payments applicable thereto.

2.6 Use of Proceeds. Borrowers shall apply the Initial Advance to (a) repay existing indebtedness owed to (i) various subordinated creditors of the Owosso Companies described in the Acquisition Agreement; and (ii) any other Person possessing any lien, security interest or other encumbrance or claim against Borrowers’ assets (except for the Permitted Encumbrances), (b) pay fees and expenses relating to this transaction, and (c) to provide for their working capital needs. Borrowers shall apply the Subsequent Advance to (a) repay existing indebtedness owed to (i) J.P. Morgan Bank & Trust, as Trustee, the bondholders, and Lender by Old Stature under the JCIDA Industrial Development Revenue Bond Documents; (b) pay fees and expenses relating to this transaction, and (c) to provide for their working capital needs.

### III. INTEREST AND FEES.

3.1 Interest. Interest on the Term Loan shall be payable monthly in arrears, as provided for in Section 2.2 of this Agreement. Interest charges shall be computed on the actual principal amount of the Term Loan outstanding during the month at a rate per annum equal to Term Loan Interest Rate. Whenever, subsequent to the date of this Agreement, the Alternate Base Rate is increased or decreased, the Term Loan Interest Rate shall be similarly changed without notice or demand of any kind by an amount equal to the amount of such change in the Alternate Base Rate during the time such change or changes remain in effect. Upon and after the occurrence of an Event of Default, and during the continuation thereof, the Obligations shall bear interest at the Term Loan Interest Rate plus two percent (2%) per annum (the “Default Rate”).

3.2 Reserved.

3.3 Computation of Interest and Fees. Interest and fees hereunder shall be computed on the basis of a year of 360 days and for the actual number of days elapsed. If any payment to be made hereunder becomes due and payable on a day other than a Business Day, the due date thereof shall be extended to the next succeeding Business Day and interest thereon shall be payable at the applicable Contract Rate during such extension.

3.4 Maximum Charges. In no event whatsoever shall interest and other charges charged hereunder exceed the highest rate permissible under law. In the event interest and other charges as computed hereunder would otherwise exceed the highest rate permitted under law, such excess amount shall be first applied to any unpaid principal balance owed by Borrowers, and if the then remaining excess amount is greater than the previously unpaid principal balance, Lender shall promptly refund such excess amount to Borrowers and the provisions hereof shall be deemed amended to provide for such permissible rate.

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3.5 Increased Costs. In the event that any applicable law, treaty or governmental regulation, or any change therein or in the interpretation or application thereof, or compliance by Lender (for purposes of this **Section 3.5**, the term “Lender” shall include Lender and any corporation or bank controlling Lender) with any request or directive (whether or not having the force of law) from any central bank or other financial, monetary or other authority, shall:

(a) subject Lender to any tax of any kind whatsoever with respect to this Agreement or any Other Document or change the basis of taxation of payments to Lender of principal, fees, interest or any other amount payable hereunder or under any Other Documents (except for changes in the rate of tax on the overall net income of Lender);

(b) impose, modify or hold applicable any reserve, special deposit, assessment or similar requirement against assets held by, or deposits in or for the account of, advances or loans by, or other credit extended by, any office of Lender, including (without limitation) pursuant to Regulation D of the Board of Governors of the Federal Reserve System; or

(c) impose on Lender any other condition with respect to this Agreement or any Other Document; and the result of any of the foregoing is to increase the cost to Lender of making, renewing or maintaining the Term Loan hereunder by an amount that Lender deems to be material or to reduce the amount of any payment (whether of principal, interest or otherwise) in respect of the Term Loan by an amount that Lender deems to be material, then, in any case Borrowers shall promptly pay Lender, upon its demand, such additional amount as will compensate Lender for such additional cost or such reduction, as the case may be. Lender shall certify the amount of such additional cost or reduced amount to Borrowers, and such certification shall be conclusive absent manifest error.

3.6 Capital Adequacy.

(a) In the event that Lender shall have determined that any applicable law, rule, regulation or guideline regarding capital adequacy, or any change therein, or any change in the interpretation or administration thereof by any governmental authority, central bank or comparable agency charged

with the interpretation or administration thereof, or compliance by Lender (for purposes of this **Section 3.6**, the term "Lender" shall include Lender and any corporation or bank controlling Lender) with any request or directive regarding capital adequacy (whether or not having the force of law) of any such authority, central bank or comparable agency, has or would have the effect of reducing the rate of return on Lender's capital as a consequence of its obligations hereunder to a level below that which Lender could have achieved but for such adoption, change or compliance (taking into consideration Lender's policies with respect to capital adequacy) by an amount deemed by Lender to be material, then, from time to time, Borrowers shall pay upon demand to Lender such additional amount or amounts as will compensate Lender for such reduction. In determining such amount or amounts, Lender may use any reasonable averaging or attribution methods. The protection of this **Section 3.6** shall be available to Lender regardless of any possible contention of invalidity or inapplicability with respect to the applicable law, regulation or condition.

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(b) A certificate of Lender setting forth such amount or amounts as shall be necessary to compensate Lender with respect to **Section 3.6(a)** hereof when delivered to Borrowers shall be conclusive absent manifest error.

#### IV. COLLATERAL: GENERAL TERMS

4.1 Security Interest in the Collateral. To secure the prompt payment and performance to Lender of the Obligations, each Borrower hereby assigns, pledges and grants to Lender a continuing security interest in and to all of its Collateral, whether now owned or existing or hereafter acquired or arising and wheresoever located. Each Borrower shall mark its books and records as may be necessary or appropriate to evidence, protect and perfect Lender's security interest and shall cause its financial statements to reflect such security interest. Each Borrower shall promptly provide Lender with written notice of all commercial tort claims, such notice to contain the case title together with the applicable court and a brief description of the claim(s). Upon delivery of each such notice, such Borrower shall be deemed to hereby grant to Lender a security interest and lien in and to such commercial tort claims and all proceeds thereof.

In addition to the foregoing, Borrowers also shall provide Lender with the Mortgages and such Mortgages shall constitute a valid, enforceable and first priority Lien on the affected real property and related assets at all times.

4.2 Perfection of Security Interest. Each Borrower shall take all action that may be necessary or desirable, or that Lender may request, so as at all times to maintain the validity, perfection, enforceability and priority of Lender's security interest in the Collateral or to enable Lender to protect, exercise or enforce its rights hereunder and in the Collateral, including, but not limited to, (i) immediately discharging all Liens other than Permitted Encumbrances, (ii) obtaining landlords' or mortgagees' lien waivers, (iii) delivering to Lender, endorsed or accompanied by such instruments of assignment as Lender may specify, and stamping or marking, in such manner as Lender may specify, any and all chattel paper, instruments, letters of credits and advices thereof and documents evidencing or forming a part of the Collateral, (iv) entering into warehousing, lockbox and other custodial arrangements satisfactory to Lender, and (v) executing and delivering financing statements, control agreements, instruments of pledge, mortgages, notices and assignments, in each case in form and substance satisfactory to Lender, relating to the creation, validity, perfection, maintenance or continuation of Lender's security interest under the Uniform Commercial Code or other applicable law. Lender is hereby authorized to file financing statements signed by Lender instead of Borrower in accordance with the Uniform Commercial Code as adopted in the State of Colorado from time to time. By its signature hereto, each Borrower hereby authorizes Lender to file against such Borrower, one or more financing, continuation, or amendment statements pursuant to the Uniform Commercial Code in form and substance satisfactory to Lender (which statements may have a description of collateral which is broader than that set forth herein). All charges, expenses and fees Lender may incur in doing any of the foregoing, and any local taxes relating thereto, shall be paid to Lender immediately upon demand and, if not paid promptly, shall accrue interest at the Default Rate. All of the foregoing Obligations shall be secured by the Collateral.

4.3 Disposition of Collateral. Subject to the terms and conditions set forth in the Intercreditor Agreement, each Borrower will safeguard and protect all Collateral for Lender's

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general account and make no disposition thereof whether by sale, lease or otherwise except (a) the sale of Inventory in the ordinary course of business and (b) the disposition or transfer of obsolete and worn-out Equipment in the ordinary course of business during any fiscal year having an aggregate fair market value of not more than \$125,000.00 and only to the extent that (i) the proceeds of any such disposition are used to acquire replacement Equipment which is subject to Lender's first priority security interest or (ii) the proceeds of which are remitted to Lender to be applied pursuant to **Section 2.4**.

4.4 Preservation of Collateral. Following the occurrence and during the continuance of a Default or Event of Default, in addition to the rights and remedies set forth in **Section 11.1** hereof, Lender: (a) may at any time take such steps as Lender deems necessary to protect Lender's interest in and to preserve the Collateral, including the hiring of such security guards or the placing of other security protection measures as Lender may deem appropriate; (b) may employ and maintain at any of any Borrower's premises a custodian who shall have full authority to do all acts necessary to protect Lender's interests in the Collateral; (c) may lease warehouse facilities to which Lender may move all or part of the Collateral; (d) may use any Borrower's owned or leased lifts, hoists, trucks and other facilities or equipment for handling or removing the Collateral; and (e) shall have, and is hereby granted, a right of ingress and egress to the places where the Collateral is located, and may proceed over and through any of Borrower's owned or leased property. Each Borrower shall cooperate fully with all of Lender's efforts to preserve the Collateral and will take such actions to preserve the Collateral as Lender may direct. All of Lender's expenses of preserving the Collateral, including any expenses relating to the bonding of a custodian, shall be paid to Lender immediately upon demand and, if not paid promptly, shall accrue interest at the Default Rate. All of the foregoing Obligations shall be secured by the Collateral.

4.5 Ownership of Collateral. With respect to the Collateral, at the time the Collateral becomes subject to Lender's security interest: (a) each Borrower shall be the sole owner of and fully authorized and able to sell, transfer, pledge and/or grant a first priority security interest in each and every item of the its respective Collateral to Lender; and, except for Permitted Encumbrances the Collateral shall be free and clear of all Liens and encumbrances whatsoever; (b) each document and agreement executed by each Borrower or delivered to Lender in connection with this Agreement shall be true and correct in all respects; (c) all signatures and endorsements of each Borrower that appear on such documents and agreements shall be genuine and each Borrower shall have full capacity to execute same; and (d) each Borrower's Equipment and Inventory shall be located as set forth on **Schedule 4.5** and shall not be removed from such location(s) without the prior written consent of Lender except with respect to the sale of Inventory in the ordinary course of business and Equipment to the extent permitted in **Section 4.3** hereof.

4.6 Defense of Lender's Interests. Until (a) payment and performance in full of all of the Obligations and (b) termination of this Agreement, Lender's interests in the Collateral shall continue in full force and effect. During such period no Borrower shall, without Lender's prior written consent, pledge, sell (except Inventory in the ordinary course of business and Equipment to the extent permitted in **Section 4.3** hereof), assign, transfer, create or suffer to exist a Lien upon or encumber or allow or suffer to be encumbered in any way except for Permitted Encumbrances, any part of the Collateral. Each Borrower shall defend Lender's interests in the

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Collateral against any and all Persons whatsoever. At any time following demand by Lender for payment of all Obligations: (i) Lender shall have the right to take possession of the indicia of the Collateral and the Collateral in whatever physical form contained, including without limitation: labels, stationery, documents, instruments and advertising materials; (ii) if Lender exercises this right to take possession of the Collateral, Borrowers shall, upon demand, assemble it in the best manner possible and make it available to Lender at a place reasonably convenient to Lender. In addition, with respect to all Collateral, Lender shall be entitled to all of the rights and remedies set forth herein and further provided by the Uniform Commercial Code or other applicable law; and (iii) each Borrower shall, and Lender may, at its option, instruct all suppliers, carriers, forwarders, warehousemen or others receiving or holding cash, checks, Inventory, documents or instruments in which Lender holds a security interest to deliver same to Lender and/or subject to Lender's order and if they shall come into any Borrower's possession, they, and each of them, shall be held by such Borrower in trust as Lender's trustee, and such Borrower will immediately deliver them to Lender in their original form together with any necessary endorsement.

4.7 Books and Records. Each Borrower shall (a) keep proper books of record and account in which full, true and correct entries will be made of all dealings or transactions of or in relation to its business and affairs; (b) set up on its books accruals with respect to all taxes, assessments, charges, levies and claims; and (c) on a reasonably current basis set up on its books, from its earnings, allowances against doubtful Receivables, advances and investments and all other proper accruals (including without limitation by reason of enumeration, accruals for premiums, if any, due on required payments and accruals for depreciation, obsolescence, or amortization of properties), which should be set aside from such earnings in connection with its business. All determinations pursuant to this subsection shall be made in accordance with, or as required by, GAAP consistently applied in the opinion of such independent public accountant as shall then be regularly engaged by Borrowers.

4.8 Financial Disclosure. Each Borrower hereby irrevocably authorizes and directs all accountants and auditors employed by such Borrower at any time during the Term to exhibit and deliver to Lender copies of any of any Borrower's financial statements, trial balances or other accounting records of any sort in the accountant's or auditor's possession, and to disclose to Lender any information such accountants may have concerning such Borrower's financial status and business operations. Each Borrower hereby authorizes all federal, state and municipal authorities to furnish to Lender copies of reports or examinations relating to such Borrower, whether made by such Borrower or otherwise; however, Lender will attempt to obtain such information or materials directly from such Borrower prior to obtaining such information or materials from such accountants or such authorities.

4.9 Compliance with Laws. Each Borrower shall comply with all acts, rules, regulations and orders of any legislative, administrative or judicial body or official applicable to its respective Collateral or any part thereof or to the operation of such Borrower's business the non-compliance with which could reasonably be expected to have a Material Adverse Effect on such Borrower. The assets of Borrowers at all times shall be maintained in accordance with the requirements of all insurance carriers which provide insurance with respect to the assets of Borrowers so that such insurance shall remain in full force and effect.

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4.10 Inspection of Premises. At all reasonable times Lender shall have full access to and the right to audit, check, inspect and make abstracts and copies from each Borrower's books, records, audits, correspondence and all other papers relating to the Collateral and the operation of each Borrower's business. Lender and its agents may enter upon any of each Borrower's premises at any time during business hours and at any other reasonable time, and from time to time, for the purpose of inspecting the Collateral and any and all records pertaining thereto and the operation of such Borrower's business.

4.11 Insurance. Each Borrower shall bear the full risk of any loss of any nature whatsoever with respect to the Collateral. At each Borrower's own cost and expense in amounts and with carriers acceptable to Lender acting in good faith, each Borrower shall (a) keep all its insurable properties and properties in which each Borrower has an interest insured against the hazards of fire, flood, sprinkler leakage, those hazards covered by extended coverage insurance and such other hazards, and for such amounts, as is customary in the case of companies engaged in businesses similar to such Borrower's including, without limitation, business interruption insurance; (b) maintain a bond in such amounts as is customary in the case of companies engaged in businesses similar to such Borrower insuring against larceny, embezzlement or other criminal misappropriation of insured's officers and employees who may either singly or jointly with others at any time have access to the assets or funds of such Borrower either directly or through authority to draw upon such funds or to direct generally the disposition of such assets; (c) maintain public and product liability insurance against claims for personal injury, death or property damage suffered by others; (d) maintain all such worker's compensation or similar insurance as may be required under the laws of any state or jurisdiction in which such Borrower is engaged in business; (e) furnish Lender with within sixty (60) days after the Closing Date, copies of all policies; and (f) furnish Lender with evidence of renewal of such policies at least thirty (30) days prior to the expiration thereof, and (ii) appropriate loss payable endorsements in form and substance satisfactory to Lender, naming Lender as an additional insured and loss payee and/or mortgagee as its interests may appear with respect to all insurance coverage referred to in clauses (a) and (c) above, and providing (A) that all proceeds under clause (a) shall be payable to Lender, (B) no such insurance shall be affected by any act or neglect of the insured or owner of the property described in such policy, and (C) that such policy and loss payable clauses may not be cancelled, amended or terminated unless at least thirty (30) days' prior written notice is given to Lender. In the event of any loss thereunder, the carriers named therein hereby are directed by Lender and the applicable Borrower to make payment for such loss to Lender and not to such Borrower and Lender jointly. If any insurance losses are paid by check, draft or other instrument payable to any Borrower and Lender jointly, Lender may endorse such Borrower's name thereon and do such other things as Lender may deem advisable to reduce the same to cash. Lender is hereby authorized to adjust and compromise claims under insurance coverage referred to in clauses (a) and (b) above. All loss recoveries received by Lender upon any such insurance may be applied to the Obligations, in such order as Lender in its sole discretion shall determine. Any surplus shall be paid by Lender to Borrowers or applied as may be otherwise required by law. Any deficiency thereon shall be paid by Borrowers to Lender, on demand. Anything hereinabove to the contrary notwithstanding, and subject to the fulfillment of the conditions set forth below, Lender shall remit to Borrowers insurance proceeds received by Lender during any calendar year under insurance policies procured and maintained by Borrowers which insure Borrowers' insurable properties to the extent such insurance proceeds do not exceed \$100,000.00 per occurrence or \$200,000.00 in the aggregate during such calendar year

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(less any amounts remitted to Borrowers by Agent, Lender or SVB for such occurrence or during such calendar year). Lender shall not be obligated to remit any insurance proceeds to Borrowers unless Borrowers shall provide Lender with evidence reasonably satisfactory to Lender that the insurance proceeds will be used by Borrowers to repair, replace or restore the insured property which was the subject of the insurable loss. In the event Borrowers have previously received (or, after giving effect to any proposed remittance by Lender, Agent or SVB to Borrowers would receive) insurance proceeds which equal or exceed \$100,000.00 per occurrence or \$200,000.00 in the aggregate during any calendar year, then Lender may, in its sole discretion, either remit the insurance proceeds to Borrowers upon Borrowers providing Lender with evidence reasonably satisfactory to Lender that the insurance proceeds will be used by Borrowers to repair, replace or restore the insured property which was the subject of the insurable loss, or apply the proceeds to the Obligations, as aforesaid. The agreement of Lender to remit insurance proceeds in the manner above provided shall be subject in each instance to satisfaction of each of the following conditions: (x) No Event of Default or Default shall then have occurred, and (y) Borrowers shall use such insurance proceeds to repair, replace or restore the insurable property which was the subject of the insurable loss and for no other purpose. The terms and conditions set forth in this Section shall be subject to the terms and conditions set forth in the Intercreditor Agreement with respect to casualty insurance coverage and payments on Collateral.

4.12 Failure to Pay Insurance. If any Borrower fails to obtain insurance as hereinabove provided, or to keep the same in force, Lender, if Lender so elects, may obtain such insurance and pay the premium therefor on behalf of such Borrower. Borrowers shall reimburse Lender for such premium immediately upon demand and, if not promptly paid, shall accrue interest at the Default Rate. All of the foregoing Obligations shall be secured by the Collateral.

4.13 Payment of Taxes. Each Borrower will pay, when due, all taxes, assessments and other Charges lawfully levied or assessed upon such Borrower or any of the Collateral including, without limitation, real and personal property taxes, assessments and charges and all franchise, income, employment, social security benefits, withholding, and sales taxes. If any tax by any governmental authority is or may be imposed on or as a result of any transaction between any Borrower and Lender which Lender may be required to withhold or pay or if any taxes, assessments, or other Charges remain unpaid after the date fixed for their payment, or if any claim shall be made which, in Lender's opinion, may possibly create a valid Lien on the Collateral (unless such Lien constitutes a Permitted Encumbrance), Lender may without notice to Borrowers pay the taxes, assessments or other Charges and each Borrower hereby indemnifies and holds Lender harmless in respect thereof. Borrowers shall pay Lender the amount of any payment by Lender under this **Section 4.13** immediately upon demand and, if not paid, such amount shall accrue interest at the Default Rate. All of the foregoing Obligations shall be secured by the Collateral.

4.14 Payment of Leasehold Obligations. Each Borrower shall at all times pay, when and as due, its rental obligations under all leases under which it is a tenant, and shall otherwise comply, in all material respects, with all other terms of such leases and keep them in full force and effect and, at Lender's request will provide evidence of having done so.

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#### 4.15 Receivables.

(a) Nature of Receivables. Each of the Receivables shall be a bona fide and valid account representing a bona fide indebtedness incurred by the Customer therein named, for a fixed sum as set forth in the invoice relating thereto (provided immaterial or unintentional invoice errors shall not be deemed to be a breach hereof) with respect to an absolute sale or lease and delivery of goods upon stated terms of a Borrower, or work, labor or services theretofore rendered by a Borrower as of the date each Receivable is created. Same shall be due and owing in accordance with the applicable Borrower's standard terms of sale without dispute, setoff or counterclaim except as may be stated on the accounts receivable schedules delivered by Borrowers to Lender.

(b) Solvency of Customers. To the best of each Borrower's knowledge, each Customer, as of the date each Receivable is created, is and will be solvent and able to pay all Receivables on which the Customer is obligated in full when due or with respect to such Customers of any Borrower who are not solvent such Borrower has set up on its books and in its financial records bad debt reserves adequate to cover such Receivables.

(c) Locations of Borrower. Each Borrower's chief executive office is located at the addresses set forth on **Schedule 4.15(c)** hereto. Until written notice is given to Lender by Borrowing Agent of any other office at which any Borrower keeps its records pertaining to Receivables, all such records shall be kept at such executive office.

(d) Collection of Receivables. Until any Borrower's authority to do so is terminated by Lender (which notice Lender may give at any time following the occurrence and during the continuance of an Event of Default), each Borrower will, at such Borrower's sole cost and expense, but on Lender's behalf and for Lender's account, collect as Lender's property and in trust for Lender all amounts received on Receivables. Each Borrower shall deliver to Lender, or deposit or cause to be deposited in the Blocked Account, in original form and on the date of receipt thereof, all checks, drafts, notes, money orders, acceptances, cash and other evidences of Indebtedness and all amounts received on Receivables.

(e) Notification of Assignment of Receivables. At any time following the occurrence and during the continuation of an Event of Default, Lender shall have the right to send notice of the assignment of, and Lender's security interest in, the Receivables to any and all Customers or any third party holding or otherwise concerned with any of the Collateral. Thereafter, Lender shall have the sole right to collect the Receivables, take possession of the Collateral, or both. Borrowers shall pay Lender immediately upon demand for Lender's actual collection expenses, including, but not limited to, stationery and postage, telephone and telegraph, secretarial and clerical expenses and the salaries of any collection personnel used for collection and, if not promptly paid, shall accrue interest at the Default Rate. All of the foregoing Obligations shall be secured by the Collateral.

(f) Power of Lender to Act on Borrowers' Behalf. Lender shall have the right to receive, endorse, assign and/or deliver in the name of Lender or any Borrower any and all checks, drafts and other instruments for the payment of money relating to the Receivables, and each Borrower hereby waives notice of presentment, protest and non-payment of any instrument so endorsed. Each Borrower hereby constitutes Lender or Lender's designee as such Borrower's attorney with power (i) to endorse such Borrower's name upon any notes, acceptances, checks,

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drafts, money orders or other evidences of payment or Collateral; (ii) to sign such Borrower's name on any invoice or bill of lading relating to any of the Receivables, drafts against Customers, assignments and verifications of Receivables; (iii) to send verifications of Receivables to any Customer (provided, that Lender shall use its best efforts to notify Borrowers of such verifications simultaneously with or within a reasonable amount of time following such verifications); (iv) to sign such Borrower's name on all financing statements or any other documents or instruments deemed necessary or appropriate by Lender to preserve, protect, or perfect Lender's interest in the Collateral and to file same; (v) following the occurrence and during the continuation of an Event of Default, to demand payment of the Receivables; (vi) following the occurrence and during the continuation of an Event of Default, to enforce payment of the Receivables by legal proceedings or otherwise; (vii) following the occurrence and during the continuation of an Event of Default, to exercise all of Borrowers' rights and remedies with respect to the collection of the Receivables and any other Collateral; (viii) following the occurrence and during the continuation of an Event of Default, to settle, adjust, compromise, extend or renew the Receivables; (ix) following the occurrence and during the continuation of an Event of Default, to settle, adjust or compromise any legal proceedings brought to collect Receivables; (x) following the occurrence and during the continuation of an Event of Default, to prepare, file and sign such Borrower's name on a proof of claim in bankruptcy or similar document against any Customer; (xi) following the occurrence and during the continuation of an Event of Default, to prepare, file and sign such Borrower's name on any notice of Lien, assignment or satisfaction of Lien or similar document in connection with the Receivables; and (xii) to do all other acts and things necessary to carry out this Agreement. All acts of said attorney or designee are hereby ratified and approved, and said attorney or designee shall not be liable for any acts of omission or commission nor for any error of judgment or mistake of fact or of law, unless done maliciously or with gross (not mere) negligence; this power being coupled with an interest is irrevocable while any of the Obligations remain unpaid. Besides possessing the right to establish Blocked Accounts as described below, following the occurrence and during the continuation of an Event of Default, Lender shall have the right at any time to change the address for delivery of mail addressed to any Borrower to such address as Lender may designate and to receive, open and dispose of all mail addressed to any Borrower.

(g) No Liability. Lender shall not, under any circumstances or in any event whatsoever, have any liability for any error or omission or delay of any kind occurring in the settlement, collection or payment of any of the Receivables or any instrument received in payment thereof, or for any damage resulting therefrom; provided, that Lender shall be liable for any damages arising from any action taken by such Person if such action constitutes gross negligence or willful misconduct. Following the occurrence and during the continuation of an Event of Default, Lender may, without notice or consent from any Borrower, sue upon or otherwise collect, extend the time of payment of, compromise or settle for cash, credit or upon any terms any of the Receivables or any other securities, instruments or insurance applicable thereto and/or release any obligor thereof. Following the occurrence and during the continuation of an Event of Default, Lender is authorized and empowered to accept the return of the goods represented by any of the Receivables, without notice to or consent by any Borrower, all without discharging or in any way affecting any Borrower's liability hereunder.

(h) Establishment of a Lockbox Account, Dominion Account. All proceeds of Collateral shall be deposited by Borrowers into a lockbox account, dominion account or such

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other "blocked account" ("Blocked Accounts") maintained at SVB or other institution, as Lender may require pursuant to an arrangement with SVB or such other financial institution. Borrowers shall issue to SVB and such other financial institution, an irrevocable letter of instruction directing SVB and such other financial institution to transfer such funds so deposited to Lender, either to any account maintained by Lender at SVB or by wire transfer to appropriate account(s) of Lender to be applied against the Obligations. All funds deposited in such Blocked Account shall immediately become the property of Lender and Borrowers shall obtain the agreement by SVB and such other financial institution to waive any offset rights against the funds so deposited (besides its offset rights for the portion of the deposited funds to be remitted to SVB under the terms and conditions set forth in the Revolving Credit Loan Documents). Lender shall not assume any responsibility for such blocked account arrangement, including without limitation, any claim of accord and satisfaction or release with respect to deposits accepted by any bank thereunder.

(i) Adjustments. No Borrower will, without Lender's consent, compromise or adjust any Receivables (or extend the time for payment thereof) or accept any returns of merchandise or grant any additional discounts, allowances or credits thereon except for those compromises, adjustments, returns, discounts, credits and allowances as have been heretofore customary in the business of such Borrower.

