

Plaintiff

vs.

Sydney Supply Co.

Defendant

P.M. #96-2589

RECEIVERSHIP NOTICE

Please take Notice that on June 10, 1996, an Order Appointing Permanent Receiver was entered by the Providence County Superior Court in the above-captioned matter. Said Order appointed Diane Finkle, Esq., as Permanent Receiver (the "Receiver") of Defendant, and specified that said Receiver was to give a Surety Bond in the amount of \$10,000.00, with respect to the faithful performance of the duties conferred upon said Receiver by said Order.

Said Order, the original of which is on file in the Office of the Clerk of the Providence County Superior Court, and which Order is incorporated herein by reference as if it were set forth in full in this RECEIVERSHIP NOTICE, contains, INTER ALIA, the following provisions:

"13. All creditors or other claimants hereby are ordered to file under oath with the Receiver at Winograd, Shine & Zacks, P.C., 123 Dyer Street, Providence, Rhode Island 02903, on or before October 10, 1996, a statement setting forth their claims, including, but without limited the generality of the foregoing, the name and address of the claimant, the nature and amount of such claim, a statement of any security or lien held by the claimant to which such claimant is or claims to be entitled, and also a statement as to any preference or priority which the claimant claims to be entitled to over the claims of any other or all other claimants or creditors.

14. That the commencement, prosecution, or continuance of the prosecution, of any action, suit, arbitration proceeding, hearing, or any foreclosure, reclamation or repossession proceeding, both judicial and non-judicial, or any other proceeding, in law, or in equity or under any statute, or otherwise, against said Defendant or any of its property, in any Court, agency, tribunal, or elsewhere, or before any arbitrator, or otherwise by any creditor, stockholder, corporation, partnership or any other person, or the levy of any attachment, execution or other process upon or against any property of said Defendant, or the taking or attempting to take into possession any property in the possession of the Defendant or of which the Defendant has the right to possession, or the cancellation at any time during the Receivership proceeding herein of any insurance policy, lease or other contract with Defendant, by any of such parties as aforesaid other than the Receiver designated as aforesaid, or the termination of telephone, electric, gas or other utility service to Defendant, by any public utility, without obtaining prior approval thereof from this Honorable Court, in which connection said Receiver shall be entitled to prior notice and an opportunity to be heard, are hereby restrained and enjoined until further order of this Court."

ENTERED at Providence, Rhode Island on this 10th day of June, 1996.
ENTER:

RECORDED
INDEXED
JUN 11 1996

JUN 21 1 10 PM '96



STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS

OMNIBUS CALENDAR ASSIGNMENT FORM

SUPERIOR COURT

PROVIDENCE/BRISTOL KENT WASHINGTON NEWPORT

1. Citizens Trust Company vs. Sydney Supply Co.	2. CASE NO. 96-2589
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3. REQUESTED CALENDAR ASSIGNMENT

J Jury Trial TRIAL CALENDAR N Non-Jury Trial

4. FORMAL AND SPECIAL CAUSE CALENDAR

<input type="checkbox"/> AGA Agency Appeal	<input type="checkbox"/> MNJ Mandatory Injunction	<input checked="" type="checkbox"/> POC Proof of Claim
<input type="checkbox"/> AOD Assessment of Damages	<input type="checkbox"/> MEL Mechanic's Lien	<input type="checkbox"/> RCP Receivership Proceedings
<input type="checkbox"/> CNA Confirm Arbitration	<input type="checkbox"/> MAT Motion to Attach	<input type="checkbox"/> SUP Supplementary Proceedings
<input type="checkbox"/> CNP Contempt Proceedings	<input type="checkbox"/> PRT Partition Proceedings	<input type="checkbox"/> TRO Temporary Restraining Order
<input type="checkbox"/> DEJ Declaratory Judgment	<input type="checkbox"/> PAT Petition to Appoint Temporary Receiver	<input type="checkbox"/> TIP Title Proceedings
<input type="checkbox"/> EOJ Entry of Judgment	<input type="checkbox"/> PEN Petition to Enforce	<input type="checkbox"/> TSP Trustee Proceedings
<input type="checkbox"/> FFR First and Final Report	<input type="checkbox"/> PIN Petition for Instructions	<input type="checkbox"/> VAR Vacate Arbitration
<input type="checkbox"/> FRR Foreclosure of Right of Redemption	<input type="checkbox"/> PRE Petition to Reclaim	<input type="checkbox"/> WOM Writ of Mandamus
<input type="checkbox"/> FRS Friendly Suit	<input type="checkbox"/> PES Petition to Sell	<input type="checkbox"/> WOR Writ of Replevin
<input type="checkbox"/> OPC Oral Proof of Claim	<input type="checkbox"/> PPI Preliminary Injunction	
<input type="checkbox"/> OTH Other FSC Matter		

DISPOSITIVE MOTION CALENDAR (TUESDAYS, PROV. ONLY)

<input type="checkbox"/> MTD Motion to Dismiss, Under Rule 12	<input type="checkbox"/> MPS Motion for Partial Summary Judgment
<input type="checkbox"/> MJP Motion for Entry of Judgment on Pleadings	<input type="checkbox"/> MSJ Motion for Summary Judgment
<input type="checkbox"/> MTN Other Dispositive Motion	

HEARING DATE 7/2/96 FSC/MOTION CAL. CLERK B. Muller DATE 6/19/96

5. SPECIAL MASTER CALENDAR

CIC Criminal Injury Compensation HEARING DATE _____ CLERK _____

6. METHOD OF ASSIGNMENT

Motion to Assign Stipulation to Assign Court Order Pursuant to Temporary Ex Parte Order

BASED ON METHOD OF ASSIGNMENT, STATE ANY RELEVANT INFORMATION BELOW

7. ATTORNEYS DATE 6/13/96

Signatures Diane Finkle (Plaintiff's) (Defendant's)

Print Name Diane Finkle, Receiver of Sydney Supply Co.

8. DATE / TIME STAMP

STATE OF RHODE ISLAND
PROVIDENCE, SC

SUPERIOR COURT

CITIZENS TRUST COMPANY,	:	
Plaintiff,	:	
	:	
vs.	:	P.M. No. 96-2589
	:	
SYDNEY SUPPLY CO.,	:	
Defendant.	:	

MOTION TO APPROVE
PROOF OF CLAIM AND TO DISBURSE FUNDS

NOW COMES Citizens Trust Company ("Citizens"), the secured creditor of the Defendant, and hereby requests that this Court issue an Order (i) approving its Proof of Claim attached hereto as Exhibit 1, and (ii) directing the Receiver to disburse funds to Citizens in the amount of \$125,000 or the amount of money equal to that sum which exceeds the monies needed by the Receiver to operate the Defendant's business. The Receiver has approximately \$200,000 in cash on hand which constitutes a portion of Citizens' collateral, \$125,000 of which Citizens believes is not necessary for the Receiver to operate Defendant's business. Citizens has a security interest in all of the Defendant's personal property, including Defendant's cash. The funds disbursed by the Receiver will be used to reduce the outstanding debt owed by Defendant to Citizens. Citizens also seeks an Order authorizing the Receiver hereafter to disburse funds to Citizens, which in the Receiver's discretion are not necessary to operate the Defendant's business, so that the Receiver may reduce the debt owed to Citizens and consequently

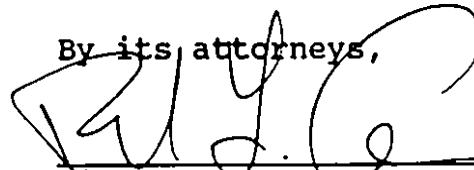
the interest expense of the receivership estate. Accordingly,
this Court should grant Citizens' Motion.

The Motion is supported by the attached Affidavit and all
files and records of the case.

Respectfully submitted,

Citizens Trust Company

By its attorneys,



Richard L. Gemma, Esq. #3953
MacADAMS & WIECK INCORPORATED
101 Dyer Street
Providence, RI 02903
(401) 454-8700
(401) 454-8755 (Facsimile)
Dated: 6/11/96

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STATE OF RHODE ISLAND
PROVIDENCE, SC

SUPERIOR COURT

CITIZENS TRUST COMPANY, :
Plaintiff, :
 :
vs. :
 :
SYDNEY SUPPLY CO., :
Defendant. :

P.M. No. 96-2589

RECEIVERSHIP PROOF OF CLAIM

I, David L. Dugas, Assistant Vice President of Citizens Trust Company ("Bank"), being duly sworn, depose and say:

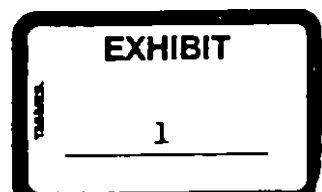
1. Defendant, Sydney Supply Co. ("Defendant"), upon information and belief, is a Rhode Island corporation with an office at 176 Union Avenue, Providence, Rhode Island, and is in the plumbing-equipment supply business.

2. Bank is a creditor of Defendant by virtue of (i) a Revolving Credit Loan Note dated June 29, 1993, as amended thereafter by a certain Loan Modification Agreement dated March 29, 1995 (collectively, "Credit Note") and (ii) a term promissory note ("Term Note") in the original principal amount of \$500,000 dated June 29, 1993 (the Credit Note and Term Note hereinafter sometimes collectively referred to as the "Notes"), each executed by Defendant, a copy of which are attached hereto as Exhibits A and B. To secure its obligations under the Notes, Defendant executed and delivered to Bank a certain Credit and Security Agreement ("C&S Agreement") granting to Bank a security interest covering all of Defendant's tangible and intangible personal property, including without limitation, its inventory, equipment, machinery, accounts receivable, cash, etc. A copy of the C&S Agreement and UCC Financing Statement are attached hereto as Exhibit C and D respectfully.

