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As filed with the Securities and Exchange Commission on May 11, 2005

Registration No. 333-

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

FORM S-1

REGISTRATION STATEMENT
Under the Securities Act of 1933

RBC BEARINGS INCORPORATED

(Exact Name of Registrant as Specified in its Charter)

Delaware	**3562**	**95-4372080**
(State or other jurisdiction of incorporation or organization)	**(Primary Standard Industrial Classification Code number)**	**(I.R.S. Employer Identification No.)**

One Tribology Center
Oxford, CT 06478
Telephone: (203) 267-7001
(Address, Including Zip Code, and Telephone Number, Including Area Code, of Registrant's Principal Executive Offices)

Dr. Michael J. Hartnett
Chief Executive Officer
One Tribology Center
Oxford, CT 06478
Telephone: (203) 267-7001

(Name, Address, Including Zip Code, and Telephone Number, Including Area Code, of Agent for Service)

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New York, New York 10022-4611	**New York, New York 10004**
(212) 446-4800	**(212) 859-8000**

Approximate date of commencement of proposed sale to the public:
As soon as practicable after this Registration Statement becomes effective.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check the following box: **o**

If this Form is filed to registered additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. **o**

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. **o**

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. **o**

If delivery of the prospectus is expected to be made pursuant to Rule 434, please check the following box. **o**

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered	Proposed Maximum Aggregate Offering Price(1)	Amount of Registration Fee(1)
Common Stock, par value $ per share(2)	$143,750,000	$16,919.38

(1) Estimated solely for the purpose of calculating the registration fee pursuant to Rule 457(o) under the Securities Act of 1933, as amended.

(2) Includes amount attributable to shares of Common Stock that may be purchased by the underwriters under an option to purchase additional shares.

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933, as amended, or until this Registration Statement shall become effective on such date as the Commission, acting pursuant to such Section 8(a), may determine.

Subject to Completion
Preliminary Prospectus dated May 11, 2005

PROSPECTUS

Shares

Common Stock

This is RBC Bearings Incorporated's initial public offering. RBC Bearings Incorporated is selling shares and certain of our stockholders are selling shares.

We expect the public offering price to be between $ and $ per share. Currently, no public market exists for the shares. After pricing of the offering, we expect that the shares will trade on the under the symbol " ."

Investing in the common stock involves risks that are described in the "Risk Factors" section beginning on page 8 of this prospectus.

	Per Share	Total
Public offering price	$	$
Underwriting discount	$	$
Proceeds, before expenses, to us	$	$
Proceeds, before expenses, to the selling stockholders	$	$

The underwriters may also purchase up to an additional shares from us at the public offering price, less the underwriting discount, within 30 days from the date of this prospectus to cover over-allotments.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The shares will be ready for delivery on or about , 2005.

Merrill Lynch & Co.

KeyBanc Capital Markets

Jefferies & Company, Inc.

The date of this prospectus is , 2005.

TABLE OF CONTENTS

You should rely only on the information contained in this prospectus. We have not, and the underwriters have not, authorized any other person to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. We are not, and the underwriters are not, making an offer to sell these securities in any jurisdiction where the offer or sale is not permitted. You should assume that the information appearing in this prospectus is accurate only as of the date on the front cover of this prospectus. Our business, financial condition, results of operations and prospects may have changed since that date.

In this prospectus, unless the context otherwise requires, "Company," "RBCI," "we," "our" and "us" refer to RBC Bearings Incorporated and our subsidiaries; "RBCA" refers to Roller Bearing Company of America, Inc., our wholly-owned subsidiary and principal operating company; and "Whitney" refers to Whitney & Co., LLC, our principal equity sponsor. Our fiscal year consists of 52 or 53 weeks, ending on the Saturday closest to March 31; therefore, references to "fiscal 2004," "fiscal 2003," "fiscal 2002," "fiscal 2001" and "fiscal 2000" refer to our fiscal years ended April 3, 2004, March 29, 2003, March 30, 2002, March 31, 2001 and April 1, 2000, respectively.

This prospectus contains our registered and unregistered trademarks, service marks and trade names including: "Aerocres," "Heim," "Pitchlign," "Quadlube," "RBC Bearings," "RBC Roller," "Schaublin" and "Unibal." This prospectus also contains trademarks, service marks, copyrights and trade names of other companies.

PROSPECTUS SUMMARY

This summary highlights information contained elsewhere in this prospectus. As a result, it does not contain all of the information that you should consider before investing in our common stock. You should read this entire prospectus, especially the section entitled "Risk Factors" and the consolidated financial statements and the related notes.

RBC Bearings Incorporated

We are a well known international manufacturer and marketer of highly engineered precision plain, roller and ball bearings. Bearings, which are integral to the manufacture and operation of most machines and mechanical systems, reduce wear to moving parts, facilitate proper power transmission and reduce damage and energy loss caused by friction. While we manufacture products in all major bearing categories, we focus primarily on highly technical or regulated bearing products for specialized markets that require sophisticated design, testing and manufacturing capabilities. Our unique expertise has enabled us to garner leading positions in most of the markets in which we compete including certain markets where we are the only manufacturer able to provide the required bearing solution. We estimate that approximately two-thirds of our net sales during fiscal 2004 were generated by products for which we hold the number one or two market position. We have been providing bearing solutions to our customers since 1919. Over the past ten years, under the leadership of our current management team, we have significantly broadened our end markets, products, customer base and geographic reach. We currently operate 16 manufacturing facilities in three countries.

We design, manufacture and market a broad portfolio of bearing products. The following table provides a summary of our product segments:

Segment	FY 2004 Sales	Representative Applications
Plain Bearings	$ 77,578 (41%)	• Aircraft engine controls and landing gear • Helicopter rotors and missile launchers • Mining and construction equipment
Roller Bearings	$ 63,106 (34%)	• Aircraft hydraulics • Military and commercial truck chassis • Packaging machinery and gear pumps
Ball Bearings	$ 35,801 (19%)	• Radar and night vision systems • Airframe control and actuation • Semiconductor equipment
Other	$10,846 (6%)	• Precision ground ball screws for robotic handling and missile guidance • Collets for machine tools

Our End Markets

We serve a broad range of end markets where we can add value with our specialty, precision bearing applications. We classify our customers into three principal categories: diversified industrial, aerospace and defense.

Diversified Industrial (62% of fiscal 2004 net sales). We manufacture bearing products for a wide range of diversified industrial markets, including construction and mining, heavy truck, packaging and semiconductor machinery. Our diversified industrial products target specialized market applications in

which our engineering and manufacturing capabilities provide us with unique competitive advantages. We believe opportunities exist for growth and margin expansion in this market as a result of increasing demand for industrial machinery, the introduction of new products and the expansion of aftermarket sales.

Aerospace (25% of fiscal 2004 net sales). We manufacture bearing products for a wide range of aerospace applications, including commercial airframes, commercial aircraft engines and private aircraft applications. We supply bearings for many of the commercial aircraft currently operating world-wide and are the primary supplier for many of our product lines. Many of our aerospace bearing products are designed and certified during the original development of the aircraft being served, which often makes us the primary bearing supplier for the life of the aircraft. We believe that growth and margin expansion in this segment will be driven primarily by expanding our international presence, new aircraft builds and the refurbishment and maintenance of existing commercial aircraft.

Defense (13% of fiscal 2004 net sales). We manufacture bearing products used by the U.S. Department of Defense and certain foreign governments for use in fighter jets, troop transports, naval vessels, helicopters, gas turbine engines, armored vehicles, guided weaponry and satellites. Our bearing products are manufactured to conform to U.S. military specifications and are typically custom designed during the original product design phase which often makes us the sole or primary bearing supplier for the life of the product. We believe that our current installed base of bearing products and our sophisticated engineering and manufacturing capabilities position us to benefit from growing replacement part demand caused by increased equipment utilization as well as the introduction of new weapons and transport systems.

Our Competitive Strengths

Leading Market Positions. We compete in specialized markets where we believe we are often the only supplier with the manufacturing expertise, business plan and engineering resources required to provide the required bearing solution. We estimate that approximately two-thirds of our net sales during fiscal 2004 were generated by products for which we hold the number one or two market position.

Diversified Revenue Base. We sell a wide array of bearing products to customers across many diverse end markets, each of which is influenced by different fundamental economic factors. Our products are sold to more than 5,500 customers, including original equipment manufacturers, or OEMs, and aftermarket distributors and service providers.

Large Installed Product Base with Recurring Aftermarket Revenue Stream. We provide bearings to a large and growing number of applications for which our products have been tested and certified. Our bearing products are approved for over 32,000 applications, many of which are part of aerospace, defense and industrial platforms that can be in service for as long as several decades, thereby requiring continuing aftermarket support. Aftermarket sales of replacement parts for existing equipment platforms represented approximately 60% of our net sales for fiscal 2004.

Proprietary Design and Manufacturing Capabilities. We believe that our design and manufacturing capabilities will allow us to maintain a leadership position as our customers continue to rely on us to develop new bearing solutions that can be manufactured cost effectively.

Disciplined Acquisition Program with History of Successful Integration. We have demonstrated expertise in acquiring and integrating bearing and precision-engineered component manufacturers that have complementary products or distribution channels and provide significant potential for margin enhancement. Since October 1992 we have completed 12 acquisitions which have significantly broadened our end markets, products, customer base and geographic reach.

Experienced Management Team. Our management team possesses extensive managerial experience in the bearing industry, with our top five operating executives averaging over 20 years of bearing industry experience. We intend to retain and attract experienced professionals by leveraging our reputation as a premier provider of precision bearing solutions.

Our Growth Strategy

We intend to grow our business while continuing to focus on specialized markets for highly engineered bearing solutions. Key elements of our growth strategy include:

Continue to Develop Innovative Bearing Solutions. We intend to leverage our design and manufacturing expertise and our extensive customer relationships to continue to develop new products for markets where we believe there are substantial growth opportunities. Our ability to develop new custom engineered products strengthens existing customer relationships and creates new business opportunities for us.

Expand Customer Base and Penetrate End Markets. We continually seek opportunities to penetrate new customers, geographic locations and bearing platforms with existing products or profitable new product opportunities. We intend to continue to expand our sales force, customer base and end markets and have identified a number of attractive growth opportunities domestically and abroad, including current projects in semiconductor machinery, airframe controls and missile guidance systems. In addition, our OEM relationships, coupled with our design expertise, provide us with extensive cross-selling opportunities on platforms that we do not currently supply.

Increase Aftermarket Sales. We intend to increase the percentage of our revenues derived from the replacement market by continuing to implement several initiatives. First, we will continue to seek opportunities to increase our sales to key existing distributors as well as expand our base of third party customers. Second, our new product and new end market initiatives are focused on high-growth platforms, such as 300 millimeter semiconductor manufacturing systems and the U.S. government's Joint Strike Fighter program that we expect will be in service for long periods and therefore create significant demand for replacement parts. Additionally, we will seek opportunities to develop new products that can be used as replacement parts for existing platforms. We believe that increasing our aftermarket sales of replacement parts will further enhance the continuity and predictability of our revenues and increase our profitability.

Pursue Selective Acquisitions. We believe that there will continue to be consolidation within the bearing industry that may present us with acquisition opportunities, particularly within the industrial and aerospace markets. We regularly evaluate opportunities to acquire bearing and precision-engineered component manufacturers which have complementary products, customers or distribution channels, provide significant potential for margin enhancement and further expand the breadth of our product portfolio.

Whitney & Co., LLC

Whitney & Co., LLC is our major equity sponsor and provides financial consulting and management advisory services to us. Whitney was established in 1946 by John Hay Whitney as one of the first U.S. firms involved in the development of the private equity industry. Today, Whitney remains a private firm owned by investing professionals, and its main activities are to provide private equity and debt capital for middle market growth companies. Whitney manages approximately $4 billion of assets for endowments, foundations and pension plans and is currently investing its fifth outside equity fund, Whitney V, L.P., a fund with committed capital of $1.1 billion.

Our Corporate Profile

RBC Bearings Incorporated is a Delaware corporation, and our principal executive offices are located at One Tribology Center, Oxford, CT 06478. Our telephone number is (203) 267-7001. Our website address is *www.rbcbearings.com*. Information on our website is not deemed to be a part of this prospectus.

The Offering

Common stock offered:	
By us	shares
By the selling stockholders	shares
Common stock outstanding after the offering	shares
Use of proceeds	We estimate that our net proceeds from this offering without exercise of the over-allotment option will be approximately $ million. We intend to use these net proceeds, together with proceeds from the Refinancing Transaction, for: • repayment of certain indebtedness, including: • all of our $38.6 million in aggregate principal amount 13% Senior Subordinated Discount Debentures due 2009 plus accrued interest and redemption premium; • all of our outstanding indebtedness, plus accrued interest and prepayment fee, under our $45.0 million Second Lien Term Loan; and • redemption of all of our Class C preferred stock for $ million, including any accrued and unpaid dividends, and repurchase of 50% of our Class D preferred stock for $4.0 million. We will not receive any proceeds from the sale of the shares by the selling stockholders. See "Use of Proceeds," "Pre-Offering Transactions" and "Related Party Transactions."
Risk factors	See "Risk Factors" and other information included in this prospectus for a discussion of factors you should carefully consider before deciding to invest in shares of the common stock.
Proposed symbol	" "

The number of shares of our common stock outstanding after the offering is based on an assumed initial offering price of $ per share. The number of shares outstanding after the offering excludes shares reserved for issuance under our stock option plans, of which options to purchase shares at an average option price of $ have been issued. Options to purchase shares of common stock will be outstanding under our stock option plans upon completion of this offering, of which options to purchase shares will be exercisable upon completion of this offering. This number assumes that the underwriters' over-allotment option is not exercised. If the over-allotment option is exercised in full, we will issue and sell additional shares.

Unless the context otherwise requires, all information in this prospectus (i) gives retroactive effect to a -for- stock split of the common stock which will occur immediately prior to the completion of this offering and (ii) assumes that this offering is consummated at an initial public offering price of $ per share (the midpoint of the range on the front cover of this prospectus) on , 2005. See "Use of Proceeds" and "Pre-Offering Transactions."

Summary Financial Data

The summary financial data for the fiscal years ended March 30, 2002, March 29, 2003, and April 3, 2004 have been derived from our historical consolidated financial statements audited by Ernst & Young LLP, independent auditors. The summary historical unaudited statement of operations and balance sheet data for the nine month period ended December 27, 2003 and January 1, 2005 have been derived from our unaudited historical consolidated financial statements included elsewhere in this prospectus, which in our opinion contains all adjustments necessary for a fair presentation of the consolidated financial data. Historical results are not necessarily indicative of the results expected in the future. You should read the data presented below together with, and qualified by reference to "Selected Consolidated Historical Financial Data," "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our financial statements included elsewhere in this prospectus.