4.16 Inventory. To the extent Inventory held for sale or lease has been produced by any Borrower, it has been and will be produced by such Borrower in accordance with the Federal Fair Labor Standards Act of 1938, as amended, and all rules, regulations and orders thereunder.

4.17 Maintenance of Equipment. The Equipment shall be maintained in good operating condition and repair (reasonable wear and tear excepted) and all necessary replacements of and repairs thereto shall be made so that the value and operating efficiency of the Equipment shall be maintained and preserved (except for obsolete and worn-out Equipment which Borrower is attempting to dispose of under **Section 4.3** hereof). No Borrower shall use or operate the Equipment in violation of any law, statute, ordinance, code, rule or regulation. Each Borrower shall have the right to sell Equipment to the extent set forth in **Section 4.3** hereof.

4.18 Exculpation of Liability. Nothing herein contained shall be construed to constitute Lender as any Borrower's agent for any purpose whatsoever, nor shall Lender be responsible or liable for any shortage, discrepancy, damage, loss or destruction of any part of the Collateral wherever the same may be located and regardless of the cause thereof. Lender shall not, whether by anything herein or in any assignment or otherwise, assume any of any Borrower's obligations under any contract or agreement assigned to Lender, and Lender shall not be responsible in any way for the performance by any Borrower of any of the terms and conditions thereof. Notwithstanding anything to the contrary contained herein, Lender shall be responsible for any damages arising from any action taken by such Person if such action constitutes gross negligence or willful misconduct.

4.19 Environmental Matters.

(a) Borrowers shall ensure that the Real Property remains in compliance with all Environmental Laws and they shall not place or permit to be placed any Hazardous

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Substances on any Real Property except in compliance with applicable law or as allowed by appropriate governmental authorities.

(b) Borrowers shall establish and maintain a system to assure and monitor continued compliance with all applicable Environmental Laws which system shall include periodic reviews of such compliance.

(c) Borrowers shall (i) employ in connection with the use of the Real Property appropriate technology necessary to maintain compliance with any applicable Environmental Laws and (ii) dispose of any and all Hazardous Waste generated at the Real Property only at facilities and with carriers that maintain valid permits under RCRA and any other applicable Environmental Laws. Borrowers shall use their best efforts to obtain certificates of disposal, such as hazardous waste manifest receipts, from all treatment, transport, storage or disposal facilities or operators employed by Borrowers in connection with the transport or disposal of any Hazardous Waste generated at the Real Property.

(d) In the event any Borrower obtains, gives or receives notice of any Release or threat of Release of a reportable quantity of any Hazardous Substances at the Real Property (any such event being hereinafter referred to as a "Hazardous Discharge") or receives any notice of violation with respect to the Real Property, request for information concerning the Real Property or notification that it is potentially responsible for investigation or cleanup of environmental conditions at the Real Property, demand letter or complaint, order, citation, or other written notice with regard to any Hazardous Discharge or violation of Environmental Laws affecting the Real Property or any Borrower's interest therein (any of the foregoing is referred to herein as an "Environmental Complaint") from any Person, including any state agency responsible in whole or in part for environmental matters in the state in which the Real Property is located or the United States Environmental Protection Agency (any such person or entity hereinafter the "Authority"), then Borrowing Agent shall, within five (5) Business Days, give written notice of same to Lender detailing the facts and circumstances of which any Borrower is aware giving rise to the Hazardous Discharge or Environmental Complaint. Such information is to be provided to allow Lender to protect its security interest in the Real Property and the Collateral and is not intended to create nor shall it create any obligation upon Lender with respect thereto.

(e) Borrowers shall promptly forward to Lender copies of any Authority's request for information, notification of potential liability, or demand letter relating to potential responsibility with respect to the investigation or cleanup of Hazardous Substances at any other site owned, operated or used by any Borrower to dispose of Hazardous Substances and shall continue to forward copies of correspondence between any Borrower and such Authority regarding such claims to Lender until the claim is settled. Borrowers shall promptly forward to Lender copies of all documents and reports concerning a Hazardous Discharge at the Real Property that any Borrower is required to file under any Environmental Laws. Such information is to be provided solely to allow Lender to protect Lender's security interest in the Real Property and the Collateral.

(f) Borrowers shall respond promptly to any Hazardous Discharge or Environmental Complaint and take all necessary action in order to safeguard the health of any

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Person and to avoid subjecting the Collateral or Real Property to any Lien. If any Borrower shall fail to respond promptly to any Hazardous Discharge or Environmental Complaint or any Borrower shall fail to comply with any of the requirements of any Environmental Laws, Lender may, but without the obligation to do so, for the sole purpose of protecting Lender's interest in Collateral: (A) give such notices or (B) enter onto the Real Property (or authorize third parties to enter onto the Real Property) and take such actions as Lender (or such third parties as directed by Lender) deem reasonably necessary or advisable, to clean up, remove, mitigate or otherwise deal with any such Hazardous Discharge or Environmental Complaint. All reasonable costs and expenses incurred by Lender (or such third parties) in the exercise of any such rights, including any sums paid in connection with any judicial or administrative investigation or proceedings, fines and penalties, together with interest thereon from the date expended at the Default Rate shall be paid upon demand by Borrowers, and until paid shall be added to and become a part of the Obligations secured by the Liens created by the terms of this Agreement or any other agreement between Lender and any Borrower.

(g) Promptly upon the written request of Lender from time to time, Borrowers shall provide Lender, at Borrowers' expense, with an environmental site assessment or environmental audit report prepared by an environmental engineering firm acceptable in the reasonable opinion of Lender, to assess with a reasonable degree of certainty the existence of a Hazardous Discharge and the potential costs in connection with abatement, cleanup and removal of any Hazardous Substances found on, under, at or within the Real Property. Any report or investigation of such Hazardous Discharge proposed and acceptable to an appropriate Authority that is charged to oversee the clean-up of such Hazardous Discharge shall be acceptable to Lender. If such estimates, individually or in the aggregate, exceed \$100,000, Lender shall have the right to require Borrowers to post a bond, letter of credit or other security reasonably satisfactory to Lender to secure payment of these costs and expenses.

(h) Borrowers shall defend and indemnify Lender and hold Lender and its respective employees, agents, directors and officers harmless from and against all loss, liability, damage and expense, claims, costs, fines and penalties, including attorney's fees, suffered or incurred by Lender under or on account of any Environmental Laws, including, without limitation, the assertion of any Lien thereunder, with respect to any Hazardous Discharge, the presence of any Hazardous Substances affecting the Real Property, whether or not the same originates or emerges from the Real Property or any contiguous real estate, including any loss of value of the Real Property as a result of the foregoing except to the extent such loss, liability, damage and expense is attributable to any Hazardous Discharge resulting from actions on the part of Lender. Borrowers' obligations under this **Section 4.19** shall arise upon the discovery of the presence of any Hazardous Substances at the Real Property, whether or not any federal, state, or local environmental agency has taken or threatened any action in connection with the presence of any Hazardous Substances. Borrowers' obligation and the indemnifications hereunder shall survive the termination of this Agreement.

(i) For purposes of **Section 4.19** and **5.7**, all references to Real Property shall be deemed to include all of Borrowers' right, title and interest in and to its owned and leased premises.

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4.20 **Financing Statements.** Except as respects the financing statements filed by Lender and the financing statements described on **Schedule 1.2**, no financing statement covering any of the Collateral or any proceeds thereof is on file in any public office.

## V. **REPRESENTATIONS AND WARRANTIES.**

Each Borrower represents and warrants as follows:

5.1 Authority. Each Borrower has full power, authority and legal right to enter into this Agreement and the Other Documents and to perform all its respective Obligations hereunder and thereunder. This Agreement and the Other Documents constitute the legal, valid and binding obligation of such Borrower enforceable in accordance with their terms, except as such enforceability may be limited by any applicable bankruptcy, insolvency, moratorium or similar laws affecting creditors' rights generally. The execution, delivery and performance of this Agreement and of the Other Documents (a) are within such Borrower's corporate powers, have been duly authorized, are not in contravention of law or the terms of such Borrower's by-laws, certificate of incorporation or other applicable documents relating to such Borrower's formation or to the conduct of such Borrower's business or of any material agreement or undertaking to which such Borrower is a party or by which such Borrower is bound, and (b) will not conflict with nor result in any breach in any of the provisions of or constitute a default under or result in the creation of any Lien except Permitted Encumbrances upon any asset of such Borrower under the provisions of any agreement, charter document, instrument, by-law, or other instrument to which such Borrower is a party or by which it or its property may be bound.

5.2 Formation and Qualification.

(a) Each Borrower is duly incorporated and in good standing under the laws of the state listed on **Schedule 5.2(a)** and is qualified to do business and is in good standing in the states listed on **Schedule 5.2(a)** which constitute all states in which qualification and good standing are necessary for such Borrower to conduct its business and own its property and where the failure to so qualify could reasonably be expected to have a Material Adverse Effect on such Borrower. Each Borrower has delivered to Lender true and complete copies of its certificate of incorporation and by-laws and will promptly notify Lender of any amendment or changes thereto.

(b) The only Subsidiaries of each Borrower are listed on **Schedule 5.2(b)**.

5.3 Survival of Representations and Warranties. All representations and warranties of such Borrower contained in this Agreement and the Other Documents shall be true and correct in all material respects at the time of such Borrower's execution of this Agreement and the Other Documents, and shall survive the execution, delivery and acceptance thereof by the parties thereto and the closing of the transactions described therein or related thereto.

5.4 Tax Returns. Each Borrower's federal tax identification number is set forth on **Schedule 5.4**. Each Borrower has filed all federal, state and local tax returns and other reports each is required by law to file and has paid all taxes, assessments, fees and other governmental charges that are due and payable. To the best of each Borrower's knowledge, no federal, state or local income tax return of any Borrower for any fiscal year prior to or including the fiscal year

ending December 31, 2003 is the subject of any audit or otherwise is being challenged by the applicable governmental authorities except for the audits and challenges described on **Schedule 5.4**. The provision for taxes on the books of each Borrower are adequate for all years not closed by applicable statutes, and for its current fiscal year, and no Borrower has any knowledge of any deficiency or additional assessment in connection therewith not provided for on its books.

5.5 Financial Statements.

(a) The pro forma balance sheet of Borrowers on a consolidated basis (the "Pro Forma Balance Sheet") which shall be furnished to Lender within thirty (30) days after the Closing Date shall reflect the consummation of the transactions contemplated by the Acquisition Agreement and under this Agreement (the "Transactions") and shall be accurate, complete and correct in all material respects and shall fairly reflect the financial condition of Borrowers on a consolidated basis as of the Closing Date after giving effect to the Transactions, and has been prepared in accordance with GAAP, consistently applied. The Pro Forma Balance Sheet shall be certified as accurate, complete and correct in all material respects by the President and Chief Financial Officer of each Borrower. All financial statements referred to in this subsection 5.5(a), including the related schedules and notes thereto, shall be prepared, in accordance with GAAP, except as may be disclosed in such financial statements.

(b) The twelve-month cash flow projections of the Borrowers on a consolidated basis and their projected balance sheets as of the Closing Date, copies of which are annexed hereto as **Exhibit 5.5(b)** (the "Projections") were prepared by the Chief Financial Officer of each Borrower, are based on underlying assumptions which provide a reasonable basis for the projections contained therein and reflect Borrowers' judgment based on present circumstances of the most likely set of conditions and course of action for the projected period. The cash flow Projections together with the Pro Forma Balance Sheet, are referred to as the "Pro Forma Financial Statements".

(c) The consolidated and consolidating balance sheets of the Borrowers (except for AMOT I, AMOT II, AMOT III, New Stature and Ahab) and such other Persons described therein as of December 31, 2003, and the related statements of income, changes in stockholder's equity, and changes in cash flow for the period ended on such date, all accompanied by reports thereon containing opinions without qualification by independent certified public accountants, copies of which have been delivered to Lender, have been prepared in accordance with GAAP, consistently applied (except for changes in application in which such accountants concur and present fairly the financial position of the Borrowers at such date and the results of their operations for such period. Since December 31, 2003, there has been no material change in the condition, financial or otherwise, of Borrowers as shown on the consolidated balance sheet as of such date and no material change in the aggregate value of machinery, equipment and Real Property owned by Borrowers.

(d) The consolidated and consolidating balance sheets of the Owosso Companies as of October 31, 2003, and the related statements of income, changes in stockholder's equity, and changes in cash flow for the period ended on such date, all accompanied by reports thereon containing opinions by independent certified public accountants, copies of which have been delivered to Lender, have been prepared in accordance with GAAP,

consistently applied (except for changes in application in which such accountants concur and present fairly the financial position of the Owosso Companies at such date and the results of their operations for such period). Since October 31, 2003, there has been no change in the condition, financial or otherwise, of the Owosso Companies as shown on the consolidated balance sheet as of such date and no change in the aggregate value of machinery, equipment and Real

Property owned by the Owosso Companies except changes in the ordinary course of business, none of which individually or in the aggregate has been materially adverse.

5.6 Corporate Name. No Borrower or Owosso Company has been known by any other corporate name in the past five years and does not sell and has not sold Inventory under any other name except as set forth on **Schedule 5.6**, nor has any Borrower or Owosso Company been the surviving corporation of a merger or consolidation or acquired all or substantially all of the assets of any Person during the preceding five (5) years except as set forth on **Schedule 5.6**.

5.7 O.S.H.A. and Environmental Compliance.

(a) Each Borrower has duly complied with, and its facilities, business, assets, property, leaseholds and Equipment are in compliance in all material respects with, the provisions of the Federal Occupational Safety and Health Act, CERCLA, RCRA and all other Environmental Laws; there have been no outstanding citations, notices or orders of non-compliance issued to any Borrower or relating to its business, assets, property, leaseholds or Equipment under any such laws, rules or regulations.

(b) Each Borrower has been issued all required federal, state and local licenses, certificates or permits relating to all applicable Environmental Laws.

(c) Except as set forth in Schedule 5.7: (i) There are no visible signs of releases, spills, discharges, leaks or disposal (collectively referred to as "Releases") of Hazardous Substances at, upon, under or within any Real Property or any premises leased by any Borrower; (ii) there are no underground storage tanks or polychlorinated biphenyls on the Real Property or any premises leased by any Borrower; (iii) neither the Real Property nor any premises leased by any Borrower has ever been used as a treatment, storage (requiring any governmental permit) or disposal facility of Hazardous Waste; and (iv) no Hazardous Substances are present on the Real Property or any premises leased by any Borrower, excepting such quantities as are handled in accordance with all applicable manufacturer's instructions and governmental regulations and in proper storage containers and as are necessary for the operation of the commercial business of any Borrower or of its tenants.

5.8 Solvency; No Litigation, Violation, Indebtedness or Default.

(a) Borrowers are and, after giving effect to the Transactions, Borrowers will be solvent, able to pay their debts as they mature, have capital sufficient to carry on their business and all businesses in which they are about to engage, and (i) as of the Closing Date, the fair present saleable value of their assets, calculated on a going concern basis, is in excess of the amount of their liabilities and (ii) subsequent to the Closing Date, the fair saleable value of their assets (calculated on a going concern basis) will be in excess of the amount of their liabilities.

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(b) Except as disclosed in **Schedule 5.8(b)**, no Borrower has (i) any pending or threatened litigation, arbitration, actions or proceedings which involve the possibility of having a Material Adverse Effect on such Borrower, and (ii) any liabilities nor indebtedness for borrowed money other than the Obligations.

(c) No Borrower is in violation of any applicable statute, regulation or ordinance in any respect which could reasonably be expected to have a Material Adverse Effect on such Borrower, nor is any Borrower in violation of any order of any court, governmental authority or arbitration board or tribunal.

(d) No Borrower nor any member of the Controlled Group maintains or contributes to any Plan other than those listed on **Schedule 5.8(d)** hereto. Except as set forth in **Schedule 5.8(d)**, (i) no Plan has incurred any "accumulated funding deficiency," as defined in Section 302(a)(2) of ERISA and Section 412(a) of the Code, whether or not waived, and each Borrower and each member of the Controlled Group has met all applicable minimum funding requirements under Section 302 of ERISA in respect of each Plan, (ii) each Plan which is intended to be a qualified plan under Section 401(a) of the Code as currently in effect is the subject of an Internal Revenue Service determination letter or, in the case of a prototype plan, an Internal Revenue Service opinion letter, and the trust related thereto is exempt from federal income tax under Section 501(a) of the Code, (iii) no Borrower nor any member of the Controlled Group has incurred any liability to the PBGC other than for the payment of premiums, and there are no premium payments which have become due which are unpaid, (iv) no Plan has been terminated by the plan administrator thereof nor by the PBGC, and there is no occurrence which would cause the PBGC to institute proceedings under Title IV of ERISA to terminate any Plan, (v) at this time, the current value of the assets of each Plan exceeds the present value of the accrued benefits and other liabilities of such Plan and no Borrower nor any member of the Controlled Group knows of any facts or circumstances which would materially change the value of such assets and accrued benefits and other liabilities, (vi) no Borrower nor any member of the Controlled Group has breached any of the responsibilities, obligations or duties imposed on it by ERISA with respect to any Plan which breach reasonably could result in material liability to any Borrower or Controlled Group member, (vii) no Borrower nor any member of a Controlled Group has incurred any material liability for any excise tax arising under Section 4972 or 4980B of the Code, and no fact exists which could give rise to any such liability, (viii) no Borrower nor any member of the Controlled Group nor any fiduciary of, nor any trustee to, any Plan, has engaged in a "prohibited transaction" described in Section 406 of the ERISA or Section 4975 of the Code which reasonably could result in any material liability to any Borrower or Controlled Group member nor taken any action which would constitute or result in a Termination Event with respect to any such Plan which is subject to ERISA, (ix) each Borrower and each member of the Controlled Group has made all contributions due and payable with respect to each Plan, (x) there exists no event described in Section 4043 of ERISA, for which the thirty (30) day notice period contained in 29 CFR §2615.3 has not been waived, (xi) no Borrower nor any member of the Controlled Group has any fiduciary responsibility for investments with respect to any Plan existing for the benefit of persons other than employees or former employees of any Borrower and any member of the Controlled Group, and (xii) no Borrower nor any member of the Controlled Group has withdrawn, completely or partially, from any Multiemployer Plan so as to incur liability under the Multiemployer Pension Plan Amendments Act of 1980.

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5.9 Patents, Trademarks, Copyrights and Licenses. All patents, patent applications, trademarks, trademark applications, service marks, service mark applications, copyrights, copyright applications, design rights, tradenames, assumed names, trade secrets and licenses owned or utilized by any Borrower (except for non-material licenses of software that are available to the general public such as MicroSoft Windows) are set forth on **Schedule 5.9**, are valid and have been duly registered or filed with all appropriate governmental authorities and constitute all of the intellectual property rights which are

necessary for the operation of its business; there is no objection to or pending challenge to the validity of any such patent, trademark, copyright, design right, tradename, trade secret or license and no Borrower is aware of any grounds for any challenge, except as set forth in **Schedule 5.9** hereto. Each patent, patent application, patent license, trademark, trademark application, trademark license, service mark, service mark application, service mark license, design right, copyright, copyright application and copyright license owned or held by any Borrower and all trade secrets used by any Borrower consist of original material or property developed by such Borrower or was lawfully acquired by such Borrower from the proper and lawful owner thereof. Each of such items has been maintained so as to preserve the value thereof from the date of creation or acquisition thereof.

5.10 **Licenses and Permits.** Except as set forth in **Schedule 5.10**, each Borrower (a) is in compliance in all material respects with and (b) has procured and is now in possession of, all material licenses or permits required by any applicable federal, state or local law or regulation for the operation of its business in each jurisdiction wherein it is now conducting or proposes to conduct business and where the failure to procure such licenses or permits could have a Material Adverse Effect on such Borrower.

5.11 **Default of Indebtedness.** No Borrower is in default in the payment of the principal of or interest on any Indebtedness or under any instrument or agreement under or subject to which any Indebtedness has been issued (and which default would reasonably be expected to have a Material Adverse Effect on such Borrower) and no event has occurred under the provisions of any such instrument or agreement which with or without the lapse of time or the giving of notice, or both, constitutes or would constitute an event of default thereunder (and such event of default would reasonably be expected to have a Material Adverse Effect on such Borrower).

5.12 **No Default.** No Borrower is in default in any material respect in the payment or performance of any of its contractual obligations and no Default has occurred.

5.13 **No Burdensome Restrictions.** To the best of each Borrower's knowledge, no Borrower is party to any contract or agreement the performance of which could have a Material Adverse Effect on such Borrower. No Borrower has agreed or consented to cause or permit in the future (upon the happening of a contingency or otherwise) any of its property, whether now owned or hereafter acquired, to be subject to a Lien which is not a Permitted Encumbrance.

5.14 **No Labor Disputes.** No Borrower is involved in any labor dispute; there are no strikes or walkouts or union organization of any Borrower's employees or in existence and no labor contract is scheduled to expire during the Term other than as set forth on **Schedule 5.14** hereto. In addition, to the best of Borrowers' knowledge, no strikes or walkouts or union organizations are threatened.

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5.15 **Margin Regulations.** No Borrower is engaged, nor will it engage, principally or as one of its important activities, in the business of extending credit for the purpose of "purchasing" or "carrying" any "margin stock" within the respective meanings of each of the quoted terms under Regulation U of the Board of Governors of the Federal Reserve System as now and from time to time hereafter in effect. No part of the proceeds of the Term Loan will be used for "purchasing" or "carrying" "margin stock" as defined in Regulation U of such Board of Governors.

5.16 **Investment Company Act.** No Borrower is an "investment company" registered or required to be registered under the Investment Company Act of 1940, as amended, nor is it controlled by such a company.

5.17 **Disclosure.** No representation or warranty made by any Borrower in this Agreement or in the Acquisition Agreement, or in any financial statement, report, certificate or any other document furnished in connection herewith or therewith contains any untrue statement of fact or omits to state any fact necessary to make the statements herein or therein not misleading in any material respect. There is no fact known to Borrowers or which reasonably should be known to Borrowers which Borrowers have not disclosed to Lender in writing with respect to the transactions contemplated by the Acquisition Agreement, or this Agreement which could reasonably be expected to have a Material Adverse Effect on any Borrower.

5.18 **Delivery of Acquisition Agreement.** Lender has received complete copies of the Acquisition Agreement (including all exhibits, schedules and disclosure letters referred to therein or delivered pursuant thereto, if any) and all amendments thereto, waivers relating thereto and other side letters or agreements affecting the terms thereof. None of such documents and agreements has been amended or supplemented, nor have any of the provisions thereof been waived, except pursuant to a written agreement or instrument which has heretofore been delivered to Lender.

5.19 **Swaps.** No Borrower is a party to, nor will it be a party to, any swap agreement whereby such Borrower has agreed or will agree to swap interest rates or currencies unless same provides that damages upon termination following an event of default thereunder are payable on an unlimited "two-way basis" without regard to fault on the part of either party.

5.20 **Conflicting Agreements.** No provision of any mortgage, indenture, contract, agreement, judgment, decree or order binding on any Borrower or affecting the Collateral conflicts with, or requires any Consent which has not already been obtained to, or would in any way prevent the execution, delivery or performance of, the terms of this Agreement or the Other Documents.

5.21 **Application of Certain Laws and Regulations.** No Borrower nor any Affiliate of any Borrower is subject to any statute, rule or regulation which regulates the incurrence of any Indebtedness, including without limitation, statutes or regulations relative to common or interstate carriers or to the sale of electricity, gas, steam, water, telephone, telegraph or other public utility services.

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5.22 **Business and Property of Borrowers.** Upon and after the Closing Date, Borrowers do not propose to engage in any business other than designing, manufacturing and selling fractional horsepower motors and motion products for commercial operations and activities necessary to conduct the foregoing. On the Closing Date, each Borrower will own all the property and possess all of the rights and Consents necessary for the conduct of the business of such Borrower.

5.23 **Section 20 Subsidiaries.** Borrowers do not intend to use and shall not use any portion of the proceeds of the Term Loan, directly or indirectly, to purchase during the underwriting period, or for 30 days thereafter, Ineligible Securities being underwritten by a Section 20 Subsidiary.

5.24 Anti-Terrorism Laws.

(a) General. No Borrower nor any Affiliate of any Borrower is in violation of any Anti-Terrorism Law or engages in or conspires to engage in any transaction that evades or avoids, or has the purpose of evading or avoiding, or attempts to violate, any of the prohibitions set forth in any Anti-Terrorism Law.

(b) Executive Order No. 13224. No Borrower, Affiliate of any Borrower, nor their respective agents acting or benefiting in any capacity in connection with the Term Loan or other transactions hereunder, is any of the following (each a "Blocked Person"):

- (i) a Person that is listed in the annex to, or is otherwise subject to the provisions of, the Executive Order No. 13224;
- (ii) a Person owned or controlled by, or acting for or on behalf of, any Person that is listed in the annex to, or is otherwise subject to the provisions of, the Executive Order No. 13224;
- (iii) a Person or entity with which Lender is prohibited from dealing or otherwise engaging in any transaction by any Anti-Terrorism Law;
- (iv) a Person or entity that commits, threatens or conspires to commit or supports "terrorism" as defined in the Executive Order No. 13224;
- (v) a Person or entity that is named as a "specially designated national" on the most current list published by the U.S. Treasury Department Office of Foreign Asset Control at its official website or any replacement website or other replacement official publication of such list, or
- (vi) a person or entity who is affiliated or associated with a person or entity listed above.

No Borrower nor, to the knowledge of any Borrower, any of its agents acting in any capacity in connection with the Term Loan or other transactions hereunder (i) conducts any business or engages in making or receiving any contribution of funds, goods or services to or for the benefit of any Blocked Person, or (ii) deals in, or otherwise engages in any transaction

relating to, any property or interests in property blocked pursuant to the Executive Order No. 13224.

5.25 Tax Shelter Regulations. No Borrower intends to treat the Term Loan and related transactions as being a "reportable transaction" (within the meaning of Treasury Regulation Section 1.6011-4). In the event any Borrower determines to take any action inconsistent with such intention, such Borrower will promptly (1) notify the Lender thereof, and (2) deliver to the Lender a duly completed copy of IRS Form 8886 or any successor form. If the Borrower so notifies the Lender, the Borrower acknowledges that Lender may treat the Term Loan as part of a transaction that is subject to Treasury Regulation Section 301.6112-1, and Lender, as applicable, will maintain the lists and other records required by such Treasury Regulation.

5.26 Owosso and Old Stature. If Owosso and Old Stature had made the same types of representations and warranties contained in **Sections 5.2, 5.4, and 5.6** through **5.24** with respect to their existence, business operations, financial conditions, and assets immediately prior to the Closing Date, such representations and warranties would have been accurate and complete in all respects subject to the exceptions described in **Schedule 5.26** attached hereto and provided that all references to the end of Owosso's or Old Stature's fiscal years would refer to October 31<sup>st</sup> of the applicable years.

VI. AFFIRMATIVE COVENANTS.

Each Borrower shall, until payment in full of the Obligations and termination of this Agreement:

6.1 Payment of Fees. Pay to Lender on demand all usual and customary fees and expenses which Lender incurs in connection with the establishment and maintenance of any Blocked Accounts as provided for in **Section 4.15(h)**.