3. The indebtedness evidenced by the Notes, exclusive of legal fees and expenses incurred by Bank, totals \$833,572.55 as of June 10, 1996 and increases each day with the addition of per diem interest charges. The details of the indebtedness are as follows:

Credit Note:

Unpaid Principal.....	\$466,464.24
Unpaid Interest (as of 6/10/96)....	\$ <u>4,745.69</u>
Per Diem.....	\$113.38
 *Total.....	 \$471,209.93



Term Note:

Unpaid Principal.....\$358,356.00
Unpaid Interest (as of 5/15/96)....\$ 4,006.62
Per Diem.....\$87.10

Total.....\$362,362.62

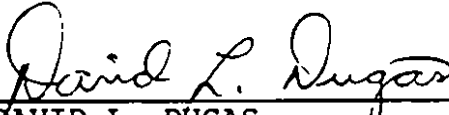
GRAND TOTAL: \$833,572.55*

* This figure also does not include the attorneys' fees and expenses incurred by the Bank in the collection of the indebtedness due under the Credit Note and the Term Note. Citizens' reserves its right to file a supplemental Motion and Affidavit to evidence and to recover those fees and expenses.

The indebtedness evidenced by each of the Notes is due and payable in full.

4. That such account is just, true and correct, and said balance is now due Defendant.


5. That no part thereof has been paid or satisfied, and that there are no set-offs, or counterclaims thereto, to the best of my knowledge and belief.



DAVID L. DUGAS
Assistant Vice President

STATE OF RHODE ISLAND
COUNTY OF PROVIDENCE

Subscribed and sworn to before me this 11th day June, 1996.



NOTARY PUBLIC

My Commission Expires: 10-5-96

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REVOLVING CREDIT LOAN NOTE

\$500,000.

Providence, R.I.

June 29, 1993

FOR VALUE RECEIVED, the undersigned, SYDNEY SUPPLY CO., a Rhode Island corporation, promises to pay, UPON DEMAND, to CITIZENS TRUST COMPANY, a Rhode Island banking corporation with its principal office in the City of Providence, State of Rhode Island (the "Lender"), or order, at any of its offices in the State of Rhode Island in lawful money of the United States and in immediately available funds, the principal sum of FIVE HUNDRED THOUSAND DOLLARS (\$500,000.), or if less, the aggregate unpaid principal amount of all advances made by Lender to the undersigned pursuant to a credit and security agreement dated of even date herewith between Lender and the undersigned (the "Credit Agreement"), together with interest, whether before or after maturity, to the extent permitted by applicable law, on any and all principal amounts remaining unpaid hereunder from time to time from the date hereof until payment in full hereof, at a rate per annum equal to one-half of one percent (0.50%) greater than the Prime Rate in effect from time to time as hereinafter provided, each change in such rate to become effective on the date of each change in the Prime Rate. The Prime Rate, as used in this Revolving Credit Loan Note (this "Note") in effect at any time shall be the rate publicly announced by Lender as being its "prime rate" in effect at that time. Interest shall be calculated on the basis of a three hundred sixty (360) day year, but shall accrue and be payable on the basis of the actual number of days elapsed in each month.

Interest accruing at the aforesaid rate on the unpaid principal balance of this Note shall be paid to Lender monthly, in arrears, commencing on the 15th day of July, 1993, and continuing on the same day of each month thereafter until this Note is paid in full. All accrued and unpaid interest and all principal shall be due in any and all events upon demand. AUC

All payments shall be applied first to interest then due and the balance only to principal, and the undersigned expressly agrees that no renewal or extension granted, whether by acceptance of interest in advance or otherwise, nor any indulgence shown to, nor any release of, nor any dealings between a holder hereof and any person now or hereafter interested herein or in any of the security for this Note, whether as owner, encumbrancer, guarantor or otherwise, shall dis-

EXHIBIT

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charge, extend, or in any way affect the obligations of the undersigned as principal debtor hereunder.

The undersigned shall have the right to prepay all or any portion of the unpaid principal hereof without premium, fee or penalty.

This Note is the Revolving Credit Loan Note as defined in the Credit Agreement, shall be governed by the provisions of the Credit Agreement, shall be interpreted and construed in accordance therewith, is entitled to the benefits thereof, is secured as provided therein, and hereby incorporates the Credit Agreement by reference in its entirety.

Upon demand, this Note shall, at the option of the holder, become immediately due and payable without presentment, demand, notice of dishonor, protest, notice of acceleration, or notice of any kind, all of which are hereby expressly waived by the undersigned and each and every person now or hereafter liable, absolutely or contingently, for the payment of the whole or any part of this Note.

The undersigned agrees to pay all costs and expenses (including reasonable attorneys' fees) incurred by the holder of this Note in the collection of sums due hereunder, or in the exercise or defense of the holder's rights and powers under this Note or any instrument securing or relating to this Note.

If any monthly installment shall not be paid within ten (10) days after it first becomes due, the undersigned or any other person, firm or corporation now or hereafter interested herein or in the security for this Note may, at any time thereafter prior to a declaration by the holder that the entire principal balance has become due by reason of such default, remove such default by paying the holder in addition to all other sums then due and payable, an amount equal to five percent (5%) of each such overdue installment.

Notwithstanding anything in this Note or any other instrument to the contrary, the undersigned shall not be required to pay interest on the indebtedness evidenced by this Note in excess of the maximum interest permissible under applicable law. If under any circumstances whatsoever the holder of this Note should receive as interest under this Note an amount which would exceed the maximum permissible interest under applicable law, such excess amount shall be applied to reduce the principal balance of the indebtedness evidenced by this Note and not to payment of interest.

All references to Lender shall be deemed to apply to any holder for the time being of this Note, and the terms hereof shall be binding on the successors and assigns of the undersigned. This Note is deemed to have been executed and delivered in the State of Rhode Island, and shall be in all respects governed, construed, applied and enforced in accordance with the laws of said State without resort to its conflict of laws rules.

IN WITNESS WHEREOF, the undersigned, by its duly authorized representative, has executed and delivered this Note the day and year first above written.

Witnessed by:

SYDNEY SUPPLY CO.

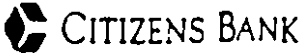
Stephille M. Sydney

By: *Allan W. Sydney, Pres.*
Allan W. Sydney
President

MAILING ADDRESS OF BORROWER:

176 Union Avenue
Providence, Rhode Island 02906

WPPGAP/355



Loan Modification Agreement

CITIZENS TRUST COMPANY, as lender (the "Bank"), and SYDNEY SUPPLY CO.

as borrower (the "Borrower"), are parties to a certain Revolving

Loan Agreement dated June 29, 1993 (the "Loan Agreement"), and/or a

Note dated _____, 19__ (the "Note"), and the following security documents if any,

Security Agreement

all dated June 29, 1993 (the "Security Documents")

the receipt and adequacy of which are hereby acknowledged, the Bank and the Borrower hereby modify the Security Documents, all to the extent applicable, to reflect the following modifications

Interest rate per annum calculated daily as shall equal _____ % greater than the floating rate of interest designated by Bank from time to time as its "Prime Rate" of interest, such interest rate to change as and when the Prime Rate changes, but in no event shall the interest rate exceed that allowable under applicable law. Interest shall be computed on the basis of a three hundred sixty (360) day year counting the actual number of days elapsed

Interest shall accrue at a rate of _____ % per annum. Interest shall be computed on the basis of a three hundred sixty (360) day year counting the actual number of days elapsed

PAYMENT TERMS: COMMENCING WITH PAYMENT DUE _____, 19__

Principal and interest payments of \$ _____ per month until the earlier of the final payment date or the date the Loan Agreement/Note is paid in full.

Principal payments of \$ _____ per month plus interest until the earlier of the final payment date or the date the Loan Agreement/Note is paid in full.

Final payment date (if modified): _____

Interest hereby extended to April 30, 1996. Continue to pay interest only monthly. All other terms and conditions remain in full force and effect.

INTEREST EXTENSION WAIVER:

payment(s) under the Loan Agreement/Note, now due or to become due, are extended to the date the Loan Agreement/Note matures. Principal payments shall recommence on _____, 19__ Interest shall be paid monthly during the extension period and the final payment date of the Loan Agreement/Note shall not be changed unless noted below.

Final payment date (if modified): _____

2 The Borrower hereby warrants that all of the representations and warranties contained in the Loan Agreement, if any, are true and correct as of the date hereof (except for Borrower's representation with respect to its financial condition, which is accurately reflected on Borrower's most recent financial statements provided to the Bank) and that no Event of Default has occurred and is continuing under the Loan Agreement and/or the Note or the Security Documents or would constitute such an Event of Default but for the requirement that notice be given or time elapse or both.

3 Each of the Loan Agreement and/or the Note and the Security Documents are hereby amended to be consistent with the terms and provisions of this Loan Modification Agreement. All references in the Loan Agreement and/or the Note and the Security Documents to each of the others shall be deemed to refer to such document(s) as amended by this Loan Modification Agreement.

4 Except as modified and amended hereby, the Loan Agreement and/or the Note and the Security Documents remain in full force and effect and are in all other respects hereby ratified and confirmed.

Executed under seal this 29 day of March, 19 95

SYDNEY SUPPLY CO.