	Fiscal Year Ended			Nine Month Period Ended	
	March 30, 2002	March 29, 2003	April 3, 2004	December 27, 2003	January 1, 2005
	(in thousands, except share and per-share amounts)				
Statement of Operations Data:					
Net sales[1]	$ 168,331	$ 172,860	$ 187,331	$ 125,087	$ 170,731
Cost of sales	114,575	124,086	135,433	90,745	123,325
Gross margin	53,756	48,774	51,898	34,342	47,406
Selling, general and administrative	25,641	26,647	28,107	19,615	22,929
Other, net	937	1,424	1,662	863	2,464
Operating income	27,178	20,703	22,129	13,864	22,013
Interest expense, net	23,440	21,023	20,380	15,289	14,335
Loss (gain) on early extinguishment of debt[2]	—	(780)	—	—	6,956
Other non-operating expense (income)	17	298	16	12	(98)
Income (loss) before income taxes	3,721	162	1,733	(1,437)	820
Provision for (benefit from) income taxes	2,052	113	1,070	(492)	303
Net income (loss)	$ 1,669	$ 49	$ 663	$ (945)	$ 517
Net income (loss) per common share[3]:					
Basic	$ 0.67	$ (0.51)	$ (0.60)	$ (1.01)	$ (0.47)
Diluted	$ 0.47	$ (0.51)	$ (0.60)	$ (1.01)	$ (0.47)
Weighted average number of common and common equivalent shares outstanding:					
Basic	2,475,561	2,475,561	2,475,561	2,475,561	2,475,561
Diluted	3,556,658	2,475,561	2,475,561	2,475,561	2,475,561
Pro Forma Data:[4]					
Pro forma net income (loss)			$		$
Pro forma net income (loss) per common share:					
Basic			$		$
Diluted			$		$
Pro forma weighted average number of common and common equivalent shares outstanding:					
Basic					
Diluted					

	Fiscal Year Ended			Nine Month Period Ended	
	March 30, 2002	March 29, 2003	April 3, 2004	December 27, 2003	January 1, 2005
			(in thousands)		
Other Financial Data:					
EBITDA[5]	$ 36,266	$ 29,224	$ 31,295	$ 21,384	$ 29,455
Capital expenditures	5,941	6,522	4,951	2,952	6,604

	As of January 1, 2005	
	Actual	As Adjusted[4]
	(in thousands)	
Balance Sheet Data:		
Cash	$ 1,703	$
Working capital	117,028	
Total assets	243,290	
Total debt	222,254	
Total stockholders' equity (deficit)	(14,651)	

(1) Our net sales were $172.9 million in fiscal 2003 and $168.3 million in fiscal 2002, an increase of $4.6 million or 2.7%. Net sales in the compared periods included net sales totaling $2.1 million in fiscal 2003 for RBC France, which was acquired in December 2002, and $5.2 million in fiscal 2003 and $3.7 million in fiscal 2002 generated by RBC Oklahoma, which was acquired effective August 2001. Excluding RBC France and RBC Oklahoma's sales, our net sales increased $1.0 million or 0.6% from period to period.

(2) Loss on extinguishment of debt of $7.0 million in the first quarter of fiscal 2005 included $4.3 million for non-cash write-off of deferred financing fees associated with retired debt, $1.8 million of redemption premium and $0.9 million of accrued interest for the 30 day call period related to the early extinguishment of our senior subordinated notes.

(3) The net loss per common share for certain periods is caused by the dividends accrued on the Class B preferred stock. See Note 2 of Notes to Consolidated Financial Statements and Note 2 to Notes of Unaudited Interim Consolidated Financial Statements.

(4) Assumes the following transactions were effected as of March 30, 2003 with respect to the Pro Forma Data, and as of January 1, 2005 with respect to the as adjusted Balance Sheet Data, presented above: (1) the Pre-Offering Transactions, (2) the sale by us of shares in this offering at an assumed initial public offering price of $ per share, (3) the repayment of all of our $38.6 million in the aggregate principal amount of our 13% Senior Subordinated Discount Debentures due 2009, (4) the repayment of all outstanding indebtedness under our $45 million Second Lien Term Loan; and (5) the Refinancing Transaction. In addition, pro forma amounts have been adjusted to reflect the exercise of options and warrants by some of the selling stockholders. These selling stockholders may exercise these options or warrants through a net share settlement. See "Pre-Offering Transactions," "Use of Proceeds" and "The Offering."

(5) EBITDA consists of net income (loss), plus interest expense, net, loss (gain) on early extinguishment of debt, provision for (benefit from) income taxes and depreciation and amortization. In evaluating our business, our management considers and uses EBITDA as one of a few key indicators of financial operating performance and as a measure of operating cash capacity. We use EBITDA as a key performance indicator because we believe it provides a more consistent basis for internal comparisons of operating performance. The calculation of EBITDA eliminates the effects of financing, income taxes and the accounting effects of capital spending, which items may vary for different periods unrelated to the overall operating performance and operating cash flows. EBITDA is also presented because it is frequently used by securities analysts, investors and other interested parties as a measure of financial

performance and debt service capacity and in the evaluation of companies in our industry; therefore, we believe it is a useful indicator to investors. EBITDA is not a recognized term under generally accepted accounting principles, and when analyzing our operating performance, investors should use EBITDA in addition to, not an alternative for, operating income, net income and cash flows from operating activities. Investors also should note that our presentation of EBITDA may not be comparable to similarly titled measures used by other companies. The following table provides a reconciliation of net income, the most directly comparable GAAP measure, to EBITDA.

	Fiscal Year Ended			Nine Month Period Ended	
	March 30, 2002	March 29, 2003	April 3, 2004	December 27, 2003	January 1, 2005
			(in thousands)		
Net income (loss)	$ 1,669	$ 49	$ 663	$ (945)	$ 517
Add:					
Provision for (benefit from) income taxes	2,052	113	1,070	(492)	303
Interest expense, net	23,440	21,023	20,380	15,289	14,335
Loss (gain) on early extinguishment of debt	—	(780)	—	—	6,956
Depreciation and amortization	9,105	8,819	9,182	7,532	7,344
EBITDA	$ 36,266	$ 29,224	$ 31,295	$ 21,384	$ 29,455

RISK FACTORS

Our business, operating results or financial condition could be materially adversely affected by any of the following risks. The trading price of our common stock could decline due to any of these risks, and you may lose all or part of your investment. You should carefully consider these risks before investing in shares of our common stock.

Risk Factors Related to Our Company

The bearing industry is highly competitive, and this competition could reduce our profitability or limit our ability to grow.

The global bearing industry is highly competitive, and we compete with many U.S. and non-U.S. companies, some of which benefit from lower labor costs and fewer regulatory burdens than us. We compete primarily based on product qualifications, product line breadth, service and price. Certain competitors are larger than us or subsidiaries of larger entities and may be better able to manage costs than us or may have greater financial resources than we have. Due to the competitiveness in the bearing industry we may not be able to increase prices for our products to cover increases in our costs, or we may face pressure to reduce prices, which could materially adversely affect our profitability. Competitive factors, including changes in market penetration, increased price competition and the introduction of new products and technology by existing and new competitors could have a material adverse effect on our business and results of operations.

The loss of a major customer could have a material adverse effect on our business and operations.

Our top ten customers generated 34% of our net sales during fiscal 2004. Accordingly, the loss of one or more of those customers or a substantial decrease in such customers' purchases from us could have a material adverse effect on our revenues and profitability.

In addition, the consolidation and combination of defense or other manufacturers may eliminate customers from the industry and/or put downward pricing pressures on sales of component parts sold by us which could have a material adverse effect on our business. Compliance with various government regulations may be required. Violations of such regulations could result in termination of all of our governmental related contracts, which may have material adverse effects on our operations.

Weakness in any of the industries in which our customers operate, as well as the cyclical nature of our customers' businesses generally, could materially adversely impact our revenues and profitability.

The commercial aerospace, mining and construction equipment and other diversified industrial industries to which we sell our products are, to varying degrees, cyclical and tend to decline in response to overall declines in industrial production. Margins in those industries are highly sensitive to demand cycles, and our customers in those industries historically have tended to delay large capital projects, including expensive maintenance and upgrades, during economic downturns. As a result, our business is also cyclical, and the demand for our products by these customers depends, in part, on overall levels of industrial production, general economic conditions and business confidence levels. Downward economic cycles have affected our customers and reduced sales of our products resulting in reductions in our revenues and net earnings. Any future material weakness in demand in any of these industries could have a material adverse effect on our revenues and profitability.

In addition, many of our customers have historically experienced periodic downturns, which often have had a negative effect on demand for our products. For example, the severe downturn in 2001 in the aerospace industry resulted in deferrals or cancellations in aircraft orders, which adversely affected the volume and price of orders placed for products used to manufacture commercial aircraft, including our bearings and other individual parts and components we manufacture. Previous industry downturns

have negatively affected, and future industry downturns may negatively affect, our net sales, gross margin and net income.

Future reductions or changes in U.S. government spending could negatively affect our business.

A significant portion of our sales are made directly or indirectly to the U.S. government to support military or other government projects. Our failure to obtain new government contracts, the cancellation of government contracts or reductions in federal budget appropriations regarding our products could result in materially reduced revenue. In addition, the funding of defense programs also competes with non-defense spending of the U.S. government. Our business is sensitive to changes in national and international priorities and the U.S. government budgets. A shift in government defense spending to other programs in which we are not involved or future reductions in U.S. government defense spending generally could have adverse consequences to our results of operations. If we, or our prime contracts for which we are a subcontractor, fail to win any particular bid, or we are unable to replace lost business as a result of a cancellation, expiration or completion of a contract, our revenues or cash flows could be reduced.

Fluctuating supply and costs of raw materials and energy resources could have a material adverse effect on our business.

Our business is dependent on the availability and cost of energy resources and raw materials, particularly steel, generally in the form of stainless and chrome steel which are commodity steel products. Raw materials represented approximately 39% of our overall costs for fiscal 2004. The availability and prices of raw materials and energy sources may be subject to curtailment or change due to, among other things, new laws or regulations, suppliers' allocations to other purchasers, interruptions in production by suppliers, changes in exchange rates and worldwide price levels. Although we currently maintain alternative sources for raw materials, our business is subject to the risk of price fluctuations and periodic delays in the delivery of certain raw materials. Disruptions in the supply of raw materials and energy resources could temporarily impair our ability to manufacture our products for our customers or require us to pay higher prices in order to obtain these raw materials or energy resources from other sources, which could thereby affect our sales and profitability.

For example, we purchase steel at market prices, which during the past 12 months have increased to historical highs as a result of a relatively low level of supply and a relatively high level of demand, and we have recently received notices of additional price increases from our suppliers. As a result, we are currently being assessed surcharges on certain of our purchases of steel, and in certain circumstances, we have experienced difficulty in identifying steel for purchase. If we are unable to purchase steel for our operations for a significant period of time, our operations would be disrupted, and our results of operations would be materially adversely affected. In addition, we may be unable to pass on the increased costs of raw materials to our customers, which could materially adversely affect our results of operations and financial condition.

We seek to, and have to date, successfully passed through a significant portion of our additional costs to our customers through steel surcharges or price increases. However, even if we are able to pass these steel surcharges or price increases to our customers, there may be a time lag of up to 12 weeks between the time a price increase goes into effect and our ability to implement surcharges or price increases, particularly for orders already in our backlog. As a result our gross margin percentage may decline, and we may not be able to implement other price increases for our products. We cannot provide assurances that we will be able to continue to pass these additional costs on to our customers at all or on a timely basis or that our customers will not seek alternative sources of supply if there are significant or prolonged increases in the price of steel or other raw materials or energy resources.

We may not be able to address technological advances or maintain customer relationships which are necessary to remain competitive within our businesses.

We believe that our customers rigorously evaluate their suppliers on the basis of product quality, price competitiveness, technical expertise, new product innovation, reliability and timeliness of delivery, product design capability, manufacturing expertise, operational flexibility and customer service. Our success will depend on our ability to continue to meet our customers' changing specifications with respect to these criteria. We must remain committed to product research and development, advanced manufacturing techniques and service to remain competitive. We may not be able to address technological advances in metallurgy or in materials science or introduce new products that may be necessary to remain competitive within our businesses, or our competitors may develop products superior to our products. Furthermore, we may be unable to adequately protect any of our own technological developments to produce a sustainable competitive advantage.

Our products are subject to certain approvals, and the loss of such approvals could adversely affect our revenues.

Essential to servicing the aerospace market is the ability to obtain product approvals. We have in excess of 32,000 product approvals, which enable us to provide products used in virtually all domestic aircraft platforms presently in production or operation. Product approvals are typically issued by the Federal Aviation Administration, or FAA, to designated OEMs who are Production Approval Holders of FAA approved aircraft. These Production Approval Holders provide quality control oversight and generally limit the number of suppliers directly servicing the commercial aerospace aftermarket. Regulations enacted by the FAA provide for an independent process (the Parts Manufacturer Approval, or PMA, process), which enables suppliers who currently sell their products to the Production Approval Holders, to sell products to the aftermarket. We have received over 2,400 PMA application approvals to date. Our foreign sales may be subject to similar approvals. Although we have not lost any material product approvals in the past, we cannot assure you that we will not lose approvals for our products in the future. The loss of product approvals could have a material adverse effect on our revenues and profitability.

Under certain circumstances, the U.S. government has the right to debar or suspend us from acting as a U.S. government contractor or subcontractor, and if we are suspended or debarred from acting as a government supplier for any reason, such an action would have a material adverse effect on our business.

In connection with our performance of government contracts, the federal government audits and reviews our performance, pricing practices and compliance with applicable laws, regulations and standards. It is possible that as a result of these audits, our revenues, cash flows, or results of operations could be materially adversely affected. For example, the government could disallow certain costs that it originally reimbursed, and we may be required to refund cash already collected. It is also possible that a government audit, review or investigation could uncover improper or illegal activities that would subject the company to civil, criminal and/or administrative sanctions, including, but not limited to, termination of contracts, reimbursement of payments received, fines, forfeiture of profits and suspension or debarment from doing business with federal government agencies. If any allegations of impropriety were made against us, whether or not true, our reputation could be adversely affected. If we were suspended or debarred from contracting with the federal government, or any specific agency, if our reputation was impaired or if the government ceased or significantly decreased the amount of business it does with us, our revenues and cash flow could be reduced. As a government contractor, we are also subject to various federal laws, regulations and standards. New laws, regulations or standards or changes to existing laws, regulations or standards could subject us to additional costs of compliance or liabilities and could result in material reductions to our results of operations, cash flow or revenues.