6.2 Conduct of Business and Maintenance of Existence and Assets. (a) Conduct continuously and operate actively its business according to good business practices and maintain all of its properties useful or necessary in its business in good working order and condition (reasonable wear and tear excepted and except as may be disposed of in accordance with the terms of this Agreement), including, without limitation, all licenses, patents, copyrights, design rights, tradenames, trade secrets and trademarks and take all actions necessary to enforce and protect the validity of any intellectual property right or other right included in the Collateral; (b) keep in full force and effect its existence and comply in all material respects with the laws and regulations governing the conduct of its business where the failure to do so could reasonably be expected to have a Material Adverse Effect on such Borrower; and (c) make all such reports and pay all such franchise and other taxes and license fees and do all such other acts and things as may be lawfully required to maintain its rights, licenses, leases, powers and franchises under the laws of the United States or any political subdivision thereof.

6.3 Violations. Promptly notify Lender in writing of any violation of any law, statute, regulation or ordinance of any Governmental Body, or of any agency thereof, applicable to any Borrower which could reasonably be expected to have a Material Adverse Effect on any Borrower.

6.4 Government Receivables. Take all steps necessary to protect Lender's interest in the Collateral under the Federal Assignment of Claims Act or other applicable state or local statutes or ordinances and deliver to Lender appropriately endorsed, any instrument or chattel paper connected with any Receivable arising out of contracts between any Borrower and the United States, any state or any department, agency or instrumentality of any of them.

6.5 Financial Covenants. Borrowers shall observe all of the affirmative and negative financial covenants set forth in the Revolving Credit Loan Documents from time to time.

6.6 Execution of Supplemental Instruments. Execute and deliver to Lender from time to time, upon demand, such supplemental agreements, statements, assignments and transfers, or instructions or documents relating to the Collateral, and such other instruments as Lender may request, in order that the full intent of this Agreement may be carried into effect.

6.7 Payment of Indebtedness. Pay, discharge or otherwise satisfy at or before maturity (subject, where applicable, to specified grace periods and, in the case of the trade payables, to normal payment practices) all its obligations and liabilities of whatever nature, except when the failure to do so could not reasonably be expected to have a Material Adverse Effect or when the amount or validity thereof is currently being contested in good faith by appropriate proceedings and each Borrower shall have provided for such reserves as Lender may reasonably deem proper and necessary, subject at all times to any applicable subordination arrangement in favor of Lender.

6.8 Exercise of Rights. Enforce all of its rights under the Acquisition Agreement and the Indemnification Agreement executed in connection therewith including, but not limited to, all indemnification rights and pursue all remedies available to it with diligence and in good faith in connection with the enforcement of any such rights.

6.9 Anti-Terrorism Laws. The Borrowers and their respective Affiliates and agents shall not (i) conduct any business or engage in any transaction or dealing with any Blocked Person, including the making or receiving any contribution of funds, goods or services to or for the benefit of any Blocked Person, (ii) deal in, or otherwise engage in any transaction relating to, any property or interests in property blocked pursuant to the Executive Order No. 13224; or (iii) engage in or conspire to engage in any transaction that evades or avoids, or has the purpose of evading or avoiding, or attempts to violate, any of the prohibitions set forth in the Executive Order No. 13224, the USA Patriot Act or any other Anti-Terrorism Law. The Borrowers shall deliver to Lender any certification or other evidence requested from time to time by Lender in its sole discretion, confirming Borrowers compliance with this Section.

## VII. NEGATIVE COVENANTS.

No Borrower shall, until satisfaction in full of the Obligations and termination of this Agreement:

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### 7.1 Merger, Consolidation, Acquisition and Sale of Assets.

(a) Enter into any merger, consolidation or other reorganization with or into any other Person or acquire all or a substantial portion of the assets or stock of any Person or permit any other Person to consolidate with or merge with it.

(b) Sell, lease, transfer or otherwise dispose of any of its properties or assets, except in the ordinary course of its business and except as provided in **Section 4.3**.

7.2 Creation of Liens. Create or suffer to exist any Lien or transfer upon or against any of its property or assets now owned or hereafter acquired, except Permitted Encumbrances.

7.3 Guarantees. Become liable upon the obligations of any Person by assumption, endorsement or guaranty thereof or otherwise (other than to Lender) except (a) as disclosed on Schedule 7.3, and (b) the endorsement of checks in the ordinary course of business.

7.4 Investments. Purchase or acquire obligations or stock of, or any other interest in, any Person, except (a) obligations issued or guaranteed by the United States of America or any agency thereof, (b) commercial paper with maturities of not more than 180 days and a published rating of not less than A-1 or P-1 (or the equivalent rating), (c) certificates of time deposit and bankers' acceptances having maturities of not more than 180 days and repurchase agreements backed by United States government securities of a commercial bank if (i) such bank has a combined capital and surplus of at least \$500,000,000, or (ii) its debt obligations, or those of a holding company of which it is a Subsidiary, are rated not less than A (or the equivalent rating) by a nationally recognized investment rating agency, and (d) U.S. money market funds that invest solely in obligations issued or guaranteed by the United States of America or an agency thereof.

7.5 Loans. Make advances, loans or extensions of credit to any Person, including without limitation, any direct or indirect Parent, Subsidiary or Affiliate except with respect to (a) the extension of commercial trade credit in connection with the sale of Inventory in the ordinary course of its business; (b) loans to its employees in the ordinary course of business not to exceed the aggregate amount of \$100,000.00 at any time outstanding; and (c) loans by Allied Motion to its direct and indirect Subsidiaries.

7.6 Capital Expenditures. Contract for, purchase or make any expenditure or commitments for fixed or capital assets (including capitalized leases) in any fiscal year in an aggregate amount for all Borrowers in excess of \$2,000,000.00.

7.7 Dividends. Declare, pay or make any dividend or distribution on any shares of the common stock or preferred stock of any Borrower (other than dividends or distributions payable in its stock, or split-ups or reclassifications of its stock) or apply any of its funds, property or assets to the purchase, redemption or other retirement of any common or preferred stock, or of any options to purchase or acquire any such shares of common or preferred stock of any Borrower; provided that Allied Motion shall be entitled to repurchase up to \$125,000 of its employee-owned stock in the aggregate in any fiscal year.

7.8 Indebtedness. Create, incur, assume or suffer to exist any Indebtedness (exclusive of trade debt) except in respect of (a) Indebtedness to Lender and SVB; (b) Indebtedness assumed under the Acquisition Agreement; (c) Indebtedness incurred for capital expenditures

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permitted under Section 7.6 hereof; (d) Indebtedness described in Schedule 7.8 attached hereto and incorporated herein by this reference; and (e) Indebtedness in the amount of \$5,500,000.00 or less in the aggregate that is incurred by Allied Motion, is unsecured, contains reasonable payment terms, and is subject to a

written subordination agreement in form and substance and from such persons as may be acceptable to Lender in its discretion acting in good faith.

7.9 Nature of Business. Substantially change the nature of the business in which it is presently engaged, nor except as specifically permitted hereby purchase or invest, directly or indirectly, in any assets or property other than in the ordinary course of business for assets or property which are useful in, necessary for and are to be used in its business as presently conducted.

7.10 Transactions with Affiliates. Directly or indirectly, purchase, acquire or lease any property from, or sell, transfer or lease any property to, or otherwise deal with, any Affiliate, except transactions in the ordinary course of business, on an arm's-length basis on terms no less favorable than terms which would have been obtainable from a Person other than an Affiliate.

7.11 Leases. Enter as lessee into any lease arrangement for real or personal property (unless capitalized and permitted under **Section 7.6** hereof) if after giving effect thereto, aggregate annual rental payments for all leased property would exceed \$1,000,000.00 in any one fiscal year in the aggregate for all Borrowers.

7.12 Subsidiaries and Affiliates.

(a) Form any Subsidiary, parent company or sister company (besides Borrowers and unrelated shareholders of Allied Motion), permit any Subsidiary, parent company or sister company to exist (besides Borrowers, Allied Motion's Subsidiaries Emoteq UK, Ltd., Allied Motion Systems Corporation, Allied Motion Process Instrumentation Corporation, Allied Motion Industrial Automation, Inc., Allied Motion Systems, Ltd., Allied Motion UK Group, Ltd., and Motor Products-Ohio Corporation and New Stature's Subsidiaries DWZM, Inc., The Landover Company, Snowmax, Incorporated, Sooner Trailer Manufacturing Co., GBMC, Inc., Owosso Motor Group, Inc., Astro Air Acquisition Corporation, M.H. Rhodes, Inc., and unrelated shareholders of Allied Motion) or permit any Subsidiary, parent company, or sister company (besides Borrowers and unrelated shareholders of Allied Motion) to own any assets of any kind (including, but not limited to, the stock or other ownership interests of another Person).

(b) Enter into any partnership, joint venture or similar arrangement.

7.13 Fiscal Year and Accounting Changes. Change its fiscal year from December 31 for all Borrowers or make any change (i) in accounting treatment and reporting practices except as required by GAAP or (ii) in tax reporting treatment except as required by law.

7.14 Pledge of Credit. Now or hereafter pledge Lender's credit on any purchases or for any purpose whatsoever or use any portion of the proceeds of the Term Loan in or for any business other than such Borrower's business as conducted on the date of this Agreement.

7.15 Amendment of Articles of Incorporation, By-Laws. Amend, modify or waive any term or material provision of its Articles of Incorporation or By-Laws unless required by law.

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7.16 Compliance with ERISA. (i) (x) Maintain, or permit any member of the Controlled Group to maintain, or (y) become obligated to contribute, or permit any member of the Controlled Group to become obligated to contribute, to any Plan, other than those Plans disclosed on **Schedule 5.8(d)**, (ii) engage, or permit any member of the Controlled Group to engage, in any non-exempt "prohibited transaction", as that term is defined in section 406 of ERISA and Section 4975 of the Code, (iii) incur, or permit any member of the Controlled Group to incur, any "accumulated funding deficiency", as that term is defined in Section 302 of ERISA or Section 412 of the Code, (iv) terminate, or permit any member of the Controlled Group to terminate, any Plan where such event could result in any liability of any Borrower or any member of the Controlled Group or the imposition of a lien on the property of any Borrower or any member of the Controlled Group pursuant to Section 4068 of ERISA, (v) assume, or permit any member of the Controlled Group to assume, any obligation to contribute to any Multiemployer Plan not disclosed on **Schedule 5.8(d)**, (vi) incur, or permit any member of the Controlled Group to incur, any withdrawal liability to any Multiemployer Plan; (vii) fail promptly to notify Lender of the occurrence of any Termination Event, (viii) fail to comply, or permit a member of the Controlled Group to fail to comply, with the requirements of ERISA or the Code or other applicable laws in respect of any Plan, (ix) fail to meet, or permit any member of the Controlled Group to fail to meet, all minimum funding requirements under ERISA or the Code or postpone or delay or allow any member of the Controlled Group to postpone or delay any funding requirement with respect of any Plan.

7.17 Prepayment of Indebtedness. Except as permitted under Section 2.14(a) hereof and except for the early payment of accounts payable to obtain discounts from trade creditors on goods and services purchased by any Borrower in the ordinary course of business or the prepayment of rent, insurance premiums, and similar items that would not have a Material Adverse Effect on any Borrower in the ordinary course of business, at any time, directly or indirectly, prepay any Indebtedness (other than to Lender), or repurchase, redeem, retire or otherwise acquire any Indebtedness of any Borrower.

7.18 Other Agreements. Enter into any material amendment, waiver or modification of the Acquisition Agreement or any related agreements.

VIII. CONDITIONS PRECEDENT.

8.1 Conditions to Initial Advance. The agreement of Lender to make the Initial Advance on the Closing Date is subject to the satisfaction, or waiver by Lender, immediately prior to or concurrently with the making of such portion of the Term Loan, of the following conditions precedent:

(a) Good Standing Certificates. Lender shall have received good standing certificates for each Borrower dated not more than fifteen (15) days prior to the Closing Date, issued by the Secretary of State or other appropriate official of each Borrower's jurisdiction of incorporation and each jurisdiction where the conduct of each Borrower's business activities or the ownership of its properties necessitates qualification;

(b) Certificates. Lender shall have received a copy of the Articles or Certificate of Incorporation of each Borrower and all amendments thereto, certified by the

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Secretary of each Borrower or the appropriate official of its jurisdiction of incorporation together with copies of the By-Laws of each Borrower and all agreements of each Borrower's shareholders certified as accurate and complete by the Secretary of each Borrower;

(c) Corporate Proceedings of Borrowers. Lender shall have received a copy of the resolutions in form and substance reasonably satisfactory to Lender, of the Board of Directors of each Borrower authorizing (i) the execution, delivery and performance of this Agreement, the Term Loan Note, the Mortgages, any related agreements, and the Acquisition Agreement (collectively the "Documents") and (ii) the granting by each Borrower of the security interests in and liens upon the Collateral in each case certified by the Secretary or an Assistant Secretary of each Borrower as of the Closing Date; and, such certificate shall state that the resolutions thereby certified have not been amended, modified, revoked or rescinded as of the date of such certificate;

(d) Incumbency Certificates of Borrowers. Lender shall have received a certificate of the Secretary or an Assistant Secretary of each Borrower, dated the Closing Date, as to the incumbency and signature of the officers of each Borrower executing this Agreement, any certificate or other documents to be delivered by it pursuant hereto, together with evidence of the incumbency of such Secretary or Assistant Secretary;

(e) Term Loan Note. Lender shall have received the Term Loan Note duly executed and delivered by an authorized officer of each Borrower;

(f) Blocked Accounts. Lender shall have received duly executed agreements establishing the Blocked Accounts with financial institutions acceptable to Lender for the collection or servicing of the Receivables and proceeds of the Collateral; All of each Borrower's account debtors shall have received directions to make remittances to such Blocked Accounts.

(g) Mortgages. Lender shall have received the Michigan Mortgage duly executed and delivered by an authorized officer of Motor Products and the New York Mortgage duly executed and delivered by an authorized officer of JCIDA and New Stature in form and substance acceptable to Lender in its discretion;

(h) Filings, Registrations and Recordings. Each document (including, without limitation, any Uniform Commercial Code financing statement) required by this Agreement, any related agreement or under law or reasonably requested by the Lender to be filed, registered or recorded in order to create, in favor of Lender, a perfected security interest in or lien upon the Collateral shall have been properly filed, registered or recorded in each jurisdiction in which the filing, registration or recordation thereof is so required or requested, and Lender shall have received an acknowledgment copy, or other evidence satisfactory to it, of each such filing, registration or recordation and satisfactory evidence of the payment of any necessary fee, tax or expense relating thereto;

(i) UCC, Lien and Other Searches. Lender shall have all UCC, Lien and other searches confirming the perfection and first priority of its liens and security interests against the Collateral and the absence of any unauthorized liens, security interests or other encumbrances upon such assets;

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(j) Title Insurance. Lender shall have received fully paid mortgagee title insurance policies (or binding commitments to issue title insurance policies, marked to Lender's satisfaction to evidence the form of such policies to be delivered with respect to the Mortgages), in standard ALTA form, issued by a title insurance company(s) satisfactory to Lender, each in an amount equal to not less than the fair market value of the Real Property subject to the each Mortgage, insuring each Mortgage to create a valid Lien on the Real Property with no exceptions which Lender shall not have approved in writing and no survey exceptions and with such endorsements as required by Lender in its discretion;

(k) Acquisition. Lender shall have received final executed copies of the Acquisition Agreement, and all related agreements, documents and instruments as in effect on the Closing Date and the transactions contemplated by such documentation shall be consummated prior to the making of the Initial Advance.

(l) Revolving Credit Loan Documents and SVB Term Loan Documents. Lender shall have received fully executed copies of the Revolving Credit Loan Documents and SVB Term Loan Documents containing terms and conditions acceptable to Lender in its sole discretion.

(m) Intercreditor Agreement. Lender, Agent and SVB shall have entered into an Intercreditor Agreement satisfactory in form and substance to Lender;

(n) Leasehold Agreements. Lender shall have received landlord, mortgagee or warehouseman agreements satisfactory to Lender with respect to all premises leased by Borrowers at which Inventory is located or Equipment is located in form and substance acceptable to Lender in its discretion;

(o) Consents and Waivers. Lender shall have received any and all Consents necessary to permit the effectuation of the transactions contemplated by this Agreement and the Other Documents; and, Lender shall have received such Consents and waivers of such third parties as might assert claims with respect to the Collateral, as Lender and its counsel shall deem necessary;

(p) Other Documents. Lender shall have received environmental indemnification agreements duly executed by an authorized officer of each Borrower and all of the Other Documents duly executed by the relevant Persons, all in form and substance acceptable to Lender in its discretion;

(q) Legal Opinion. Lender shall have received the executed legal opinion of Jaeckle, Fleischmann & Mugel, LLP and any other legal counsel in form and substance satisfactory to Lender which shall cover such matters incident to the transactions contemplated by this Agreement, the Term Loan Note, Mortgages, Other Documents, Acquisition Agreement, and related agreements as Lender may reasonably require and each Borrower hereby authorizes and directs such counsel to deliver such opinions to Lender;

(r) No Litigation. (i) No litigation, investigation or proceeding before or by any arbitrator or Governmental Body shall be continuing or threatened against any Borrower or against the officers or directors of any Borrower (A) in connection with the Other Documents or

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any of the transactions contemplated thereby and which, in the reasonable opinion of Lender, is deemed material or (B) which could, in the reasonable opinion of Lender, have a Material Adverse Effect; and (ii) no injunction, writ, restraining order or other order of any nature materially adverse to any Borrower or the conduct of its business or inconsistent with the due consummation of the Transactions shall have been issued by any Governmental Body;

(s) Financial Condition Certificates. Lender shall have received an executed Financial Condition Certificate in the form of **Exhibit 8.1(s)**.

(t) Collateral Examination. Lender shall have completed Collateral examinations and received appraisals and Phase I environmental reports, the results of which shall be satisfactory in form and substance to Lender, of the Receivables, Inventory, General Intangibles, Real Property, Leasehold Interest and Equipment of each Borrower and all books and records in connection therewith, including, but not limited to, a field examination verification of the Equipment listed in the Old Stature appraisal performed by Great American in July 2003;

(u) Fees. Lender shall have received all fees payable to Lender pursuant to this Agreement and the Revolving Credit Agreement on or prior to the Closing Date pursuant to **Article III** hereof;

(v) Pro Forma Financial Statements. Lender shall have received a copy of the Pro Forma Financial Statements which shall be satisfactory in all respects to Lender;

(w) Financial Statements. Lender shall have received a copy of (a) the Owosso Companies' October 31, 2003 fiscal year end audited financial statements and unaudited balance sheets and statements of operations, owners' equity, and cash flows of the Owosso Companies as of January 31, 2004 and (b) Borrowers' December 31, 2003 fiscal year end audited financial statements, which statements shall be satisfactory in all respects to Lender;

(x) Insurance. Lender shall have received in form and substance satisfactory to Lender, certified copies of Borrowers' casualty insurance policies, together with loss payable endorsements on Lender's standard form of loss payee endorsement naming Lender as loss payee, and certified copies of Borrowers' liability insurance policies, together with endorsements naming Lender as an additional insured or, at Lender's option, Certificates of Insurance and endorsements from Borrowers' insurance companies in form and substance acceptable to Lender in its discretion (if Lender does not require Borrowers to provide Lender with the foregoing policies and endorsements prior to the closing date, such materials shall be delivered to Lender within thirty (30) days following the Closing Date);

(y) Environmental Reports. Lender shall have received all environmental studies and reports prepared by independent environmental engineering firms with respect to all Real Property owned by Borrowers;

(z) Payment Instructions. Lender shall have received written instructions from Borrowers directing the application of proceeds of the Initial Advance made pursuant to this Agreement;

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(aa) No Adverse Material Change. (i) since October 31, 2003, with respect to the Owosso Companies and, since December 31, 2003 with respect to Borrowers, there shall not have occurred any event, condition or state of facts which could reasonably be expected to have a Material Adverse Effect and (ii) no representations made or information supplied to Lender shall have been proven to be inaccurate or misleading in any material respect;

(bb) Contract Review. Lender shall have reviewed all material contracts of Borrowers including, without limitation, leases, union contracts, labor contracts, vendor supply contracts, license agreements and distributorship agreements and such contracts and agreements shall be satisfactory in all respects to Lender;

(cc) Regulation Compliance. Lender shall have received evidence satisfactory to Lender that each Borrower is in compliance in all material respects with all federal, state and local regulations governing or affecting such Borrower;

(dd) Background Searches. Lender shall have received background searches on Richard D. Smith, Susan M. Chiaromonte, Borrowers and the Owosso Companies, the results of which shall be satisfactory in form and substance to Lender;

(ee) Payoff Letters. Lender shall have received payoff letters from Bank One, N.A. the successor in interest to NBD Bank, N.A., for itself and as agent, JCIDA, Lender, SVB, and any other Persons deemed necessary by Lender and such payoff letters shall be satisfactory in form and substance to Lender; and

(ff) Other. All corporate and other proceedings, and all documents, instruments and other legal matters in connection with the Transactions shall be satisfactory in form and substance to Lender and its counsel.

8.2 Conditions to the Subsequent Advance. The agreement of Lender to make the Initial Advance and the Subsequent Advance is subject to the satisfaction of the following conditions precedent as of the date that each such advance is made:

(a) Representations and Warranties. Each of the representations and warranties made by any Borrower in or pursuant to this Agreement and any related agreements to which it is a party, and each of the representations and warranties contained in any certificate, document or financial or other statement furnished at any time under or in connection with this Agreement or any related agreement shall be true and correct in all material respects on and as of such date as if made on and as of such date;

(b) No Default. No Event of Default or Default shall have occurred and be continuing on such date, or would exist after giving effect to the Initial Advance or the Subsequent Advance, as applicable on such date; provided, however that Lender, in its sole discretion, may continue to make such advance notwithstanding the existence of an Event of Default or Default and that any advance so made shall not be deemed a waiver of any such Event of Default or Default; and

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Borrowers' acceptance of the Subsequent Advance shall constitute a representation and warranty by each Borrower as of the date of such advance that the conditions contained in this subsection shall have been satisfied.

IX. INFORMATION AS TO BORROWERS.

Each Borrower shall, until satisfaction in full of the Obligations and the termination of this Agreement:

9.1 Disclosure of Material Matters. Immediately upon learning thereof, report to Lender all matters materially affecting the value, enforceability or collectibility of any portion of the Collateral including, without limitation, any Borrower's reclamation or repossession of, or the return to any Borrower of, a material amount of goods or claims or disputes asserted by any Customer or other obligor.

9.2 Schedules. Deliver to Lender on or before the 15<sup>th</sup> day of each month, as and for the prior month (i) accounts receivable ageings, (ii) accounts payable schedules and (iii) Inventory reports. In addition, each Borrower will deliver to Lender at such intervals as Lender may require: (A) confirmatory assignment schedules, (B) copies of Customer's invoices, (C) evidence of shipment or delivery, and (D) such further schedules, documents and/or information regarding the Collateral as Lender may require including, without limitation, trial balances and test verifications. Lender shall have the right to confirm and verify all Receivables by any manner and through any medium it considers advisable and do whatever it may deem reasonably necessary to protect its interests hereunder (provided, that Lender shall use its best efforts to notify Borrowers of such verifications simultaneously with or within a reasonable amount of time following such verifications). The items to be provided under this Section are to be in form satisfactory to Lender and executed by each Borrower and delivered to Lender from time to time solely for Lender's convenience in maintaining records of the Collateral, and any Borrower's failure to deliver any of such items to Lender shall not affect, terminate, modify or otherwise limit Lender's Lien with respect to the Collateral.

9.3 Environmental Reports. Furnish Lender, concurrently with the delivery of any financial statements with a certificate signed by the President of each Borrower stating, to the best of his knowledge, that each Borrower is in compliance in all material respects with all federal, state and local laws relating to environmental protection and control and occupational safety and health. To the extent any Borrower is not in compliance with the foregoing laws, the certificate shall set forth with specificity all areas of non-compliance and the proposed action such Borrower will implement in order to achieve full compliance.

9.4 Litigation. Promptly notify Lender in writing of any litigation, suit or administrative proceeding affecting any Borrower, whether or not the claim is covered by insurance, and of any suit or administrative proceeding, which in any such case could reasonably be expected to have a Material Adverse Effect on any Borrower.

9.5 Material Occurrences. Promptly notify Lender in writing upon the occurrence of (a) any Event of Default or Default; (b) any event, development or circumstance whereby any financial statements or other reports furnished to Lender fail in any material respect to present

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fairly, in accordance with GAAP consistently applied, the financial condition or operating results of any Borrower as of the date of such statements; (c) any accumulated retirement plan funding deficiency which, if such deficiency continued for two plan years and was not corrected as provided in Section 4971 of the Code, could subject any Borrower to a tax imposed by Section 4971 of the Code; (d) each and every default by any Borrower which might result in the acceleration of the maturity of any Indebtedness, including the names and addresses of the holders of such Indebtedness with respect to which there is a default existing or with respect to which the maturity has been or could be accelerated, and the amount of such Indebtedness; and (f) any other development in the business or affairs of any Borrower which could reasonably be expected to have a Material Adverse Effect; in each case describing the nature thereof and the action Borrowers propose to take with respect thereto.

9.6 Government Receivables. Notify Lender immediately if any of its Receivables arise out of contracts between any Borrower and the United States, any state, or any department, agency or instrumentality of any of them.

9.7 Financial Reporting and Certification Covenants. Borrowers shall observe all of the financial reporting and certification covenants set forth in the Revolving Credit Loan Documents from time to time.

9.8 Other Reports. Furnish Lender as soon as available, but in any event within ten (10) days after the issuance thereof with copies of such financial statements, reports and returns as each Borrower shall send to its stockholders.

9.9 Additional Information. Furnish Lender with such additional information as Lender shall reasonably request in order to enable Lender to determine whether the terms, covenants, provisions and conditions of this Agreement and the Term Loan Note have been complied with by Borrowers including, without limitation and without the necessity of any request by Lender, (a) copies of all environmental audits and reviews, (b) at least thirty (30) days prior thereto, notice of any Borrower's opening of any new office or place of business or any Borrower's closing of any existing office or place of business, and (c) promptly upon any Borrower's learning thereof, notice of any labor dispute to which any Borrower may become a party, any strikes or walkouts relating to any of its plants or other facilities, and the expiration of any labor contract to which any Borrower is a party or by which any Borrower is bound.

9.10 Notice of Suits, Adverse Events. Furnish Lender with prompt notice of (i) any lapse or other termination of any Consent issued to any Borrower by any Governmental Body or any other Person that is material to the operation of any Borrower's business, (ii) any refusal by any Governmental Body or any other Person to renew or extend any such Consent; and (iii) copies of any periodic or special reports filed by any Borrower with any Governmental Body or Person, if such reports indicate any material change in the business, operations, affairs or condition of any Borrower, or if copies thereof are requested by Lender, and (iv) copies of any material notices and other communications from any Governmental Body or Person which specifically relate to any Borrower.