By: Allen W. Sydney
President

CITIZENS TRUST COMPANY

By: Mark E. McGwin, III

Title: Assistant Vice President

Reaffirmation of Guarantor(s)

The undersigned, jointly and severally if more than one (collectively the "Guarantor"), has entered into a Guaranty or Guaranties in favor of the Bank dated as of _____, 19 ____ (collective, the "Guaranty") wherein the Guarantor has guaranteed the Borrower's obligations under the loan documents described above.

In order to induce the Bank to enter into the Loan Modification Agreement set forth above, the Guarantor, for good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, hereby (a) consents to the execution of this Loan Modification Agreement by the Borrower, and (b) agrees and confirms that the Guaranty remains in full force and effect with respect to the Loan Agreement and/or the Note and the Security Documents, as amended above.

Executed under seal this ____ day of _____, 19 ____

N/A

TERM PROMISSORY NOTE

\$500,000.00

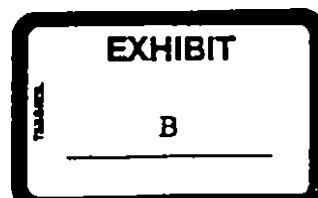
Providence, R.I.

June 29, 1993

FOR VALUE RECEIVED, the undersigned, SYDNEY SUPPLY CO., a Rhode Island corporation, promises to pay to CITIZENS TRUST COMPANY, a Rhode Island banking corporation with its principal office in Providence, Rhode Island ("Lender"), or order, at any of its offices in the State of Rhode Island, FIVE HUNDRED THOUSAND DOLLARS (\$500,000.), together with interest, whether before or after maturity, to the extent permitted by applicable law, on any and all principal amounts remaining unpaid hereunder from time to time from the date hereof until payment in full hereof at a rate per annum equal to one-half of one percent (0.50%) greater than the Prime Rate in effect from time to time as hereinafter provided, each change in such rate to become effective on the date of each change in the Prime Rate. The Prime Rate, as used in this Term Promissory Note (this "Note") in effect at any time shall be the rate publicly announced by Lender as being its "prime rate" in effect at that time. Interest shall be calculated on the basis of a three hundred sixty (360) day year, but shall accrue and be payable on the basis of the actual number of days elapsed in each month.

Principal shall be paid in consecutive monthly installments of Four Thousand One Hundred Sixty-Six Dollars (\$4,166.) each, commencing on the 25th day of July, 1993, and continuing on the same day of each and every month thereafter until this Note is paid in full. Interest shall be paid monthly, in arrears, on the unpaid principal balance of this Note commencing on the 25th day of July, 1993, and continuing on the same day of each and every month thereafter until this Note is paid in full. If not sooner paid, this Note and all accrued and unpaid interest hereon and all unpaid principal shall be due and payable on the 25th day of June, 1998. A4S

All payments made hereunder shall be applied first to interest then due and the balance only to principal. The undersigned expressly agrees that no renewal or extension granted, whether by acceptance of interest in advance or otherwise, nor any indulgence shown to, nor any release of, nor any dealings between a holder hereof and any person now or hereafter interested herein or in any of the security for this Note, whether as owner, encumbrancer or otherwise shall discharge, extend, or in any way affect the obligations of the undersigned as principal debtor hereunder.



This Note is the Term Loan Note as defined in a credit and security agreement by and between the undersigned and Lender dated of even date herewith (the "Credit Agreement"), which Credit Agreement grants to Lender a security interest under the Uniform Commercial Code in accounts receivable, inventory, machinery and equipment.

Upon the occurrence of an Event of Default as defined in Section 7.1 of the Credit Agreement, this Note shall, at the option of the holder, become immediately due and payable without presentment, demand, protest, or notice of any kind, all of which are hereby expressly waived by the undersigned and each and every person now or hereafter liable, absolutely or contingently, for the payment of the whole or any part of this Note. Failure to exercise said option shall not constitute a waiver of the right to exercise the same at any other time for the same or any other cause.

All or any portion of the principal hereof may be prepaid in full or in part at any time without premium, fine, or penalty.

If any monthly installment shall not be paid within ten (10) days after it first becomes due, the undersigned or any other person, firm or corporation now or hereafter interested herein or in the security for this Note may, at any time thereafter prior to a declaration by the holder that the entire principal balance has become due by reason of such default, remove such default by paying the holder in addition to all other sums then due and payable, an amount equal to five percent (5%) of each such overdue installment.

The undersigned agrees to pay all costs and expenses (including reasonable attorneys' fees) incurred by the holder of this Note in the collection of sums due hereunder, or in the exercise or defense of the holder's rights and powers under this Note.

Notwithstanding anything in this Note or any other instrument to the contrary, the undersigned shall not be required to pay interest on the indebtedness evidenced by this Note in excess of the maximum interest permissible under applicable law. If under any circumstances whatsoever the holder of this Note should receive as interest under this Note an amount which would exceed the maximum permissible interest under applicable law, such excess amount shall be applied to reduce the principal balance of the indebtedness evidenced by this Note and not to payment of interest.

All references to the holder shall be deemed to apply to any holder for the time being of this Note, and the terms hereof shall be binding on the heirs, executors, administrators, successors and assigns of the undersigned. This Note shall be deemed to have been executed and delivered in the State of Rhode Island and shall be in all respects governed, construed, applied and enforced in accordance with the laws of said State.

In presence of:

SYDNEY SUPPLY CO.

Allan W. Sydney

By: *Allan W. Sydney, Pres.*
Allan W. Sydney
President

MAILING ADDRESS OF BORROWER:

176 Union Avenue
Providence, RI 02906

WPPGAP/356

CREDIT AND SECURITY AGREEMENT

THIS CREDIT AND SECURITY AGREEMENT is made this 29th day of June, 1993, by and between SYDNEY SUPPLY CO., a Rhode Island corporation (the "Company"), and CITIZENS TRUST COMPANY, a Rhode Island banking corporation (the "Bank").

SECTION 1. DEFINITIONS.

1.1 Defined Terms. As used herein the following terms shall have the following meanings, unless the context otherwise requires:

"Agreement" shall mean this Credit and Security Agreement and any future amendments or supplements hereto.

"Business Day" shall mean a day other than a Saturday, Sunday, legal holiday in the State of Rhode Island or other day which the Bank may be lawfully closed.

"Collateral" shall mean Receivables, Inventory, Machinery and Equipment, all ledger sheets, files, records, documents and instruments (including, without limitation, computer program, tapes and related electronic data processing software) evidencing an interest in or relating to the Collateral; and all instruments, documents, securities, cash, property and the proceeds of any of the foregoing, owned by the Company or in which the Company has an interest, which now or hereafter are at any time in possession or control of the Bank or in transit by mail or carrier to or from the Bank or in the possession of any third party acting on behalf of the Bank, without regard to whether the Bank received the same in pledge, for safekeeping, as agent for collection or transmission or otherwise or whether the Bank had conditionally released the same.

"Eligible Receivable" means a Receivable which is acceptable to Bank, in its sole discretion, using customary methods and practices typical in its commercial banking business, and which is at least in compliance with the following:

(a) The Receivable is an account which arose in the ordinary course of business of the Company from or

EXHIBIT

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in connection with a bona fide sale of goods or rendition of services, performed in accordance with an order or contract, oral or written, wherein all obligations of the Company regarding the shipment or delivery of such goods to the customer have been satisfied or the services have been performed for the customer in the ordinary course of the Company's business and consistent with good and prudent business practices;

(b) The rights of the Company in and to the Receivable and the proceeds thereof are not subject to any assignment, claim, lien, security interest or other encumbrance except in the ordinary course of the Company's business and consistent with good and prudent business practices;

(c) The Receivable is not disputed nor subject to offset or adjustment by the customer, except discounts for prompt payment offered by the Company in the ordinary course of business; and

(d) The Receivable has been due and payable for ninety (90) days or less from the invoice date.

"Event of Default" shall mean any event specified in Section 7 hereof, provided that any requirement for notice or lapse of time or any other condition has been satisfied.

"GAAP" shall mean generally accepted accounting principles.

"Inventory" shall mean all goods, merchandise and other personal property now owned or hereafter acquired by the Company and held for sale or lease, or furnished or to be furnished under any contract of service, including raw materials, work-in-process, supplies or materials used or consumed in the Company's business, and all products thereof, and all substitutions, replacements, additions or accessions therefor and thereto; all cash or non-cash proceeds of all of the foregoing, including insurance proceeds.

"Loan" shall mean collectively the Revolving Credit Loan and the Term Loan.

"Machinery and Equipment" shall mean all machinery

and equipment and furniture and fixtures of the Company (excluding automotive equipment), now owned or hereafter acquired by the Company, and used or acquired for use in the business of the Company, together with all accessions thereto and all substitutions and replacements thereof and parts therefor; all cash or non-cash proceeds; and including, without limitation, all Machinery and Equipment listed on any schedule attached hereto.

"Note" shall mean collectively the Revolving Credit Note and the Term Loan Note.

"Operating Account" shall mean the checking account of the Company with the Bank designated as the operating account of the Company.

"Person" shall include natural persons, corporations (which shall be deemed to include business trusts), associations, companies and partnerships.

"Receivables" shall mean all accounts, contract rights, instruments, documents, chattel paper, and any other obligations owed to the Company from whatever source now owned by the Company or hereafter arising; all cash or non-cash proceeds received by the Company from the disposition or collection thereof; all of the rights of the Company in guarantees thereof and in all returned or repossessed goods, services or other property securing any of the foregoing and insurance policies and proceeds relating thereto; all of the rights of the Company as an unpaid seller of goods or services, including without limitation, the rights of stoppage in transit, replevin, reclamation and resale, and all of the foregoing, whether now existing or hereafter created or acquired.