We have outstanding debt and may incur additional debt in the future for acquisitions or other purposes which could adversely affect our business.

As of January 1, 2005, our total outstanding debt consisted of $222.3 million, of which $115.1 million was outstanding under our $165.0 million senior credit facility, referred to as our Senior Credit Facility, comprised of a $55.0 million revolving credit facility, or Revolving Credit Facility, and a $110.0 million term loan, or Term Loan. We expect to amend or refinance our existing Senior Credit Facility to increase our borrowings under our Senior Credit Facility by $ million in connection with the Refinancing Transaction to be used for the purposes described under "Use of Proceeds." See "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Pre-Offering Transactions—Refinancing Transaction."

To service our debt, we will require a significant amount of cash. Our ability to generate cash, make scheduled payments or to refinance our obligations depends on our successful financial and operating performance. Our financial and operating performance, cash flow and capital resources depend upon prevailing economic conditions and certain financial, business and other factors, many of which are beyond our control.

We may incur additional indebtedness in the future for acquisition, and the significant debt servicing costs associated with that indebtedness could have significant effects on our operations, including:

- limit our ability to obtain additional financing to operate our business;
- require us to dedicate a substantial portion of our cash flow to payments on our debt, reducing our ability to use our cash flow to fund working capital, capital expenditures and other general operational requirements;
- limit our flexibility to plan for and react to changes in our business or industry;
- place us at a competitive disadvantage relative to some of our competitors that have less debt than us; and
- increase our vulnerability to general adverse economic and industry conditions, including changes in interest rates or a downturn in our business or the economy.

The occurrence of any one of these events could have a material adverse effect on our business, financial condition, results of operations and ability to grow our business.

Restrictions in our indebtedness agreements could limit our growth and our ability to respond to changing conditions.

The Senior Credit Facility, our $45.0 million second lien term loan, or Second Lien Term Loan, and our swiss franc 14.0 million Swiss credit facility (approximately $11.0 million) as of January 1, 2005, or Swiss Credit Facility, contain a number of restrictive covenants that limit our ability, among other things, to:

- incur additional indebtedness and issue preferred stock and guarantee indebtedness;
- create liens on our assets;
- pay dividends or make other equity distributions;
- purchase or redeem capital stock;
- create restrictions on payments of dividends or other amounts to us by our restricted subsidiaries;
- make investments;

- merge, consolidate or sell assets;
- engage in activities unrelated to our current business;
- engage in transactions with our affiliates; and
- sell or issue capital stock of certain subsidiaries.

In addition, the Senior Credit Facility and the Second Lien Term Loan contain other financial covenants requiring us to maintain a minimum fixed charge coverage ratio and maximum senior leverage ratios and to satisfy certain other financial conditions. Our Second Lien Term Loan prohibits us from incurring capital expenditures of more than $10 million per year. These restrictions could limit our ability to obtain future financings, make needed capital expenditures, withstand a future downturn in our business or the economy in general or otherwise conduct necessary corporate activities.

As of January 1, 2005, we had outstanding borrowings of $5.4 million and letters of credit of $20.3 million under our $55.0 million revolving credit facility. Under the Revolving Credit Facility, we have borrowing availability of $18.6 million as of January 1, 2005. Under our Swiss Credit Facility, or Swiss Revolver, we had borrowing availability of approximately $3.5 million (4.0 million SFr) as of January 1, 2005.

Increases in interest rates may increase our interest expense and adversely affect our profitability and cash flow.

Upon consummation of this offering, approximately % of our debt will be subject to variable interest rates. On December 31, 2004, we entered into a Rate Cap Transaction Agreement capping LIBOR at 5.00% on a notional amount of $50.0 million. This agreement expires on December 31, 2005. An increase in interest rates will increase our interest expense and may adversely affect our profitability and cash flow and our ability to service our indebtedness and to make distributions to our stockholders. In addition, an increase in interest rates may inhibit our ability to incur additional debt in the future, which may impair our ability to consummate desirable acquisitions. As of January 1, 2005, after giving effect to the offering, we had a total of $ million of variable rate debt bearing a weighted average interest rate of approximately % per annum.

Work stoppages and other labor problems could materially adversely affect us.

As of January 1, 2005, approximately 31% of our hourly employees in the U.S. and abroad were represented by labor unions. While we believe our relations with our employees are satisfactory, a lengthy strike or other work stoppage at any of our facilities could have a material adverse effect on us. In addition, any attempt by our employees not currently represented by a union to join a union could result in additional expenses, including with respect to wages, benefits and pension obligations. One of our collective bargaining agreements covering approximately 53 employees, was originally due to expire in the month of July 2004 and was extended to October 29, 2005. Of our remaining four collective bargaining agreements, one agreement covering approximately 51 employees will expire in June of 2007, two agreements covering approximately 124 employees will expire in January of 2008 and one agreement covering approximately 132 employees will expire in June of 2008.

Negotiations for the extension of these agreements may result in modifications to the terms of these agreements, and these modifications could cause us to incur increased costs relating to our labor force.

In addition, work stoppages at one or more of our customers or suppliers, including suppliers of transportation services, many of which have large unionized workforces, for labor or other reasons could also cause disruptions to our business that we cannot control and may materially adversely impact our business and results of operations.

Our business is capital intensive and may consume cash in excess of cash flow from our operations.

Our ability to remain competitive, sustain our growth and expand our operations largely depends on our cash flow from operations and our access to capital. We intend to fund our cash needs through operating cash flow and borrowings under our Senior Credit Facility. We may require additional equity or debt financing to fund our growth and debt repayment obligations. In addition, we may need additional capital to fund future acquisitions. Our business may not generate sufficient cash flow, and we may not be able to obtain sufficient funds to enable us to pay our debt obligations and capital expenditures or we may not be able to refinance on commercially reasonable terms, if at all. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Liquidity."

Unexpected equipment failures, catastrophic events or capacity constraints may increase our costs and reduce our sales due to production curtailments or shutdowns.

Our manufacturing processes are dependent upon critical pieces of equipment, such as furnaces, continuous casters and rolling equipment, as well as electrical equipment, such as transformers, and this equipment may, on occasion, be out of service as a result of unanticipated failures. In addition to equipment failures, our facilities are also subject to the risk of catastrophic loss due to unanticipated events such as fires, explosions, earthquakes or violent weather conditions. In the future, we may experience material plant shutdowns or periods of reduced production as a result of these types of equipment failures or catastrophes. Interruptions in production capabilities will inevitably increase our production costs and reduce sales and earnings for the affected period.

Certain of our facilities are operating at a single shift with light second and third shifts, and additional demand may require additional shifts and/or capital investments at these facilities. We cannot assure you that we will be able to add additional shifts as needed in a timely way and production constraints may result in lost sales. In certain markets we refrain from making additional capital investments to expand capacity where we believe market expansion in a particular end market is not sustainable or otherwise does not justify the expansion or capital investment. Our assumptions and forecasts regarding market conditions in these end markets may be erroneous and may result in lost earnings and inhibit our growth.

The occurrence of extraordinary events, such as a major terrorist attack in the U.S., may adversely affect our business, resulting in a decrease in our revenues.

Future terrorist attacks cannot be predicted, and their occurrence can be expected to negatively affect the economy of the U.S. and other countries in which we do business. Such attacks may materially adversely impact markets in which we operate, particularly commercial aerospace and may also impair our ability to conduct our manufacturing and other business activities for extended periods depending on the nature and severity of the event.

We may not be able to continue to make the acquisitions necessary for us to realize our growth strategy.

The acquisition of businesses that complement or expand our operations has been and continues to be an important element of our business strategy. We cannot assure you that we will be successful in identifying attractive acquisition candidates or completing acquisitions on favorable terms in the future. Our inability to acquire businesses, or to operate them profitably once acquired, could have a material adverse effect on our business, financial position, cash flows and growth.

The costs and difficulties of integrating acquired businesses could impede our future growth.

We cannot assure you that any future acquisition will enhance our financial performance. Our ability to effectively integrate any future acquisitions will depend on, among other things, the adequacy of our implementation plans, the ability of our management to oversee and operate effectively the combined operations and our ability to achieve desired operating efficiencies and sales goals. The integration of any acquired businesses might cause us to incur unforeseen costs, which would lower our future earnings and would prevent us from realizing the expected benefits of these acquisitions.

Even if we are able to integrate future acquired businesses with our operations successfully, we cannot assure you that we will realize all of the cost savings, synergies or revenue enhancements that we anticipate from such integration or that we will realize such benefits within the expected time frame.

We depend heavily on our senior management and other key personnel, the loss of whom could materially affect our financial performance and prospects.

Our business is managed by a small number of key executive officers, including Dr. Michael J. Hartnett. Our future success will depend on, among other things, our ability to keep the services of these executives and to hire other highly qualified employees at all levels. Dr. Hartnett is the only member of our senior management team with a long-term employment contract. The remainder of our key executives are at-will employees.

We compete with other potential employers for employees, and we may not be successful in hiring and retaining executives and other skilled employees that we need. Our ability to successfully execute our business strategy, market and develop our products and serve our customers could be adversely affected by a shortage of available skilled employees or executives.

Our international operations are subject to risks inherent in such activities.

We have established operations in certain countries outside the U.S., including Mexico, France and Switzerland. Of our 18 facilities, 4 are located outside the U.S., including 2 manufacturing facilities.

Approximately 19% of our sales were derived from sales outside the U.S. during fiscal year 2004. We expect that this proportion is likely to increase as we seek to increase our penetration of foreign markets, particularly within the aerospace and defense markets. Our foreign operations are subject to the risks inherent in such activities, such as foreign regulation, unsettled political conditions, currency devaluations, logistical and communications challenges, burdensome costs of complying with a variety of foreign laws, greater difficulties in protecting intellectual property and general economic conditions in these foreign markets. Our international operations may be materially adversely affected by changes in government policies, such as changes in laws and regulations (or the interpretation thereof), restrictions on imports and exports, sources of supply, duties or tariffs, the introduction of measures to control inflation, changes in the rate or method of taxation, the imposition of restrictions on currency conversion and remittances abroad, difficulty in staffing and managing geographically diverse operations, the expropriation of private enterprise and acts of terrorism or war or other acts that may cause social disruption. In addition, policy concerns particular to the U.S. with respect to a country in which we have operations could materially adversely affect our operations in that country.

Currency translation risks may adversely affect our results of operations.

Our Swiss operations utilize the Swiss franc as the functional currency and our French operations utilize the Euro as the functional currency. Foreign currency transaction gains and losses are included in earnings. Foreign currency transaction exposure arises primarily from the transfer of foreign currency from one subsidiary to another within the group and to foreign currency denominated trade receivables. Unrealized currency translation gains and losses are recognized upon translation of the foreign

subsidiaries' balance sheets to U.S. dollars. Because our financial statements are denominated in U.S. dollars, changes in currency exchange rates between the U.S. dollar and other currencies have had, and will continue to have, an impact on our earnings. While we monitor exchange rates, we currently do not have exchange rate hedges in place to reduce the risk of an adverse currency exchange movement. Although currency fluctuations have not had a material impact on our financial performance in the past, such fluctuations may affect our financial performance in the future. The impact of future exchange rate fluctuations on our results of operations cannot be accurately predicted. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Foreign Currency Exchange Rates."

Our pension plans are underfunded, and we may be required to make significant future contributions to the plans.

As of January 1, 2005, we maintained noncontributory defined benefit pension plans covering substantially all of our union employees in our Heim division plant in Fairfield, Connecticut, our Nice subsidiary plant in Kulpsville, Pennsylvania, our Bremen subsidiary plant in Plymouth, Indiana and our Tyson subsidiary plant in Glasgow, Kentucky. As of January 1, 2005 and April 3, 2004, our plans were underfunded by $3.5 million and $4.6 million, respectively, which is the amount by which the accumulated benefit obligations exceed the sum of the fair market value of plans' assets. We are required to make cash contributions to our pension plans to the extent necessary to comply with minimum funding requirements imposed by employee benefit and tax laws. The amount of any such required contributions is determined based on annual actuarial valuation of the plans as performed by the plan's actuaries. The amount of future contributions will depend upon asset returns, then-current discount rates and a number of other factors, and, as a result, the amount we may elect or be required to contribute to our pension plans in the future may increase significantly. Additionally, there is a risk that if the Pension Benefit Guaranty Corporation concludes that its risk with respect to our pension plan may increase unreasonably if the plan continues to operate, if we are unable to satisfy the minimum funding requirement for the plans or if the plans become unable to pay benefits, then the Pension Benefit Guaranty Corporation could terminate the plans and take control of their assets. In such event, we may be required to make an immediate payment to the Pension Benefit Guaranty Corporation of all or a substantial portion of the underfunding as calculated by the Pension Benefit Guaranty Corporation based upon its own assumptions. The underfunding calculated by the Pension Benefit Guaranty Corporation could be substantially greater than the underfunding we have calculated because, for example, the Pension Benefit Guaranty Corporation may use a significantly lower discount rate. If such payment is not made, then the Pension Benefit Guaranty Corporation could place liens on a material portion of our assets and the assets of any members of our controlled group. Such action could adversely affect our financial condition and results of operations. For additional information concerning our pension plans and plan liabilities, see note 13 to our consolidated financial statements attached to this prospectus.

We may incur material losses for product liability and recall related claims.

We are subject to a risk of product and recall related liability in the event that the failure of any of our products results in personal injury or death, property damage or does not conform to our customers' specifications. In particular, our products are installed in a number of types of vehicle fleets, including airplanes, trains, automobiles, heavy trucks and farm equipment, many of which are subject to government ordered as well as voluntary recalls by the manufacturer. If one of our products is found to be defective, causes a fleet to be disabled or otherwise results in a product recall, significant claims may be brought against us. Although we have not had any material product liability or recall related claims made against us, and we currently maintain product liability insurance coverage for product liability, although not for recall related claims, we cannot assure you that product liability or recall related claims, if made, would not exceed our insurance coverage limits or would be covered by insurance

which, in turn, may have a material adverse effect on our business, financial condition or results of operations.

Environmental regulations impose substantial costs and limitations on our operations, and environmental compliance may be more costly than we expect.