9.11 ERISA Notices and Requests. Furnish Lender with immediate written notice in the event that (i) any Borrower or any member of the Controlled Group knows or has reason to

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know that a Termination Event has occurred, together with a written statement describing such Termination Event and the action, if any, which such Borrower or any member of the Controlled Group has taken, is taking, or proposes to take with respect thereto and, when known, any action taken or threatened by the Internal Revenue Service, Department of Labor or PBGC with respect thereto, (ii) any Borrower or any member of the Controlled Group knows or has reason to know that a prohibited transaction (as defined in Sections 406 of ERISA and 4975 of the Code) has occurred together with a written statement describing such transaction and the action which such Borrower or any member of the Controlled Group has taken, is taking or proposes to take with respect thereto, (iii) a funding waiver request has been filed with respect to any Plan together with all communications received by any Borrower or any member of the Controlled Group with respect to such request, (iv) any increase in the benefits of any existing Plan or the establishment of any new Plan or the commencement of contributions to any Plan to which any Borrower or any member of the Controlled Group was not previously contributing shall occur, (v) any Borrower or any member of the Controlled Group shall receive from the PBGC a notice of intention to terminate a Plan or to have a trustee appointed to administer a Plan, together with copies of each such notice, (vi) any Borrower or any member of the Controlled Group shall receive any favorable or unfavorable determination letter from the Internal Revenue Service regarding the qualification of a Plan under Section 401(a) of the Code, together with copies of each such letter; (vii) any Borrower or any member of the Controlled Group shall receive a notice regarding the imposition of withdrawal liability, together with copies of each such notice; (viii) any Borrower or any member of the Controlled Group shall fail to make a required installment or any other required payment under Section 412 of the Code on or before the due date for such installment or payment; (ix) any Borrower or any member of the Controlled Group knows that (a) a Multiemployer Plan has been terminated, (b) the administrator or plan sponsor of a Multiemployer Plan intends to terminate a Multiemployer Plan, or (c) the PBGC has instituted or will institute proceedings under Section 4042 of ERISA to terminate a Multiemployer Plan.

9.12 Additional Documents. Execute and deliver to Lender, upon request, such documents and agreements as Lender may, from time to time, reasonably request to carry out the purposes, terms or conditions of this Agreement.

X. EVENTS OF DEFAULT.

The occurrence of any one or more of the following events shall constitute an "Event of Default":

10.1 failure by any Borrower to pay any principal or interest on the Obligations when due, whether at maturity or by reason of acceleration pursuant to the terms of this Agreement or by notice of intention to prepay, or by required prepayment or failure to pay any other liabilities or make any other payment, fee or charge provided for herein when due or in any Other Document;

10.2 any representation or warranty made or deemed made by any Borrower in this Agreement or any related agreement or in any certificate, document or financial or other statement furnished at any time in connection herewith or therewith shall prove to have been misleading in any material respect on the date when made or deemed to have been made;

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10.3 failure by any Borrower to (i) furnish financial information when due or when requested or (ii) permit the inspection of its books or records;

10.4 issuance of a notice of Lien, levy, assessment, injunction or attachment against a material portion of any Borrower's property;

10.5 failure or neglect of any Borrower or the JCIDA to perform, keep or observe any term, provision, condition, covenant herein contained, or contained in any other agreement or arrangement, now or hereafter entered into between any Borrower or the JDICA and Lender which: (a) is not otherwise described as a separate Event of Default in **Section 10**, of this Agreement, and (b) if curable, is not cured by the applicable Borrower or the JCIDA within fifteen (15) days' written notice of such failure or neglect from Lender (provided, that any notice and cure rights contained in this subsection shall not apply in the event that any notice and cure rights for the same Event of Default are contained elsewhere in this Agreement or any Other Document);

10.6 the occurrence of any event of default by any Borrower or any other obligor under any of the Revolving Credit Loan Documents, SVB Term Loan Documents, or any other material agreement which event of default shall not have been cured or waived within any applicable grace period;

10.7 any judgment or judgments are rendered or judgment liens filed against any Borrower for an aggregate amount in excess of \$250,000.00 which within thirty (30) days of such rendering or filing is not either satisfied, stayed or discharged of record unless such judgment or judgments are contested in good faith and such Borrower establishes cash reserves satisfactory to Lender;

10.8 any Borrower shall (i) apply for, consent to or suffer the appointment of, or the taking of possession by, a receiver, custodian, trustee, liquidator or similar fiduciary of itself or of all or a substantial part of its property, (ii) make a general assignment for the benefit of creditors, (iii) commence a voluntary case under any state or federal bankruptcy laws (as now or hereafter in effect), (iv) be adjudicated a bankrupt or insolvent, (v) file a petition seeking to take advantage of any other law providing for the relief of debtors, (vi) acquiesce to, or fail to have dismissed, within thirty (30) days, any petition filed against it in any involuntary case under such bankruptcy laws, or (vii) take any action for the purpose of effecting any of the foregoing;

10.9 any Borrower shall admit in writing its inability, or be generally unable, to pay its debts as they become due or cease operations of its present business;

10.10 any Affiliate or any Subsidiary of any Borrower, or any Guarantor, shall (i) apply for, consent to or suffer the appointment of, or the taking of possession by, a receiver, custodian, trustee, liquidator or similar fiduciary of itself or of all or a substantial part of its property, (ii) admit in writing its inability, or be generally unable, to pay its debts as they become due or cease operations of its present business, (iii) make a general assignment for the benefit of creditors, (iv) commence a voluntary case under any state or federal bankruptcy laws (as now or hereafter in effect), (v) be adjudicated a bankrupt or insolvent, (vi) file a petition seeking to take advantage of any other law providing for the relief of debtors, (vii) acquiesce to, or fail to have dismissed,

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within thirty (30) days, any petition filed against it in any involuntary case under such bankruptcy laws, or (viii) take any action for the purpose of effecting any of the foregoing;

10.11 any change in any Borrower's condition or affairs (financial or otherwise) which in Lender's opinion has a Material Adverse Effect;

10.12 any Lien created hereunder or provided for hereby or under any related agreement for any reason ceases to be or is not a valid and perfected Lien having a first priority interest except as otherwise specifically permitted under this Agreement or the Intercreditor Agreement;

10.13 a default of the obligations of any Borrower under any other agreement to which it is a party shall occur which adversely affects its condition, affairs or prospects (financial or otherwise) which default is not cured within any applicable grace period;

10.14 termination or breach of any Guaranty or Guaranty Security Agreement or similar agreement executed and delivered to Lender in connection with the Obligations of any Borrower, or if any Guarantor attempts to terminate, challenges the validity of, or its liability under, any such Guaranty or Guaranty Security Agreement or similar agreement;

10.15 any Change of Ownership or Change of Control shall occur;

10.16 any material provision of this Agreement shall, for any reason, cease to be valid and binding on any Borrower, or any Borrower shall so claim in writing to Lender;

10.17 (i) any Governmental Body shall (A) revoke, terminate, suspend or adversely modify any license, permit, patent trademark or tradename of any Borrower, or (B) commence proceedings to suspend, revoke, terminate or adversely modify any such license, permit, trademark, tradename or patent and such proceedings shall not be dismissed or discharged within sixty (60) days, or (c) schedule or conduct a hearing on the renewal of any license, permit, trademark, tradename or patent necessary for the continuation of any Borrower's business and the staff of such Governmental Body issues a report recommending the termination, revocation, suspension or material, adverse modification of such license, permit, trademark, tradename or patent; and any of the foregoing actions would reasonably be expected to have a Material Adverse Effect on any Borrower; or (ii) any agreement which is necessary or material to the operation of any Borrower's business shall be revoked or terminated and not replaced by a substitute acceptable to Lender within thirty (30) days after the date of such revocation or termination, and such revocation or termination and non-replacement would reasonably be expected to have a Material Adverse Effect on any Borrower;

10.18 any material portion of the Collateral possessing a fair market value in excess of \$50,000.00 in the aggregate shall be seized or taken by a Governmental Body, or any Borrower or the title and rights of any Borrower or any Original Owner which is the owner of any material portion of the Collateral shall have become the subject matter of litigation which might, in the opinion of Lender, upon final determination, result in impairment or loss exceeding \$50,000.00 in the aggregate of the security provided by this Agreement or the Other Documents;

10.19 the operations of any Borrower's manufacturing facility are interrupted at any time for more than five consecutive Business Days, unless such Borrower shall (i) be entitled to

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receive for such period of interruption, proceeds of business interruption insurance sufficient to assure that its per diem cash needs during such period is at least equal to its average per diem cash needs for the consecutive three month period immediately preceding the initial date of interruption and (ii) receive such proceeds in the amount described in clause (i) preceding not later than thirty (30) days following the initial date of any such interruption; provided, however, that notwithstanding the provisions of clauses (i) and (ii) of this section, an Event of Default shall be deemed to have occurred if such Borrower shall be receiving the proceeds of business interruption insurance for a period of thirty (30) consecutive days; or

10.20 an event or condition specified in **Sections 7.16 or 9.15** hereof shall occur or exist with respect to any Plan and, as a result of such event or condition, together with all other such events or conditions, any Borrower or any member of the Controlled Group shall incur, or in the opinion of Lender be reasonably likely to incur, a liability to a Plan or the PBGC (or both) which, in the reasonable judgment of Lender, would have a Material Adverse Effect on any Borrower.

#### XI. LENDER'S RIGHTS AND REMEDIES AFTER DEFAULT.

11.1 Rights and Remedies. Upon the occurrence of (i) an Event of Default pursuant to **Section 10.8** all Obligations shall be immediately due and payable and this Agreement and the obligation of Lender to make the Term Loan shall be deemed terminated; and, (ii) any of the other Events of Default and at any time thereafter (such default not having previously been cured), at the option of Lender, all Obligations shall be immediately due and payable and Lender shall have the right to terminate this Agreement and to terminate the obligation of Lender to make the Term Loan and (iii) a filing of a petition against Borrower in any involuntary case under any state or federal bankruptcy laws, the obligation of Lender to make the Term Loan hereunder shall be terminated other than as may be required by an appropriate order of the bankruptcy court having jurisdiction over any Borrower. Upon the occurrence of any Event of Default, Lender, at the option of the Lender, shall have the right to exercise any and all other rights and remedies provided for herein, under the Uniform Commercial Code and at law or equity generally, including, without limitation, the right to foreclose the security interests granted herein and to realize upon any Collateral by any available judicial procedure and/or to take possession of and sell any or all of the Collateral with or without judicial process. Lender may enter any of any Borrower's premises or other premises without legal process and without incurring liability to any Borrower therefor, and Lender may thereupon, or at any time thereafter, in its discretion without notice or demand, take the Collateral and remove the same to such place as Lender may deem advisable and Lender may require Borrowers to make the Collateral available to Lender at a convenient place. With or without having the Collateral at the time or place of sale, Lender may sell the Collateral, or any part thereof, at public or private sale, at any time or place, in one or more sales, at such price or prices, and upon such terms, either for cash, credit or future delivery, as Lender may elect. Except as to that part of the Collateral which is perishable or threatens to decline speedily in value or is of a type customarily sold on a recognized market, Lender shall give Borrowers reasonable notification of such sale or sales, it being agreed that in all events written notice mailed to Borrowers at least five (5) days prior to such sale or sales is reasonable notification. At any public sale Lender may bid for and become the purchaser, and Lender or any other purchaser at any such sale thereafter shall hold the Collateral sold absolutely free from any claim or right of whatsoever kind, including any equity

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of redemption and such right and equity are hereby expressly waived and released by each Borrower. In connection with the exercise of the foregoing remedies, Lender is granted permission to use all of each Borrower's trademarks, trade styles, trade names, patents, patent applications, licenses, franchises and other proprietary rights which are used in connection with (a) Inventory for the purpose of disposing of such Inventory and (b) Equipment for the purpose of completing the manufacture of unfinished goods. The proceeds realized from the sale of any Collateral shall be applied as follows: first, to the reasonable costs, expenses and attorneys' fees and expenses incurred by Lender for collection and for acquisition, completion, protection, removal, storage, sale and delivery of the Collateral; second, to interest due upon any of the Obligations and any fees payable under this Agreement; and, third, to the principal of the Obligations. If any deficiency shall arise, Borrowers shall remain liable to Lender therefor.

11.2 Lender's Discretion. Lender shall have the right in its sole discretion to determine which rights, Liens, security interests or remedies Lender may at any time pursue, relinquish, subordinate, or modify or to take any other action with respect thereto and such determination will not in any way modify or affect any of Lender's rights hereunder.

11.3 Setoff. In addition to any other rights which Lender may have under applicable law, upon the occurrence of an Event of Default hereunder, Lender shall have a right to apply any Borrower's property held by Lender to reduce the Obligations.

11.4 Rights and Remedies not Exclusive. The enumeration of the foregoing rights and remedies is not intended to be exhaustive and the exercise of any right or remedy shall not preclude the exercise of any other right or remedies provided for herein or otherwise provided by law, all of which shall be cumulative and not alternative.

11.5 Allocation of Payments After Event of Default. Notwithstanding any other provisions of this Agreement to the contrary, after the occurrence and during the continuance of an Event of Default, all amounts collected or received by the Lender on account of the Obligations or any other amounts outstanding under any of the Other Documents or in respect of the Collateral may, at Lender's discretion, be paid over or delivered as follows:

FIRST, to the payment of all reasonable out-of-pocket costs and expenses (including without limitation, reasonable attorneys' fees) owing to Lender and any protective advances made by Lender with respect to the Collateral under or pursuant to the terms of this Agreement;

SECOND, to the payment of any fees payable to Lender;

THIRD, to the payment of all of the Obligations consisting of accrued interest;

FOURTH, to the payment of the outstanding principal amount of the Obligations;

FIFTH, to all other Obligations and other obligations which shall have become due and payable under the Other Documents or otherwise and not repaid pursuant to clauses "FIRST" through "FOURTH" above;

SIXTH, to the payment of the surplus, if any, to whoever may be lawfully entitled to receive such surplus.

In carrying out the foregoing, amounts received shall be applied in the numerical order provided until exhausted prior to application to the next succeeding category.

## XII. WAIVERS AND JUDICIAL PROCEEDINGS.

12.1 Waiver of Notice. Each Borrower hereby waives notice of non-payment of any of the Receivables, demand, presentment, protest and notice thereof with respect to any and all instruments, notice of acceptance hereof, notice of loans or advances made, credit extended, Collateral received or delivered, or any other action taken in reliance hereon, and all other demands and notices of any description, except such as are expressly provided for herein.

12.2 Delay. No delay or omission on Lender's part in exercising any right, remedy or option shall operate as a waiver of such or any other right, remedy or option or of any default.

12.3 Jury Waiver. **EACH PARTY TO THIS AGREEMENT HEREBY EXPRESSLY WAIVES ANY RIGHT TO TRIAL BY JURY OF ANY CLAIM, DEMAND, ACTION OR CAUSE OF ACTION (A) ARISING UNDER THIS AGREEMENT OR ANY OTHER INSTRUMENT, DOCUMENT OR AGREEMENT EXECUTED OR DELIVERED IN CONNECTION HERewith, OR (B) IN ANY WAY CONNECTED WITH OR RELATED OR INCIDENTAL TO THE DEALINGS OF THE PARTIES HERETO OR ANY OF THEM WITH RESPECT TO THIS AGREEMENT OR ANY OTHER INSTRUMENT, DOCUMENT OR AGREEMENT EXECUTED OR DELIVERED IN CONNECTION HERewith, OR THE TRANSACTIONS RELATED HERETO OR THERETO IN EACH CASE WHETHER NOW EXISTING OR HEREAFTER ARISING, AND WHETHER SOUNDING IN CONTRACT OR TORT OR OTHERWISE AND EACH PARTY HEREBY CONSENTS THAT ANY SUCH CLAIM, DEMAND, ACTION OR CAUSE OF ACTION SHALL BE DECIDED BY COURT TRIAL WITHOUT A JURY, AND THAT ANY PARTY TO THIS AGREEMENT MAY FILE AN ORIGINAL COUNTERPART OR A COPY OF THIS SECTION WITH ANY COURT AS WRITTEN EVIDENCE OF THE CONSENTS OF THE PARTIES HERETO TO THE WAIVER OF THEIR RIGHT TO TRIAL BY JURY.**

## XIII. EFFECTIVE DATE AND TERMINATION.

13.1 Term. This Agreement, which shall inure to the benefit of and shall be binding upon the respective successors and permitted assigns of each Borrower and Lender, shall become effective on the date hereof and shall continue in full force and effect until May 7, 2007 (the "Term") unless sooner terminated as herein provided. Borrowers may terminate this Agreement at any time upon ninety (90) days' prior written notice upon payment in full of the Obligations. In the event the Obligations are prepaid in full prior to the last day of the Term or if this Agreement is terminated pursuant to **Article XI** of this Agreement (the date of such prepayment or termination hereinafter referred to as the "Early Termination Date"), Borrowers shall pay to Lender an early termination fee in an amount equal to (x) three percent (3%) of the outstanding principal balance of the Term Loan as of the Early Termination Date if the

on or after the first anniversary of the Closing Date to and including the date immediately preceding the third anniversary of the Closing Date. Borrowers shall not be required to pay an additional loan fee for any extension to the Term Note or an additional early termination fee during such extension so long as the terms and conditions of such extension are not materially different than the terms and conditions set forth in this Agreement.

13.2 Termination. The termination of the Agreement shall not affect any of Borrower's or Lender's rights, or any of the Obligations having their inception prior to the effective date of such termination, and the provisions hereof shall continue to be fully operative until all transactions entered into, rights or interests created or Obligations have been fully disposed of, concluded or liquidated. The security interests, Liens and rights granted to Lender hereunder and the financing statements filed hereunder shall continue in full force and effect, notwithstanding the termination of this Agreement until all of the Obligations of each Borrower have been paid or performed in full after the termination of this Agreement or each Borrower has furnished Lender with an indemnification satisfactory to Lender with respect thereto. Accordingly, each Borrower waives any rights which it may have under the Uniform Commercial Code to demand the filing of termination statements with respect to the Collateral, and Lender shall not be required to send such termination statements to each Borrower, or to file them with any filing office, unless and until this Agreement shall have been terminated in accordance with its terms and all Obligations paid in full in immediately available funds. All representations, warranties, covenants, waivers and agreements contained herein shall survive termination hereof until all Obligations are paid or performed in full.

XIV. [RESERVED.]

XV. BORROWING AGENCY.

15.1 Borrowing Agency Provisions.

(a) Each Borrower hereby irrevocably designates Borrowing Agent to be its attorney and agent and in such capacity to borrow, sign and endorse notes, and execute and deliver all instruments, documents, writings and further assurances now or hereafter required hereunder, on behalf of such Borrower or Borrowers, and hereby authorizes Lender to pay over or credit all loan proceeds hereunder in accordance with the request of Borrowing Agent.

(b) The handling of this credit facility as a co-borrowing facility with a borrowing agent in the manner set forth in this Agreement is solely as an accommodation to Borrowers and at their request. Lender shall not incur liability to Borrowers as a result thereof. To induce Lender to do so and in consideration thereof, each Borrower hereby indemnifies Lender and holds Lender harmless from and against any and all liabilities, expenses, losses, damages and claims of damage or injury asserted against Lender by any Person arising from or incurred by reason of the handling of the financing arrangements of Borrowers as provided herein, reliance by Lender on any request or instruction from Borrowing Agent or any other action taken by Lender with respect to this **Section 15.1** except due to willful misconduct or gross (not mere) negligence by the indemnified party.

(c) All Obligations shall be joint and several, and each Borrower shall make payment upon the maturity of the Obligations by acceleration or otherwise, and such obligation and liability on the part of each Borrower shall in no way be affected by any extensions, renewals and forbearance granted to Lender to any Borrower, failure of Lender to give any Borrower notice of borrowing or any other notice, any failure of Lender to pursue or preserve its rights against any Borrower, the release by Lender of any Collateral now or thereafter acquired from any Borrower, and such agreement by each Borrower to pay upon any notice issued pursuant thereto is unconditional and unaffected by prior recourse by Lender to the other Borrowers or any Collateral for such Borrower's Obligations or the lack thereof. Each Borrower waives all suretyship defenses.

15.2 Waiver of Subrogation. Each Borrower expressly waives any and all rights of subrogation, reimbursement, indemnity, exoneration, contribution of any other claim which such Borrower may now or hereafter have against the other Borrowers or other Person directly or contingently liable for the Obligations hereunder, or against or with respect to the other Borrowers' property (including, without limitation, any property which is Collateral for the Obligations), arising from the existence or performance of this Agreement, until termination of this Agreement and repayment in full of the Obligations.

XVI. MISCELLANEOUS.

16.1 Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of Colorado applied to contracts to be performed wholly within the State of Colorado. Any judicial proceeding brought by or against any Borrower with respect to any of the Obligations, this Agreement or any related agreement may be brought in any court of competent jurisdiction in the State of Colorado, United States of America, and, by execution and delivery of this Agreement, each Borrower accepts for itself and in connection with its properties, generally and unconditionally, the non-exclusive jurisdiction of the aforesaid courts, and irrevocably agrees to be bound by any judgment rendered thereby in connection with this Agreement. Each Borrower hereby waives personal service of any and all process upon it and consents that all such service of process may be made by registered mail (return receipt requested) directed to Borrowing Agent at its address set forth in **Section 16.6** and service so made shall be deemed completed five (5) days after the same shall have been so deposited in the mails of the United States of America, or, at the Lender's option, by service upon Borrowing Agent which each Borrower irrevocably appoints as such Borrower's Lender for the purpose of accepting service within the State of Colorado. Nothing herein shall affect the right to serve process in any manner permitted by law or shall limit the right of Lender to bring proceedings against any Borrower in the courts of any other jurisdiction. Each Borrower waives any objection to jurisdiction and venue of any action instituted hereunder and shall not assert any defense based on lack of jurisdiction or venue or based upon forum non conveniens. Any judicial proceeding by any Borrower against Lender involving, directly or indirectly, any matter or claim in any way arising out of, related to or connected with this Agreement or any related agreement, shall be brought only in a federal or state court located in the City and County of Denver, State of Colorado.

16.2 Entire Understanding. This Agreement and the documents executed concurrently herewith contain the entire understanding between each Borrower and Lender and supersedes all

prior agreements and understandings, if any, relating to the subject matter hereof. Any promises, representations, warranties or guarantees not herein contained and hereinafter made shall have no force and effect unless in writing, signed by each Borrower's, Lender's respective officers. Neither this Agreement nor any portion or provisions hereof may be changed, modified, amended, waived, supplemented, discharged, cancelled or terminated orally or by any course of dealing, or in any manner other than by an agreement in writing, signed by the party to be charged. Each Borrower acknowledges that it has been advised by counsel in connection with the execution of this Agreement and Other Documents and is not relying upon oral representations or statements inconsistent with the terms and provisions of this Agreement.

16.3 Successors and Assigns; Participations; New Lenders.

(a) This Agreement shall be binding upon and inure to the benefit of Borrowers, Lender, all future holders of the Obligations and their respective successors and assigns, except that no Borrower may assign or transfer any of its rights or obligations under this Agreement without the prior written consent of Lender.

(b) Each Borrower acknowledges that in the regular course of commercial banking business Lender may at any time and from time to time sell participating interests in the Term Loan to other financial institutions (each such transferee or purchaser of a participating interest, a "Transferee"). Each Transferee may exercise all rights of payment (including without limitation rights of set-off) with respect to the portion of the Term Loan held by it or other Obligations payable hereunder as fully as if such Transferee were the direct holder thereof provided that Borrowers shall not be required to pay to any Transferee more than the amount which it would have been required to pay to Lender which granted an interest in the Term Loan or other Obligations payable hereunder to such Transferee had Lender retained such interest in the Term Loan hereunder or other Obligations payable hereunder and in no event shall Borrowers be required to pay any such amount arising from the same circumstances and with respect to the same Advances or other Obligations payable hereunder to both Lender and such Transferee. Each Borrower hereby grants to any Transferee a continuing security interest in any deposits, moneys or other property actually or constructively held by such Transferee as security for the Transferee's interest in the Advances.

(c) Lender may sell, assign or transfer all or any part of its rights under this Agreement and the Other Documents to one or more additional banks or financial institutions (each a "Purchasing Lender") pursuant to a Commitment Transfer Supplement, executed by a Purchasing Lender and Lender and delivered to Lender for recording. Upon such execution, delivery, acceptance and recording, from and after the transfer effective date determined pursuant to such Commitment Transfer Supplement, (i) Purchasing Lender thereunder shall be a party hereto and, to the extent provided in such Commitment Transfer Supplement, have the rights and obligations of Lender thereunder with a Commitment Percentage as set forth therein, and (ii) Lender shall, to the extent provided in such Commitment Transfer Supplement, be released from its obligations under this Agreement, the Commitment Transfer Supplement creating a novation for that purpose. Such Commitment Transfer Supplement shall be deemed to amend this Agreement to the extent, and only to the extent, necessary to reflect the addition of such Purchasing Lender's rights and obligations under this Agreement and the Other Documents. Borrowers hereby consent to the addition of any such Purchasing Lender. Borrowers shall

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execute and deliver such further documents and do such further acts and things in order to effectuate the foregoing.

(d) Lender shall maintain at its address a copy of each Commitment Transfer Supplement delivered to it and a register (the "Register") for the recordation of the names and addresses of the Term Loan owing to Lender and each Purchasing Lender from time to time. The entries in the Register shall be conclusive, in the absence of manifest error, and Borrowers and Lender may treat each Person whose name is recorded in the Register as the owner of the Advance recorded therein for the purposes of this Agreement. The Register shall be available for inspection by Borrowers at any reasonable time and from time to time upon reasonable prior notice.

(e) Each Borrower authorizes Lender to disclose to any Transferee or Purchasing Lender and any prospective Transferee or Purchasing Lender any and all financial information in Lender's possession concerning such Borrower which has been delivered to Lender by or on behalf of such Borrower pursuant to this Agreement or in connection with Lender's credit evaluation of such Borrower.

16.4 Application of Payments. Lender shall have the continuing and exclusive right to apply or reverse and re-apply any payment and any and all proceeds of Collateral to any portion of the Obligations. To the extent that any Borrower makes a payment or Lender receives any payment or proceeds of the Collateral for any Borrower's benefit, which are subsequently invalidated, declared to be fraudulent or preferential, set aside or required to be repaid to a trustee, debtor in possession, receiver, custodian or any other party under any bankruptcy law, common law or equitable cause, then, to such extent, the Obligations or part thereof intended to be satisfied shall be revived and continue as if such payment or proceeds had not been received by Lender.

16.5 Indemnity. Each Borrower shall indemnify Lender and its respective officers, directors, Affiliates, employees and agents from and against any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses and disbursements of any kind or nature whatsoever (including, without limitation, fees and disbursements of counsel) which may be imposed on, incurred by, or asserted against Lender in any litigation, proceeding or investigation instituted or conducted by any governmental agency or instrumentality or any other Person with respect to any aspect of, or any transaction contemplated by, or referred to in, or any matter related to, this Agreement or the Other Documents, whether or not Lender is a party thereto, except to the extent that any of the foregoing arises out of the willful misconduct of the party being indemnified.