"Revolving Credit Loan" shall mean that certain Five Hundred Thousand Dollar (\$500,000.) revolving credit loan which is being made by the Bank to the Company on this date.

"Revolving Credit Loan Note" shall mean the revolving credit promissory note of the Company dated of even date evidencing the Revolving Credit Loan.

"Term Loan" shall mean that certain Five Hundred Thousand Dollar (\$500,000.) term loan which is being made by the Bank to the Company of this date.

"Term Loan Note" shall mean the term loan promissory note of the Company dated of even date evidencing the Term Loan.

1.2 Use of Defined Terms. All terms defined in this Agreement shall have the defined meanings when used in any note, certificates, reports or other documents made or delivered pursuant to this Agreement, unless the context shall otherwise require.

SECTION 2. GENERAL TERMS.

2.1 Term Loan and Term Loan Note. Subject to the terms and conditions of this Agreement, the Bank agrees to make a term loan to the Company in the amount of Five Hundred Thousand Dollars (\$500,000.). The Term Loan shall be evidenced by the Term Loan Note, duly executed on behalf of the Company.

2.2 Rate of Interest on Term Loan. Unless otherwise specifically provided in the Term Loan Note, the Term Loan Note shall bear interest, in arrears, from its date on the unpaid principal amount thereof until paid in full at a rate per annum equal to one-half of one percent (0.50%) greater than the Bank's Prime Rate, as defined in the Term Loan Note, and shall be due and payable monthly.

2.3 Prepayment of Term Loan. The Company may prepay the First Term Loan only in accordance with the terms thereof.

2.4 Revolving Credit Loan and Revolving Credit Note. Subject to the terms and conditions of this Agreement, the Bank agrees to make revolving credit loans (hereinafter sometimes called "Revolving Credit Loans") to the Company from time to time from the date hereof until April 30, 1994, in an aggregate principal amount up to but not exceeding at any one time outstanding Five Hundred Thousand Dollars (\$500,000.). During the aforesaid period, the Company may borrow, pay and prepay the Revolving Credit Loans in whole or in part and reborrow, all in accordance with the terms and conditions of this Agreement. The Revolving Credit Loans shall be evidenced by the Revolving Credit Note, duly executed on behalf of the Company.

2.5 Rate of Interest on Revolving Credit Loan. Unless otherwise specifically provided in the Revolving Credit Note, the Revolving Credit Note shall bear interest, in arrears, from its date on the unpaid principal amount thereof

until paid in full, at a rate per annum equal to one-half of one percent (0.50%) greater than the Bank's Prime Rate, as defined in the Revolving Credit Note, and shall be due and payable monthly.

2.6 Borrowing Procedure for Revolving Credit Loans.

The Revolving Credit Loans shall be made at such time or times as the Company shall request provided no Event of Default exists at the time a request has been made. All Revolving Credit Loans shall be in multiples of Ten Thousand Dollars (\$10,000.) and shall be made, processed and documented in accordance with the following terms and conditions:

(a) Each Revolving Credit Loan shall be made on at least one (1) business day's notice in writing or by telephone not later than 4:00 p.m. (Providence time) from Allan W. Sydney or such person(s) as he may from time to time designate in writing to the Bank (the "Authorized Persons") specifying the date and amount thereof. Telephone orders shall be confirmed in writing within two (2) business days of the day on which each such order is made. Not later than 1:00 p.m. (Providence time) on the date of such Revolving Credit Loan, the Bank shall credit the amount of such Revolving Credit Loan to the Operating Account, provided, however, that an Event of Default has not occurred. Requests for Revolving Credit Loans shall be given to Mark E. McGwin III, Assistant Vice President, or to such other employees of the Bank as he shall designate in writing from time to time.

(b) The Bank shall record the amount and date of the making of each Revolving Credit Loan on its records. While any balance under the Revolving Credit Note is outstanding, the Bank shall provide the Company with a statement once each month of the amounts thereof. The amounts listed in such statement shall constitute conclusive evidence of the making of the Revolving Credit Loan and the unpaid balance of the Revolving Credit Note unless objected to by the Company in writing within thirty (30) days after its receipt of the monthly statement. In any event the Bank's records will be presumed to be correct absent negligence.

(c) The Company agrees that the Bank shall incur no liability in acting upon written or telephonic instructions which the recipient of the instructions reasonably believes in good faith to have been given by an Authorized Person.

2.7 Termination of Right to Borrow; Repayment. So much of this Agreement as relates to the making of Revolving Credit Loans shall, unless otherwise terminated in accordance with the provisions hereof or the provisions of the Revolving Credit Loan Note, terminate on April 30, 1994, whereupon the entire unpaid principal balance outstanding as a result of the Revolving Credit Loans together with all interest thereon accrued and unpaid and all other charges due hereunder shall be paid in full.

2.8 Prepayment of Revolving Credit Loan. The Company may prepay the Revolving Credit Loan only in accordance with the terms thereof.

2.9 Intention Not to Violate Usury Laws. Notwithstanding anything in the Note, this Agreement, or any other instrument to the contrary, the Company shall not be required to pay interest on the indebtedness evidenced by the Note in excess of the maximum interest permissible under applicable law. If under any circumstances whatsoever the holder of the Notes should receive as interest under the Note an amount which would exceed the maximum permissible interest under applicable law, such excess amount shall be applied to reduce the principal balance of the indebtedness evidenced by the Note and not to payment of interest.

2.10 Payments. All payments (including prepayments) by the Company on account of principal and interest on the Note shall be made to the Bank at its office specified in the Note prior to 12:00 P.M., Providence time, on the date payment is due in immediately available funds. If the date of payment of any installment of principal and/or interest on the Note falls on a day other than a Business Day the applicable payments shall be payable on the next Business Day.

2.11 Use of Proceeds. The Loan shall be used by the Company to provide working capital and to refinance existing term debt.

2.12 Security Agreement. In consideration of the making of the Loan, the Company agrees that this Agreement shall constitute a first position security agreement granting a security interest in the Receivables, Inventory, Machinery and Equipment and other Collateral of the Company which shall secure the Loan and all the obligations of the Company to the Bank, and the Company does hereby GRANT AND CONVEY to the Bank

a security interest therein. The Bank shall have all of the remedies of a secured party under the Uniform Commercial Code as now in effect in the State of Rhode Island and such further remedies as may, from time to time, hereafter be provided in said State for a secured party with respect to said collateral.

2.13 Other Security and Guaranty. The Loan is not guaranteed and is not secured by any mortgage on real estate.

SECTION 3. REPRESENTATIONS AND WARRANTIES.

In order to induce the Bank to enter into this Agreement and to make the Loan to be made by it hereunder, the Company represents and warrants to the Bank that:

3.1 Organization and Qualification. The Company is duly organized, validly existing and in good standing under the laws of the State of Rhode Island, has the power to own its assets and to transact the business in which it is presently engaged, and has duly qualified as a foreign corporation and is in good standing in each other jurisdiction where it does business.

3.2 Corporate Power and Authorization. The Company has the corporate power to make, deliver and perform this Agreement and the Note, and to borrow hereunder and has taken all necessary corporate action to authorize the borrowing on the terms and conditions of this Agreement and to authorize the execution, delivery and performance of this Agreement and the Note. All consents, licenses, approvals or authorizations which are required in connection with the execution, delivery, performance, validity or enforceability of this Agreement and the Note, have been duly obtained and are in full force and effect.

3.3 No Legal Bar to Loans. The execution, delivery and performance by the Company of this Agreement and the Note will not violate any provision of any existing law or regulation or of any order or decree of any court or governmental authority, bureau or agency or of the Articles of Incorporation or By-laws of the Company or of any mortgage, indenture, contract or other agreement to which the Company is a party or which purports to be binding upon it or upon any of its properties or assets, and will not result in the creation or imposition of any lien, charge or encumbrance on, or security interest in any of the Company's properties or assets except in favor of Bank.

3.4 No Material Litigation. There are no actions, suits or proceedings (whether or not purportedly on behalf of or against the Company) pending or, to the knowledge of the Company, threatened against or affecting the Company or any of its properties which, if adversely determined, would have a material adverse effect upon the financial condition, business or operations of the Company.

3.5 No Default. The Company is not in default in the payment or performance of any material contract, agreement or other instrument to which it is a party or by which it or their assets may be bound and no Event of Default has occurred and is continuing hereunder.

3.6 Ownership of Properties; Liens. The Company has good and marketable title to all of its properties and assets, real and personal, including the properties and assets reflected in the financial statements referred to in subsection 3.8 hereof, except for (i) assets sold or otherwise disposed of in the ordinary course of business since the date of such financial statements, (ii) liens set forth in Schedule 3.6 attached hereto, if any or as otherwise permitted under this Agreement or (iii) liens in favor of Bank.

3.7 Income Taxes. The Company has filed or caused to be filed all federal and state income tax returns required to be filed and has paid all taxes shown to be due and payable on said returns or any assessments made against the Company, and no tax liens have been filed and no claims are being asserted with respect to any taxes which are not reflected in the financial statements referred to in subsection 3.8 hereof.

3.8 Financial Condition. All financial statements previously furnished by the Company to the Bank fully and accurately reflect the financial position of the Company as of the dates furnished and have been prepared in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year. There has been no material adverse change in the financial condition of the Company since the date of such statements, and the Company has no obligation, liability or commitment, direct or contingent, which is material to its business and is not reflected in the foregoing financial statements and which is required to be reflected by GAAP.