We are subject to various federal, state and local environmental laws and regulations, including those governing discharges of pollutants into the air and water, the storage, handling and disposal of wastes and the health and safety of employees. These laws and regulations could subject us to material costs and liabilities, including compliance costs, civil and criminal fines imposed for failure to comply with these laws and regulations and litigation costs. We also may be liable under the federal Comprehensive Environmental Response, Compensation, and Liability Act, or similar state laws, for the costs of investigation and clean-up of contamination at facilities currently or formerly owned or operated by us or at other facilities at which we have disposed of hazardous substances. In connection with such contamination, we may also be liable for natural resource damages, government penalties and claims by third parties for personal injury and property damage. Compliance with these laws and regulations may prove to be more limiting and costly than we anticipate. New laws and regulations, stricter enforcement of existing laws and regulations, the discovery of previously unknown contamination or the imposition of new clean-up requirements could require us to incur costs or become the basis for new or increased liabilities that could have a material adverse effect on our business, financial condition or results of operations. Investigation and remediation of contamination at some of our sites is ongoing. Actual costs to clean-up these sites may exceed our current estimates. Although we have indemnities for certain pre-closing environmental liabilities from the prior owners in connection with our acquisition of several of our facilities, we cannot assure you that the indemnities will be adequate to cover known or newly discovered pre-closing liabilities.

The interests of certain stockholders, particularly Whitney Investor and Dr. Hartnett, could conflict with those of other holders of our securities.

When this offering is completed, our executive officers, directors and stockholders who owned more than 5% of our outstanding common stock before the completion of this offering, will, in the aggregate, beneficially own shares representing approximately % of our capital stock. Whitney RBHC Investor, LLC ("Whitney Investor") and Dr. Hartnett will control % and % of our common stock, respectively. In addition, if these stockholders were to choose to act together, or with other significant shareholders, they could control, and will, in any event, have a large degree of influence over, matters submitted to our stockholders for approval, as well as our management and affairs. For example, these persons, if they choose to act together, could control the election of directors and approval of any merger, consolidation or sale of all or substantially all of our assets. This concentration of voting power could delay or prevent an acquisition of our company on terms that other stockholders may desire.

Our intellectual property and other proprietary rights are valuable, and any inability to protect them could adversely affect our business and results of operations; in addition, we may be subject to infringement claims by third parties.

Our ability to compete effectively is dependent upon our ability to protect and preserve the intellectual property and other proprietary rights and materials owned, licensed or otherwise used by us. We have numerous U.S. and foreign patents, U.S. trademark registrations and U.S. copyright registrations. Our patents are expected to expire by their own terms at various dates. We also have U.S. trademark and patent applications pending. We cannot assure you that our pending trademark and patent applications will result in trademark registrations and issued patents, and our failure to secure rights under these applications may limit our ability to protect the intellectual property rights that these

applications were intended to cover. Although we have attempted to protect our intellectual property and other proprietary rights both in the United States and in foreign countries through a combination of patent, trademark, copyright and trade secret protection and non-disclosure agreements, these steps may be insufficient to prevent unauthorized use of our intellectual property and other proprietary rights, particularly in foreign countries where the protection available for such intellectual property and other proprietary rights may be limited. We cannot assure you that any of our intellectual property rights will not be infringed upon or that our trade secrets will not be misappropriated or otherwise become known to or independently developed by competitors. We may not have adequate remedies available for any such infringement or other unauthorized use. We cannot assure you that any infringement claims asserted by us will not result in our intellectual property being challenged or invalidated, that our intellectual property will be held to be of adequate scope to protect our business or that we will be able to deter current and former employees, contractors or other parties from breaching confidentiality obligations and misappropriating trade secrets. In addition, we may become subject to claims against us which could require us to pay damages or limit our ability to use certain intellectual property and other proprietary rights found to be in violation of a third party's rights, and, in the event such litigation is successful, we may be unable to use such intellectual property and other proprietary rights at all or on reasonable terms. Regardless of its outcome, any litigation, whether commenced by us or third parties, could be protracted and costly and could have a material adverse effect on our business and results of operations.

Cancellation of orders in our backlog of orders could negatively impact our revenues.

As of January 1, 2005, we had an order backlog of $133.8 million, which we estimate will be fulfilled within the next 12 months. However, orders included in our backlog are subject to cancellation, delay or other modifications by our customers prior to fulfillment. For these reasons, we cannot assure you that our backlog will ultimately result in the actual receipt of revenues on orders included in our backlog.

If we fail to maintain an effective system of internal controls, we may not be able to accurately report our financial results or prevent fraud.

Effective internal controls are necessary for us to provide reliable financial reports and effectively prevent fraud. Any inability to provide reliable financial reports or prevent fraud could harm our business. We are in the process of instituting changes to our internal procedures to satisfy the requirements of the Sarbanes-Oxley Act of 2002, which require management and our auditors to evaluate and assess the effectiveness of our internal controls by March 31, 2007. Implementing these changes may take a significant amount of time and may require specific compliance training of our directors, officers and other personnel. We are continuing to evaluate and, where appropriate, enhance our policies, procedures and internal controls. If we fail to maintain the adequacy of our internal controls, as such standards are modified, supplemented or amended from time to time, we could be subject to regulatory scrutiny, civil or criminal penalties or shareholder litigation. In addition, failure to maintain adequate internal controls could result in financial statements that do not accurately reflect our financial condition. Inferior internal controls could also cause investors to lose confidence in our reported financial information, which could have a negative effect on the trading price of our stock. We cannot assure you that we will be able to complete the work necessary to fully comply with the requirements of the Sarbanes-Oxley Act or that management or our auditors will conclude that our internal controls are effective.

We will face new challenges and increased costs as a public company.

Our management team has historically operated our business as a privately held company. We expect that the obligations of being a public company, including substantial public reporting and

investor relations obligations, will require significant legal, accounting and other additional expenditures, as well as stock exchange listing requirements, which will place additional demands on our management and may require the hiring of additional personnel. These obligations and related expenses will increase our operating expenses and could divert our management's attention from our operations. We also expect these new rules and regulations may make it more difficult and more expensive for us to obtain director and officer liability insurance, and we may be required to accept reduced policy limits and coverage or incur substantially higher costs to obtain the same or similar coverage. As a result, it may be more difficult for us to attract and retain qualified individuals to serve on our board of directors or as executive officers. We are currently evaluating and monitoring developments with respect to these new rules, and we cannot predict or estimate the amount of additional costs we may incur or the timing of such costs.

Risk Factors Related to this Offering

Provisions in our charter documents and under Delaware law may prevent or frustrate attempts by our stockholders to change our management and hinder efforts to acquire a controlling interest in us.

Provisions of our corporate charter and bylaws may discourage, delay or prevent a merger, acquisition or other change in control that stockholders may consider favorable, including transactions in which you might otherwise receive a premium for your shares. These provisions may also prevent or frustrate attempts by our stockholders to replace or remove our management. These provisions include:

- advance notice requirements for stockholder proposals and nominations;
- the inability of stockholders to act by written consent or to call special meetings; and
- the ability of our board of directors to designate the terms of and issue new series of preferred stock without stockholder approval.

The affirmative vote of the holders of at least $66^2/_3\%$ of our shares entitled to vote is necessary to amend or repeal the above provisions of our charter. In addition, absent approval of our board of directors, many of our bylaw provisions may only be amended or repealed by the affirmative vote of the holders of at least $66^2/_3\%$ of our shares entitled to vote.

Our charter authorizes the issuance of "blank check" preferred stock with such designations, rights and preferences as may be determined from time to time by our board of directors. Accordingly, the board of directors is empowered, without shareholder approval, to issue preferred stock with dividend, liquidation, conversion, voting or other rights that could materially adversely affect the voting power or other rights of the holders of our common stock, including purchasers in this offering. Holders of the common stock will not have preemptive rights to subscribe for a pro rata portion of any capital stock which may be issued by us. In the event of issuance, such preferred stock could be utilized, under certain circumstances, as a method of discouraging, delaying or preventing a change in control of RBCI. Although we have no present intention to issue any new shares of preferred stock, we may do so in the future.

In addition, Section 203 of the Delaware General Corporation Law prohibits a publicly held Delaware corporation from engaging in a business combination with an interested stockholder, generally a person which together with its affiliates owns, or within the last three years has owned, 15% of our voting stock, for a period of three years after the date of the transaction in which the person became an interested stockholder, unless the business combination is approved in a prescribed manner. Accordingly, Section 203 may discourage, delay or prevent a change in control of our company.

If you purchase shares of common stock in this offering, you will suffer immediate and substantial dilution of your investment.

Purchasers of common stock in this offering will pay a price per share that substantially exceeds the per share value of our tangible assets after subtracting our liabilities and the per share price paid by our existing stockholders and by persons who exercise currently outstanding options to acquire our common stock. Accordingly, based on the initial public offering price of $ per share, you will experience immediate and substantial dilution of $ per share, representing the difference between our pro forma net tangible book value per share after giving effect to this offering and the initial public offering price. In addition, purchasers of common stock in this offering will have contributed approximately % of the aggregate price paid by all purchasers of our stock but will own only approximately % of our common stock outstanding after this offering. See "Dilution."

An active trading market for our common stock may not develop.

Prior to this offering, there has been no public market for our common stock. Although our common stock will be approved for listing on the New York Stock Exchange or Nasdaq National Market, an active trading market for our shares may never develop or be sustained following this offering. The initial public offering price for our common stock was determined through negotiations with the underwriters. This initial public offering price may vary from the market price of our common stock after the offering. Investors may not be able to sell their common stock at or above the initial public offering price. We cannot assure you that a market will develop for our common stock or what the market price of our common stock will be. If a market does not develop or is not sustained, it may be difficult for you to sell your shares of common stock at an attractive price or at all. We cannot predict the prices at which our common stock will trade.

If there are substantial sales of our common stock, our stock price could decline.

If our existing stockholders sell a large number of shares of our common stock or the public market perceives that existing stockholders might sell shares of our common stock, the market price of our common stock could decline significantly. All of the shares being sold in this offering will be freely tradable without restriction or further registration under the federal securities laws, unless purchased by our "affiliates" as that term is defined in Rule 144 under the Securities Act. Substantially all of the remaining shares to be outstanding upon completion of this offering will be eligible for sale pursuant to Rule 144 upon the expiration of 180-day lock-up agreements.

Upon completion of this offering, Whitney Investor will have rights to require us to register its shares of common stock with the SEC. If we register Whitney Investor's shares of common stock following the expiration of the lock-up agreement, Whitney Investor can sell those shares in the public market. See "Related Party Transactions—Amended and Restated Stockholders Agreement; Registration Rights."

Promptly following this offering, we intend to register approximately shares of common stock that are authorized for issuance under our stock plans and outstanding stock options. As of , 2005, shares of our common stock were subject to outstanding options, all of which were immediately exercisable, but with respect to which we had the right to repurchase at the initial exercise price all but the shares issuable upon exercise of these options. Once we register the shares authorized for issuance under our stock plans, they can be freely sold in the public market upon issuance, subject to our repurchase rights, the lock-up agreements referred to above and the restrictions imposed on our affiliates under Rule 144.

DISCLOSURE REGARDING FORWARD-LOOKING STATEMENTS

This prospectus contains "forward-looking statements." All statements other than statements of historical fact are "forward-looking statements" for purposes of federal and state securities laws, including any projections of earnings, revenue or other financial items; any statements of the plans, strategies and objectives of management for future operations; any statements concerning proposed new services or developments; any statements regarding future economic conditions or performance; future growth rates in the markets we serve; increases in foreign sales; supply and cost of raw materials, any statements of belief; and any statements of assumptions underlying any of the foregoing. Forward-looking statements may include the words "may," "will," "estimate," "intend," "continue," "believe," "expect" or "anticipate" and other similar words.

Although we believe that the expectations reflected in any of our forward-looking statements are reasonable, actual results could differ materially from those projected or assumed in any of our forward-looking statements. Our future financial condition and results of operations, as well as any forward-looking statements, are subject to change and to inherent risks and uncertainties, such as those disclosed in this prospectus. Factors that could cause our actual results, performance and achievements or industry results to differ materially from estimates or projections contained in forward-looking statements include, among others, the following:

- weakness and cyclicality in any of the industries in which our customers operate;
- changes in marketing, product pricing and sales strategies or developments of new products by us or our competitors;
- future reductions in U.S. governmental spending;
- suspension or debarment from acting as a government supplier;
- our ability to obtain and retain product approvals;
- supply and costs of raw materials, particularly steel, and energy resources and our ability to pass through these costs on a timely basis;
- our ability to address technological advances in metallurgy or in material advances and introduce new products to remain competitive;
- our ability to acquire and integrate complementary businesses;
- unexpected equipment failures, catastrophic events or capacity constraints;
- development of new litigation;
- our ability to attract and retain our management team and other highly-skilled personnel;
- increases in interest rates;
- work stoppages and other labor problems for us and our customers or suppliers;
- contractual limitations on our ability to expand our business;
- regulatory developments in the U.S. and foreign countries;
- developments or disputes concerning patents or other proprietary rights;
- actual or anticipated changes in our earnings, fluctuations in our operating results or the failure to meet the expectations of financial market analysts and investors;
- changes in accounting standards, policies, guidance, interpretation or principles;
- risks associated with operating internationally, including currency translation risks;

- the operating and stock performance of comparable companies;
- acts of terrorism or major catastrophic events;
- investors' perceptions of us and our industry; and
- general economic, geopolitical, industry and market conditions.

Additional factors that could cause actual results to differ materially from our forward-looking statements are set forth in this prospectus, including under the headings "Prospectus Summary," "Risk Factors," "Management's Discussion and Analysis of Financial Condition and Results of Operations," "Business" and in our "Summary Financial Data" and the related notes. We do not intend, and undertake no obligation, to update any forward-looking statement. The Private Securities Litigation Reform Act of 1995 and Section 27A of the Securities Act do not protect forward-looking statements we make in connection with this offering.

Before deciding whether to invest in our common shares, you should carefully consider the matters set forth under the heading "Risk Factors" and all other information contained in this prospectus. All subsequent written and oral forward-looking statements attributable to us, or persons acting on our behalf, are expressly qualified in their entirety by the cautionary statements.