16.6 Notice. Any notice or request hereunder may be given to Borrowing Agent or any Borrower or to Lender at their respective addresses set forth below or at such other address as may hereafter be specified in a notice designated as a notice of change of address under this Section. Any notice, request, demand, direction or other communication (for purposes of this **Section 16.6** only, a "Notice") to be given to or made upon any party hereto under any provision of this Loan Agreement shall be given or made by telephone or in writing (which includes by means of electronic transmission (i.e., "e-mail") or facsimile transmission or by setting forth such Notice on a site on the World Wide Web (a "Website Posting") if Notice of such Website

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Posting (including the information necessary to access such site) has previously been delivered to the applicable parties hereto by another means set forth in this **Section 16.6**) in accordance with this **Section 16.6**. Any such Notice must be delivered to the applicable parties hereto at the addresses and numbers set forth under their respective names on **Section 16.6** hereof or in accordance with any subsequent unrevoked Notice from any such party that is given in accordance with this **Section 16.6**. Any Notice shall be effective:

(a) In the case of hand-delivery, when delivered;

(b) If given by mail, four days after such Notice is deposited with the United States Postal Service, with first-class postage prepaid, return receipt requested;

(c) In the case of a telephonic Notice, when a party is contacted by telephone, if delivery of such telephonic Notice is confirmed no later than the next Business Day by hand delivery, a facsimile or electronic transmission, a Website Posting or an overnight courier delivery of a confirmatory Notice (received at or before noon on such next Business Day)

(d) In the case of a facsimile transmission, when sent to the applicable party's facsimile machine's telephone number, if the party sending such Notice receives confirmation of the delivery thereof from its own facsimile machine;

(e) In the case of electronic transmission, when actually received;

(f) In the case of a Website Posting, upon delivery of a Notice of such posting (including the information necessary to access such site) by another means set forth in this **Section 16.6**; and

(g) If given by any other means (including by overnight courier), when actually received.

(A) If to Lender at: PNC Bank, National Association  
2121 San Jacinto  
Suite 1850  
Dallas, Texas 75201  
Attention: John Wattinger  
Telephone: (214) 871-7000  
Telecopier: (214) 871-2015

with a copy to: PNC Bank, National Association  
c/o PNC Agency Services  
Two Tower Center Blvd,  
8th Floor  
East Brunswick, NJ 08816  
Attention: Josephine Griffin  
Telephone: 732-220-4388  
Telecopier: 732-220-4393

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with a copy to: Block Markus & Williams, LLC  
1700 Lincoln Avenue, Suite 4000  
Denver, Colorado 80203  
Attention: Keith Block, Esq.  
Telephone: (303) 830-0800  
Facsimile: (303) 830-0809

(B) If to a Lender other than Lender, as specified on the signature pages hereof.

(C) If to Borrowing Agent  
or any Borrower, at: Allied Motion Technologies Inc.  
23 Inverness Way East, Suite 150  
Englewood, Colorado 80112  
Attention: Richard D. Smith  
Telephone: (303) 799-8520 ext. 27  
Telecopier: (303) 799-8521

16.7 **Survival.** The obligations of Borrowers under **Sections 3.7, 3.8, 4.19(h), 14.7 and 16.5** shall survive termination of this Agreement and the Other Documents and payment in full of the Obligations.

16.8 **Severability.** If any part of this Agreement is contrary to, prohibited by, or deemed invalid under applicable laws or regulations, such provision shall be inapplicable and deemed omitted to the extent so contrary, prohibited or invalid, but the remainder hereof shall not be invalidated thereby and shall be given effect so far as possible.

16.9 **Expenses.** All costs and expenses including, without limitation, reasonable attorneys' fees (including the allocated costs of in house counsel) and disbursements incurred by Lender (a) in all efforts made to enforce payment of any Obligation or effect collection of any Collateral, or (b) in connection with the entering into, modification, amendment, administration and enforcement of this Agreement or any consents or waivers hereunder and all related agreements, documents and instruments, or (c) in instituting, maintaining, preserving, enforcing and foreclosing on Lender's security interest in or Lien on any of the Collateral, whether through judicial proceedings or otherwise, or (d) in defending or prosecuting any actions or proceedings arising out of or relating to Lender's transactions with any Borrower, or (e) in connection with any advice given to Lender with respect to its rights and obligations under

this Agreement and all related agreements shall be immediately payable by Borrowers and, if not promptly paid, shall accrue interest at the Default Rate. All of the foregoing Obligations shall be secured by the Collateral.

16.10 Injunctive Relief. Each Borrower recognizes that, in the event any Borrower fails to perform, observe or discharge any of its obligations or liabilities under this Agreement, any remedy at law may prove to be inadequate relief to Lenders therefore, Lender, if Lender so requests, shall be entitled to temporary and permanent injunctive relief in any such case without the necessity of proving that actual damages are not an adequate remedy.

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16.11 Consequential Damages. Neither Lender, nor any agent or attorney for Lender shall be liable to any Borrower for consequential damages arising from any breach of contract, tort or other wrong relating to the establishment, administration or collection of the Obligations.

16.12 Captions. The captions at various places in this Agreement are intended for convenience only and do not constitute and shall not be interpreted as part of this Agreement.

16.13 Counterparts; Telecopied Signatures. This Agreement may be executed in any number of and by different parties hereto on separate counterparts, all of which, when so executed, shall be deemed an original, but all such counterparts shall constitute one and the same agreement. Any signature delivered by a party by facsimile transmission shall be deemed to be an original signature hereto.

16.14 Construction. The parties acknowledge that each party and its counsel have reviewed this Agreement and that the normal rule of construction to the effect that any ambiguities are to be resolved against the drafting party shall not be employed in the interpretation of this Agreement or any amendments, schedules or exhibits thereto.

16.15 Confidentiality; Sharing Information. (a) Lender and each Transferee shall hold all non-public information obtained by Lender, or such Transferee pursuant to the requirements of this Agreement in accordance with Lender's, and such Transferee's customary procedures for handling confidential information of this nature; provided, however, Lender and each Transferee may disclose such confidential information (a) to its examiners, affiliates, outside auditors, counsel and other professional advisors, (b) to Lender or to any prospective Transferees and Purchasing Lenders, and (c) as required or requested by any Governmental Body or representative thereof or pursuant to legal process; provided, further that (i) unless specifically prohibited by applicable law or court order, Lender and each Transferee shall use its best efforts prior to disclosure thereof, to notify the applicable Borrower of the applicable request for disclosure of such non-public information (A) by a Governmental Body or representative thereof (other than any such request in connection with an examination of the financial condition of a Lender or a Transferee by such Governmental Body) or (B) pursuant to legal process and (ii) in no event shall Lender or any Transferee be obligated to return any materials furnished by any Borrower other than those documents and instruments in possession of Lender in order to perfect its Lien on the Collateral once the Obligations have been paid in full and this Agreement has been terminated. Notwithstanding anything herein to the contrary, Lender and any Transferee may disclose without limitation of any kind, any information with respect to the "tax treatment" and "tax structure" (in each case, within the meaning of Treasury Regulation Section 1.6011-4) of the transactions contemplated hereby and all materials of any kind (including opinions or other tax analyses) that are provided to the Lender or Transferee relating to such tax treatment and tax structure; provided that with respect to any document or similar item that in either case contains information concerning the tax treatment or tax structure of the transaction as well as other information, this sentence shall only apply to such portions of the document or similar item that relate to the tax treatment or tax structure of the Term Loan and transactions contemplated hereby.

(b) Each Borrower acknowledges that from time to time financial advisory, investment banking and other services may be offered or provided to such Borrower or one or

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more of its Affiliates (in connection with this Agreement or otherwise) by Lender or by one or more Subsidiaries or Affiliates of Lender and each Borrower hereby authorizes Lender to share any information delivered to Lender by such Borrower and its Subsidiaries pursuant to this Agreement, or in connection with the decision of Lender to enter into this Agreement, to any such Subsidiary or Affiliate of Lender, it being understood that any such Subsidiary or Affiliate of Lender receiving such information shall be bound by the provision of **Section 16.15** as if it were Lender hereunder. Such authorization shall survive the repayment of the other Obligations and the termination of the Loan Agreement.

16.16 Publicity. Each Borrower hereby authorizes Lender to make appropriate announcements of the financial arrangement entered into among Borrowers and Lender, including, without limitation, announcements which are commonly known as tombstones, in such publications and to such selected parties as Lender shall in its sole and absolute discretion deem appropriate.

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Each of the parties has signed this Agreement as of the day and year first above written.

ATTEST

ALLIED MOTION TECHNOLOGIES INC.

/s/ Susan M. Chiaromonte

[SEAL]

By: /s/ Richard D. Smith

Name: Richard D. Smith

Title: Chief Executive Officer

Address: 23 Inverness Way East, Suite 150  
Englewood, Colorado 80112

ATTEST

MOTOR PRODUCTS CORPORATION

/s/ Susan M. Chiarmonite  
[SEAL]

By: /s/ Richard D. Smith  
Name: Richard D. Smith  
Title: Vice President

Address: 23 Inverness Way East, Suite 150  
Englewood, Colorado 80112

ATTEST

ALLIED MOTION CONTROL CORPORATION

/s/ Susan M. Chiarmonite  
[SEAL]

By: /s/ Richard D. Smith  
Name: Richard D. Smith  
Title: President

Address: 23 Inverness Way East, Suite 150  
Englewood, Colorado 80112

ATTEST

EMOTEQ CORORATION

/s/ Susan M. Chiarmonite  
[SEAL]

By: /s/ Richard D. Smith  
Name: Richard D. Smith  
Title: President

Address: 23 Inverness Way East, Suite 150  
Englewood, Colorado 80112

ATTEST

COMPUTER OPTICAL PRODUCTS, INC.

/s/ Susan M. Chiarmonite  
[SEAL]

By: /s/ Richard D. Smith  
Name: Richard D. Smith  
Title: President

Address: 23 Inverness Way East, Suite 150  
Englewood, Colorado 80112

ATTEST

AMOT I, INC.

/s/ Susan M. Chiarmonite  
[SEAL]

By: /s/ Richard D. Smith  
Name: Richard D. Smith  
Title: President

Address: 23 Inverness Way East, Suite 150  
Englewood, Colorado 80112

ATTEST

AMOT II, INC.

/s/ Susan M. Chiarmonite  
[SEAL]

By: /s/ Richard D. Smith  
Name: Richard D. Smith  
Title: President

Address: 23 Inverness Way East, Suite 150  
Englewood, Colorado 80112

ATTEST

AMOT III, INC.

/s/ Susan M. Chiarmonite

By: /s/ Richard D. Smith  
Name: Richard D. Smith

[SEAL]

Title: President

Address: 23 Inverness Way East, Suite 150  
Englewood, Colorado 80112

ATTEST

STATURE ELECTRIC, INC. f/k/a AMOT, Inc.

/s/ Susan M. Chiarmonte

[SEAL]

By: /s/ Richard D. Smith

Name: Richard D. Smith

Title: President

Address: 23 Inverness Way East, Suite 150  
Englewood, Colorado 80112

ATTEST

AHAB INVESTMENT COMPANY

/s/ Susan M. Chiarmonte

[SEAL]

By: /s/ Richard D. Smith

Name: Richard D. Smith

Title: President

Address: 23 Inverness Way East, Suite 150  
Englewood, Colorado 80112

PNC BANK, NATIONAL ASSOCIATION, as  
Lender

By: /s/ A.M. Conneen

Name: A.M. Conneen

Title: V.P.

Address: Two Tower Center Boulevard  
East Brunswick, New Jersey 08816

STATE OF COLORADO )  
 ) ss.  
CITY AND COUNTY OF DENVER )

The foregoing instrument was subscribed, sworn to, and acknowledged before me this 6th day of May, 2004, by Richard D. Smith, as the Chief Executive Officer of Allied Motion Technologies Inc., a Colorado corporation, on behalf of the corporation.

/s/ Andres Gonzales  
Notary Public

STATE OF COLORADO )  
 ) ss.  
CITY AND COUNTY OF DENVER )

The foregoing instrument was subscribed, sworn to, and acknowledged before me this 6th day of May, 2004, by Richard D. Smith as the Vice President of Motor Products Corporation, a Delaware corporation, on behalf of the corporation.

/s/ Andres Gonzales  
Notary Public

STATE OF COLORADO )  
 ) ss.  
CITY AND COUNTY OF DENVER )

The foregoing instrument was subscribed, sworn to, and acknowledged before me this 6th day of May, 2004, by Richard D. Smith as the President of Allied Motion Control Corporation, a Colorado corporation, on behalf of the corporation.

STATE OF COLORADO )  
 ) ss.  
CITY AND COUNTY OF DENVER )

The foregoing instrument was subscribed, sworn to, and acknowledged before me this 6th day of May, 2004, by Richard D. Smith as the President of Emoteq Corporation, a Colorado corporation, on behalf of the corporation.

/s/ Andres Gonzales  
Notary Public

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STATE OF COLORADO )  
 ) ss.  
CITY AND COUNTY OF DENVER )

The foregoing instrument was subscribed, sworn to, and acknowledged before me this 6th day of May, 2004, by Richard D. Smith as the President of Computer Optical Products, Inc., a Colorado corporation, on behalf of the corporation.

/s/ Andres Gonzales  
Notary Public

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STATE OF COLORADO )  
 ) ss.  
CITY AND COUNTY OF DENVER )

The foregoing instrument was subscribed, sworn to, and acknowledged before me this 6th day of May, 2004, by Richard D. Smith as the President of AMOT I, Inc., a Delaware corporation, on behalf of the corporation.

/s/ Andres Gonzales  
Notary Public

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STATE OF COLORADO )  
 ) ss.  
CITY AND COUNTY OF DENVER )

The foregoing instrument was subscribed, sworn to, and acknowledged before me this 6th day of May, 2004, by Richard D. Smith as the President of AMOT II, INC., a Delaware corporation, on behalf of the corporation.

/s/ Andres Gonzales  
Notary Public

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STATE OF COLORADO )  
 ) ss.  
CITY AND COUNTY OF DENVER )

The foregoing instrument was subscribed, sworn to, and acknowledged before me this 6th day of May, 2004, by Richard D. Smith as the President of AMOT III, INC., a Delaware corporation, on behalf of the corporation.

/s/ Andres Gonzales  
Notary Public

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STATE OF COLORADO )  
 ) ss.  
CITY AND COUNTY OF DENVER )

The foregoing instrument was subscribed, sworn to, and acknowledged before me this 6th day of May, 2004, by Richard D. Smith as the President of Stature Electric, Inc. f/k/a AMOT, Inc., a Pennsylvania corporation, on behalf of the corporation.

/s/ Andres Gonzales  
Notary Public

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STATE OF COLORADO )  
 ) ss.  
CITY AND COUNTY OF DENVER )

The foregoing instrument was subscribed, sworn to, and acknowledged before me this 6th day of May, 2004, by Richard D. Smith as the President of Ahab Investment Company, a Delaware corporation, on behalf of the corporation.

/s/ Andres Gonzales  
Notary Public

STATE OF COLORADO )  
 ) ss.  
CITY AND COUNTY OF DENVER )

The foregoing instrument was subscribed, sworn to, and acknowledged before me this 7th day of May, 2004, by Andrew M. Conneen, Jr. as the Vice President of PNC Bank, National Association, a national banking association, on behalf of the bank.

/s/ Andres Gonzales  
Notary Public

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### LIST OF EXHIBITS AND SCHEDULES

#### Exhibits

Exhibit 2.1(a)	Term Loan Note
Exhibit 5.5(b)	Financial Projections
Exhibit 8.1(s)	Financial Condition Certificate
Exhibit 16.3	Commitment Transfer Supplement

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**TERM LOAN AND SECURITY AGREEMENT**  
**ALLIED MOTION TECHNOLOGIES INC.**  
**MOTOR PRODUCTS CORPORATION**  
**ALLIED MOTION CONTROL CORPORATION**  
**EMOTEQ CORPORATION**  
**COMPUTER OPTICAL PRODUCTS, INC.**  
**AMOT I, INC.**  
**AMOT II, INC.**  
**AMOT III, INC.**  
**STATURE ELECTRIC, INC. f/k/a AMOT, Inc.**  
**AHAB INVESTMENT COMPANY**

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This **TERM LOAN AND SECURITY AGREEMENT** (the "Agreement") dated May 7, 2004, but effective as of the Effective Date, among SILICON VALLEY BANK, a California chartered bank with its principal place of business at 3003 Tasman Drive, Santa Clara, California 95054 and with a loan production office at 4410 Arapahoe Avenue, Suite 200, Boulder, CO 80303 ("Bank") and ALLIED MOTION TECHNOLOGIES INC., a Colorado corporation ("Allied Motion") with its principal place of business at 23 Inverness Way East, Suite 150, Englewood, Colorado 80112, MOTOR PRODUCTS CORPORATION, a Delaware corporation ("Motor Products") with its principal place of business at 201 S. Delaney Road, Owosso, Michigan 48867, ALLIED MOTION CONTROL CORPORATION, a Colorado Corporation ("Allied Motion Control") with its principal place of business at 23 Inverness Way East, Suite 150, Englewood, Colorado 80112, EMOTEQ CORPORATION, a Colorado corporation ("Emoteq") with its principal place of business at 10002 – B East 43rd Street, Tulsa, Oklahoma 74146, COMPUTER OPTICAL PRODUCTS, INC., a Colorado corporation ("Computer Optical") with its principal place of business at 9174 Deering Avenue, Chatsworth, California 91311, AMOT I, INC., a Delaware corporation ("AMOT I") with its principal place of business at 23 Inverness Way East, Suite 150, Englewood, Colorado 80112, AMOT II, INC., a Delaware corporation ("AMOT II") with its principal place of business at 23 Inverness Way East, Suite 150, Englewood, Colorado 80112, AMOT III, INC., a Delaware corporation ("AMOT III") with its principal place of business at 23 Inverness Way East, Suite 150, Englewood, Colorado 80112, STATURE ELECTRIC, INC. f/k/a AMOT, Inc., a Pennsylvania corporation ("New Stature") with its principal place of business at 22543 Fisher Road, Watertown, New York 13601, and AHAB INVESTMENT COMPANY, a Delaware corporation ("Ahab") with its principal place of business at 22543 Fisher Road, Watertown, New York 13601 (each a "Borrower" and collectively "Borrowers") provides the terms on which Bank will lend to Borrowers and Borrowers will repay Bank.

The parties agree as follows:

**1** **ACCOUNTING AND OTHER TERMS**

Accounting terms not defined in this Agreement will be construed following GAAP. Calculations and determinations must be made following GAAP. The term "financial statements" includes the notes and schedules. The terms "including" and "includes" always mean "including (or includes) without limitation," in this or any Loan Document. Capitalized terms in this Agreement shall have the meanings set forth in Section 13. Each Borrower other than Allied Motion hereby appoints Allied Motion as its attorney in fact to act for it in all regards in the context of this Agreement.

**2** **LOAN AND TERMS OF PAYMENT**

**2.1** **Promise to Pay.**

Borrowers promise to pay Bank the unpaid principal amount of all Credit Extensions and interest on the unpaid principal amount of the Credit Extensions.

**2.1.1** **Term Loan.**

(a) Bank will make a Term Loan available to Borrowers. Subject to the terms and conditions of this Agreement, there shall be a single advance of the entire Term Loan amount to Borrowers on the Effective Date.

(b) Borrowers will pay 36 equal installments of principal of \$90,277.78 each plus all accrued interest (the "Term Loan Payment"). Each Term Loan Payment is payable on the 1st of each month during the term of the loan commencing the first of the month following the month in which the Effective



Date occurs. Borrowers' final Term Loan Payment, due on the Term Loan Maturity Date, includes all outstanding Term Loan principal and accrued interest. Notwithstanding anything to the contrary contained herein, all amounts owing under the Term Loan shall become immediately due and payable upon the expiration or earlier termination of the Revolving Credit Loan Documents.

(c) The outstanding principal amount of the Term Loan accrues interest at the rate specified in Section 2.2. Borrowers shall be entitled to prepay all (but not less than all) of the outstanding principal

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amount of the Term Loan, as long as Borrowers give Bank 30 days' prior written notice and pays the outstanding principal amount of and accrued interest on the Term Loan and the Prepayment Fee, if any. Borrowers shall also pay Bank the Prepayment Fee if the Obligations are accelerated pursuant to Section 9.1.

(d) To obtain the Term Loan, Borrowers must notify Bank by facsimile or telephone by 12:00 p.m. Pacific time one (1) Business Day before the day on which the Term Loan is to be made. Borrowers must promptly confirm the notification by delivering to Bank the Payment/Advance Form attached as Exhibit B, which must be signed by a Responsible Officer or designee. Bank will credit the proceeds of the Term Loan to Borrowers' deposit account. Bank may rely on any telephone notice given by a person whom Bank believes is a Responsible Officer or designee. Borrowers will indemnify Bank for any loss Bank suffers due to such reliance.

## **2.2 Interest Rate, Payments.**

(a) Interest Rate. The Term Loan accrues interest on the outstanding principal amount at a per annum rate equal to the Basic Rate. After an Event of Default, Obligations accrue interest at 2 percent above the rate effective immediately before the Event of Default. Interest is computed on a 360 day year for the actual number of days elapsed.

(b) Payments. Interest due on the Term Loan is payable on the 1st of each month. When a payment is due on a day that is not a Business Day, the payment is due the next Business Day and additional fees or interest accrue.

## **2.3 Fees.**

Bank Expenses. Borrowers will pay all Bank Expenses (including reasonable attorneys' fees and reasonable expenses) incurred through and after the date of this Agreement when due.

## **3 CONDITIONS OF LOANS**

### **3.1 Conditions Precedent to Initial Credit Extension.**

Bank's obligation to make the initial Credit Extension is subject to the condition precedent that it receive the agreements, documents and fees it requires.

### **3.2 Conditions Precedent to all Credit Extensions.**

Bank's obligations to make each Credit Extension, including the initial Credit Extension, is subject to the following:

(a) timely receipt of any Payment/Advance Form; and

(b) the representations and warranties in Section 5 must be materially true on the date of the Payment/Advance Form and on the effective date of each Credit Extension and no Event of Default may have occurred and be continuing, or result from the Credit Extension. Each Credit Extension is Borrowers' representation and warranty on that date that the representations and warranties of Section 5 remain true.

## **4 CREATION OF SECURITY INTEREST**

### **4.1 Grant of Security Interest.**

Borrowers grant Bank a continuing security interest in all presently existing and later acquired Collateral to secure all Obligations and performance of each of Borrowers' duties under the Loan Documents. Except for Permitted Liens or as set forth in the Intercreditor Agreement, any security interest will be a first priority security interest in the Collateral. Bank may place a "hold" on any deposit

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account pledged as Collateral. If this Agreement is terminated, Bank's lien and security interest in the Collateral will continue until Borrowers fully satisfy their Obligations.

### **4.2 Authorization to File.**

Borrowers authorize Bank to file financing statements without notice to Borrowers, with all appropriate jurisdictions, as Bank deems appropriate, in order to perfect or protect Bank's interest in the Collateral.

## **5 REPRESENTATIONS AND WARRANTIES**

Borrowers represent and warrant as follows:

### **5.1 Due Organization and Authorization.**

Each Borrower is duly existing and in good standing in its state of formation and qualified and licensed to do business in, and in good standing in, any state in which the conduct of its business or its ownership of property requires that it be qualified, except where the failure to do so could not reasonably be expected to cause a Material Adverse Change.

The execution, delivery and performance of the Loan Documents have been duly authorized, and do not conflict with any Borrower's formation documents, nor constitute an event of default under any material agreement by which any Borrower is bound. No Borrower is in default under any agreement to which or by which it is bound in which the default could reasonably be expected to cause a Material Adverse Change.

## **5.2 Collateral.**

Borrowers have good title to the Collateral, free of Liens except Permitted Liens. Borrowers have no other deposit accounts, other than the deposit accounts described in the Schedule. The Accounts are bona fide, existing obligations, and the service or property has been performed or delivered to the account debtor or its agent for immediate shipment to and unconditional acceptance by the account debtor. The Collateral is not in the possession of any third party bailee (such as at a warehouse). In the event that Borrowers, after the date hereof, intend to store or otherwise deliver the Collateral to such a bailee, then Borrowers will receive the prior written consent of Bank and such bailee must acknowledge in writing that the bailee is holding such Collateral for the benefit of Bank. All Inventory is in all material respects of good and marketable quality, free from material defects. Borrowers are the sole owner of the Intellectual Property, except for non-exclusive licenses granted to its customers in the ordinary course of business. Each Patent is valid and enforceable and no part of the Intellectual Property has been judged invalid or unenforceable, in whole or in part, and no claim has been made that any part of the Intellectual Property violates the rights of any third party, except to the extent such claim could not reasonably be expected to cause a Material Adverse Change.

## **5.3 Litigation.**

Except as shown in the Schedule, there are no actions or proceedings pending or, to the knowledge of Borrowers' Responsible Officers, threatened by or against any Borrower in which a likely adverse decision could reasonably be expected to cause a Material Adverse Change.

## **5.4 No Material Adverse Change in Financial Statements.**

All consolidated financial statements for Borrowers, and any Subsidiary, delivered to Bank fairly present in all material respects Borrowers' consolidated financial condition and Borrowers' consolidated results of operations. There has not been any material deterioration in Borrowers' consolidated financial condition since the date of the most recent financial statements submitted to Bank.

## **5.5 Solvency.**

The fair salable value of Borrowers' assets (including goodwill minus disposition costs) exceeds the fair value of its liabilities; Borrowers are not left with unreasonably small capital after the transactions in this Agreement; and each Borrower is able to pay its debts (including trade debts) as they mature.

## **5.6 Regulatory Compliance.**

No Borrower is an "investment company" or a company "controlled" by an "investment company" under the Investment Company Act. No Borrower is engaged as one of its important activities in extending credit for margin stock (under Regulations T and U of the Federal Reserve Board of Governors). Borrowers have complied in all material respects with the Federal Fair Labor Standards Act. Borrowers have not violated any laws, ordinances or rules, the violation of which could reasonably be expected to cause a Material Adverse Change. None of Borrowers' properties or assets has been used by any Borrower or, to the best of Borrowers' knowledge, by previous Persons, in disposing, producing, storing, treating, or transporting any hazardous substance other than legally. Borrowers have timely filed all required tax returns and paid, or made adequate provision to pay, all material taxes, except those being contested in good faith with adequate reserves under GAAP. Borrowers have obtained all consents, approvals and authorizations of, made all declarations or filings with, and given all notices to, all government authorities that are necessary to continue its business as currently conducted, except where the failure to do so could not reasonably be expected to cause a Material Adverse Change.

## **5.7 Subsidiaries.**

Borrowers do not and shall not own any stock, partnership interest or other equity securities except for Permitted Investments and Allied Motion's ownership of Emoteq UK, Ltd., Allied Motion Systems Corporation, Allied Motion Process Instrumentation Corporation, Allied Motion Industrial Automation, Inc., Allied Motion Systems, Ltd., Allied Motion UK Group, Ltd., Motor Products – Ohio Corporation and New Stature's ownership of DWZM, Inc., The Landover Company, Snowmax, Incorporated, Sooner Trailer Manufacturing Co., GBMC, Inc., Owosso Motor Group, Inc. Astro Air Acquisition Corporation, and M.H. Rhodes, Inc. (collectively, the "Inactive Subsidiaries"). Borrowers shall not permit any of Inactive Subsidiaries to own any assets of any kind (including, but not limited to, the stock or other ownership interests of another Person).