3.9 Statements. No statement of fact made by or on

behalf of the Company in this Agreement or in any certificate or schedule furnished to the Bank pursuant hereto, contains any untrue statement of a material fact or omits to state any material fact necessary to make the statements contained therein or herein not misleading. There is no fact presently known to the Company which has not been disclosed to the Bank which materially affects adversely the financial condition of the Company.

3.10 Approvals. No registration with or consent or consent or approval of, or other action by any Federal, state or other governmental authority or regulatory body to the execution and delivery of this Agreement or the Note by the Company or the borrowing hereunder is required by law, or, if so required, such registration has been made, such consent or approval given or such other appropriate action taken.

3.11. Binding Effect. This Agreement and the Note, and each of the other instruments and documents executed by Company and delivered to Bank pursuant to this Agreement constitute the legal, valid and binding obligations of Company and are enforceable in accordance with their respective terms, except as enforceability may be limited by bankruptcy, insolvency or other similar laws affecting creditors rights generally.

3.12. No Burdensome Agreements. Except as disclosed in the financial statements described in Section 3.8 hereof, the Company is not a party to any agreement or instrument or subject to any corporate restriction (including any restriction set forth in its Articles of Incorporation or By-laws) materially and adversely affecting its operations, business, properties or financial condition.

3.13 Trademarks, Patents, Etc. The Company possesses all the trademarks, trade names, copyrights, licenses, or rights in any thereof, adequate for the conduct of its business as now conducted and to the best of the Company's knowledge without conflict with the rights or claimed rights of others and without payment of any royalty or license fee.

3.14 Regulation U. The Company does not own any "margin stock" as such term is defined in Regulation U, as amended (12 C.F.R. Part 221) issued by the Board of Governors of the Federal Reserve System (the "Board"). The proceeds of the borrowings made pursuant to this Agreement will be used by the Company only for the purposes set forth in subsection 2.12

hereof. None of the proceeds will be used, directly or indirectly, for the purpose of purchasing or carrying any margin stock or for the purpose of reducing or retiring any indebtedness which was originally incurred to purchase or carry margin stock or for any other purpose which might constitute the Loan a "purpose credit" within the meaning of said Regulation U or Regulation X (12 C.F.R. Part 224) of the Board. Neither the Company nor any agent acting in its behalf has taken or will take any action which might cause this Agreement or any of the documents or instruments delivered pursuant hereto to violate any regulation of the Board or to violate the Securities Exchange Act of 1934, in effect on the closing date.

3.15. Investment Company. The Company is not an "investment company," or an "affiliated person" of, or "promoter" or "principal underwriter" for, an "investment company," as such terms are defined in the Investment Company Act of 1940, as amended (15 U.S.C. § 80a-1, et seq.). The acquisition of the Note by the Bank, the application of the proceeds and repayment thereof by the Company and the performance of the transactions contemplated by this Agreement will not violate any provision of said Act, or any rule, regulation or order issued by the Securities and Exchange Commission thereunder.

3.16. Employee Benefit Plans. (a) None of the employee benefit plans maintained at any time by the Company or the trusts created thereunder has engaged in a prohibited transaction which could subject any such employee benefit plan or trust to a material tax or penalty on prohibited transactions imposed under Code Section 4975 or the Employee Retirement Income Security Act ("ERISA").

(b) None of the employee benefit plans which are employee pension benefit plans or the trusts created thereunder has been terminated; nor has any such employee benefit plan of the Company incurred any liability to the Pension Benefit Guaranty Corporation established pursuant to ERISA, other than for required insurance premiums which have been paid when due, or incurred any accumulated funding deficiency, whether or not waived; nor has there been any reportable event, or other event or condition, which presents a material risk of termination of any such employee benefit plan by such Pension Benefit Guaranty Corporation.

(c) The present value of all accrued benefits under

the employee benefit plans which are employee pension benefit plans did not, as of the most recent valuation date, exceed the then current value of the assets of such employee benefit plans allocable to such accrued benefits.

(d) The consummation of the Loan from the Bank pursuant to this Agreement will not involve any prohibited transaction.

(e) As used in this subsection, the terms "employee benefit plan," "employee pension benefit plan," "accumulated funding deficiency," "reportable event," and "accrued benefits" shall have the respective meanings assigned to them in ERISA, and the term "prohibited transaction" shall have the meaning assigned to it in Code Section 4975 and ERISA.

SECTION 4. CONDITIONS.

4.1 Conditions of Loans. The obligation of the Bank to make the initial advance under the Revolving Credit Loan and to make the Term Loan shall be subject to the following conditions precedent:

(a) There shall have been delivered to the Bank the written opinion of counsel for the Company, dated of even date herewith and addressed to the Bank and satisfactory to Tillinghast Collins & Graham, counsel to the Bank, to the effect that (i) this Agreement has been duly authorized, executed and delivered by the Company, (ii) the Note has been duly authorized, executed and delivered by the Company, (iii) that the Company has been duly organized, is legally existing and in good standing under the laws of Rhode Island, and (v) such other matters incident to the transaction contemplated hereby as the Bank or its special counsel shall reasonably request.

(b) The Company shall have executed and delivered to the Bank this Agreement and the Note.

(c) The Bank shall have received an assignment of a \$400,000. insurance policy on the life of Allan W. Sydney.

(d) The Company shall have furnished to the Bank certified copies of all corporate documents and proceedings taken by the Company authorizing the borrowing hereunder and the execution, delivery and performance of this

Agreement and the Note, and such other documents as the Bank may reasonably request.

(e) The representations and warranties contained in Section 3 hereof shall be true and correct on the date of the making of the Loan with the same effect as if made on and as of such date, and no Default or Event of Default, as defined in Section 7.1 hereof, shall exist on such date.

(f) The Company shall have executed and delivered to the Bank all such other documents as the Bank shall consider necessary or advisable and all such documents shall be satisfactory in form and substance to Tillinghast Collins & Graham, counsel for the Bank.

(g) All legal matters incident to the transactions contemplated by this Agreement shall be satisfactory to Tillinghast Collins & Graham, counsel for the Bank.

SECTION 5. AFFIRMATIVE COVENANTS.

The Company hereby covenants that so long as the Note remains outstanding:

5.1 Financial Statements. The Company will furnish to the Bank on or before ninety (90) days after the close of its fiscal year a copy of the annual financial operating statements of the Company for such fiscal year, including balance sheets, and related statements of income, retained earnings and changes in cash flow, with customary supporting data and schedules all in reasonable detail, prepared in accordance with generally accepted accounting principles and prior practice, consistently applied, prepared on a review basis by independent certified public accountants. On a quarterly basis, the Company will deliver to the Bank on or before fifteen (15) days after the end of each quarter, for the months ended March, June, September and December, a copy of its monthly aged accounts receivable for such quarter. The Company will furnish to the Bank such other information bearing upon the credit and the status of business and operations of the Company as the Bank may from time to time reasonably request, such information to be certified to by the President of the Company.

5.2 Payment of Obligations. The Company will pay and discharge, when due, all of its indebtedness, obligations and

liabilities (including, without limitation, tax liabilities) except where the same may be contested in good faith, and the Company will maintain, appropriate reserves for the accrual of any of the same determined in accordance with generally accepted accounting principles.

5.3 Accounts. The Company will keep proper books of record and account in which full, true and correct entries will be made of its transactions in accordance with generally accepted accounting principles and the requirements of public regulatory authorities having jurisdiction over it, and will permit the Bank through its officers, employees and agents, to inspect at all reasonable times the Company's places of business, equipment, property and records of the Company from time to time as the Bank may reasonably deem necessary.

5.4 Maintenance of Properties; Insurance. The Company will keep all properties useful and necessary to its business in good repair, working order and condition, ordinary wear and tear and damage by casualty excepted, and from time to time, make or cause to be made all necessary repairs, renewals, replacements, betterments and improvements thereto, so that the business carried on by the Company may be properly and advantageously conducted at all times. The Company will maintain casualty insurance coverage on its physical assets and other insurance against other risks, including public liability and product liability insurance in such amounts and of such types as may be reasonably requested by the Bank, and in any event, as are ordinarily carried by similar businesses covering similar properties. In the case of all policies insuring property in which the Bank shall have a security interest of any kind whatsoever, all such insurance policies shall provide that the proceeds thereof shall be payable to the Company and to the Bank, as their respective interests may appear, and all said policies or certificates thereof, including all endorsements thereof and those required hereunder, shall be deposited with the Bank; and such policies shall contain provisions that no such insurance may be cancelled or decreased without twenty (20) or more days' prior written notice to the Bank; and, in the event of acquisition of additional property, real or personal, or of incurrence of additional risks of any nature, the Company shall cause such insurance coverage to be increased or amended in such manner and to such extent as prudent business judgment would dictate. If the Company shall at any time or times hereafter fail to obtain and/or maintain any of the policies of insurance required herein, or fail to pay any premium in whole or in part relating to any such

policies, the Bank may, but shall not be obligated to, obtain and/or cause to be maintained, insurance coverage with respect to the property of the Company, including, at the Bank's option, the coverage provided by all or any of the policies of the Company and pay all or any part of the premium therefor, without waiving any Event of Default, hereinafter defined, and any sums so disbursed by the Bank shall be additional obligations of the Company to the Bank payable on demand. The Company will promptly and diligently pursue any and all claims under any of the policies required to be maintained by the Company hereunder. The Bank, after the occurrence of any Event of Default, shall have the right to settle and compromise any and all claims under any of the policies required to be maintained by the Company hereunder and the Company hereby appoints the Bank as its attorney-in-fact, with power to demand, receive and give receipts for all monies payable thereunder, to execute in the name of the Company or the Bank or both any proof of loss, notice, draft, or other instrument in connection with such policies or any loss thereunder and generally to do and perform any and all acts as the Company, but for this appointment, might or could perform.