USE OF PROCEEDS

Assuming a public offering price of $ per share, we estimate that the net proceeds from this offering (without exercise of the over-allotment option), after deducting the underwriting discount and estimated expenses of the offering, will be approximately $ million. If the underwriters' over-allotment option is exercised in full, we estimate that we will receive net proceeds of approximately $ million. We will not receive any of the proceeds from the sale of shares by selling stockholders. We intend to use these net proceeds together with proceeds from the Refinancing Transaction, to:

- redeem all of our $38.6 million in aggregate principal amount 13% Discount Debentures due 2009 plus accrued interest and redemption premium;
- repay all of our outstanding indebtedness, plus accrued interest and prepayment fee, under our $45.0 million Second Lien Term Loan; and
- redeem all of our Class C preferred stock for $ million, including any accrued and unpaid dividends, and repurchase 50% of our Class D preferred stock for $4.0 million, in connection with our Pre-Offering Transactions. See "Pre-Offering Transactions."

INDUSTRY AND MARKET DATA

The data included in this prospectus regarding markets, product categories, ranking and percentage of our sales to the aftermarket, including, but not limited to, the size of certain markets, product categories and sales volumes and our position and the positions of our competitors within these markets and product categories, are based on our estimates and definitions, which have been derived from management's knowledge and experience in the areas in which the relevant businesses operate, and information obtained from independent industry publications, reports by market research firms or other published independent sources. We believe that these sources, in each case, provide reasonable estimates. However, market share data is subject to change and cannot always be verified with complete certainty due to limits on the availability and reliability of raw data, the voluntary nature of the data gathering process and other limitations and uncertainties inherent in any statistical survey of market shares. In addition, consumption patterns and consumer preferences can and do change. In addition, we may define our markets in a way that may be different from how our competitors or others define their markets. As a result, you should be aware that market share, product categories, ranking, aftermarket sales and other similar data set forth herein, and estimates and beliefs based on such data, may not be reliable. References herein to our being a leader in a certain market or product category refer to our having a leading position based on sales in fiscal year 2004 of bearing products in such market or product category, unless the context otherwise requires.

DIVIDEND POLICY

We have never declared or paid any cash dividends on our common stock and do not expect to pay cash dividends for the foreseeable future. Our current policy is to retain all of our earnings to finance future growth. In addition, covenants in our credit facilities restrict our ability to pay dividends. Any future declaration of dividends will be determined by our board of directors, based upon our earnings, capital requirements, financial condition, debt covenants, tax consequences and other factors deemed relevant by our board of directors.

PRE-OFFERING TRANSACTIONS

The following transactions, referred to as the Pre-Offering Transactions, will occur immediately prior to the completion of this offering:

Recapitalization

We currently have three classes of capital stock outstanding: Class B preferred stock, Class A common stock and Class B common stock. Immediately prior to the consummation of this offering, we will effectuate a series of transactions in order to, among other things, simplify our capital structure. Our simplified capital structure will have two classes of authorized capital stock (common stock and preferred stock), of which only shares of common stock will be outstanding after the offering. The recapitalization transaction will involve a number of steps to be effectuated contemporaneously with the consummation of the Refinancing Transaction (discussed below) and this offering. These steps will occur as follows:

Conversion of Class B Preferred Stock. Immediately prior to the consummation of the Recapitalization, all outstanding shares of Class B preferred stock will be converted in accordance with their terms into 738,558 shares of Class A common stock, shares of Class C preferred stock and 240,000 shares of Class D preferred stock.

Redemption of Class C Preferred Stock. Immediately after the conversion of the Class B preferred stock, we shall use proceeds of this offering and the Refinancing Transaction to redeem all outstanding Class C preferred stock, including any accrued and unpaid dividends, for an aggregate redemption price determined in accordance with our pre-offering charter. Assuming a

July 15, 2005 redemption date, the aggregate redemption price of the Class C preferred stock would be approximately $30.4 million. This amount will increase at a rate of 0.02% for each additional day that the Class C preferred stock remains outstanding as a result of preferred dividends which will continue to accrue thereon.

Repurchase of Class D Preferred Stock. Immediately after the conversion of the Class B preferred stock, we shall repurchase all of the outstanding Class D preferred stock for an aggregate repurchase price equal to $8 million payable as follows: $4 million of the repurchase price shall be paid in cash using proceeds of this offering and the Refinancing Transaction, and $4 million shall be paid in shares of our Class A common stock based on the offering price (before giving effect to underwriters' discounts or commissions).

Reclassification of Class A Common Stock and Class B Common Stock. Immediately after the transactions described above, we will amend and restate our charter to provide for, among other things, authorized capital stock of million shares of common stock and million shares of preferred stock. As a result, all of our Class A common stock and Class B common stock (including shares of Class A common stock issued upon conversion of the Class B preferred stock and repurchase of the Class D preferred stock) will be reclassified as common stock, on a one-for-one basis.

Stock Split. We will amend and restate our charter to effect a : stock split of our common stock.

Stock Options and Warrants. Following the reclassification of our shares, all outstanding options and warrants to purchase our Class A common stock and Class B common stock will become exercisable into shares of our newly created common stock in accordance with the terms of our stock option plans and stock option and warrant agreements. We will freeze our existing 1998 Stock Option Plan and 2001 Stock Option Plan such that no further awards or grants may be made under them. We will establish a new 2005 Long-Term Incentive Plan which will provide for the issuance of stock options or other equity awards equal to 6% of our fully-diluted common stock, after giving effect to this offering. 60% of this amount will be awarded to Dr. Hartnett upon the consummation of this offering at the offering price, subject to vesting, and the remaining 40% will be reserved for grants to our employees (other than Dr. Hartnett) at the discretion of our board of directors. With the exception of options and warrants that are exercised in connection with this offering, all outstanding options and warrants to purchase common stock held by our employees will be subject to a lock-up period of not less than 180 days following the date of this prospectus. See "Use of Proceeds" and "Related Party Transactions—Pre-Offering Transactions."

Refinancing Transaction

We expect to amend or refinance our existing Senior Credit Facility to increase our borrowings under our Senior Credit Facility by $ million, referred to as the Refinancing Transaction. The proceeds from the Refinancing Transaction and the proceeds of this offering will be used for the purposes described under "Use of Proceeds."

CAPITALIZATION

The following table sets forth our cash and capitalization as of January 1, 2005 on an actual and as adjusted basis to give effect to the offering and Pre-Offering Transactions, as if they had occurred on that date.

This table should be read in conjunction with "Use of Proceeds," "Summary Financial Data," "Selected Consolidated Historical Financial Data" and the historical financial statements and related notes thereto included elsewhere in this prospectus. See also "Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources," "Description of Certain Indebtedness" and "Pre-Offering Transactions."

	As of January 1, 2005	
	Actual	As Adjusted
	(unaudited) (in thousands)	
Cash	$ 1,703	$
Debt		
Term loan	$ 109,725	$
Revolving credit facility[1]	5,390	
Discount debentures	37,902	
Second lien term loan	45,000	
Other debt[2]	24,237	
Total debt	222,254	
Stockholders' equity[3]		
Preferred stock	2	
Common stock	25	
Additional paid-in capital	33,485	
Accumulated other comprehensive loss	(2,226)	
Accumulated deficit	(45,937)	
Total stockholders' equity (deficit)	(14,651)	
Total capitalization	$ 207,603	$

(1) The amount shown for the Revolving Credit Facility excludes $20.3 of letters of credit drawn under our $25 million letter of credit subfacility under our Senior Credit Facility.

(2) Other debt consists of $7.5 million outstanding under the Swiss Term Loan, $16.6 million aggregate principal amount of our industrial revenue bonds and other debt of $0.1 million.

(3) Reflects the filing of our Amended and Restated Certificate of Incorporation upon completion of this offering, authorizing shares of common stock, of which are issued and outstanding after the consummation of this offering and shares of undesignated preferred stock, none of which are issued or outstanding as of the consummation of this offering. As of January 1, 2005, there were 2,475,461 shares of our Class A common stock and 100 shares of our Class B Common Stock outstanding. Additionally, as of such date, there were outstanding (a) warrants and options to purchase up to an additional 769,014 shares of our Class A common stock, (b) warrants and options to purchase 549,146 shares of our Class B common stock, and (c) 240,000 shares of our Class B exchangeable convertible participating preferred stock, or Class B preferred stock. All of our then outstanding classes of Class A and Class B common stock and Class B preferred stock were converted into common stock, redeemed or repurchased for cash or for common stock in connection with the Pre-Offering Transactions. See "Pre-Offering Transactions."

DILUTION

Our pro forma net tangible book value as of January 1, 2005 was approximately $, or $ per share of common stock. Pro forma net tangible book value per share represents total tangible assets less total liabilities, divided by the number of outstanding shares of common stock after giving effect to the Pre-Offering Transactions. See "Pre-Offering Transactions." After giving effect to the Pre-Offering Transactions and the sale of the shares of common stock offered by us at an assumed initial public offering price of $ per share and after deducting underwriting discounts and estimated offering expenses, the pro forma as adjusted net tangible book value as of January 1, 2005 would have been $, or approximately $ per share of common stock. This represents an immediate increase in net tangible book value of $ per share to existing stockholders and an immediate dilution in net tangible book value of $ per share to new investors in this offering. The following table illustrates this dilution on a per share basis:

Assumed initial public offering price per share	$
Pro forma net tangible book value per share as of January 1, 2005	
Increase per share attributable to new investors	
Pro forma as adjusted net tangible book value per share after this offering	
Dilution per share to new investors	$

The following table sets forth, on a pro forma as adjusted basis as of January 1, 2005, after giving effect to the Pre-Offering Transactions, the differences between the number of shares of common stock purchased from us, the total consideration paid and the average price per share paid by existing stockholders and by new investors, before deducting underwriting discounts and commissions and estimated offering expenses, at an assumed initial public offering price of $ per share.

Except as otherwise indicated, the table below (i) includes shares of common stock issuable upon exercise of options that will be outstanding upon completion of this offering at exercise prices ranging from $ to $ per share, of which shares are subject to options which will be exercisable upon completion of this offering and (ii) excludes shares of common stock reserved for future issuance under our 2005 Long-Term Incentive Plan. See "Management—Stock Option Plans" and "Pre-Offering Transactions."

	Shares Purchased		Total Consideration		
	Number	Percent	Amount	Percent	Average Price Per Share
Existing Stockholders		%	$	%	$
New Investors		%		%	
Total		100.0%	$	100.0%	$

If the underwriters' over-allotment option is exercised in full, the percentage of shares of common stock held by existing stockholders after this offering would be reduced to approximately %, and the number of shares of common stock held by new investors would increase to approximately % of the total number of shares of common stock outstanding after this offering.

SELECTED CONSOLIDATED HISTORICAL FINANCIAL DATA

The following table sets forth our selected consolidated historical financial and other data as of the dates and for the periods indicated. The selected financial data as of and for the years ended March 30, 2002, March 29, 2003 and April 3, 2004 have been derived from our historical consolidated financial statements audited by Ernst & Young LLP, independent auditors. The selected financial data as of and for the fiscal years ended April 1, 2000 and March 31, 2001 have been derived from our historical consolidated financial statements. The selected historical unaudited consolidated statement of operations and balance sheet data for the nine month periods ended December 27, 2003 and January 1, 2005 are derived from our unaudited historical consolidated financial statements included elsewhere in this prospectus, which in our opinion contains all adjustments necessary for a fair presentation of the consolidated financial data. Results for interim periods are not necessarily indicative of results that may be expected for a full fiscal year. Historical results are not necessarily indicative of the results expected in the future. You should read the data presented below together with, and qualified by reference to, "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our consolidated financial statements included elsewhere in this prospectus.

	Fiscal Year Ended					Nine Month Period Ended	
	April 1, 2000	March 31, 2001	March 30, 2002	March 29, 2003	April 3, 2004	December 27, 2003	January 1, 2005
	(in thousands, except share and per-share amounts)						
Statement of Operations Data:							
Net sales[1]	$177,148	$176,435	$168,331	$172,860	$187,331	$125,087	$170,731
Cost of sales	119,888	116,245	114,575	124,086	135,433	90,745	123,325
Gross margin	57,260	60,190	53,756	48,774	51,898	34,342	47,406
Selling, general and administrative	25,156	27,043	25,641	26,647	28,107	19,615	22,929
Other, net	709	776	937	1,424	1,662	863	2,464
Operating income	31,395	32,371	27,178	20,703	22,129	13,864	22,013
Interest expense, net	22,082	23,335	23,440	21,023	20,380	15,289	14,335
Financing costs	—	3,600	—	—	—	—	—
Loss (gain) on early extinguishment of debt[2]	—	—	—	(780)	—	—	6,956
Other non-operating expense (income)	7	16	17	298	16	12	(98)
Income (loss) before income taxes	9,306	5,420	3,721	162	1,733	(1,437)	820
Provision for (benefit from) income taxes	3,730	2,326	2,052	113	1,070	(492)	303
Income (loss) before extraordinary gain	5,576	3,094	1,669	49	663	(945)	517
Extraordinary gain, net	—	521	—	—	—	—	—
Net income (loss)	$ 5,576	$ 3,615	$ 1,669	$ 49	$ 663	$ (945)	$ 517
Net income (loss) per common share[3]:							
Basic	$ 5.68	$ 2.61	$ 0.67	$ (0.51)	$ (0.60)	$ (1.01)	$ (0.47)
Diluted	$ 1.59	$ 1.02	$ 0.47	$ (0.51)	$ (0.60)	$ (1.01)	$ (0.47)
Weighted average number of common and common equivalent shares outstanding:							
Basic	982,360	1,385,072	2,475,561	2,475,561	2,475,561	2,475,561	2,475,561
Diluted	3,508,103	3,528,305	3,556,658	2,475,561	2,475,561	2,475,561	2,475,561

	Fiscal Year Ended April 3, 2004	Nine Month Period Ended January 1, 2005
Pro Forma Data[4]:		
Pro forma net income (loss)	$	$
Pro forma net income (loss) per common share:		
Basic	$	$
Diluted	$	$
Pro forma weighted average number of common and common equivalent shares outstanding:		
Basic		
Diluted		

	Fiscal Year Ended					Nine Month Period Ended	
	April 1, 2000	March 31, 2001	March 30, 2002	March 29, 2003	April 3, 2004	December 27, 2003	January 1, 2005
				(in thousands)			
Other Financial Data:							
EBITDA[5]	$ 40,287	$ 37,917	$ 36,266	$ 29,224	$ 31,295	$ 21,384	$ 29,455
Capital expenditures	6,582	6,619	5,941	6,522	4,951	2,952	6,604

	As of					As of January 1, 2005	
	April 1, 2000	March 31, 2001	March 30, 2002	March 29, 2003	April 3, 2004	Actual	As Adjusted[4]
				(in thousands)			
Balance Sheet Data:							
Cash	$ 1,051	$ 4,071	$ 7,185	$ 3,553	$ 3,250	$ 1,703	$
Working capital	52,947	56,980	70,957	89,411	105,550	117,028	
Total assets	195,085	209,372	219,376	232,356	234,746	243,290	
Total debt	211,408	218,249	226,713	210,933	215,224	222,254	
Total stockholders' equity (deficit)	(46,000)	(38,134)	(37,567)	(17,649)	(16,285)	(14,651)	

(1) Net sales were $168.3 million in fiscal 2002 compared to $176.4 million in fiscal 2001, a decrease of $8.1 million, or 4.6%. Net sales related to the RBC Oklahoma acquisition, which was effective on August 20, 2001, were $3.7 million in fiscal 2002. Net sales, excluding the RBC Oklahoma acquisition, decreased $11.8 million or 6.7% from fiscal 2001, primarily due to softness in the OEM heavy truck market, the industrial aftermarkets and the aerospace market after September 11, 2001.