## **5.8 Full Disclosure.**

No written representation, warranty or other statement of any Borrower in any certificate or written statement given to Bank (taken together with all such written certificates and written statements to Bank) contains any untrue statement of a material fact or omits to state a material fact necessary to make the statements contained in the certificates or statements not misleading. It being recognized by Bank that the projections and forecasts provided by Borrowers in good faith and based upon reasonable assumptions are not viewed as facts and that actual results during the period or periods covered by such projections and forecasts may differ from the projected and forecasted results.

## **5.9 Owosso and Old Stature.**

If Owosso and Old Stature had made the same types of representations and warranties contained in this Sections 5 with respect to the their existence, business operations, financial conditions, and assets immediately prior to the Closing Date, such representations and warranties would have been accurate and complete in all respects subject to the exceptions described in Schedule 5.26 of the Revolving Credit Agreement.

## **6 AFFIRMATIVE COVENANTS**

Borrowers will do all of the following for so long as Bank has an obligation to lend, or there are outstanding Obligations:

### **6.1 Government Compliance.**

Borrowers will maintain their legal existence and good standing in its jurisdiction of formation and maintain qualification in each jurisdiction in which the failure to so qualify would reasonably be expected to cause a material adverse effect on any Borrower's business or operations. Borrowers will comply, and have each Subsidiary comply, with all laws, ordinances and regulations to which it is subject, noncompliance with which could have a material adverse effect on any Borrower's business or operations or would reasonably be expected to cause a Material Adverse Change.

### **6.2 Financial Statements, Reports, Certificates.**

(a) Borrowers shall observe all of the financial reporting and certification covenants set forth in the Revolving Credit Loan Documents from time to time.

(b) In addition to Borrowers' obligations set forth in the Revolving Credit Agreement, Borrowers will deliver to Bank: (i) a prompt report of any legal actions pending or threatened against any Borrower that could result in damages or costs to any Borrower of \$100,000 or more; (ii) budgets, sales projections, operating plans or other financial information Bank reasonably requests; and (iii) prompt notice of any material change in the composition of the Intellectual Property, including any subsequent ownership right of any Borrower in or to any Copyright, Patent or Trademark not shown in any intellectual property security agreement between Borrowers and Bank or knowledge of an event that materially adversely affects the value of the Intellectual Property.

(c) Borrowers will deliver to Bank the monthly compliance certificates described in the Revolving Credit Agreement.

(d) Allow Bank to audit Borrowers' Collateral as set forth in the Revolving Credit Agreement.

### **6.3 Inventory; Returns.**

Borrowers will keep all Inventory in good and marketable condition, free from material defects. Returns and allowances between Borrowers and their account debtors will follow Borrowers' customary practices as they exist at execution of this Agreement. Borrowers must promptly notify Bank of all returns, recoveries, disputes and claims that involve more than \$50,000.

### **6.4 Taxes.**

Borrowers will make timely payment of all material federal, state, and local taxes or assessments (other than taxes and assessments which Borrowers are contesting in good faith, with adequate reserves maintained in accordance with GAAP) and will deliver to Bank, on demand, appropriate certificates attesting to the payment.

### **6.5 Insurance.**

Borrowers will keep its business and the Collateral insured for risks and in amounts standard for Borrowers' industry, and as Bank may reasonably request. Insurance policies will be in a form, with companies, and in amounts that are satisfactory to Bank in Bank's reasonable discretion. All property policies will have a lender's loss payable endorsement showing Bank as an additional loss payee and all liability policies will show the Bank as an additional insured and provide that the insurer must give Bank at least 20 days notice before canceling its policy. At Bank's request, Borrowers will deliver certified copies of policies and evidence of all premium payments. Proceeds payable under any policy will, at Bank's option, be payable to Bank on account of the Obligations.

### **6.6 Primary Accounts.**

Borrower shall maintain all of its depository, operating and lockbox accounts with Bank (except for certain blocked accounts described in this Agreement and petty cash and payroll accounts maintained by any Borrower with a local financial institution).

### **6.7 Financial Covenants.**

Borrowers shall observe all of the affirmative and negative financial covenants set forth in the Revolving Credit Loan Documents from time to time.

### **6.8 Registration of Intellectual Property Rights.**

Borrowers shall not register any Copyrights or Mask Works with the United States Copyright Office unless it: (i) has given at least fifteen (15) days' prior notice to Bank of its intent to register such Copyrights or Mask Works and has provided Bank with a copy of the application it intends to file with the United States Copyright Office (excluding exhibits thereto); (ii) executes a security agreement or such other documents as Bank may reasonably request in order to maintain the perfection and priority of Bank's security interest in the Copyrights proposed to be registered with the United States Copyright Office; and (iii) records such security documents with the United States Copyright Office contemporaneously with filing the Copyright application(s) with the United States Copyright Office. Borrowers shall promptly provide to Bank a copy of the Copyright application(s) filed with the United States Copyright Office, together with evidence of the recording of the security documents necessary for Bank to maintain the perfection and priority of its security interest in such Copyrights or Mask Works. Borrowers shall provide written notice to Bank of any application filed by any Borrower in the United States Patent Trademark Office for a patent or to register a trademark or service mark within 30 days of any such filing.

Each Borrowers will (i) protect, defend and maintain the validity and enforceability of the Intellectual Property and promptly advise Bank in writing of material infringements and (ii) not allow any Intellectual Property material to any Borrowers' business to be abandoned, forfeited or dedicated to the public without Bank's written consent.

#### **6.9 Further Assurances.**

Borrowers will execute any further instruments and take further action as Bank reasonably requests to perfect or continue Bank's security interest in the Collateral or to effect the purposes of this Agreement.

### **7 NEGATIVE COVENANTS**

Borrowers will not do any of the following without Bank's prior written consent, which will not be unreasonably withheld, for so long as Bank has an obligation to lend or there are any outstanding Obligations:

#### **7.1 Dispositions.**

Subject to the terms and conditions set forth in the Intercreditor Agreement, each Borrower will safeguard and protect all Collateral for Bank's general account and make no disposition thereof whether by sale, lease or otherwise except (a) the sale of Inventory in the ordinary course of business and (b) the disposition or transfer of obsolete and worn-out Equipment in the ordinary course of business during any fiscal year having an aggregate fair market value of not more than \$125,000.00 and only to the extent that (i) the proceeds of any such disposition are used to acquire replacement Equipment which is subject to Bank's first priority security interest or (ii) the proceeds of which are remitted to Bank to be applied to the Term Loan.

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#### **7.2 Changes in Business, Ownership, Management or Business Locations.**

Engage in or permit any of its Subsidiaries to engage in any business other than the businesses currently engaged in by Borrowers or reasonably related thereto or, except for Allied Motion, have a material change in its ownership or management of greater than 25%. Borrowers will not, without at least 30 days prior written notice, relocate any of their chief executive offices or add any new offices or business locations in which any Borrower maintains or stores over \$5,000 in Borrowers' assets or property.

#### **7.3 Mergers or Acquisitions.**

Merge or consolidate with any other Person, or acquire, or permit any of its Subsidiaries to acquire, all or substantially all of the capital stock or property of another Person, except where (i) no Event of Default has occurred and is continuing or would result from such action during the term of this Agreement and (ii) such transaction would not result in a decrease of more than 25% of Tangible Net Worth.

#### **7.4 Indebtedness.**

Create, incur, assume, or be liable for any Indebtedness other than Permitted Indebtedness.

#### **7.5 Encumbrance.**

Create, incur, or allow any Lien on any of its property, or assign or convey any right to receive income, including the sale of any Accounts, or permit any of its Subsidiaries to do so, except for Permitted Liens, or permit any Collateral not to be subject to the first priority security interest granted here, subject to Permitted Liens and the terms and conditions set forth in the Intercreditor Agreement.

#### **7.6 Distributions; Investments.**

Directly or indirectly acquire or own any Person, or make any Investment in any Person, other than Permitted Investments, or permit any of its Subsidiaries to do so. Pay any dividends or make any distribution or payment or redeem, retire or purchase any capital stock; provided that Allied Motion shall be entitled to repurchase up to \$125,000 of its employee-owned stock in the aggregate in any fiscal year..

#### **7.7 Transactions with Affiliates.**

Directly or indirectly enter into or permit to exist any material transaction with any Affiliate of Borrowers except for transactions that are in the ordinary course of Borrowers' business, upon fair and reasonable terms that are no less favorable to Borrowers than would be obtained in an arm's length transaction with a nonaffiliated Person.

#### **7.8 Subordinated Debt.**

Make or permit any payment on any Subordinated Debt, except under the terms of the Subordinated Debt, or amend any provision in any document relating to the Subordinated Debt without Bank's prior written consent.

#### **7.9 Compliance.**

Become an "investment company" or a company controlled by an "investment company," under the Investment Company Act of 1940 or undertake as one of its important activities extending credit to purchase or carry margin stock, or use the proceeds of any Credit Extension for that purpose; fail to meet the minimum funding requirements of ERISA, permit a Reportable Event or Prohibited Transaction, as defined in ERISA, to occur; fail to comply with the Federal Fair Labor Standards Act or violate any other law or regulation, if the violation could reasonably be expected to have a material adverse effect on

Borrowers' business or operations or would reasonably be expected to cause a Material Adverse Change, or permit any of its Subsidiaries to do so.

## **8 EVENTS OF DEFAULT**

Any one of the following is an Event of Default:

### **8.1 Payment Default.**

If Borrowers fail to pay any of the Obligations within 3 days after their due date. During the additional period the failure to cure the default is not an Event of Default (but no Credit Extension will be made during the cure period);

### **8.2 Covenant Default.**

If Borrowers do not perform any obligation in Section 6 or violate any covenant in Section 7 or do not perform or observe any other material term, condition or covenant in this Agreement, any Loan Documents, or in any agreement between any Borrower and Bank and as to any default under a term, condition or covenant that can be cured, has not cured the default within 10 days after it occurs, or if the default cannot be cured within 10 days or cannot be cured after Borrowers' attempts within 10 day period, and the default may be cured within a reasonable time, then Borrowers have an additional period (of not more than 30 days) to attempt to cure the default. During the additional time, the failure to cure the default is not an Event of Default (but no Credit Extensions will be made during the cure period);

### **8.3 Material Adverse Change.**

If there (i) occurs a material adverse change in the business, operations, or condition (financial or otherwise) of any Borrower, or (ii) is a material impairment of the prospect of repayment of any portion of the Obligations, or (iii) is a material impairment of the value or priority of Bank's security interests in the Collateral;

### **8.4 Attachment.**

If any material portion of any Borrower's assets is attached, seized, levied on, or comes into possession of a trustee or receiver and the attachment, seizure or levy is not removed in 10 days, or if any Borrower is enjoined, restrained, or prevented by court order from conducting a material part of its business or if a judgment or other claim becomes a Lien on a material portion of any Borrower's assets, or if a notice of lien, levy, or assessment is filed against any of Borrowers' assets by any government agency and not paid within 10 days after such Borrower receives notice. These are not Events of Default if stayed or if a bond is posted pending contest by Borrowers (but no Credit Extensions will be made during the cure period);

### **8.5 Insolvency.**

If any Borrower becomes insolvent or if any Borrower begins an Insolvency Proceeding or an Insolvency Proceeding is begun against any Borrower and not dismissed or stayed within 30 days (but no Credit Extensions will be made before any Insolvency Proceeding is dismissed);

### **8.6 Other Agreements.**

If there is a default in the Revolving Credit Loan Documents, the PNC Term Loan Documents, or any other agreement between any Borrower and a third party that gives the third party the right to accelerate any Indebtedness exceeding \$100,000 or that could cause a Material Adverse Change;

### **8.7 Judgments.**

If a money judgment(s) in the aggregate of at least \$250,000 is rendered against any Borrower and is unsatisfied and unstayed for 30 days (but no Credit Extensions will be made before the judgment is stayed or satisfied);

### **8.8 Misrepresentations.**

If any Borrower or any Person acting for any Borrower makes any material misrepresentation or material misstatement now or later in any warranty or representation in this Agreement or in any writing delivered to Bank or to induce Bank to enter this Agreement or any Loan Document; or

### **8.9 Guaranty.**

Any guaranty of any Obligations ceases for any reason to be in full force or any Guarantor does not perform any obligation under any guaranty of the Obligations, or any material misrepresentation or material misstatement exists now or later in any warranty or representation in any guaranty of the Obligations or in any certificate delivered to Bank in connection with the guaranty, or any circumstance described in Sections 8.4, 8.5 or 8.7 occurs to any Guarantor.

## **9 BANK'S RIGHTS AND REMEDIES**

### **9.1 Rights and Remedies.**

When an Event of Default occurs and continues Bank may, without notice or demand, do any or all of the following:

(a) Declare all Obligations immediately due and payable (but if an Event of Default described in Section 8.5 occurs all Obligations are immediately due and payable without any action by Bank);

- (b) Stop advancing money or extending credit for Borrowers' benefit under this Agreement or under any other agreement between any Borrower and Bank;
- (c) Settle or adjust disputes and claims directly with account debtors for amounts, on terms and in any order that Bank considers advisable;
- (d) Make any payments and do any acts it considers necessary or reasonable to protect its security interest in the Collateral. Borrowers will assemble the Collateral if Bank requires and make it available as Bank designates. Bank may enter premises where the Collateral is located, take and maintain possession of any part of the Collateral, and pay, purchase, contest, or compromise any Lien which appears to be prior or superior to its security interest and pay all expenses incurred. Borrowers grant Bank a license to enter and occupy any of its premises, without charge, to exercise any of Bank's rights or remedies;
- (e) Apply to the Obligations any (i) balances and deposits of Borrowers it holds, or (ii) any amount held by Bank owing to or for the credit or the account of Borrowers;
- (f) Ship, reclaim, recover, store, finish, maintain, repair, prepare for sale, advertise for sale, and sell the Collateral. Bank is granted a non-exclusive, royalty-free license or other right to use, without charge, Borrowers' labels, Patents, Copyrights, Mask Works, rights of use of any name, trade secrets, trade names, Trademarks, service marks, and advertising matter, or any similar property as it pertains to the Collateral, in completing production of, advertising for sale, and selling any Collateral and, in connection with Bank's exercise of its rights under this Section, Borrowers' rights under all licenses and all franchise agreements inure to Bank's benefit; and
- (g) Dispose of the Collateral according to the Code.

## **9.2 Power of Attorney.**

Effective only when an Event of Default occurs and continues, Borrowers irrevocably appoint Bank as its lawful attorney to: (i) endorse Borrowers' name on any checks or other forms of payment or security; (ii) sign Borrowers' name on any invoice or bill of lading for any Account or drafts against account debtors, (iii) make, settle, and adjust all claims under Borrowers' insurance policies; (iv) settle and adjust disputes and claims about the Accounts directly with account debtors, for amounts and on terms Bank determines reasonable; and (v) transfer the Collateral into the name of Bank or a third party as the Code permits. Bank may exercise the power of attorney to sign Borrowers' name on any documents necessary to perfect or continue the perfection of any security interest regardless of whether an Event of Default has occurred. Bank's appointment as Borrowers' attorney in fact, and all of Bank's rights and powers, coupled with an interest, are irrevocable until all Obligations have been fully repaid and performed and Bank's obligation to provide Credit Extensions terminates.

## **9.3 Accounts Collection.**

When an Event of Default occurs and continues, Bank may notify any Person owing any Borrower money of Bank's security interest in the funds and verify the amount of the Account. Borrowers must collect all payments in trust for Bank and, if requested by Bank, immediately deliver the payments to Bank in the form received from the account debtor, with proper endorsements for deposit.

## **9.4 Bank Expenses.**

If Borrowers fail to pay any amount or furnish any required proof of payment to third persons, Bank may make all or part of the payment or obtain insurance policies required in Section 6.5, and take any action under the policies Bank deems prudent. Any amounts paid by Bank are Bank Expenses and immediately due and payable, bearing interest at the then applicable rate and secured by the Collateral. No payments by Bank are deemed an agreement to make similar payments in the future or Bank's waiver of any Event of Default.

## **9.5 Bank's Liability for Collateral.**

If Bank complies with reasonable banking practices and the Code, it is not liable for: (a) the safekeeping of the Collateral; (b) any loss or damage to the Collateral; (c) any diminution in the value of the Collateral; or (d) any act or default of any carrier, warehouseman, bailee, or other person. Borrowers bear all risk of loss, damage or destruction of the Collateral.

## **9.6 Remedies Cumulative.**

Bank's rights and remedies under this Agreement, the Loan Documents, and all other agreements are cumulative. Bank has all rights and remedies provided under the Code, by law, or in equity. Bank's exercise of one right or remedy is not an election, and Bank's waiver of any Event of Default is not a continuing waiver. Bank's delay is not a waiver, election, or acquiescence. No waiver is effective unless signed by Bank and then is only effective for the specific instance and purpose for which it was given.

## **9.7 Demand Waiver.**

Borrowers waive demand, notice of default or dishonor, notice of payment and nonpayment, notice of any default, nonpayment at maturity, release, compromise, settlement, extension, or renewal of accounts, documents, instruments, chattel paper, and guarantees held by Bank on which any Borrower is liable.

## **10 NOTICES AND WAIVERS.**

### **10.1 Notices.**

All notices or demands by any party about this Agreement or any other related agreement must be in writing and be personally delivered or sent by an overnight delivery service, by certified mail, postage prepaid, return receipt requested, or by telefacsimile to the addresses set forth at the beginning of this Agreement. A party may change its notice address by giving the other party written notice.

## **10.2 Joint and Several Liability.**

Notwithstanding anything to the contrary contained in this Agreement, all of Borrowers' representations and warranties, indebtedness, liabilities, and other Obligations of any kind described in this Agreement and any other Loan Document shall be joint and several in nature and affect their jointly and/or severally owned property.

## **10.3 Subrogation and Similar Rights.**

Notwithstanding any other provision of this Agreement or any other Loan Document, Borrowers irrevocably waive all rights that it may have at law or in equity (including, without limitation, any law subrogating Borrowers to the rights of Bank under the Loan Documents) to seek contribution, indemnification, or any other form of reimbursement from any other Borrower, or any other Person now or hereafter primarily or secondarily liable for any of the Obligations, for any payment made by Borrowers with respect to the Obligations in connection with the Loan Documents or otherwise and all rights that they might have to benefit from, or to participate in, any security for the Obligations as a result of any payment made by Borrowers with respect to the Obligations in connection with the Loan Documents or otherwise until the Obligations have irrevocably been paid and performed in full. Any agreement providing for indemnification, reimbursement or any other arrangement prohibited under this Section 10.3 shall be null and void. If any payment is made to any Borrower in contravention of this Section 10.3, such Borrower shall hold such payment in trust for Bank and such payment shall be promptly delivered to Bank for application to the Obligations, whether matured or unmatured.

## **10.4 Waivers of Notice.**

Each Borrower waives notice of acceptance hereof by the other Borrowers and by Bank. Each Borrower also waives notice, with respect to the other Borrowers, of the following: the existence, creation or acquisition of any of the Obligations; notice of an Event of Default; the amount of the Obligations outstanding at any time; intent to accelerate; acceleration; any adverse change in the financial condition of the other Borrowers or of any other fact that might increase such Borrower's risk; presentment for payment; demand; protest and notice thereof as to any instrument; default; and all other notices and demands as to the other Borrowers to which such Borrower would otherwise be entitled. Each Borrower waives any defense arising from any defense of the other Borrowers, or by reason of the cessation from any cause whatsoever of the liability of the other Borrowers. Bank's failure at any time to require strict compliance by any Borrower of any provision of the Loan Documents shall not waive, alter or diminish any right of Bank thereafter to demand strict compliance and performance therewith. Nothing contained herein shall prevent Bank from foreclosing on the Lien of any deed of trust, mortgage or other security instrument, or exercising any rights available thereunder, and the exercise of any such rights shall not constitute a legal or equitable discharge of any Borrower. Each Borrower also waives any defense arising from any act or omission of Bank that changes the scope of such Borrower's risks hereunder. Each Borrower hereby waives any right to assert against Bank any defense (legal or equitable), setoff, counterclaim, or claims that such Borrower individually may now or hereafter have against the other Borrowers or any other Person liable to such Borrower with respect to the Obligations in any manner or whatsoever.

## **10.5 Subrogation Defenses.**

Each Borrower waives the benefits, if any, of any statutory or common law rule that may permit a borrower to assert any defenses of a surety or guarantor, or that may give a borrower the right to require a senior creditor to marshal assets, and each Borrower agrees that it shall not assert any such defenses or rights.

## **10.6 Right to Settle, Release.**

(a) The liability of each Borrower hereunder shall not be diminished by (i) any agreement, understanding or representation that any of the Obligations is or was to be guaranteed by another Person or secured by other property, or (ii) any release or unenforceability, whether partial or total, or rights, if any, which such Borrower may now or hereafter have against any other Person, including the other Borrowers, or property with respect to any of the Obligations.

(b) Without notice to any Borrower and without affecting the liability of any Borrower hereunder, Bank may (i) compromise, settle, renew, extend the time for payment, change the manner or terms of payment, discharge the performance of, decline to enforce, or release all or any of the Obligations with respect to any Borrower, (ii) grant other indulgences to any Borrower in respect of the Obligations, (iii) modify in any manner any documents, relating to the Obligations with respect to any Borrower, (iv) release, surrender or exchange any deposits or other property securing the Obligations, whether pledged by any Borrower or any other Person, or (v) compromise, settle, renew, or extend the time for payment, discharge the performance of, decline to enforce, or release all or any obligations of any guarantor, endorser or other Person who is now or may hereafter be liable with respect to any of the Obligations.

## **11 CHOICE OF LAW, VENUE AND JURY TRIAL WAIVER**

Colorado law governs the Loan Documents without regard to principles of conflicts of law. Borrowers and Bank each submit to the exclusive jurisdiction of the State and Federal courts in the City and County of Denver, Colorado.

## **12 GENERAL PROVISIONS**

### **12.1 Successors and Assigns.**

This Agreement binds and is for the benefit of the successors and permitted assigns of each party. Borrowers may not assign this Agreement or any rights under it without Bank's prior written consent which may be granted or withheld in Bank's discretion. Bank has the right, without the consent of or notice to Borrowers, to sell, transfer, negotiate, or grant participation in all or any part of, or any interest in, Bank's obligations, rights and benefits under this Agreement.

## 12.2 Indemnification.

Borrowers will indemnify, defend and hold harmless Bank and its officers, employees, and agents against: (a) all obligations, demands, claims, and liabilities asserted by any other party in connection with the transactions contemplated by the Loan Documents; and (b) all losses or Bank Expenses incurred, or paid by Bank from, following, or consequential to transactions between Bank and Borrowers (including reasonable attorneys fees and expenses), except for losses caused by Bank's gross negligence or willful misconduct.

## 12.3 Time of Essence.

Time is of the essence for the performance of all obligations in this Agreement.

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## 12.4 Severability of Provision.

Each provision of this Agreement is severable from every other provision in determining the enforceability of any provision.

## 12.5 Amendments in Writing, Integration.

All amendments to this Agreement must be in writing and signed by Borrowers and Bank. This Agreement represents the entire agreement about this subject matter, and supersedes prior negotiations or agreements. All prior agreements, understandings, representations, warranties, and negotiations between the parties about the subject matter of this Agreement merge into this Agreement and the Loan Documents.

## 12.6 Counterparts.

This Agreement may be executed in any number of counterparts and by different parties on separate counterparts, each of which, when executed and delivered, are an original, and all taken together, constitute one Agreement.

## 12.7 Survival.

All covenants, representations and warranties made in this Agreement continue in full force while any Obligations remain outstanding. The obligations of Borrowers in Section 12.2 to indemnify Bank will survive until all statutes of limitations for actions that may be brought against Bank have run.

## 12.8 Confidentiality.

In handling any confidential information, Bank will exercise the same degree of care that it exercises for its own proprietary information, but disclosure of information may be made (i) to Bank's subsidiaries or affiliates in connection with their business with Borrowers, (ii) to prospective transferees or purchasers of any interest in the loans (provided, however, Bank shall use commercially reasonable efforts in obtaining such prospective transferee or purchasers agreement of the terms of this provision), (iii) as required by law, regulation, subpoena, or other order, (iv) as required in connection with Bank's examination or audit and (v) as Bank considers appropriate exercising remedies under this Agreement. Confidential information does not include information that either: (a) is in the public domain or in Bank's possession when disclosed to Bank, or becomes part of the public domain after disclosure to Bank; or (b) is disclosed to Bank by a third party, if Bank does not know that the third party is prohibited from disclosing the information.

## 12.9 Attorneys' Fees, Costs and Expenses.

In any action or proceeding between Borrowers and Bank arising out of the Loan Documents, Bank will be entitled to recover its reasonable attorneys' fees and other reasonable costs and expenses incurred, in addition to any other relief to which it may be entitled.

## 13 DEFINITIONS

### 13.1 Definitions.

In this Agreement:

“**Accounts**” are all existing and later arising accounts, contract rights, and other obligations owed to any Borrower in connection with its sale or lease of goods (including licensing software and other technology) or provision of services, all credit insurance, guaranties, other security and all merchandise returned or reclaimed by any Borrower and Borrowers' Books relating to any of the foregoing.

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“**Agent**” is PNC, in its capacity as Agent for the Revolving Credit Lenders under the Revolving Credit Loan Documents.

“**Affiliate**” of a Person is a Person that owns or controls directly or indirectly the Person, any Person that controls or is controlled by or is under common control with the Person, and each of that Person's senior executive officers, directors, partners and, for any Person that is a limited liability company, that Person's managers and members.

“**Bank Expenses**” are all audit fees and expenses and reasonable costs and expenses (including reasonable attorneys' fees and expenses) for preparing, negotiating, administering, defending and enforcing the Loan Documents (including appeals or Insolvency Proceedings).



“**Basic Rate**” is the per annum rate of interest equal to the sum of (a) the U.S. Treasury note per annum yield to maturity for a term of 36 months as quoted in The Wall Street Journal, fixed as of the day the Term Loan is made, plus (b) 550 basis points (5.5%); provided that (i) the Basic Rate shall be reduced by 50 basis points (.5%) per annum if Borrowers’ Quick Ratio is at least 1.20:1.00 for two (2) consecutive fiscal quarters and (ii) the Basic Rate shall be further reduced by an additional 25 basis points (.25%) if, after the first reduction described in clause (i) occurs, Borrowers’ Quick Ratio is at least 1.50:1.00 for two (2) consecutive fiscal quarters.

“**Borrowers’ Books**” are all Borrowers’ books and records including ledgers, records regarding Borrowers’ assets or liabilities, the Collateral, business operations or financial condition and all computer programs or discs or any equipment containing the information.

“**Borrowers on a consolidated basis**” shall mean Allied Motion, Motor Products, Allied Motion Control, Emoteq, Computer Optical, AMOT I, AMOT II, AMOT III, New Stature and Ahab.

“**Business Day**” is any day that is not a Saturday, Sunday or a day on which the Bank is closed.

“**Closing Date**” is the date of this Agreement.