5.5 Additional Instruments. The Company will promptly execute and deliver or cause to be executed and delivered to the Bank all such additional and/or supplemental instruments and documents from time to time as the Bank deems reasonably necessary or appropriate for the performance of the obligations of the Company under this Agreement and the Note, so long as such additional instruments do not create any additional liabilities or obligations of the Company.

5.6 Notices. The Company will promptly give notice in writing to the Bank of (a) any condition or event which constitutes an Event of Default hereof, as hereinafter defined, (b) any dispute which may exist between the Company and any governmental regulatory body which could materially interfere with the normal business operations of the Company, (c) all litigation and proceedings against the Company in which the amount involved is Ten Thousand Dollars (\$10,000) or more and is not covered by insurance, and (d) any events or changes in the financial condition of the Company occurring since the date of the last financial statements of the Company delivered to the Bank, which individually, or cumulatively, when viewed in light of prior financial statements, may result in a material adverse change in the financial condition of the Company.

5.7 Conduct of Business and Maintenance of Existence. The Company will do all things reasonably necessary

to preserve, renew and keep in full force and effect its corporate existence, rights, licenses, permits and franchises; comply with all laws applicable to it which if enforced would have a material adverse effect on the Company's business; continue to conduct and operate their business in the ordinary course; and at all times maintain, preserve and protect all franchises and trade names.

5.8 Principal Bank of Account. The Company will maintain its operating accounts with the Bank and will use the Bank as the principal depository of corporate funds.

5.9 Employee Benefit Plans. The Company will maintain each of its employee benefit plans (if any) in compliance with all applicable requirements of ERISA and of the Code and with all applicable rulings and regulations issued under the provisions of ERISA and of the Code, and without limiting the generality of the foregoing, will satisfy the Minimum Funding Standard as defined in Section 412(a) of the Code and will not engage in any Prohibited Transaction with respect to any such plan as defined in Section 4975(c) of the Code. The Company will promptly furnish to the Bank a statement of its chief financial officer setting forth details of any Reportable Event (as defined in Section 4043(b) of ERISA) which may have occurred and the action which the Company proposes to take with respect thereto, together with a copy of any notice of such Reportable Event given to the Pension Benefit Guaranty Corporation; and promptly after receipt thereof, furnish to the Bank a copy of any notice the Company may receive from the Pension Benefit Guaranty Corporation or the Internal Revenue Service with respect to any such plan.

5.10 Loan Examinations

The Company agrees that the Bank may, at the Bank's option but at the Company's cost, conduct periodic examinations of the Loan.

SECTION 6. NEGATIVE COVENANTS.

The Company hereby covenants that while the Note remains outstanding and unpaid the following covenants of the Company shall be effective:

6.1 Limitation on Borrowing, Investments and Disposition of Assets.

The Company will not:

(a) Incur, create, assume or permit to exist any indebtedness or liability for borrowed money, or any indebtedness or liability evidenced by notes, bonds, debentures, or similar obligations, including capitalized leases, except (i) indebtedness to the Bank; (ii) indebtedness existing as of the date hereof and disclosed on Schedule 6.1 hereto; (iii) accounts payable and normal accruals incurred in the ordinary course of business; (iv) purchase money liens arising in the ordinary course of business; and (v) indebtedness the terms and conditions of which have been approved in writing by the Bank, and which indebtedness is subordinated to the prior payment of the amounts, whether principal or interest, outstanding under the Note and this Agreement.

(b) Invest in, purchase, acquire or hold non-operating real estate or other non-operating assets, or the obligation or stock of any person, firm, or corporation or other enterprise whatsoever except in the ordinary course of business and except direct obligations of the United States of America or certificates of deposit or other investment instruments or accounts offered by the Bank.

(c) Sell, lease or otherwise dispose of or transfer all, or substantially all, of its property or assets, including, without limitation, its accounts receivables, machinery, inventory, equipment or real property, to any other person, firm, trust, corporation or association or enter into any agreement to any such effect; engage in other business activities apart from those reasonably related to its present business; or enter into any sale lease-back transaction of such property or assets.

(d) Create, incur, make, assume, or suffer to exist, after the date hereof, any assignment, mortgage, pledge, security interest, lien, or other encumbrance of or upon any of its property or assets, whether now owned or hereafter acquired, to any party other than the Bank, excepting (i) liens for taxes not delinquent or being contested in good faith by appropriate proceedings diligently pressed and as to which there have been set aside on its books adequate reserves; (ii) encumbrances existing as of the date hereof and disclosed in writing to the Bank; and (iii) liens imposed by operation of law, such as warehouseman's or mechanics' liens, incurred by

the Company in good faith and in the ordinary course of business, and (iv) purchase money liens arising in the ordinary course of business.

(e) Grant, permit or extend any trade terms or loan advances to any affiliated corporation, partnership, person or other entity, except in the ordinary course of business, without the prior written consent of the Bank.

6.2 Limitation on Contingent Liabilities. The Company will not directly or indirectly assume, endorse, guarantee or otherwise become liable for the payment of any indebtedness by, or obligations of any, person, partnership, corporation or other entity, or in effect guarantee the payment of any indebtedness or the performance of any obligations; provided, however, that the Company may endorse negotiable instruments for collection or assign chattel paper or instruments obtained in the ordinary course of business.

6.3 Limitation on Fundamental Changes. The Company will not merge or consolidate with, become a subsidiary or affiliate of, or sell, lease, or otherwise dispose of all or substantially all of its assets to, any other person, firm, corporation or association or enter into any agreement to any such effect, or engage in other activities apart from its present business, without the prior approval of the Bank, which approval shall not unreasonably be withheld.

6.4 Limitation on the Acceleration of Other Indebtedness. The Company will not accelerate the maturity of any indebtedness for borrowed money now or hereafter outstanding to any other bank, lender, supplier, or other third party, without Bank's approval, which approval shall not unreasonably be withheld.

SECTION 7. EVENTS OF DEFAULT

7.1 Events of Default.

The occurrence of any one or more of the following events after the expiration of any applicable grace period shall constitute an Event of Default hereunder:

(a) Failure to make any payment when due of any installment of principal or interest or other charge due under the Note or as required by this Agreement or under

any other indebtedness of the Company to the Bank, whether now existing or hereafter contracted or acquired;

(b) Any representation or warranty made by the Company in this Agreement or in any certificate, financial or other statement furnished at any time under or in connection with this Agreement or with any other indebtedness of the Company to the Bank, whether now or hereafter existing or hereafter contracted or acquired, shall prove to be false when made in any material respect; or

(c) Any breach or default shall (other than a payment default) be made or occur in the observance or performance by the Company of any term, covenant or agreement contained in the Note, this Agreement, or any other instrument evidencing, securing or relating to any and all indebtedness, liability or obligation of the Company to the Bank whether now existing or hereinafter contracted or acquired and such breach or default is not cured within twenty (20) days after the Bank has delivered notice thereof to the Company; or

(d) Any breach or default shall be made in the due and punctual payment and performance of any obligation of the Company for borrowed money with a value of greater than Ten Thousand Dollars (\$10,000), asserted and not waived; or

(e) Any breach or default shall be made (i) in any payment of principal or interest due under any indebtedness of the Company (other than to the Bank) in excess of Twenty-five Thousand Dollars (\$25,000.) for borrowed money for a period equal to the period of grace, if any, applicable to such breach or default or (ii) in the performance or observance by the Company of any other term, condition or covenant contained in any agreement under which any such indebtedness is created, the effect of which breach or default is to cause the same to become due prior to its stated maturity; or

(f) Filing by the Company of a voluntary petition in bankruptcy or a voluntary petition or an answer seeking reorganization, arrangement, readjustment of its debts or for any other relief under Title 11 of the United States Code, as amended, or under any other insolvency act or law, state or federal, now or hereafter existing, or any action by the Company or any Guarantor hereof indicating its

consent to, approval of, or acquiescence in, any such petition or proceeding; the application by the Company or any Guarantor hereof for, or the appointment by consent or acquiescence of, a receiver or trustee for it or for all or a substantial part of its property; the making by the Company or any Guarantor hereof of an assignment for the benefit of creditors; the inability of the Company or any Guarantor hereof to pay its debts as and when they become due or the admission by the Company or any Guarantor in writing of such inability; the Company shall dissolve or terminate its existence; any levy shall be made upon any of the property or assets of the Company and the continuance of any such levy for sixty (60) days unbonded or undischarged; or

(g) Filing of an involuntary petition against the Company in bankruptcy or seeking reorganization, arrangement, readjustment of its debts or for any other relief under Title 11 of the United States Code, as amended, or under any other insolvency act or law, state or federal, now or hereafter existing; or the involuntary appointment of a receiver or trustee for the Company or any Guarantor hereof or for all or a substantial part of its property; or the involuntary dissolution or liquidation of the Company or any Guarantor hereof; or the issuance of a warrant of attachment, execution or similar process against any part of the property or assets of the Company; and the continuance of any of such events for sixty (60) days undischarged, unbonded or undischarged; or

(h) The Company is permanently enjoined, restrained or in any manner prevented by court order from conducting all or any material part of its business affairs; or

(i) Any change for any reason whatsoever in the executive management resulting in the dismissal of either of the Guarantors, majority ownership or control of the Company which shall in the reasonable judgment of the Bank adversely affect future prospects for the successful operation of the business of the Company without the prior written consent of the Bank, which shall not be unreasonably withheld; or

(j) Loss, theft, damage or destruction of any material portion of the property of the Company for which there is either no insurance coverage or for which, in the reasonable opinion of the Bank, there is insufficient

insurance coverage, or the failure of the Company to promptly and diligently pursue any claim under any of the insurance policies required to be maintained under Section 5.4 hereof.