Our net sales were $172.9 million in fiscal 2003 and $168.3 million in fiscal 2002, an increase of $4.6 million, or 2.7%. Net sales in the compared periods included net sales totaling $2.1 million in fiscal 2003 for RBC France, which was acquired in December 2002, and $5.2 million in fiscal 2003 and $3.7 million in fiscal 2002 generated by RBC Oklahoma, which was acquired effective August 2001. Excluding RBC France and RBC Oklahoma's sales, our net sales increased $1.0 million or 0.6% from period to period.

(2) Loss on extinguishment of debt of $7.0 million in the first quarter of fiscal 2005 included $4.3 million for non-cash write-off of deferred financing fees associated with retired debt, $1.8 million of redemption premium and $0.9 million of accrued interest for the 30 day call period related to the early extinguishment of our senior subordinated notes.

(3) The net loss per common share for certain periods is caused by the dividends accrued on the Class B preferred stock. See Note 2 of Notes to Consolidated Financial Statements and Note 2 of Notes to Unaudited Interim Consolidated Financial Statements.

(4) Assumes the following transactions were effected as of March 30, 2003 with respect to the Pro Forma Data, and as of January 1, 2005 with respect to the as adjusted Balance Sheet Data, presented above: (1) the Pre-Offering Transactions, (2) the sale by us of shares in this offering at an assumed initial public offering price of $ per share, (3) the repayment of all of our $38.6 million in the aggregate principal amount of our 13% Senior Subordinated Discount Debentures due 2009, (4) the repayment of all outstanding indebtedness under our $45 million Second Lien Term Loan and (5) the Refinancing Transaction. In addition, pro forma amounts have been adjusted to reflect the exercise of options and warrants by some of the selling stockholders. These selling stockholders may exercise these options or warrants through a net share settlement. See "Pre-Offering Transactions," "Use of Proceeds" and "The Offering."

(5) EBITDA consists of net income (loss), plus interest expense, net, loss (gain) on early extinguishment of debt, provision for (benefit from) income taxes and depreciation and amortization. In evaluating our business, our management considers and uses EBITDA as one of a few key indicators of financial operating performance

and as a measure of operating cash capacity. We use EBITDA as a key performance indicator because we believe it provides a more consistent basis for internal comparisons of operating performance. The calculation of EBITDA eliminates the effects of financing, income taxes and the accounting effects of capital spending, which items may vary for different periods unrelated to the overall operating performance and operating cash flows. EBITDA is also presented because it is frequently used by securities analysts, investors and other interested parties as a measure of financial performance and debt service capacity and in the evaluation of companies in our industry; therefore, we believe it is a useful indicator to investors. EBITDA is not a recognized term under generally accepted accounting principles and when analyzing our operating performance, investors should use EBITDA in addition to, not an alternative for, operating income, net income and cash flows from operating activities. Investors also should note that our presentation of EBITDA may not be comparable to similarly titled measures used by other companies. The following table provides a reconciliation of net income, the most directly comparable GAAP measure, to EBITDA.

	Fiscal Year Ended					Nine Month Period Ended	
	April 1, 2000	March 31, 2001	March 30, 2002	March 29, 2003	April 3, 2004	December 27, 2003	January 1, 2005
				(in thousands)			
Net income (loss)	$ 5,576	$ 3,615	$ 1,669	$ 49	$ 663	$ (945)	$ 517
Add:							
Provision for (benefit from) income taxes	3,730	2,326	2,052	113	1,070	(492)	303
Interest expense, net	22,082	23,335	23,440	21,023	20,380	15,289	14,335
Loss (gain) on early extinguishment of debt	—	—	—	(780)	—	—	6,956
Depreciation and amortization	8,899	8,641	9,105	8,819	9,182	7,532	7,344
EBITDA	$ 40,287	$ 37,917	$ 36,266	$ 29,224	$ 31,295	$ 21,384	$ 29,455

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion should be read in conjunction with the "Selected Consolidated Historical Financial Data," "Description of Certain Indebtedness" and our consolidated financial statements and the related notes included elsewhere in this prospectus. This prospectus contains, in addition to historical information, forward-looking statements that include risks, uncertainties and assumptions. See "Disclosure Regarding Forward-Looking Statements" for information about our presentation of forward-looking information in this prospectus. Factors that could cause such differences include those described under "Risk Factors."

Overview

We are a well known international manufacturer of highly engineered precision plain, roller and ball bearings. Our precision solutions are integral to the manufacture and operation of most machines and mechanical systems, reduce wear to moving parts, facilitate proper power transmission and reduce damage and energy loss caused by friction. While we manufacture products in all major bearing categories, we focus primarily on the higher end of the bearing market where we believe our value added manufacturing and engineering capabilities enable us to differentiate ourselves from our competitors and enhance profitability. We estimate that approximately two-thirds of our net sales during fiscal 2004 were generated by products for which we hold the number one or two market position. We have been providing bearing solutions to our customers since 1919. Over the past ten years, under the leadership of our current management team, we have significantly broadened our end markets, products, customer base and geographic reach. We currently operate 16 manufacturing facilities in three countries.

Demand for bearings generally follows the market for products in which bearings are incorporated and the economy as a whole. Purchasers of bearings include industrial equipment and machinery manufacturers, producers of commercial and military aerospace equipment such as missiles and radar systems, agricultural machinery manufacturers, construction and specialized equipment manufacturers and automotive and commercial truck manufacturers. The markets for our products are cyclical, and general market conditions could negatively impact our operating results. We have endeavored to mitigate the cyclicality of our product markets by entering into sole source relationships and long-term purchase orders, through diversification across multiple market segments within the aerospace, defense and diversified industrial segments, by increasing sales to the aftermarket and by focusing on developing highly customized solutions.

During the nine months ended January 1, 2005, the world economy continued to emerge from the slowdown experienced from 2000 to 2003, and we experienced favorable conditions across our three major markets: diversified industrial, aerospace and defense. In particular the economy of our diversified industrial market has been driven by strong requirements in non-residential construction, mining and the oil and gas sectors. These conditions have resulted in robust demand for bearings for both OEM and replacement markets. In the aerospace market a very strong recovery began, and we believe it is at its early stages. Expansion of the commercial aircraft sector, in response to increased passenger demand and the need of the carriers to upgrade the world-wide fleet, drove increased build schedules at Boeing and Airbus. In addition, demand for corporate aircraft remained strong. The defense sector continued to replace and develop its weapons and cargo platforms. This sector demonstrated increased requirements for replacement bearings for combat systems strained by extensive use in harsh environments over the past $3^{1}/_{2}$ years.

Over the nine months ending January 1, 2005, approximately 21% of our revenues were derived from sales outside the U.S. We expect this component of our business to increase in response to our emphasis on continued penetration of foreign markets, particularly those in aerospace and defense. During the nine-

month period ended January 1, 2005, steel prices have increased to historically high levels, responding to unprecedented levels of world demand. To date, we have generally been able to pass through these costs to our customers through price increases and the assessment of surcharges. These factors have resulted in favorable customer order volume resulting in total order bookings for the nine months ended January 1, 2005 of $206.4 million, an increase of $79.4 million, or 62.5%, compared to $127.0 million for the comparable period last year. Excluding our RBC-API unit, a fixed wing airframe product lines, and assets acquired from The Timken Company in December 2003, total order bookings for the nine months ended January 1, 2005, were $192.4 million, an increase of $65.4 million, or 51.5%, compared to $127.0 million for the comparable period last year.

Competition in the specialized bearing markets is based on engineering design, brand, lead times and reliability of product and service. These markets are generally not as price sensitive as the markets for standard bearings.

We have demonstrated expertise in acquiring and integrating bearing and precision-engineered component manufacturers that have complementary products or distribution channels and provide significant potential for margin enhancement. We have consistently increased the profitability of acquired businesses through a process of methods and systems improvement coupled with the introduction of complementary and proprietary new products. Since October 1992 we have completed 12 acquisitions which have significantly broadened our end markets, products, customer base and geographic reach.

Sources of Revenue

Revenue is generated primarily from sales of bearings to the diversified industrial market, the aerospace market and the defense market. Sales are often made pursuant to sole source relationships, long-term agreements and purchase orders with our clients. We recognize revenues principally from the sale of products at the point of passage of title, which is at the time of shipment. In certain instances, however, we recognize revenues under the contract method of accounting.

Sales to the diversified industrial market accounted for 65% of our net sales for the nine-month period ended January 1, 2005. Sales to the aerospace and defense market accounted for 35% of our net sales for the same period. We anticipate that sales to the aerospace and defense markets will increase as a percentage of our net sales.

Aftermarket sales of replacement parts for existing equipment platforms represented approximately 60% of our net sales for fiscal 2004. We continue to develop our OEM relationships which have established us as a leading supplier on many important aerospace and defense platforms. Over the past several years, we have experienced increased demand from the replacement parts market, particularly within the aerospace and defense sectors; one of our business strategies has been to increase the proportion of sales derived from this segment. We believe these activities increase the stability of our revenue base, strengthen our brand identity and provide multiple paths for revenue growth.

Approximately 21% of our sales were derived from sales outside the U.S. for the nine-month period ended January 1, 2005, an increase from 19% in fiscal 2004. We expect that this proportion will increase as we seek to increase our penetration of foreign markets, particularly within the aerospace and defense sectors. Our top ten customers, seven of which are OEMs and the remaining three are distributors, were responsible for generating 34% of our net sales in fiscal 2004 and 31% of our net sales for the nine-month period ended January 1, 2005. Out of the 31% of net sales generated by our top ten customers during the nine-month period, 16% was generated by our top three customers. No single customer was responsible for generating more than 4% of our net sales for the same period.

Cost of Revenues

Cost of sales include employee compensation and benefits, materials, outside processing, depreciation of manufacturing machinery and equipment, supplies and manufacturing overhead.

During the last twelve months our gross margin has been impacted by rising raw material prices, in particular, steel. In response, we have, to date, managed to pass on the majority of these price increases of raw materials to our customers through steel surcharges assessed on, or price increases of, our bearing products. However, we have from time to time experienced a time lag of up to 12 weeks in our ability to pass through steel surcharges to our customers which has negatively impacted our gross margins. We will continue to pass on raw materials price increases as competitive conditions allow.

We have not been significantly impacted by recent increases in energy prices because energy costs, the most significant component of which is natural gas used in heat treating operations, represent less than 5% of our overall costs.

We monitor gross margin performance through a process of monthly operation management reviews. We will develop new products to target certain markets allied to our strategies by first understanding volume levels and product pricing and then constructing manufacturing strategies to achieve defined margin objectives. We only pursue product lines where we believe that the developed manufacturing process will yield the targeted margins. Management monitors gross margins of all product lines on a monthly basis to determine which manufacturing processes or prices should be adjusted.

Selling, General and Administrative Expenses

Selling, general and administrative, or SG&A, expenses relate primarily to the compensation and associated costs of selling, general and administrative personnel, professional fees, insurance, facility costs and information technology. We expect SG&A expenses will increase in absolute terms as we increase our sales efforts and incur increased costs related to the anticipated growth of our business and the additional costs associated with operating as a public company.

Results of Operations

The following table sets forth the various components of our consolidated statements of operations, expressed as a percentage of net sales, for the periods indicated that are used in connection with the discussion herein.

	Fiscal Year Ended			Nine Month Period Ended	
	March 30, 2002	March 29, 2003	April 3, 2004	December 27, 2003	January 1, 2005
Statement of Operations Data:					
Net sales	100.0%	100.0%	100.0%	100.0%	100.0%
Gross margin	31.9	28.2	27.7	27.5	27.8
Selling, general and administrative	15.2	15.4	15.0	15.7	13.4
Other, net	0.6	0.8	0.9	0.7	1.4
Operating income	16.1	12.0	11.8	11.1	13.0
Interest expense, net	13.9	12.2	10.9	12.2	8.4
Loss (gain) on early extinguishment of debt	—	(0.5)	—	—	4.1
Other non-operating expense, net	0.0	0.2	0.0	0.0	0.0
Income (loss) before income taxes	2.2	0.1	0.9	(1.1)	0.5
Income tax expense (benefit)	1.2	0.1	0.6	(0.4)	0.2
Net income (loss)	1.0	0.0	0.3	(0.7)	0.3

Segment Information

We have four reportable segments: Plain Bearings, Roller Bearings, Ball Bearings and Corporate & Other. The following table shows our net sales and operating income with respect to each of our reporting segments for the last three fiscal years:

	Fiscal Year Ended		
	March 30, 2002	March 29, 2003	April 3, 2004
	(in thousands)		
Net External Sales			
Plain	$ 65,976	$ 67,448	$ 77,578
Roller	59,523	60,788	63,106
Ball	32,531	34,038	35,801
Corporate & Other	10,301	10,586	10,846
Total	$ 168,331	$ 172,860	$ 187,331
Operating Income			
Plain	$ 20,403	$ 16,782	$ 18,573
Roller	14,014	8,459	11,259
Ball	7,522	7,009	6,676
Corporate & Other	(14,761)	(11,547)	(14,379)
Total	$ 27,178	$ 20,703	$ 22,129

Geographic Information

The following table summarizes our sales, by destination, for the periods shown:

	Fiscal Year Ended		
	March 30, 2002	March 29, 2003	April 3, 2004
Geographic Revenues			
Domestic	$ 154,354	$ 155,579	$ 166,763
Foreign	13,977	17,281	20,568
Total	$ 168,331	$ 172,860	$ 187,331

Nine Months Ended January 1, 2005 Compared to Nine Months Ended December 27, 2003

Net Sales. Our net sales increased $45.6 million, or 36.5%, from $125.1 million for the nine months ended December 27, 2003 to $170.7 million for the nine months ended January 1, 2005. Our Plain Bearing reporting segment achieved net sales of $68.4 million, an increase of $12.9 million, or 23.2%, compared to $55.5 million for the same period last year. The increase of $12.9 million was mainly driven by strong demand across all markets especially mining and construction, aerospace and defense and favorable pricing. Our Roller Bearing reporting segment achieved net sales of $64.6 million, an increase of $25.4 million, or 64.8%, compared to $39.2 for the same period last year. $14.1 million of the increase was due to the inclusion of the RBC-API business unit. Excluding RBC-API, net sales for the Roller Bearing reporting segment increased $11.3 million, or 28.8%, compared to $39.2 million for the same period last year. The increase of $11.3 million was mainly due to strong product demand in aerospace, defense and heavy truck markets and favorable pricing. Our Ball Bearing reporting segment achieved net sales of $28.4 million, an increase of $5.6 million, or 24.6%, compared to $22.8 million for the same period last year. The increase of $5.6 million was primarily due to strong product demand in the aerospace, defense and industrial markets and favorable pricing. Our Corporate & Other reporting segment achieved net sales of $9.4 million, an increase of $1.8 million, or 23.7%, compared to $7.6 million for the same period last year.