“**Code**” is the Uniform Commercial Code, as applicable.

“**Collateral**” is the property described on Exhibit A.

“**Contingent Obligation**” is, for any Person, any direct or indirect liability, contingent or not, of that Person for (i) any indebtedness, lease, dividend, letter of credit or other obligation of another such as an obligation directly or indirectly guaranteed, endorsed, co-made, discounted or sold with recourse by that Person, or for which that Person is directly or indirectly liable; (ii) any obligations for undrawn letters of credit for the account of that Person; and (iii) all obligations from any interest rate, currency or commodity swap agreement, interest rate cap or collar agreement, or other agreement or arrangement designated to protect a Person against fluctuation in interest rates, currency exchange rates or commodity prices; but “Contingent Obligation” does not include endorsements in the ordinary course of business. The amount of a Contingent Obligation is the stated or determined amount of the primary obligation for which the Contingent Obligation is made or, if not determinable, the maximum reasonably anticipated liability for it determined by the Person in good faith; but the amount may not exceed the maximum of the obligations under the guarantee or other support arrangement.

“**Copyrights**” are all copyright rights, applications or registrations and like protections in each work or authorship or derivative work, whether published or not (whether or not it is a trade secret) now or later existing, created, acquired or held.

“**Credit Extension**” is the Term Loan or any other extension of credit by Bank for any Borrower’s benefit.

“**Effective Date**” is the date that Bank executes this Agreement.

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“**Equipment**” is all present and future machinery, equipment, tenant improvements, furniture, fixtures, vehicles, tools, parts and attachments in which any Borrower has any interest.

“**ERISA**” is the Employment Retirement Income Security Act of 1974, and its regulations.

“**GAAP**” is generally accepted accounting principles.

“**Guarantor**” is any present or future guarantor of the Obligations.

“**Indebtedness**” is (a) indebtedness for borrowed money or the deferred price of property or services, such as reimbursement and other obligations for surety bonds and letters of credit, (b) obligations evidenced by notes, bonds, debentures or similar instruments, (c) capital lease obligations and (d) Contingent Obligations.

“**Insolvency Proceeding**” are proceedings by or against any Person under the United States Bankruptcy Code, or any other bankruptcy or insolvency law, including assignments for the benefit of creditors, compositions, extensions generally with its creditors, or proceedings seeking reorganization, arrangement, or other relief.

“**Intellectual Property**” is:

- (a) Copyrights, Trademarks, Patents, and Mask Works including amendments, renewals, extensions, and all licenses or other rights to use and all license fees and royalties from the use;
- (b) Any trade secrets and any intellectual property rights in computer software and computer software products now or later existing, created, acquired or held;
- (c) All design rights which may be available to any Borrower now or later created, acquired or held;
- (d) Any claims for damages (past, present or future) for infringement of any of the rights above, with the right, but not the obligation, to sue and collect damages for use or infringement of the intellectual property rights above;

All proceeds and products of the foregoing, including all insurance, indemnity or warranty payments.

“**Intercreditor Agreement**” is the Intercreditor Agreement between Borrowers, Agent, Bank and PNC dated of even date herewith and any amendments, extensions, modifications, replacements and substitutions thereto.

“**Inventory**” is present and future inventory in which Borrowers have any interest, including merchandise, raw materials, parts, supplies, packing and shipping materials, work in process and finished products intended for sale or lease or to be furnished under a contract of service, of every kind and description now or later owned by or in the custody or possession, actual or constructive, of Borrowers, including inventory temporarily out of its custody or possession or in transit and including returns on any accounts or other proceeds (including insurance proceeds) from the sale or disposition of any of the foregoing and any documents of title.

“**Investment**” is any beneficial ownership of (including stock, partnership interest or other securities) any Person, or any loan, advance or capital contribution to any Person.

“**Lien**” is a mortgage, lien, deed of trust, charge, pledge, security interest or other encumbrance.

“**Loan Documents**” are, collectively, this Agreement, any note, or notes or guaranties executed by any Borrower or Guarantor, and any other present or future agreement between any Borrower and/or for the benefit of Bank in connection with this Agreement, all as amended, extended or restated.

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“**Mask Works**” are all mask works or similar rights available for the protection of semiconductor chips, now owned or later acquired.

“**Material Adverse Change**” is described in Section 8.3.

“**Obligations**” are debts, principal, interest, Bank Expenses and other amounts Borrowers owe Bank now or later, including cash management services, letters of credit and foreign exchange contracts, if any and including interest accruing after Insolvency Proceedings begin and debts, liabilities, or obligations of Borrowers assigned to Bank.

“**Old Stature**” shall mean Stature Electric, Inc., a New York corporation, prior to its merger with and into Owosso.

“**Owosso**” shall mean Owosso Corporation, a Pennsylvania corporation, prior to its merger with and into New Stature.

“**Patents**” are patents, patent applications and like protections, including improvements, divisions, continuations, renewals, reissues, extensions and continuations-in-part of the same.

“**Permitted Indebtedness**” is:

- (a) Borrowers’ indebtedness to Bank under this Agreement or any other Loan Document;
- (b) Borrowers’ indebtedness to PNC and/or Revolving Credit Lenders;
- (c) Indebtedness existing on the Closing Date and shown on the Schedule;
- (c) Subordinated Debt;
- (d) Indebtedness to trade creditors incurred in the ordinary course of business; and
- (e) Indebtedness secured by Permitted Liens.

“**Permitted Investments**” are:

- (a) Investments shown on the Schedule and existing on the Closing Date; and
- (b) (i) marketable direct obligations issued or unconditionally guaranteed by the United States or its agency or any State maturing within 1 year from its acquisition, (ii) commercial paper maturing no more than 1 year after its creation and having the highest rating from either Standard & Poor’s Corporation or Moody’s Investors Service, Inc., and (iii) Bank’s certificates of deposit issued maturing no more than 1 year after issue.

“**Permitted Liens**” are:

- (a) Liens existing on the Closing Date and shown on the Schedule or arising under this Agreement, the other Loan Documents, the Revolving Credit Loan Documents or the PNC Term Loan Documents;
- (b) Liens for taxes, fees, assessments or other government charges or levies, either not delinquent or being contested in good faith and for which Borrowers maintain adequate reserves on their Books, provided, that, the Lien shall have no effect on the priority of the Liens in favor of Agent or the value of the assets in which Agent has such a Lien (unless, if such Lien affects Collateral subject to a first priority Lien in favor of Agent under the Intercreditor Agreement, Agent shall have established a reserve for such Lien and any related interest and penalties against the amounts drawn or capable of being drawn by Borrowers as an advance under this Agreement and such reserve shall not cause an Event of Default

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to occur under this Agreement or the other Loan Documents or, if such Lien affects Collateral subject to a first priority Lien in favor of Bank securing the Obligations or PNC’s term loan under the Intercreditor Agreement, Borrowers shall have provided Bank or PNC, as applicable, with sufficient cash collateral to satisfy such Lien and any interest and penalties that may accrue thereon) and a stay of enforcement of any such Lien shall be in effect;

- (c) Purchase money Liens (i) on Equipment acquired or held by Borrowers or their Subsidiaries incurred for financing the acquisition of the Equipment, or (ii) existing on equipment when acquired, if the Lien is confined to the property and improvements and the proceeds of the equipment;

(d) Licenses or sublicenses granted in the ordinary course of any Borrower's business and any interest or title of a licensor or under any license or sublicense, if the licenses and sublicenses permit granting Bank a security interest;

(e) Leases or subleases granted in the ordinary course of Borrowers' business, including in connection with Borrowers' leased premises or leased property;

(f) Liens incurred in the extension, renewal or refinancing of the indebtedness secured by Liens described in (a) through (c), but any extension, renewal or replacement Lien must be limited to the property encumbered by the existing Lien and the principal amount of the indebtedness may not increase.

**"Person"** is any individual, sole proprietorship, partnership, limited liability company, joint venture, company association, trust, unincorporated organization, association, corporation, institution, public benefit corporation, firm, joint stock company, estate, entity or government agency.

**"PNC"** is PNC Bank, National Association and its successors and assigns.

**"PNC Term Loan"** shall mean the term loan between Borrowers and PNC in the original principal amount of \$5,000,000.00 pursuant to the PNC Term Loan Documents and any amendments, extensions, modifications, replacements or substitutions to such loan.

**"PNC Term Loan Agreement"** shall mean the PNC Term Loan Agreement between Borrowers and PNC dated of even date herewith and any amendments, extensions, modifications, replacements or substitutions thereto.

**"PNC Term Loan Documents"** shall mean the PNC Term Loan Agreement, PNC Term Loan Note, all related security agreements, UCC filings, guaranties, deeds of trust, mortgages, assignments of leases and rents, guaranties, and other agreements, instruments or documents of any kind, and any amendments, extensions, modifications, replacements or substitutions to any of the foregoing.

**"PNC Term Loan Note"** shall mean the promissory note evidencing the PNC Term Loan and any amendments, extensions, modifications, replacements or substitutions thereto.

**"Prepayment Fee"** is the premium payable if Term Loan is paid in full prior to the Term Loan Maturity Date. For any prepayment made from the date hereof to the first anniversary hereof such fee shall be three percent (3%) of the outstanding principal balance of the Term Loan as of the date of such prepayment, and for any prepayment made from the date of the first anniversary hereof to the Term Loan Maturity Date such fee shall be one percent (1%) of the outstanding principal balance of the Term Loan as of the date of such prepayment. Borrowers shall not be required to pay an additional Prepayment Fee should the Term Loan be renewed by the Bank after the Term Loan Maturity Date and the terms and conditions of any such renewal remain materially unchanged from the terms and conditions set forth in this Agreement.

**"Quick Ratio"** is the ratio of (a) unrestricted cash plus Receivables, as may be properly classified as such in accordance with GAAP to (b) current liabilities, as may be properly classified as such in accordance with GAAP.

**"Responsible Officer"** is each of the Chief Executive Officer, the President, the Chief Financial Officer and the Controller of Borrower.

**"Revolving Credit Agreement"** is the Revolving Credit and Security Agreement among Borrowers, Revolving Credit Lenders, and Agent dated of even date herewith and any amendments, modifications, extensions, replacements or substitutions thereto.

**"Revolving Credit Lenders"** are PNC, Bank and the other financial institutions which are now or which hereafter become a party to the Revolving Credit Agreement.

**"Revolving Credit Loan Documents"** are the Revolving Credit Agreement, Revolving Credit Note, all related security agreements, UCC filings, guaranties, deeds of trust, mortgages, assignments of leases and rents, guaranties, and other agreements, instruments or documents of any kind, and any amendments, extensions, modifications, replacements or substitutions to any of the foregoing.

**"Revolving Credit Note"** is the promissory note(s) evidencing the Revolving Credit Loan and any amendments, extensions, modifications, replacements or substitutions thereto.

**"Schedule"** is any attached schedule of exceptions.

**"Subordinated Debt"** is debt incurred by any Borrower subordinated to Borrowers' indebtedness owed to Bank and which is reflected in a written agreement in a manner and form acceptable to Bank and approved by Bank in writing (including, but not limited, to debt in the amount of \$5,500,000.00 or less in the aggregate that is incurred by Allied Motion, is unsecured, contains reasonable payment terms, and is subject to a written subordination agreement in form and substance and from such persons as may be acceptable to Lender in their discretion acting in good faith).

**"Subsidiary"** is for any Person, or any other business entity of which more than 50% of the voting stock or other equity interests is owned or controlled, directly or indirectly, by the Person or one or more Affiliates of the Person.

**"Tangible Net Worth"** is, at a particular date, (a) the aggregate amount of all assets of Borrowers on a consolidated basis as may be properly classified as such in accordance with GAAP consistently applied excluding such other assets as are properly classified as intangible assets under GAAP, less (b) the aggregate amount of all liabilities of the Borrowers on a consolidated basis.

**"Term Loan"** a loan of \$3,250,000.00.

**"Term Loan Maturity Date"** is May 7, 2007; provided that all amounts owing under the Term Loan shall become immediately due and payable upon the expiration or earlier termination of the Revolving Credit Loan Documents.

“**Trademarks**” are trademark and servicemark rights, registered or not, applications to register and registrations and like protections, and the entire goodwill of the business of Borrowers connected with the trademarks.

**BORROWERS AND BANK EACH WAIVE THEIR RIGHT TO A JURY TRIAL OF ANY CLAIM OR CAUSE OF ACTION ARISING OUT OF ANY OF THE LOAN DOCUMENTS OR ANY CONTEMPLATED TRANSACTION, INCLUDING CONTRACT, TORT, BREACH OF DUTY AND ALL OTHER CLAIMS. THIS WAIVER IS A MATERIAL INDUCEMENT FOR BORROWERS AND BANK TO ENTER INTO THIS AGREEMENT. EACH PARTY HAS REVIEWED THIS WAIVER WITH ITS COUNSEL.**

BORROWER:

Allied Motion Technologies Inc.

By: /s/ Richard D. Smith

Title: Chief Executive Officer

Motor Products Corporation

By: /s/ Richard D. Smith

Title: Vice President

Allied Motion Control Corporation

By: /s/ Richard D. Smith

Title: President

Emoteq Corporation

By: /s/ Richard D. Smith

Title: President

Computer Optical Products, Inc.

By: /s/ Richard D. Smith

Title: President

AMOT I, INC.

By: /s/ Richard D. Smith

Title: President

AMOT II, INC.

By: /s/ Richard D. Smith

Title: President

AMOT III, INC.

By: /s/ Richard D. Smith

Title: President

Stature Electric, Inc. f/k/a AMOT, Inc.

By: /s/ Richard D. Smith

Title: President

Ahab Investment Company

By: /s/ Richard D. Smith

Title: President

BANK:

SILICON VALLEY BANK

By: /s/ Kevin L. Grossman

Title: SVP

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EXHIBIT A

The Collateral consists of all of Borrowers' right, title and interest in and to the following whether owned now or hereafter arising:

All goods and equipment now owned or hereafter acquired, including, without limitation, all machinery, fixtures, vehicles (including motor vehicles and trailers), and any interest in any of the foregoing, and all attachments, accessories, accessions, replacements, substitutions, additions, and improvements to any of the foregoing, wherever located;

All inventory, now owned or hereafter acquired, including, without limitation, all merchandise, raw materials, parts, supplies, packing and shipping materials, work in process and finished products including such inventory as is temporarily out of Borrowers' custody or possession or in transit and including any returns upon any accounts or other proceeds, including insurance proceeds, resulting from the sale or disposition of any of the foregoing and any documents of title representing any of the above;

All contract rights and general intangibles (as such definitions may be amended from time to time according to the Code), now owned or hereafter acquired, including, without limitation, goodwill, trademarks, servicemarks, trade styles, trade names, patents, patent applications, leases, license agreements, franchise agreements, blueprints, drawings, purchase orders, customer lists, route lists, infringements, claims, computer programs, computer discs, computer tapes, literature, reports, catalogs, design rights, income tax refunds, payments of insurance and rights to payment of any kind;

All now existing and hereafter arising accounts, contract rights, royalties, license rights and all other forms of obligations owing to Borrowers arising out of the sale or lease of goods, the licensing of technology or the rendering of services by Borrowers (as such definitions may be amended from time to time according to the Code) whether or not earned by performance, and any and all credit insurance, insurance (including refund) claims and proceeds, guaranties, and other security therefor, as well as all merchandise returned to or reclaimed by Borrowers;

All documents, cash, deposit accounts, including, but not limited to, including, but not limited to, Borrowers' Deposit Account Nos. \_\_\_\_\_, \_\_\_\_\_, \_\_\_\_\_, and \_\_\_\_\_ maintained with \_\_\_\_\_ and Borrowers' Deposit Account Nos. 3300365546, 3300365599, 3300365192, 3300411387, 3300089081, and 3300411391 maintained with Bank, securities, securities entitlements, securities accounts, investment property, financial assets, letters of credit, letter of credit rights, certificates of deposit, instruments and chattel paper and electronic chattel paper now owned or hereafter acquired and Borrowers' Books relating to the foregoing;

All copyright rights, copyright applications, copyright registrations and like protections in each work of authorship and derivative work thereof, whether published or unpublished, now owned or hereafter acquired; all trade secret rights, including all rights to unpatented inventions, know-how, operating manuals, license rights and agreements and confidential information, now owned or hereafter acquired; all mask work or similar rights available for the protection of semiconductor chips, now owned or hereafter acquired; all claims for damages by way of any past, present and future infringement of any of the foregoing; and

All Borrowers' Books relating to the foregoing and any and all claims, rights and interests in any of the above and all substitutions for, additions and accessions to and proceeds thereof.

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**LOAN PAYMENT/ADVANCE REQUEST FORM**

DEADLINE FOR SAME DAY PROCESSING IS 12:00 P.S.T.

**Fax To:** \_\_\_\_\_

**Date:** \_\_\_\_\_

Loan Payment:

\_\_\_\_\_ (Borrower)

From Account # \_\_\_\_\_  
(Deposit Account #)

To Account # \_\_\_\_\_  
(Loan Account #)

Principal \$ \_\_\_\_\_ and/or Interest \$ \_\_\_\_\_

All Borrowers' representation and warranties in the Term Loan and Security Agreement are true, correct and complete in all material respects to on the date of the telephone transfer request for and advance, but those representations and warranties expressly referring to another date shall be true, correct and complete in all material respects as of the date:

**Authorized Signature:** \_\_\_\_\_ **Phone Number:** \_\_\_\_\_

**LOAN ADVANCE:**

**Complete *Outgoing Wire Request* section below if all or a portion of the funds from this loan advance are for an outgoing wire.**

From Account # \_\_\_\_\_  
(Loan Account #)

To Account # \_\_\_\_\_  
(Deposit Account #)

Amount of Advance \$ \_\_\_\_\_

All Borrowers' representation and warranties in the Term Loan and Security Agreement are true, correct and complete in all material respects to on the date of the telephone transfer request for and advance, but those representations and warranties expressly referring to another date shall be true, correct and complete in all material respects as of the date:

**Authorized Signature:** \_\_\_\_\_ **Phone Number:** \_\_\_\_\_

**OUTGOING WIRE REQUEST**

**Complete only if all or a portion of funds from the *loan advance* above are to be wired.**

Deadline for same day processing is 12:00pm, P.S.T.

Beneficiary Name: \_\_\_\_\_

Amount of Wire: \$ \_\_\_\_\_

Beneficiary Bank: \_\_\_\_\_

Account Number: \_\_\_\_\_

City and State: \_\_\_\_\_

Beneficiary Bank Transit (ABA) #: \_\_\_\_\_

Beneficiary Bank Code (Swift, Sort, Chip, etc.): \_\_\_\_\_

**(For International Wire Only)**

Intermediary Bank: \_\_\_\_\_

Transit (ABA) #: \_\_\_\_\_

For Further Credit to: \_\_\_\_\_

Special Instruction: \_\_\_\_\_

*By signing below, I (we) acknowledge and agree that my (our) funds transfer request shall be processed in accordance with and subject to the terms and conditions set forth in the agreements(s) covering funds transfer service(s), which agreements(s) were previously received and executed by me (us).*

Authorized Signature: \_\_\_\_\_ 2<sup>nd</sup> Signature (If Required): \_\_\_\_\_

Print Name/Title: \_\_\_\_\_ Print Name/Title: \_\_\_\_\_

Telephone # \_\_\_\_\_ Telephone # \_\_\_\_\_

**FIRST AMENDMENT TO REVOLVING CREDIT AND SECURITY AGREEMENT,  
TERM LOAN AND SECURITY AGREEMENTS, AND RELATED DOCUMENTS**

This First Amendment to Revolving Credit and Security Agreement, Term Loan and Security Agreements, and Related Documents (“Agreement”) is executed by ALLIED MOTION TECHNOLOGIES, INC. (“Allied Motion”), MOTOR PRODUCTS CORPORATION (“Motor Products”), ALLIED MOTION CONTROL CORPORATION (“Allied Motion Control”), EMOTEQ CORPORATION (“Emoteq”), COMPUTER OPTICAL PRODUCTS, INC. (“Computer Optical”), AMOT I, INC. (“AMOT I”), AMOT II, INC. (“AMOT II”), AMOT III, INC. (“AMOT III”), STATURE ELECTRIC, INC. f/k/a AMOT, Inc. (“New Stature”), AHAB INVESTMENT COMPANY (“Ahab”), ALLIED MOTION TECHNOLOGIES B.V. (“Allied Motion B.V.”) PRECISION MOTOR TECHNOLOGY B.V. (“Precision Motor”), PREMOTEC BEHEER, B.V. (“BEHEER”), PNC BANK, NATIONAL ASSOCIATION (“Agent”) as agent for itself, Silicon Valley Bank, and any other lenders under the Revolving Credit Agreement (collectively “Lenders”), PNC BANK, NATIONAL ASSOCIATION (“PNC”), and SILICON VALLEY BANK (“SVB”) for valuable consideration, the receipt and sufficiency of which is hereby acknowledged, as of August 19, 2004. Hereinafter, Allied Motion, Motor Products, Emoteq, Computer Optical, AMOT I, AMOT II, AMOT III, New Stature, and Ahab may be referred to individually as a “Borrower” and collectively as the “Borrowers” and Allied Motion B.V., Precision Motor, and Beheer may be referred to individually as a “Dutch Subsidiary” and collectively as the “Dutch Subsidiaries.”

**Recitals**

A. Borrowers executed and delivered to Agent and Lenders a Revolving Credit and Security Agreement and other loan documents on and after May 7, 2004. Hereinafter, the Revolving Credit and Security Agreement and any amendments, modifications, replacements or substitutions thereto may be referred to collectively as the “Revolving Credit Loan Agreement” and the Revolving Credit Loan Agreement, any related loan documents, and any amendments, modifications, replacements or substitutions to any of the foregoing may be referred to collectively as the “Revolving Credit Loan Documents”.

B. Borrowers executed and delivered to PNC a Term Loan and Security Agreement and other loan documents on and after May 7, 2004. Hereinafter, the Term Loan and Security Agreement and any amendments, modifications, replacements or substitutions thereto may be referred to collectively as the “PNC Term Loan Agreement” and the PNC Term Loan Agreement, any related loan documents, and any amendments, modifications, replacements or substitutions to any of the foregoing may be referred to collectively as the “PNC Term Loan Documents.”

C. Borrower executed and delivered to SVB a Term Loan and Security Agreement and other loan documents on and after May 7, 2004. Hereinafter, the Term Loan and Security Agreement and any amendments, modifications, replacements or substitutions thereto may be referred to collectively as the “SVB Term Loan Agreement” and the SVB Term Loan Agreement, any related loan documents, and any amendments, modifications, replacements or substitutions to any of the foregoing may be referred to collectively as the “SVB Term Loan Documents”.

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D. Borrowers wish to modify the Revolving Credit Loan Documents, PNC Term Loan Documents, and SVB Term Loan Documents (collectively “Loan Documents”) as set forth in this Agreement.

E. Agent, Lenders, PNC and SVB are unwilling to modify the Loan Documents unless Borrowers execute and agree to abide by the terms and conditions set forth in this Agreement.

**Agreements**

1. Borrowers hereby acknowledge the validity and enforceability of the Loan Documents and reaffirm the truth and accuracy of all of the representations, warranties and other statements contained in the Loan Documents as of the date of this Agreement.

2. The outstanding principal balance on Borrowers’ obligations to Lenders under the Revolving Credit Loan Documents amounted to approximately \$4,102,111.69 as of August 18, 2004 and interest, fees, and expenses are accruing thereon as set forth in the Revolving Credit Loan Documents.

3. The outstanding principal balance on Borrowers’ obligations to PNC under the PNC Loan Documents amounted to approximately \$4,821,920.00 as of August 18, 2004 and interest, fees, and expenses are accruing thereon as set forth in the Loan Documents.

4. The outstanding principal balance on Borrowers’ obligations to SVB under the SVB Loan Documents amounted to approximately \$2,979,166.66 as of August 18, 2004 and interest, fees, and expenses are accruing thereon as set forth in the Loan Documents.

5. Notwithstanding anything to the contrary contained in the Loan Documents but subject to the terms and conditions set forth in **Section 6** below, Agent, Lenders, PNC and SVB hereby acknowledge and agree that:

(a) Allied Motion shall be entitled to form and own 100% of the outstanding stock of Allied Motion B.V.;

(b) Allied Motion B.V. shall be entitled to acquire 100% of Beheer’s stock;

(c) Allied Motion B.V. shall be entitled to obtain a loan (“Fortis Bank Loan”) in the principal amount of 1,600,000.00 Euros or less in the aggregate from Fortis Bank (Nederland) N.V. (“Fortis Bank”) for the acquisition of Beheer’s stock;

(d) Precision Motor and/or Beheer shall be entitled to obtain a loan (“Fortis Commercial Loan”) in the principal amount of 2,700,000.00 Euros or less in the aggregate from Fortis Commercial Finance, N.V. (“Fortis Commercial”) for operating purposes;

(e) Allied Motion shall be entitled to pay \$450,000.00 or less of the closing costs associated with Allied Motion’s purchase of Beheer’s stock, the Fortis Bank Loan, and the Fortis Commercial Loan; and

(f) Allied Motion shall be entitled to guaranty the payment of the Dutch Subsidiaries' obligations to Fortis Bank and Fortis Commercial under the Fortis Bank Loan and Fortis Commercial Loan.

6. The acknowledgment and consent of Agent, Lenders, PNC and SVB to the actions described in **Section 5** above is subject to the following conditions:

(a) Allied Motion B.V.'s purchase price for 100% of the outstanding Beheer stock does not exceed 3,750,000 Euros (excluding closing costs) in the aggregate;

(b) the principal amount of the Fortis Bank Loan does not exceed 1,600,000.00 Euros in the aggregate at any time (unless Borrowers and the Dutch Subsidiaries obtain the prior written consent of Agent, PNC and SVB which may be withheld in their sole discretion);

(c) the principal amount of the Fortis Commercial Loan does not exceed 2,700,000.00 Euros in the aggregate at any time (unless Borrowers and Dutch Subsidiaries obtain the prior written consent of Agent, PNC and SVB which may be withheld in their sole discretion);

(d) the Fortis Bank Loan and Fortis Commercial Loan are not guaranteed by any of the Borrowers except for Allied Motion;

(e) the Fortis Bank Loan and Fortis Commercial Loan are not secured by any of the Borrowers' assets;

(f) the Dutch Subsidiaries do not obtain any loans or other financing arrangements except for the Fortis Bank Loan, Fortis Commercial loan, and trade credit in the ordinary course of business without obtaining the prior written consent of Agent, PNC and SVB which may be withheld in their sole discretion. Nothing contained herein shall limit the Dutch Subsidiaries from raising additional capital through the issuance and sale of additional stock;

(g) Except for the \$450,000.00 in closing costs and Allied Motion's unsecured guaranty of the Fortis Bank Loan and Fortis Commercial Loan, no Borrower provides any Dutch Subsidiary with any monies or other things of value or guaranties, secures, or otherwise becomes responsible for the payments and/or performance of any Dutch Subsidiary's indebtedness, liabilities or other obligations to any person or entity without obtaining the prior written consent of Agent, PNC and SVB which may be withheld in their sole discretion. In the event that any Dutch Subsidiary receives any monies or other things of value from any Borrower that are prohibited by the preceding sentence, the Dutch Subsidiary shall hold such monies or other things of value in trust for Agent, Lenders, PNC and SVB and promptly remit such monies or other things of value to Agent for the benefit of Agent, Lenders, PNC and SVB whereupon such monies or other things of value shall be applied against the outstanding indebtedness, liabilities and other obligations owing to Agent, Lenders, PNC and SVB under the Loan Documents in any order determined by Agent, PNC and SVB;

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(h) Borrowers and the Dutch Companies provide Agent, PNC and SVB with accurate and complete copies of the Fortis Bank Loan documents and the Fortis Commercial Loan documents and any amendments, modifications, replacements or substitutions thereto promptly upon the execution of such documents;

(i) Borrowers and the Dutch Companies refrain from amending, modifying, replacing or substituting the Fortis Bank Loan and/or Fortis Commercial Loan without obtaining the prior written consent of Agent, PNC and SVB which may be withheld in their sole discretion; and

(j) The occurrence of any event of default upon the Fortis Bank Loan, Fortis Commercial Loan, or any other financing arrangements for the Dutch Subsidiaries that are guaranteed or secured by any Borrower or its assets shall constitute an additional event of default under the Loan Documents.