7.2 Remedies of the Bank Upon Default. (a) Upon and after the occurrence of any Event of Default with respect to the Loan then and in any such event, at the option of the Bank, the Bank may declare all amounts owing under the Note and this Agreement and all unpaid installments thereof and interest thereon and all other liabilities, obligations, and indebtedness of the Company to the Bank then existing, at once due and payable, without presentment, demand, protest or notice of any kind, all of which are hereby expressly waived. In such event, all property, credits, claims, and balances of whatever nature of the Company at any time in the possession or control of or owing by the Bank or its agents (remittances and property to be deemed in possession of the Bank as soon as put in transit to it) including, without limitation, any balances on deposit in any account of the Company, including an account represented by a certificate of deposit (whether or not matured) may at any time be set off or otherwise applied by the Bank on the payment of all amounts owing in respect of the Note, the Agreement and any other liabilities, obligations, and indebtedness of the Company, or any part thereof, whether or not due, in such order as the Bank shall determine. The Bank shall have a lien on and a continuing security interest in all instruments, documents, securities, cash and property, and the proceeds of any of the foregoing, owned by the Company or in which the Company has an interest, which now or hereafter are at any time in possession or control of the Bank or in transit by mail or carrier to or from the Bank or in the possession of any third party acting on behalf of the Bank, without regard to whether the Bank received the same in pledge, as agent for collection or transmission or otherwise, or whether the Bank had conditionally released the same, all of which shall at all times constitute additional security for the Loan and may be applied at any time after the occurrence of an Event of Default hereunder, without notice, thereto.

(b) The Bank may look to, utilize and realize upon any item or portion of any security held by it hereunder or under any other security agreement, or other instrument securing this Agreement and the Note in any order it may elect without obligation to equalize the burden between or among the separate items of security or portions thereof or between or among the owners thereof, or to marshal the same in any way,

and the Bank may apply any proceeds of any security in such order as it shall determine, and after all indebtedness, liabilities and obligations now or hereafter of the Company to the Bank have been paid in full, the Bank shall account for any security then remaining or any surplus.

(c) The Company expressly agrees that no renewal or extension granted, whether by acceptance of interest in advance or otherwise, shall discharge, extend, or in any way affect the obligations of the Company as principal debtor under this Agreement and the Note.

SECTION 8. MISCELLANEOUS.

8.1 Reimbursement of Bank. The Company agrees to pay, or reimburse the Bank, for actual reasonable out-of-pocket expenses, including reasonable counsel fees, incurred by the Bank in connection with the preparation, execution or enforcement of or the preservation of any rights under this Agreement and/or the Note.

8.2 Lien; Setoff by Bank. The Company hereby grants to Bank a continuing lien as security for the Loan to the Bank upon any and all monies, securities and other property of the Company, now or hereafter held or received by or in transit to, to, from or for the Company whether for custody, pledge, transmission, collection or otherwise, and also upon any and all deposits (general or special) and credits of the Company with the Bank at any time existing. Upon the occurrence and continuance of any Event of Default, the Bank is hereby authorized at any time and from time to time, without notice to the Company, to set off, appropriate and apply any or all items hereinabove referred to against the Loan.

8.3 Notices. All notices, requests and demands to or upon the respective parties hereto shall be sent by certified or registered mail, return receipt requested, addressed as follows or to such other address as may be hereafter designated in writing by the respective parties hereto:

Company: Allan W. Sydney, President
 Sydney Supply Co.
 176 Union Avenue
 Providence, Rhode Island 02909

With a copy to: Irving J. Waldman, Esq.
420 Angell Street
Providence, Rhode Island 02906

Bank: Citizens Trust Company
One Citizens Plaza
Providence, Rhode Island 02903
Attn: Mr. Mark E. McGwin, III
Assistant Vice President

With a copy to: Daniel C. Bryant, Esq.
Tillinghast Collins & Graham
One Old Stone Square
Providence, Rhode Island 02903

except in cases where it is expressly herein provided that such notice, request or demand is not effective until received by the party to whom it is addressed.

8.4 No Waiver; Cumulative Remedies. No failure to exercise and no delay in exercising, on the part of the Bank, any right, power or privilege hereunder, shall operate as a waiver thereof; nor shall any single or partial exercise of any right, power or privilege hereunder preclude any other or further exercise thereof or the exercise of any other right, power or privilege. The rights and remedies herein provided are cumulative and not exclusive of any rights or remedies provided by law.

8.5 Survival of Agreements. All agreements, representations and warranties made in this Agreement and in any certificate delivered pursuant hereto shall survive the delivery of the Note and the making of the loan hereunder.

8.6 Payment of Expenses and Taxes. In addition to payment of the reasonable expenses and counsel fees provided for in subsection 8.1 hereof, the Company agrees to pay, and to save the Bank harmless from, any and all liabilities with respect to, or resulting from any delay by the Company or the Guarantor in paying, stamp and other taxes, if any, which may be payable or determined to be payable in connection with the execution and delivery of this Agreement, the Note and the Mortgage or any modification of any thereof or any waiver or consent under or in respect of any thereof. The obligations of the Company under this subsection 8.6 and under subsection 8.1 hereof shall survive the payment of the Note and the termination of this Agreement.

8.7 Accounting Terms. All accounting terms not specifically defined herein shall be construed in accordance with generally accepted accounting principles, consistently applied. Where any accounting determination or calculation is required to be made under this Agreement, such determination or calculation (unless otherwise provided) will be made in accordance with generally accepted accounting principles, consistently applied, except that if because of a change in generally accepted accounting principles, the Company would have to alter a previously utilized accounting method or policy in order to remain in compliance with generally accepted accounting principles, such determination or calculation will continue to be made in accordance with the Company's previous accounting methods or policy.

8.8 Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of the Company, the Bank and their respective successors and assigns, except that the Company may not transfer or assign any of its rights hereunder without the prior written consent of the Bank.

8.9 Counterparts. This Agreement may be executed in any number of separate counterparts.

8.10 Construction. This Agreement, the Note and the Mortgage and the rights and obligations of the parties hereunder and thereunder shall be governed by, and construed and interpreted in accordance with, the law of the State of Rhode Island.

IN WITNESS WHEREOF, the parties have caused this Agreement to be duly executed and delivered as an instrument under seal by their proper and duly authorized officers as of the day and year first above written.

Witness:

SYDNEY SUPPLY CO.

Sydney M. Sydney

By: Allan W. Sydney, Pres.
Allan W. Sydney
President

CITIZENS TRUST COMPANY

Daniel P. Bryant

By: Mark E. McGwin, III
Mark E. McGwin, III
Assistant Vice President

FINANCIAL STATEMENT is presented to THE SECRETARY OF STATE for filing pursuant to the Uniform Commercial Code.

1. Debtor (Last Name First and address(es))

Key Supply Co.
Union Ave.
Providence, RI 02909

2. Secured Party(ies) and address(es)

Citizens Trust Company
One Citizens Plaza.
Providence, RI 02903

610182

The following statement covers the following type(s) (or name) of property:

All of Debtor's Receivables, Inventory, Machinery and
Equipment and other Collateral, or hereafter acquired,
wherever located, including but not limited to such
Collateral located at Debtor's address listed above,
as described and defined in further detail in
Exhibit A attached hereto and by reference made a part
hereof.

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FOR FILING OFFICER USE

Record owner of the property is Debtor.

Also covered:

Proceeds of Collateral are also covered

Products of Collateral are also covered

Filed with:

KEY SUPPLY CO.

Allen W. Anderson, Pres.
Signature(s) of Debtor(s)

CITIZENS TRUST COMPANY

By: Mark A. Quinn
Signature(s) of Secured Party(ies)

EXHIBIT
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EXHIBIT A
to UCC-1 Financing Statement

Debtor:

Sydney Supply Co.
176 Union Ave.
Providence, RI 02909

Secured Party: JUN 29 11 49 AM '93

Citizens Trust Company
One Citizens Plaza
Providence, RI 02903

Debtor has granted a continuing security interest to the Secured Party in and to the following collateral:

Receivables now owned or hereafter acquired by Debtor:

"Receivables" means all accounts, contract rights, instruments, documents, chattel paper, and any other obligations or indebtedness owed to Debtor from whatever source arising now owned by Debtor or hereafter arising; all rights of Debtor to receive any payments in money or kind; all guarantees of Receivables and security therefor; all cash or non-cash proceeds received by Debtor from the disposition or collection of all of the foregoing; all of the right, title and interest of Debtor in and with respect to the goods, services or other property which gave rise to or which secure any of the Receivables and insurance policies and proceeds relating thereto, and all of the rights of Debtor as an unpaid seller of goods or services, including, without limitation, the rights of stoppage in transit, replevin, reclamation and resale; and all of the foregoing, whether now existing or hereafter created or acquired.