Gross Margin. Our gross margin was $47.4 million for the nine months ended January 1, 2005, an increase of $13.1 million, or 38.0%, compared to $34.3 million for the nine months ended December 27, 2003. Excluding RBC-API, our gross margin increased by $6.5 million, or 18.8%, in the nine months ended January 1, 2005 mainly due to the strong product demand across all of our markets. Gross margin as a percentage of net sales increased 0.3%, from 27.5% for the nine months ended December 27, 2003, to 27.8% for the nine months ended January 1, 2005. This increase is primarily the result of changes in our product volume and a slightly higher margin due to product mix, partially offset by increased raw materials and labor costs. We were able to maintain our gross margin percentage through price increases and raw material surcharges to customers which offset the impact of raw material price increases of up to 40% as well as steel surcharges for the nine-month period.

Selling, General and Administrative Expenses. Our SG&A expenses increased by $3.3 million, or 16.8%, to $22.9 million for the nine months ended January 1, 2005 from $19.6 million for the comparable period last year. Excluding the RBC-API acquisition, SG&A expenses increased $2.7 million, or 13.8%, for the nine months ended January 1, 2005. The increase of $2.7 million was mainly due to an increase in personnel necessary to support our increased sales volume. As a percentage of net sales, SG&A expenses declined to 13.4% for the nine months ended January 1, 2005 from 15.7% for the nine months ended December 27, 2003 primarily due to a 36.5% increase in net sales during fiscal 2005.

Other, net. Other operating expense for the nine months ended January 1, 2005 was $2.5 million compared to $0.9 million for the comparable period last year. For the nine months ended January 1,

2005, other operating expense, net included $1.7 million for disposal of manufacturing fixed assets and $0.4 million of Whitney management fees. For the nine months ended December 27, 2003, other operating expense, net included $0.4 million of acquisition costs and $0.3 million of management fees.

Operating Income. Operating income increased by $8.1 million to $22.0 million for the nine months ended January 1, 2005 as compared to $13.9 million for the nine months ended December 27, 2003. On a reporting segment basis, operating income from the Plain Bearing reporting segment was $16.6 million for the nine months ended January 1, 2005, an increase of $3.9 million, or 30.7%, compared to $12.7 million for the nine months ended December 27, 2003. Our Roller Bearing reporting segment achieved operating income of $10.6 million for the nine months ended January 1, 2005, an increase of $4.5 million, or 73.7%, compared to $6.1 million for the same period last year. Our Ball Bearing reporting segment achieved operating income of $5.7 million for the nine months ended January 1, 2005, an increase of $1.1 million, or 23.9%, compared to $4.6 million for the same period last year.

Interest Expense, net. Interest expense, net decreased by $1.0 million, to $14.3 million for the nine months ended January 1, 2005 compared to $15.3 million for the nine months ended December 27, 2003. Amortization of deferred financing costs and debt discount are recorded as a component of net interest expense. Amortization expenses included in interest expense, net were $0.9 million for the nine months ended January 1, 2005 and $1.2 million for the same period last year.

Loss on Early Extinguishment of Debt. For the nine months ended January 1, 2005, loss on extinguishment of debt of $7.0 million included $4.3 million for non-cash write-off of deferred financing fees associated with retired debt, $1.8 million of redemption premium and $0.9 million in interest expense for the 30 day call period related to the early extinguishment of Senior Subordinated notes.

Income Before Income Taxes. Income before taxes increased by $2.2 million for the nine months ended January 1, 2005 to $0.8 million from a loss of $1.4 million for the nine months ended December 27, 2003, primarily as a result of higher gross margin, partially offset by higher operating expenses, disposal of manufacturing fixed assets, and a loss on extinguishment of debt in the first nine months of fiscal 2005.

Income Taxes. Income tax expense was $0.3 million for the nine months ended January 1, 2005, as compared to a tax benefit of $0.5 million for the comparable period last year. As a percentage of pre-tax income, the nine month effective income tax rate was 37% as compared to 34% for the comparable period for the prior year. The increase in income tax expense was primarily due to the favorable performance of the business for the nine months ended January 1, 2005, as compared to the prior year.

The tax expense for the nine months ended January 1, 2005 does not reflect the provisions in the American Jobs Creations Act of 2004, or JCA, relating to repatriation of foreign earnings. The JCA creates a temporary incentive for U.S. corporations to repatriate foreign earnings by providing an 85 percent dividends received deduction for certain dividends from controlled foreign corporations. The deduction is subject to a number of limitations, and, at present, significant uncertainty remains with respect to interpretation of numerous provisions in the JCA. As such, we are not yet in a position to decide on whether, and to what extent, it might repatriate foreign earnings. We are awaiting the issuance of further regulatory guidance and passage of statutory technical corrections with respect to certain provisions in the JCA prior to determining the amounts, if any, we will repatriate and we expect to be in a position to finalize its assessment during 2005.

Net Income. Net income was $0.5 million for the first nine months of fiscal 2005 as compared to a net loss of $0.9 million for the first nine months of fiscal 2004.

Fiscal 2004 Compared to Fiscal 2003

Net Sales. Our net sales increased $14.4 million, or 8.3%, from $172.9 million in fiscal 2003 to $187.3 million in fiscal 2004. Our Plain Bearing reporting segment achieved net sales of $77.6 million, an increase of $10.2 million, or 15.0%, compared to $67.4 million for fiscal 2003. $6.4 million of the increase was due to a full year inclusion of the net sales of RBC France which was acquired in December 2002. The remaining increase of $3.8 million was mainly due to aerospace and defense demand for spherical plain bearings and increased volume for journal and rod end bearings for the industrial market. Our Roller Bearing reporting segment achieved net sales of $63.1 million, an increase of $2.3 million, or 3.8%, compared to $60.8 million for fiscal 2003. Included in fiscal year 2004 were net sales from RBC-API which was acquired in December 2003. Excluding RBC-API, net sales for the Roller Bearing reporting segment decreased by $3.8 million mainly due to the continued contraction in the industrial and heavy truck markets for these bearings. Our Ball Bearing reporting segment achieved net sales of $35.8 million, an increase of $1.8 million, or 5.2%, compared to $34.0 million for fiscal year 2003. The increase of $1.8 million was mainly due to strength in certain aerospace and defense applications. Our Corporate & Other reporting segment achieved net sales of $10.8 million in fiscal 2004 compared to $10.6 million for fiscal 2003, an increase of $0.2 million.

Gross Margin. Our gross margin was $51.9 million in fiscal 2004, an increase of $3.1 million, or 6.4%, compared to $48.8 million for fiscal 2003. Gross margin as a percentage of net sales decreased 0.5%, from 28.2% for fiscal 2003 to 27.7% for fiscal 2004. The gross margins for fiscal 2004 and fiscal 2003 reflected one-time expenses associated with the start-up of our Mexico manufacturing operations, the reengineering of our Tyson manufacturing processes at our Tyson subsidiary plant in Glasgow, Kentucky and the relocation of our Bremen manufacturing facility to Plymouth, Indiana. These charges totaled $1.7 million in fiscal 2004 and $2.3 million in fiscal 2003. Excluding these costs, and the additive gross margin in fiscal 2004 from our RBC-API acquisition, our gross margin decreased $0.5 million, primarily the result of changes in our product mix.

Selling, General and Administrative Expenses. SG&A expenses increased by approximately 5.5%, or $1.5 million, to $28.1 million in fiscal 2004 from $26.6 million in fiscal 2003. The increase of $1.5 million was mainly due to the addition of RBC-API in December 2003. Excluding the effects of the RBC-API acquisition in fiscal year 2004, SG&A expenses increased $0.7 million, or 2.0%. As a percentage of net sales, SG&A expenses were 15.0% for fiscal 2004 compared to 15.4% for fiscal 2003.

Other Operating Expense, net. Other operating expense, net for fiscal 2004 was $1.7 million compared to $1.4 million for fiscal 2003. The fiscal 2004 expenses included management fees of $0.5 million, fixed asset disposals of $0.2 million and acquisition expenses of $0.4 million. Fiscal 2003 expenses were $1.4 million and included Whitney management fees of $0.4 million and fixed asset disposals of $0.9 million associated with the relocation of our Bremen manufacturing facility.

Operating Income. Operating income increased by approximately $1.4 million, or 6.8%, to $22.1 million in fiscal 2004 compared to $20.7 million in fiscal 2003. On a reporting segment basis, operating income from the Plain Bearing reporting segment was $18.6 million in fiscal 2004, an increase of $1.8 million, or 10.7%, compared to $16.8 million in fiscal 2003. Our Roller Bearing reporting segment achieved operating income of $11.3 million in fiscal 2004, an increase of 2.8 million, or 33.1%, compared to $8.5 million for fiscal 2003. Our Ball Bearing reporting segment achieved operating income of $6.8 million in fiscal 2004, a decrease of $0.2 million compared to $7.0 million for fiscal 2003.

Interest Expense, net. Interest expense, net decreased by $0.6 million to $20.4 million in fiscal 2004 as compared to $21.0 million in fiscal 2003. Amortization of deferred financing costs and debt discount are recorded as a component of net interest expense. Amortization expenses included in interest

expense, net was $1.6 million in fiscal 2004 and $3.3 million in fiscal 2003. Excluding the amortization of deferred financing costs and debt discount, interest expense, net increased by $1.1 million.

Gain on Early Extinguishment of Debt. In fiscal 2003 we retired early $28.8 million of debentures which resulted in a gain of $0.8 million.

Income Before Income Taxes. Income before income taxes increased by $1.5 million to $1.7 million in fiscal 2004 from $0.2 million in fiscal 2003. This increase was primarily due to fiscal 2004 higher operating income of $1.4 million.

Income Taxes. Income tax expense was $1.1 million for fiscal 2004 as compared to $0.1 million for the comparable period last year. As a percentage of pre-tax income, the fiscal 2004 effective tax rate was 61.7% compared to 69.8% for fiscal year 2003. The difference between the statutory and effective tax rates is primarily due to non-deductible expenses. At April 3, 2004, we had net operating loss carryforwards of approximately $14.7 million to offset future federal and state income taxes, which expire at various dates through 2004. At April 3, 2004, we also had a research and development tax credit carryforwards of approximately $0.9 million to offset future federal income taxes which expire at various dates through 2020. In addition, we have an alternative minimum tax credit carryforwards of approximately $1.6 million.

Net Income. Net income increased $0.6 million in fiscal 2004 to $0.7 million compared to $0.1 million in fiscal 2003.

Fiscal 2003 Compared to Fiscal 2002

Net Sales. Our net sales in increased $4.6 million, or 2.7%, from $168.3 million in fiscal 2002 to $172.9 million in fiscal 2003. Our Plain Bearing reporting segment achieved net sales of $67.4 million, an increase of $1.4 million, or 2.2%, compared to $66.0 million for fiscal 2002. Excluding $2.1 million from RBC France which was acquired in December 2002, net sales for the Plain Bearing reporting segment decreased $0.7 million mainly due to a decrease in worldwide product demand from the industrial markets. Our Roller Bearing reporting segment achieved net sales of $60.8 million, an increase of $1.3 million, or 2.1%, compared to $59.5 million in fiscal 2002. Excluding $1.5 million from RBC Oklahoma which was acquired in August 2001, net sales for the Plain Bearing reporting segment decreased by $0.2 million mainly due to a decrease in worldwide product demand from the aerospace and industrial markets. Our Ball Bearing reporting segment achieved net sales of $34.0 million, an increase of $1.5 million, or 4.6%, compared to $32.5 million in fiscal 2002. The increase of $1.5 million was primarily due to an increase in demand in the aerospace defense market. Our Corporate & Other reporting segment achieved sales of $10.6 million, an increase of $0.3 million, or 2.8%, compared to $10.3 million in fiscal 2002.

Gross Margin. Despite the increase in our net sales in fiscal 2003, our gross margin decreased by $5.0 million, or 9.3%, to $48.8 million for fiscal 2003, as compared to $53.8 million for fiscal 2002. Gross margin as a percentage of net sales decreased 3.7%, from 31.9% for fiscal 2002 to 28.2% for fiscal 2003. This decrease was primarily the result of a sharp decrease in product demand in the aerospace and industrial markets post September 11, 2001.

Selling, General and Administrative Expenses. Our selling, general and administrative, or SG&A, expenses increased by approximately 3.9%, or $1.0 million, to $26.6 million in fiscal 2003 from $25.6 million in fiscal 2002. Most of this increase was attributable to our acquisitions of RBC France and RBC Oklahoma in fiscal 2003. As a percentage of net sales, SG&A expenses were 15.4% in fiscal 2003 compared to 15.2% in fiscal 2002.

Other Operating Expense, net. Other operating expense, net for fiscal 2003 was $1.4 million compared to $0.9 million for fiscal 2002. This increase was primarily attributable to expenses associated

with the relocation of our plant in Bremen, Indiana. Fiscal 2003 expenses included Whitney management fees of $0.4 million and fixed asset disposals of $0.9 million associated with the relocation of our Bremen manufacturing facility.

Operating Income. Operating income decreased by approximately $6.5 million to $20.7 million in fiscal 2003 from $27.2 million in fiscal 2002. Specifically, the Plain Bearing reporting segment achieved operating income of $16.8 million in fiscal 2003, a decrease of $3.6 million compared to $20.4 million for fiscal 2002. Our Roller Bearing reporting segment achieved operating income of $8.5 million in fiscal 2003, a decrease of $5.5 million compared to $14.0 million for fiscal 2002. Our Ball Bearing reporting segment achieved operating income of $7.0 million in fiscal 2003, a decrease of $0.5 million compared to $7.5 million in fiscal 2002.