7. Borrowers and the Dutch Subsidiaries hereby release, waive and forever discharge Lender and its shareholders, directors, officers, employees, and agents from all known and unknown, absolute and contingent, claims, defenses, setoffs, counterclaims, causes of action, actions, suits or other legal proceedings of any kind existing or accrued as of the date of this Agreement.

8. Borrowers shall be, jointly and severally, liable for the payment and performance of all of their present and future obligations under the Loan Documents and all of such obligations shall be secured by all of the collateral described in the Loan Documents.

9. Borrowers, jointly and severally, hereby represent and warrant to and covenant with Lender that Lender's liens, security interests, encumbrances and claims against the collateral described in the Loan Agreement and other Loan Documents shall continue to be prior and superior to any other liens, security interests, encumbrances or claims of any kind except for those specifically provided otherwise in the Loan Documents. Borrowers, jointly and severally, represent and warrant to Lender that no event of default exists under the Loan Documents as of the date of this Agreement and no material adverse changes have occurred in Borrowers' financial condition since the date of the last financial statements provided to Agent.

10. The Loan Documents shall remain in full force and effect except as amended by this Agreement and any additional Loan Documents.

11. Borrowers, jointly and severally, shall pay all of Agent's, Lenders', PNC's and SVB's attorneys' fees and other expenses incurred in connection with the negotiation, drafting, execution, filing and recording of this Agreement and any related Loan Documents. The amounts described in this paragraph shall be in addition to, and not in lieu of, the interest, fees and other charges owing under the Loan Documents.

12. Borrowers and the Dutch Subsidiaries shall take any additional actions and execute and deliver to Lender any additional documents reasonably requested by Lender to carry out the intent and purposes of this Agreement and any related Loan Documents.

13. This Agreement and any related documents shall inure to the benefit of and be binding upon the successors and permitted assigns of the parties hereto.



14. This Agreement shall be governed by the laws of the State of Colorado.

15. The parties hereto consent to the jurisdiction and venue of any Court located in the City and County of Denver, State of Colorado, in the event of any litigation pertaining to this Agreement or any related Loan Document or the enforcement of any liability, obligation, right or remedy described therein.

16. This Agreement may be executed in counterparts and shall be effective when at least one (1) counterpart has been executed by each party hereto.

17. This Agreement and the various documents described herein represent the complete and integrated understanding between the parties pertaining to the subject matter hereof. All prior and contemporaneous understandings and agreements, written or oral, express or implied, shall be of no further force and effect to the extent inconsistent herewith.

**18. THE PARTIES HERETO WAIVE THEIR RESPECTIVE RIGHTS TO DEMAND A JURY TRIAL IN THE EVENT OF ANY LITIGATION PERTAINING TO THIS AGREEMENT, ANY RELATED LOAN DOCUMENTS, OR THE ENFORCEMENT OF ANY LIABILITY, OBLIGATION, RIGHT OR REMEDY DESCRIBED THEREIN.**

ALLIED MOTION TECHNOLOGIES INC.

By: /s/ Richard D. Smith  
Name: Richard D. Smith  
Title: Chief Executive Officer

MOTOR PRODUCTS CORPORATION

By: /s/ Richard D. Smith  
Name: Richard D. Smith  
Title: Vice President

ALLIED MOTION CONTROL CORPORATION

By: /s/ Richard D. Smith  
Name: Richard D. Smith  
Title: President

EMOTEQ CORPORATION

By: /s/ Richard D. Smith  
Name: Richard D. Smith  
Title: President

COMPUTER OPTICAL PRODUCTS, INC.

By: /s/ Richard D. Smith  
Name: Richard D. Smith  
Title: President

AMOT I, INC.

By: /s/ Richard D. Smith  
Name: Richard D. Smith  
Title: President

AMOT II, INC.

By: /s/ Richard D. Smith  
Name: Richard D. Smith  
Title: President

AMOT III, INC.

By: /s/ Richard D. Smith  
Name: Richard D. Smith  
Title: President

STATURE ELECTRIC, INC. f/k/a  
AMOT, Inc.

By: /s/ Richard D. Smith  
Name: Richard D. Smith  
Title: President

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AHAB INVESTMENT COMPANY

By: /s/ Richard D. Smith  
Name: Richard D. Smith  
Title: President

ALLIED MOTION TECHNOLOGIES B.V.

By: /s/ Richard D. Smith  
Name: Richard D. Smith  
Title: President

PRECISION MOTOR TECHNOLOGY B.V.

By: /s/ Richard D. Smith  
Name: Richard D. Smith  
Title: Director

PREMOTEC B.V.

By: /s/ Richard D. Smith  
Name: Richard D. Smith  
Title: Director

PNC BANK, NATIONAL ASSOCIATION, AS  
AGENT FOR ITSELF, SILICON VALLEY BANK  
AND ANY OTHER LENDERS UNDER THE  
REVOLVING CREDIT LOAN AGREEMENT

By: /s/ John Wattinger  
Name: John Wattinger  
Title: Vice President

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PNC BANK, NATIONAL ASSOCIATION

By: /s/ John Wattinger  
Name: John Wattinger

Title: Vice President

SILICON VALLEY BANK

By: /s/ S. Renee Hudnall

Name: S. Renee Hudnall

Title: Vice President

STATE OF COLORADO )  
 ) ss.  
CITY AND COUNTY OF DENVER)

The foregoing instrument was subscribed, sworn to, and acknowledged before me this \_\_\_\_\_ day of August, 2004, by Richard D. Smith as the Chief Executive Officer of Allied Motion Technologies Inc., a Colorado corporation, on behalf of the corporation.

WITNESS MY HAND AND OFFICIAL SEAL

/s/ Katrice A. Roskelley  
Notary Public for the State of Colorado  
My commission expires: 8-27-2007

STATE OF COLORADO )  
 ) ss.  
CITY AND COUNTY OF DENVER)

The foregoing instrument was subscribed, sworn to, and acknowledged before me this \_\_\_\_\_ day of August, 2004, by Richard D. Smith as the Vice President of Motor Products Corporation, a Delaware corporation, on behalf of the corporation.

WITNESS MY HAND AND OFFICIAL SEAL

/s/ Katrice A. Roskelley  
Notary Public for the State of Colorado  
My commission expires: 8-27-2007

STATE OF COLORADO )  
 ) ss.  
CITY AND COUNTY OF DENVER)

The foregoing instrument was subscribed, sworn to, and acknowledged before me this \_\_\_\_\_ day of August, 2004, by Richard D. Smith as the President of Allied Motion Control Corporation, a Colorado corporation, on behalf of the corporation.

WITNESS MY HAND AND OFFICIAL SEAL

/s/ Katrice A. Roskelley  
Notary Public for the State of Colorado  
My commission expires: 8-27-2007

STATE OF COLORADO )  
 ) ss.  
CITY AND COUNTY OF DENVER)

The foregoing instrument was subscribed, sworn to, and acknowledged before me this \_\_\_\_\_ day of August, 2004, by Richard D. Smith as the President of Emoteq Corporation, a Colorado corporation, on behalf of the corporation.

WITNESS MY HAND AND OFFICIAL SEAL

/s/ Katrice A. Roskelley  
Notary Public for the State of Colorado  
My commission expires: 8-27-2007

STATE OF COLORADO )  
 ) ss.  
CITY AND COUNTY OF DENVER)

The foregoing instrument was subscribed, sworn to, and acknowledged before me this \_\_\_\_\_ day of August, 2004, by Richard D. Smith as the President of Computer Optical Products, Inc., a Colorado corporation, on behalf of the corporation.

WITNESS MY HAND AND OFFICIAL SEAL

/s/ Katrice A. Roskelley  
Notary Public for the State of Colorado  
My commission expires: 8-27-2007

STATE OF COLORADO            )  
  ) ss.  
CITY AND COUNTY OF DENVER)

The foregoing instrument was subscribed, sworn to, and acknowledged before me this \_\_\_\_\_ day of August, 2004, by Richard D. Smith as the President of AMOT I, INC., a Delaware corporation, on behalf of the corporation.

WITNESS MY HAND AND OFFICIAL SEAL

/s/ Katrice A. Roskelley  
Notary Public for the State of Colorado  
My commission expires: 8-27-2007

STATE OF COLORADO            )  
  ) ss.  
CITY AND COUNTY OF DENVER)

The foregoing instrument was subscribed, sworn to, and acknowledged before me this \_\_\_\_\_ day of August, 2004, by Richard D. Smith as the President of AMOT II, INC., a Delaware corporation, on behalf of the corporation.

WITNESS MY HAND AND OFFICIAL SEAL

/s/ Katrice A. Roskelley  
Notary Public for the State of Colorado  
My commission expires: 8-27-2007

STATE OF COLORADO            )  
  ) ss.  
CITY AND COUNTY OF DENVER)

The foregoing instrument was subscribed, sworn to, and acknowledged before me this \_\_\_\_\_ day of August, 2004, by Richard D. Smith as the President of AMOT III, INC., a Delaware corporation, on behalf of the corporation.

WITNESS MY HAND AND OFFICIAL SEAL

/s/ Katrice A. Roskelley  
Notary Public for the State of Colorado  
My commission expires: 8-27-2007

STATE OF COLORADO            )  
  ) ss.  
CITY AND COUNTY OF DENVER)

The foregoing instrument was subscribed, sworn to, and acknowledged before me this \_\_\_\_\_ day of August, 2004, by Richard D. Smith as the President of Stature Electric, Inc. f/k/a AMOT, Inc., a Pennsylvania corporation, on behalf of the corporation.

WITNESS MY HAND AND OFFICIAL SEAL

/s/ Katrice A. Roskelley  
Notary Public for the State of Colorado  
My commission expires: 8-27-2007

STATE OF COLORADO )  
 ) ss.  
CITY AND COUNTY OF DENVER)

The foregoing instrument was subscribed, sworn to, and acknowledged before me this day of August, 2004, by Richard D. Smith as the President of Ahab Investment Company, a Delaware corporation, on behalf of the corporation.

WITNESS MY HAND AND OFFICIAL SEAL

/s/ Katrice A. Roskelley  
Notary Public for the State of Colorado  
My commission expires: 8-27-2007

STATE OF COLORADO )  
 ) ss.  
CITY AND COUNTY OF DENVER)

The foregoing instrument was subscribed, sworn to, and acknowledged before me this day of August, 2004, by Richard D. Smith as the of Allied Motion Technologies B.V., a , on behalf of the .

WITNESS MY HAND AND OFFICIAL SEAL

/s/ Katrice A. Roskelley  
Notary Public for the State of Colorado  
My commission expires: 8-27-2007

STATE OF COLORADO )  
 ) ss.  
CITY AND COUNTY OF DENVER)

The foregoing instrument was subscribed, sworn to, and acknowledged before me this day of August, 2004, by Richard D. Smith as the of Precision Motor Technology B.V., a , on behalf of the .

WITNESS MY HAND AND OFFICIAL SEAL

/s/ Katrice A. Roskelley  
Notary Public for the State of Colorado  
My commission expires: 8-27-2007

STATE OF COLORADO )  
 ) ss.  
CITY AND COUNTY OF DENVER)

The foregoing instrument was subscribed, sworn to, and acknowledged before me this day of August, 2004, by Richard D. Smith as the of Premotec B.V., a , on behalf of the .

WITNESS MY HAND AND OFFICIAL SEAL

/s/ Katrice A. Roskelley  
Notary Public for the State of Colorado  
My commission expires: 8-27-2007

**SECOND AMENDMENT TO REVOLVING CREDIT AND SECURITY AGREEMENT,  
TERM LOAN AND SECURITY AGREEMENTS, AND RELATED DOCUMENTS**

This Second Amendment to Revolving Credit and Security Agreement, Term Loan and Security Agreements, and Related Documents ("Agreement") is executed by ALLIED MOTION TECHNOLOGIES, INC. ("Allied Motion"), MOTOR PRODUCTS CORPORATION ("Motor Products"), ALLIED MOTION CONTROL CORPORATION ("Allied Motion Control"), EMOTEQ CORPORATION ("Emoteq"), COMPUTER OPTICAL PRODUCTS, INC. ("Computer Optical"), AMOT I, INC. ("AMOT I"), AMOT II, INC. ("AMOT II"), AMOT III, INC. ("AMOT III"), STATURE ELECTRIC, INC. f/k/a AMOT, Inc. ("New Stature"), AHAB INVESTMENT COMPANY ("Ahab"), PNC BANK, NATIONAL ASSOCIATION ("Agent") as agent for itself, Silicon Valley Bank, and any other lenders under the Revolving Credit Agreement (collectively "Lenders"), PNC BANK, NATIONAL ASSOCIATION ("PNC"), and SILICON VALLEY BANK ("SVB") for valuable consideration, the receipt and sufficiency of which is hereby acknowledged, as of November 15, 2004. Hereinafter, Allied Motion, Motor Products, Emoteq, Computer Optical, AMOT I, AMOT II, AMOT III, New Stature, and Ahab may be referred to individually as a "Borrower" and collectively as the "Borrowers".

**Recitals**

A. Borrowers executed and delivered to Agent and Lenders a Revolving Credit and Security Agreement and other loan documents on and after May 7, 2004. Hereinafter, the Revolving Credit and Security Agreement and any amendments, modifications, replacements or substitutions thereto may be referred to collectively as the "Revolving Credit Loan Agreement" and the Revolving Credit Loan Agreement, any related loan documents, and any amendments, modifications, replacements or substitutions to any of the foregoing may be referred to collectively as the "Revolving Credit Loan Documents".

B. Borrowers executed and delivered to PNC a Term Loan and Security Agreement and other loan documents on and after May 7, 2004. Hereinafter, the Term Loan and Security Agreement and any amendments, modifications, replacements or substitutions thereto may be referred to collectively as the "PNC Term Loan Agreement" and the PNC Term Loan Agreement, any related loan documents, and any amendments, modifications, replacements or substitutions to any of the foregoing may be referred to collectively as the "PNC Term Loan Documents".

C. Borrower executed and delivered to SVB a Term Loan and Security Agreement and other loan documents on and after May 7, 2004. Hereinafter, the Term Loan and Security Agreement and any amendments, modifications, replacements or substitutions thereto may be referred to collectively as the "SVB Term Loan Agreement" and the SVB Term Loan Agreement, any related loan documents, and any amendments, modifications, replacements or substitutions to any of the foregoing may be referred to collectively as the "SVB Term Loan Documents".

D. Borrowers wish to modify the Revolving Credit Loan Documents, PNC Term Loan Documents, and SVB Term Loan Documents (collectively "Loan Documents") as set forth in this Agreement.

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E. Agent, Lenders, PNC and SVB are unwilling to modify the Loan Documents unless Borrowers execute and agree to abide by the terms and conditions set forth in this Agreement.

**Agreements**

1. Borrowers hereby acknowledge the validity and enforceability of the Loan Documents and reaffirm the truth and accuracy of all of the representations, warranties and other statements contained in the Loan Documents as of the date of this Agreement.

2. The outstanding principal balance on Borrowers' obligations to Lenders under the Revolving Credit Loan Documents amounted to approximately \$4,263,427.14 as of November 15, 2004 and interest, fees, and expenses are accruing thereon as set forth in the Revolving Credit Loan Documents.

3. The outstanding principal balance on Borrowers' obligations to PNC under the PNC Loan Documents amounted to approximately \$4,643,840.00 as of November 15, 2004 and interest, fees, and expenses are accruing thereon as set forth in the Loan Documents.

4. The outstanding principal balance on Borrowers' obligations to SVB under the SVB Loan Documents amounted to approximately \$2,708,333.32 as of November 15, 2004 and interest, fees, and expenses are accruing thereon as set forth in the Loan Documents.

5. **Section 6.5** of the Revolving Credit Loan Agreement shall be amended to read:

6.5 **Tangible Net Worth.** Commencing on the Closing Date and continuing through June 30, 2004, maintain a minimum Tangible Net Worth of \$4,300,000.00 at all times. Commencing on July 1, 2004 and continuing through the end of such calendar quarter, maintain at all times a minimum Tangible Net Worth equal to \$4,300,000.00 plus fifty percent (50%) of Borrowers' positive net income on a consolidated basis for the quarter ending June 30, 2004. Commencing on the first day of each subsequent calendar quarter and continuing through the end of such calendar quarter, maintain at all times a minimum Tangible Net Worth equal to the sum of the prior calendar quarter's required minimum Tangible Net Worth plus fifty percent (50%) of Borrowers' positive net income on a consolidated basis for the prior calendar quarter. Tangible Net Worth shall be measured as of the end of each month. The calculations of Tangible Net Worth on and after September 30, 2004 shall not include the results of operations from the date of acquisition and the assets or liabilities of Allied Motion Technologies, B.V., Precision Motor Technology B.V. and Premotec Beheer, B.V.

6. **Section 6.6** of the Revolving Credit Loan Agreement shall be amended to read:

6.6 **Fixed Charge Coverage Ratio.** Maintain a Fixed Charge Coverage ratio of not less than 1.25 to 1.00 measured as of the end of each calendar quarter. The calculations of Fixed Charge Coverage Ratio on and after September 30, 2004 shall not include the results of operations from the date of acquisition and the assets or liabilities of Allied Motion Technologies, B.V., Precision Motor Technology B.V. and Premotec Beheer, B.V.

7. Borrowers hereby release, waive and forever discharge Lender and its shareholders, directors, officers, employees, and agents from all known and unknown, absolute and contingent, claims, defenses, setoffs, counterclaims, causes of action, actions, suits or other legal proceedings of any kind existing or accrued as of the date of this Agreement.

8. Borrowers shall be, jointly and severally, liable for the payment and performance of all of their present and future obligations under the Loan Documents and all of such obligations shall be secured by all of the collateral described in the Loan Documents.

9. Borrowers, jointly and severally, hereby represent and warrant to and covenant with Lender that Lender's liens, security interests, encumbrances and claims against the collateral described in the Loan Agreement and other Loan Documents shall continue to be prior and superior to any other liens, security interests, encumbrances or claims of any kind except for those specifically provided otherwise in the Loan Documents. Borrowers, jointly and severally, represent and warrant to Lender that no event of default exists under the Loan Documents as of the date of this Agreement and no material adverse changes have occurred in Borrowers' financial condition since the date of the last financial statements provided to Agent.

10. The Loan Documents shall remain in full force and effect except as amended by this Agreement and any additional Loan Documents.

11. Borrowers, jointly and severally, shall pay all of Agent's, Lenders', PNC's and SVB's attorneys' fees and other expenses incurred in connection with the negotiation, drafting, execution, filing and recording of this Agreement and any related Loan Documents. The amounts described in this paragraph shall be in addition to, and not in lieu of, the interest, fees and other charges owing under the Loan Documents.

12. Borrowers shall take any additional actions and execute and deliver to Lender any additional documents reasonably requested by Lender to carry out the intent and purposes of this Agreement and any related Loan Documents.

13. This Agreement and any related documents shall inure to the benefit of and be binding upon the successors and permitted assigns of the parties hereto.

14. This Agreement shall be governed by the laws of the State of Colorado.

15. The parties hereto consent to the jurisdiction and venue of any Court located in the City and County of Denver, State of Colorado, in the event of any litigation pertaining to this Agreement or any related Loan Document or the enforcement of any liability, obligation, right or remedy described therein.

16. This Agreement may be executed in counterparts and shall be effective when at least one (1) counterpart has been executed by each party hereto.

17. This Agreement and the various documents described herein represent the complete and integrated understanding between the parties pertaining to the subject matter hereof. All prior and contemporaneous understandings and agreements, written or oral, express or implied, shall be of no further force and effect to the extent inconsistent herewith.

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**18. THE PARTIES HERETO WAIVE THEIR RESPECTIVE RIGHTS TO DEMAND A JURY TRIAL IN THE EVENT OF ANY LITIGATION PERTAINING TO THIS AGREEMENT, ANY RELATED LOAN DOCUMENTS, OR THE ENFORCEMENT OF ANY LIABILITY, OBLIGATION, RIGHT OR REMEDY DESCRIBED THEREIN.**

ALLIED MOTION TECHNOLOGIES INC.

By: /s/ Richard D. Smith  
Name: Richard D. Smith  
Title: Chief Executive Officer

MOTOR PRODUCTS CORPORATION

By: Richard D. Smith  
Name: Richard D. Smith  
Title: Vice President

ALLIED MOTION CONTROL CORPORATION

By: Richard D. Smith  
Name: Richard D. Smith  
Title: President

EMOTEQ CORPORATION

By: Richard D. Smith

Name: Richard D. Smith  
Title: President

COMPUTER OPTICAL PRODUCTS, INC.

By: Richard D. Smith  
Name: Richard D. Smith  
Title: President

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AMOT I, INC.

By: Richard D. Smith  
Name: Richard D. Smith  
Title: President

AMOT II, INC.

By: Richard D. Smith  
Name: Richard D. Smith  
Title: President

AMOT III, INC.

By: Richard D. Smith  
Name: Richard D. Smith  
Title: President

STATURE ELECTRIC, INC. f/k/a  
AMOT, Inc.

By: Richard D. Smith  
Name: Richard D. Smith  
Title: President

AHAB INVESTMENT COMPANY

By: Richard D. Smith  
Name: Richard D. Smith  
Title: President

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PNC BANK, NATIONAL ASSOCIATION, AS  
AGENT FOR ITSELF, SILICON VALLEY BANK  
AND ANY OTHER LENDERS UNDER THE  
REVOLVING CREDIT LOAN AGREEMENT

By: /s/ John Wattinger  
Name: John Wattinger  
Title: Vice President

PNC BANK, NATIONAL ASSOCIATION

By: /s/ John Wattinger



Name: John Wattinger  
Title: Vice President

SILICON VALLEY BANK

By: /s/ S. Renee Hudnall  
Name: S. Renee Hudnall  
Title: Vice President

STATE OF COLORADO )  
 ) ss.  
CITY AND COUNTY OF DENVER)

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of January, 2005, by Richard D. Smith as the Chief Executive Officer of Allied Motion Technologies Inc., a Colorado corporation, on behalf of the corporation.

WITNESS MY HAND AND OFFICIAL SEAL

/s/ Katrice A. Roskelley  
Notary Public for the State of Colorado  
My commission expires: 08-27-2007

STATE OF COLORADO )  
 ) ss.  
CITY AND COUNTY OF DENVER)

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of January, 2005, by Richard D. Smith as the Vice President of Motor Products Corporation, a Delaware corporation, on behalf of the corporation.

WITNESS MY HAND AND OFFICIAL SEAL

/s/ Katrice A. Roskelley  
Notary Public for the State of Colorado  
My commission expires: 08-27-2007

STATE OF COLORADO )  
 ) ss.  
CITY AND COUNTY OF DENVER)

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of January, 2005, by Richard D. Smith as the President of Allied Motion Control Corporation, a Colorado corporation, on behalf of the corporation.

WITNESS MY HAND AND OFFICIAL SEAL

/s/ Katrice A. Roskelley  
Notary Public for the State of Colorado  
My commission expires: 08-27-2007

STATE OF COLORADO )  
 ) ss.  
CITY AND COUNTY OF DENVER)

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of January, 2005, by Richard D. Smith as the President of Emoteq Corporation, a Colorado corporation, on behalf of the corporation.

WITNESS MY HAND AND OFFICIAL SEAL

/s/ Katrice A. Roskelley  
Notary Public for the State of Colorado  
My commission expires: 08-27-2007

STATE OF COLORADO )

) ss.  
CITY AND COUNTY OF DENVER)

The foregoing instrument was acknowledged before me this  
Products, Inc., a Colorado corporation, on behalf of the corporation.

day of January, 2005, by Richard D. Smith as the President of Computer Optical

WITNESS MY HAND AND OFFICIAL SEAL

/s/ Katrice A. Roskelley  
Notary Public for the State of Colorado  
My commission expires: 08-27-2007

STATE OF COLORADO )  
) ss.  
CITY AND COUNTY OF DENVER)

The foregoing instrument was acknowledged before me this  
Delaware corporation, on behalf of the corporation.

day of January, 2005, by Richard D. Smith as the President of AMOT I, INC., a

WITNESS MY HAND AND OFFICIAL SEAL

/s/ Katrice A. Roskelley  
Notary Public for the State of Colorado  
My commission expires: 08-27-2007

STATE OF COLORADO )  
) ss.  
CITY AND COUNTY OF DENVER)

The foregoing instrument was acknowledged before me this  
Delaware corporation, on behalf of the corporation.

day of January, 2005, by Richard D. Smith as the President of AMOT II, INC., a

WITNESS MY HAND AND OFFICIAL SEAL

/s/ Katrice A. Roskelley  
Notary Public for the State of Colorado  
My commission expires: 08-27-2007

STATE OF COLORADO )  
) ss.  
CITY AND COUNTY OF DENVER)

The foregoing instrument was acknowledged before me this  
Delaware corporation, on behalf of the corporation.

day of January, 2005, by Richard D. Smith as the President of AMOT III, INC., a

WITNESS MY HAND AND OFFICIAL SEAL

/s/ Katrice A. Roskelley  
Notary Public for the State of Colorado  
My commission expires: 08-27-2007

STATE OF COLORADO )  
) ss.  
CITY AND COUNTY OF DENVER)

The foregoing instrument was acknowledged before me this  
f/k/a AMOT, Inc., a Pennsylvania corporation, on behalf of the corporation.

day of January, 2005, by Richard D. Smith as the President of Stature Electric, Inc.

WITNESS MY HAND AND OFFICIAL SEAL

/s/ Katrice A. Roskelley  
Notary Public for the State of Colorado  
My commission expires: 08-27-2007

STATE OF COLORADO )  
 ) ss.  
CITY AND COUNTY OF DENVER)

The foregoing instrument was acknowledged before me this day of January, 2005, by Richard D. Smith as the President of Ahab Investment Company, a Delaware corporation, on behalf of the corporation.

WITNESS MY HAND AND OFFICIAL SEAL

/s/ Katrice A. Roskelley  
Notary Public for the State of Colorado  
My commission expires: 08-27-2007