Inventory now owned or hereafter acquired by Debtor:

"Inventory" means all goods, merchandise and other personal property now owned or hereafter acquired by Debtor which are held for sale or lease, or are furnished or to be furnished under any contract of service or are raw materials, work-in-process, supplies or materials used or consumed in Debtor's business, and all products thereof, and all substitutions, replacements, additions or accessions therefor and thereto; all cash or non-cash proceeds of all of the foregoing, including insurance proceeds, and including, without limitation, all inventory listed on any schedule attached hereto.

Machinery and Equipment now owned or hereafter acquired by Debtor:

"Machinery and Equipment" means all machinery and equipment and furniture and fixtures of Debtor (excluding automotive equipment), now owned or hereafter acquired by Debtor, and used or acquired for use in the business of Debtor, together with all accessions thereto and all substitutions and replacements thereof and parts therefor; all cash or non-cash proceeds; and including, without limitation, all Equipment listed on any schedule attached hereto.

Collateral now owned or hereafter acquired by Debtor:

"Collateral" means Receivables, Inventory, Machinery and Equipment, all ledger sheets, files, records, documents and instruments (including, without limitation, computer programs, tapes and related electronic data processing software) evidencing an interest in or relating to the Collateral; and all instruments, documents, securities, cash, property and the proceeds of any of the foregoing, owned by Debtor or in which Debtor has an interest, which now or hereafter are at any time in possession or control of Secured Party or in transit by mail or carrier to or from Secured Party or in possession of any third party acting on behalf of Secured Party, without regard to whether Secured Party received the same in pledge, for safekeeping, as agent for collection or transmission or otherwise or whether Secured Party had conditionally released the same.

SYDNEY SUPPLY CO.

By: _____
Allen W. Sydney
President

WPPF/21091
cab/6/28/93

WINOGRAD, SHINE & ZACKS, P.C.

ATTORNEYS AT LAW
123 DYER STREET
PROVIDENCE, RHODE ISLAND 02903-3980
(401) 273-8300
FAX: (401) 272-5728

MAX WINOGRAD
(1921-1970)
ALLAN M. SHINE
RICHARD W. ZACKS
CARY J. COFN
ALLEN P. RUBINE
E. MARTIN STUTCHFIELD
DIANE FINKLE
ELIZABETH M. TOPAZ
LINDA M. PALMATEER
DEBORAH DINARDO
TOBIAS M. LEDERBERG
MELISSA M. HORNE

May 21, 1996

TO ALL CREDITORS OF SYDNEY SUPPLY CO.:

176 Union Avenue
Providence, Rhode Island

Re: Citizens Trust Company
Vs: Sydney Supply Co.
P.M. No. 96-2589

Ladies and/or Gentlemen:

Please be advised that Citizens Trust Company, a Providence, Rhode Island banking institution, today filed an involuntary Receivership Petition against Sydney Supply Co. ("Sydney"), a long-time Rhode Island distributor of heating, plumbing and industrial parts and equipment. The Court appointed the undersigned as Receiver of Sydney for the purpose of preserving and protecting the Company's assets and business for the benefit of whatever creditors are entitled to the proceeds thereof. The Court has authorized the Receiver to continue to operate Sydney's business on a day-to-day basis pending efforts to possibly reorganize its financial affairs so that it might continue to service its customers in the Rhode Island area and continue to purchase from its many loyal and valuable vendors. Alan Sydney and the entire staff at the Company are working closely with the Receiver in order to maintain its continuing high level of service for its customers during this interim period.

This Receivership is essentially a State Court bankruptcy proceeding where the creditors' representative controls the situation in order to evaluate and determine the validity of mortgages and other secured claims against the Company, such as insider claims or former stockholder claims. Any and all such claims will only be approved and allowed after full investigation by the Receiver and submission to the Court with full disclosure and notification to all creditors.

Preliminarily, it appears that Citizens Trust claims a first secured position against Sydney's assets and claims to be owed approximately \$860,000. The Receiver is advised that all taxes,

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SECRETARY OF STATE
CORPORATIONS DIV.
MAY 23 3 15 PM '96

CREDITORS
MAY 21, 1996
PAGE 2

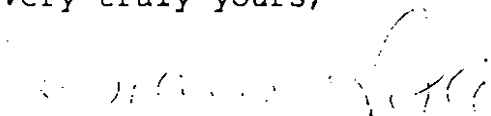
wages and other obligations are paid on a current basis and that there are approximately \$350,000 in accounts payable due to unsecured trade vendors and others. With respect to assets, there is approximately \$100,000 in cash on hand and we are advised that there are accounts receivable of approximately \$600,000, inventory which might total between \$500,000 and \$600,000, as well as the real estate where the business is located, which management estimates to have a value of between \$500,000 to \$600,000.

As soon as we were appointed Receiver, we worked out arrangements with the Bank which has agreed to cooperate at this time by allowing the business to be operated in the usual course, so that efforts might be made to make arrangements for continued operation of the business of the Company as a going concern.

The Court has scheduled a Hearing for 9:30 a.m. on June 10, 1996, as set forth in the enclosed Order Appointing Temporary Receiver, for consideration of continuation of the Temporary Receiver as Permanent Receiver. All creditors are entitled to attend the Court Hearing, although you are not required to do so. In order that your rights might be protected, enclosed herewith is a Proof of Claim form which we request you immediately complete, execute and return to this office so that it might be filed officially with the Receiver in accordance with the Court's procedure.

If you have any questions relative to any aspect of this proceeding, please feel free to contact the undersigned at any time.

Very truly yours,


Diane Finkle, Receiver of
Sydney Supply Co.

DF/eg
Enclosures
G:\SYDNEY\LETTERS\CRED.L12

STATE OF RHODE ISLAND
PROVIDENCE, SC.

SUPERIOR COURT

CITIZENS TRUST COMPANY :
Plaintiff, :
 :
vs. :
 :
SYDNEY SUPPLY CO., :
Defendant. :

C.A. No. 96-2589

ORDER APPOINTING TEMPORARY RECEIVER

This cause came on to be heard upon the Plaintiff's Petition for Appointment of a Receiver and, upon consideration thereof, it is hereby

ORDERED, ADJUDGED AND DECREED

1. That Diane Finkle, of the law firm of Winograd, Shine and Zacks, of Providence, Rhode Island be and hereby is appointed Temporary Receiver (the "Receiver") of the Defendant.
2. That said Receiver shall forthwith file a bond in the sum of \$6,000.00 with any surety company authorized to do business in the State of Rhode Island as surety thereon, conditioned that the Receiver will well and truly perform the duties of said office and duly account for all monies and property which may come into the Receiver's hands and abide by and perform all things which the Receiver will be directed to do by this Court.
3. That said Receiver is authorized to take possession and charge of the property and assets of the Defendant, to collect the debts and property belonging to it and to preserve the same until further Order of this Court.
4. That said Receiver is authorized until further Order of this Court, in the Receiver's discretion and as said Receiver deems appropriate and advisable, to conduct the business of said Defendant, to purchase for cash or upon credit, merchandise, materials and other property, to engage counsel, to engage employees and assistants, clerical or otherwise, and to do and perform or cause to be done and performed all other acts and things as are appropriate in the premises.
5. That, pursuant to and in compliance with Rhode Island Supreme Court Executive Order No. 95-01, this Court finds that the designation of the aforescribed person for appointment as Receiver herein is warranted and required because of the Receiver's specialized expertise and experience in operating businesses in Receivership and in administrating non-routine

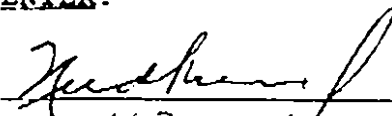
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Receiverships which involve unusual or complex legal, financial, or business issues.


- 6. That the commencement, prosecution, or continuance of the prosecution, of any action, suit, arbitration proceeding, hearing, or any foreclosure, reclamation or repossession proceeding, both judicial and non-judicial, or any other proceeding, in law, or in equity or under any statute, or otherwise, against said Defendant or any of its property, in any Court, agency, tribunal, or elsewhere, or before any arbitrator, or otherwise by any creditor, stockholder, corporation, partnership or any other person, or the levy of any attachment, execution or other process upon or against any property of said Defendant, or the taking or attempting to take into possession any property in the possession of the Defendant or of which the Defendant has the right to possession, or the cancellation at any time during the Receivership proceeding herein of any insurance policy, lease or other contract with Defendant, by any of such parties as aforesaid, other than the Receiver designated as aforesaid, or the termination of telephone, electric, gas or other utility service to Defendant, by any public utility, without obtaining prior approval thereof from this Honorable Court, in which connection said Receiver shall be entitled to prior notice and an opportunity to be heard, are hereby restrained and enjoined until further Order of this Court.
- 7. That a Citation be issued to said Defendant, returnable to the Superior Court sitting at Providence, Rhode Island on JUNE 10, 1996, at 9:30 a.m. at which time and place this cause is set down for Hearing on the prayer for the Appointment of a Permanent Receiver; that the Clerk of this Court shall give Notice of the pendency of the Petition herein by publishing this Order Appointing Temporary Receiver once in The Providence Journal on or before MAY 23, 1996, and the Receiver shall give further notice by mailing, on or before MAY 30, 1996, a copy of said Order Appointing Temporary Receiver to each of Defendant's creditors and stockholders whose address is known or may become known to the Receiver.

ENTERED as an Order of this Court this 16th day of May, 1996.

ENTER:


16 May 96

BY ORDER:


Deputy Clerk