Interest Expense. Interest expense decreased by $2.4 million, or 10.3%, to $21.0 million in fiscal 2003 as compared to $23.4 million in fiscal 2002. The decrease in interest expense was primarily due to a debenture retirement of $28.8 million in fiscal 2003 and lower interest rates in effect on the term loan and old revolving credit facility.

Gain on Early Extinguishment of Debt. In fiscal 2003 we retired early $28.8 million of debentures which resulted in a gain of $0.8 million.

Income Before Income Taxes. Income before income taxes decreased by $3.5 million, or 94.6%, to $0.2 million in fiscal 2003 from $3.7 million in fiscal 2002. This decrease was primarily due to lower operating income of $6.5 million and higher financing costs of $0.3 million and was offset somewhat by non-operating income in fiscal 2003 of $0.8 million and lower interest expense of $2.4 million.

Income Taxes. Income tax expense was $0.1 million for the fiscal year 2003 as compared to $2.1 million for the comparable period last year. As a percentage of pre-tax income, the fiscal 2003 effective rate was 69.8% compared to 55.1% for fiscal year 2002. The difference between the statutory and effective tax rates is primarily due to non-deductible expenses and non-deductible goodwill amortization in fiscal year 2002.

Net Income. Net income decreased $1.6 million, or 97.1%, to $0.1 million in fiscal 2003 compared to $1.7 million in fiscal 2002.

Liquidity and Capital Resources

Our business is capital intensive. Our capital requirements include manufacturing equipment and materials. In addition, we have historically fueled our growth in part through acquisitions. We have historically met our working capital, capital expenditure requirements and acquisition funding needs through our net cash flows provided by operations, various debt arrangements and sale of equity to private investors.

For the nine months ended January 1, 2005, we generated cash of $4.7 million from operating activities compared to $0.1 million for the nine months ended December 27, 2003. The increase in cash generated from operations reflected an increase in operating income of $8.1 million, partially offset by increasing working capital requirements. Working capital at January 1, 2005, was $117.0 million compared to $105.6 million at April 3, 2004.

Investing activities consumed $7.7 million in the nine months ended January 1, 2005, consisting of $6.3 million related to capital expenditures and $1.2 million related to the acquisition of US Bearings. Cash used for investing activities for the nine months ended December 27, 2003 was $9.2 million, consisting principally of $3.0 million for capital expenditures and $6.6 million related to the acquisition of RBC-API.

For the nine months ended January 1, 2005, we had net cash provided by financing activities of $1.4 million, compared to $15.1 million for the comparable period a year earlier. Financing cash flows for the most recent period consisted principally of cash flows related to our debt refinancing. Cash used in financing activities consisted of net repayments on the Senior Credit Facility of $1.6 million, and payments on capital lease obligations of $0.2 million.

On June 29, 2004, we entered into the $165.0 million Senior Credit Facility, comprised of a $55.0 million Revolving Credit Facility and a $110.0 million Term Loan. In addition, on June 29, 2004, we entered into a $45.0 million Second Lien Term Loan. Each loan is secured by a lien against substantially all of our assets and subjects us to standard affirmative and negative covenants, as well as financial leverage tests. As of January 1, 2005, we were in compliance with all such covenants and leverage tests. The Second Lien Term Loan also contains a covenant that limits our capital expenditures to $10 million per annum and requires that a portion of the proceeds of this offering is used to repay outstanding indebtedness under the Second Lien Term Loan. The Senior Credit Facility and the Second Lien Term Loan bear interest at floating rates. As of January 1, 2005, the blended interest rate for the Senior Credit Facility and the Second Lien Term Loan was equal to 7.8%. As of January 1, 2005, we had outstanding borrowings of $5.4 million and outstanding letters of credit of $20.3 million under the Revolving Credit Facility and borrowing availability of $18.7 million. See "Description of Certain Indebtedness—Senior Credit Facility."

Mandatory prepayments in respect of the Term Loan or permanent reductions to the commitments under the Revolving Credit Facility, as applicable, are required in an amount equal to (a) 100% of the net cash proceeds of all asset sales and dispositions by RBCI and its subsidiaries, subject to certain exceptions, (b) 100% of the net cash proceeds from extraordinary receipts (including, without limitation, proceeds from certain key-man life policies) and (c) 100% of the net cash proceeds from equity issuances by us and our subsidiaries, subject to certain exceptions; provided that in the event of certain qualified public offerings of equity securities by us, net cash proceeds thereof shall be used first to repay our outstanding 13% Senior Subordinated Discount Debentures, or Discount Debentures, until paid in full, second 50% of any remaining proceeds must be used to repay our Second Lien Term Loan and third, any remaining proceeds, up to 50% may be used to make restricted payments, including redemptions of our common and preferred stock, and up to 50% may be used to repay our Second Lien Term Loan and any remaining unused balance may be used for general corporate purposes. This offering will constitute a qualified public offering as defined under the Senior Credit Facility. Accordingly, all of the outstanding Discount Debentures will be paid in full out of the proceeds of this offering. In addition, a change of control will result in a default under the Senior Credit Facility and the Second Lien Term Loan. Because this offering is a qualified public offering, as defined in the Senior Credit Facility and the Second Lien Term Loan, this offering will not constitute a change of control under either of these agreements.

On December 8, 2003, Schaublin entered into a bank credit facility, or Swiss Credit Facility, with Credit Suisse providing for 10.0 million Swiss Francs, or approximately $8.0 million, of term loans, or Swiss Term Loans, and up to 2.0 million Swiss Francs, or approximately $1.6 million, of revolving credit loans and letters of credit, or the Swiss Revolver. The credit agreement for the Swiss Credit Facility contains affirmative and negative covenants regarding the Schaublin financial position and results of operations and other terms customary to such financings. As of January 1, 2005, we were in compliance with all such covenants. On November 8, 2004, we amended the Swiss Credit Facility to increase the Swiss Revolver to 4.0 million Swiss Francs, or approximately $3.5 million. As of January 1, 2005, $7.5 million was outstanding under the Swiss Term Loans, and no loans or letters of credit were outstanding under the Swiss Revolver.

In connection with this offering and the Refinancing Transaction, we expect to amend or refinance our Senior Credit Facility to provide for additional borrowings under our Senior Credit Facility in an amount of $. See "Pre-Offering Transactions—Refinancing Transaction."

We believe that after giving effect to the Refinancing Transaction our current cash and cash equivalents, cash flow from operations and capacity under the Revolving Credit Facility and Swiss Revolver will provide adequate cash to fund our working capital, capital expenditure, debt service and other cash requirements for our existing businesses for the foreseeable future. Our ability to meet future working capital, capital expenditure and debt service requirements will depend on our future financial performance, which will be affected by a range of economic, competitive and business factors, particularly interest rates, cyclical changes in our end markets and prices for steel and our ability to pass through price increases on a timely basis, many of which are outside of our control. In addition, future acquisitions could have a significant impact on our liquidity position and our need for additional funds.

Capital Expenditures. We made capital expenditures of $6.6 million during the first nine months of fiscal 2005 as compared to $3.0 million during the first nine months of fiscal 2004. This increase in capital expenditures was primarily due to purchases of machinery and equipment and leasehold improvements. We made capital expenditures of $5.0 million during fiscal 2004 and expect to make capital expenditures of approximately $9.2 million during fiscal 2005 and $10.0 million during fiscal 2006 in connection with our existing business. We intend to fund the remainder of our fiscal 2005 and 2006 capital expenditures principally through existing cash, internally generated funds and borrowings under our Revolving Credit Facilities. We generally expect capital expenditures to remain at higher levels than fiscal 2004 as we invest in new manufacturing capability. We may also make substantial additional capital expenditures in connection with acquisitions. Although there are no present understandings, commitments or agreements with respect to the acquisition of any other businesses, we do evaluate acquisition opportunities regularly.

From time to time we evaluate our existing facilities and operations and their strategic importance to us. If we determine that a given facility or operation does not have future strategic importance, we may sell, partially or completely, relocate production lines, consolidate or otherwise dispose of those operations. Although we believe our operations would not be impaired by such dispositions, relocations or consolidations, we could incur cash or non-cash charges in connection with them.

Obligations and Commitments

The following tables outline what we regard as our significant contractual obligations and commercial commitments as of January 1, 2005, on (a) an actual basis and (b) a pro forma basis after giving effect to repayments of indebtedness from the proceeds of this offering. The tables do not represent all of our contractual obligations and commercial commitments that we have entered into.

Actual

	Payments Due By Period				
Significant Contractual Obligations	**Total**	**Less than 1 Year**	**1 to 3 Years**	**3 to 5 Years**	**More than 5 Years**
			(in thousands)		
Senior debt[1]	$ 222,254	$ 8,183	$ 6,007	$ 42,184	$ 165,880
Capital lease obligations	515	185	208	122	—
Operating leases[2]	13,926	2,593	4,259	3,367	3,707
Total significant contractual cash obligations	$ 236,695	$ 10,961	$ 10,474	$ 45,673	$ 169,587

Pro Forma[3]

Significant Contractual Obligations	Payments Due By Period Total	Less than 1 Year	1 to 3 Years	3 to 5 Years	More than 5 Years
			(in thousands)		
Senior debt[1][3]	$	$	$	$	$
Capital lease obligations	515	185	208	122	—
Operating leases[2]	13,926	2,593	4,259	3,367	3,707
Total significant contractual cash obligations	$	$	$	$	$

(1) Includes (a) the Senior Credit Facility, including $5.4 million outstanding under the Revolving Credit Facility, excluding amounts drawn under our letter of credit subfacility, (b) the Second Lien Term Loan, (c) Discount Debentures and (d) other senior debt consisting of the Swiss Term Loans, industrial revenue bonds and other debt of $24.2 million.

(2) Operating leases are primarily real estate leases and are estimated as unchanged from fiscal year 2004.

(3) Reflects repayment of all of our outstanding Discount Debentures, the Second Lien Term Loan and the increase in our borrowings under our Senior Credit Facility resulting from the Refinancing Transaction. See "Pre-Offering Transactions—Refinancing Transaction."

Quarterly Results of Operations

	Quarter Ended June 29, 2002	Sept 28, 2002	Dec 28, 2002	March 29, 2003	June 28, 2003	Sept 27, 2003	Dec 27, 2003	April 3, 2004	July 3, 2004	Oct 2, 2004	Jan 1, 2005
					(in thousands, except per share data)						
Net sales	$ 38,521	$ 41,249	$ 41,496	$ 51,594	$ 39,737	$ 42,449	$ 42,901	$ 62,244	$ 56,195	$ 56,391	$58,145
Gross margin	11,456	11,412	11,182	14,724	10,966	11,708	11,668	17,556	15,293	15,381	16,732
Operating income	5,160	4,795	4,861	5,887	4,572	5,107	4,185	8,265	5,998	7,423	8,592
Net income (loss)	$ (626)	$ (19)	$ (277)	$ 971	$ (185)	$ (40)	$ (720)	$ 1,608	$ (3,771)	$ 1,708	$ 2,580
Net income (loss) per common share:											
Basic	$ (0.25)	$ (0.14)	$ (0.31)	$ 0.15	$ (0.28)	$ (0.23)	$ (0.51)	$ 0.32	$ (1.75)	$ 0.36	$ 0.62
Diluted	$ (0.25)	$ (0.14)	$ (0.31)	$ 0.10	$ (0.28)	$ (0.23)	$ (0.51)	$ 0.24	$ (1.75)	$ 0.25	$ 0.61

Recent Accounting Pronouncements

In November 2004, the FASB issued SFAS No. 151, "Inventory Costs, an amendment of ARB No. 43, Chapter 4." The amendments made by SFAS No. 151 clarify that abnormal amounts of idle facility expense, freight, handling costs and wasted materials (spoilage) should be recognized as current-period charges and require the allocation of fixed production overheads to inventory based on the normal capacity of the production facilities. The guidance is effective for inventory costs incurred during fiscal years beginning after June 15, 2005. It is not believed that the adoption of SFAS No. 151 will have a material impact on our consolidated financial position, results of operations or cash flows.

In December 2004, the FASB issued SFAS No. 123 (revised 2004), "Share-Based Payment." SFAS No. 123(R) that will require that the compensation cost relating to share-based payment transactions be recognized in financial statements. That cost will be measured based on the fair value of the equity or liability instruments issued. SEAS No. 123(R) covers a wide range of share-based compensation arrangements including share options, restricted share plans, performance-based awards, share appreciation rights and employee share purchase plans. SFAS No. 123(R) replaces FASB Statement No. 123, "Accounting for Stock-Based Compensation", and supersedes APB Opinion No. 25, "Accounting for Stock Issued to Employees." SFAS No. 123, as originally issued in 1995, established as

preferable a fair value-based method of accounting for share-based payment transactions with employees. However, that Statement permitted entities the option of continuing to apply the guidance in APB Opinion No. 25 as long as the footnotes to financial statements disclosed what net income would have been had the preferable fair value-based method been used. Public entities will be required to apply SFAS No. 123(R) as of the first interim or annual reporting period that begins after June 15, 2005. SFAS No. 123(R) permits public companies to adopt its requirements using one of two methods:

1. A "modified prospective" method in which compensation cost is recognized beginning with the effective date (a) based on the requirements of SFAS No. 123(R) for all share-based payments granted after the effective date and (b) based on requirements of SFAS No. 123 for all awards granted to employees prior to the effective date of SFAS No. 123 (R) that remain unvested on the effective date.

2. A "modified retrospective" method which includes the requirements of the modified prospective method described above, but also permits entities to restate based on the amount previously recognized under SFAS No. 123 for purpose of pro forma disclosures either (a) all prior periods presented or (b) prior interim periods of the year of adoption.

We are currently evaluating these transition methods and determining the effect on our consolidated results of operations and whether the adoption will result in amounts that are similar to the current pro-forma disclosures under SFAS No. 123. For fiscal 2005, we will continue to disclose stock-based compensation information in accordance with SFAS No. 148, "Accounting for Stock-Based Compensation—Transition and Disclosure—an Amendment of FASB Statement No. 123," and SFAS No. 123.

Critical Accounting Policies

Our discussion and analysis of our financial condition and results of operations are based upon our consolidated financial statements, which have been prepared in accordance with U.S. generally accepted accounting principles. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses and related disclosure of contingent assets and liabilities. On an on-going basis, we evaluate our estimates, including those related to product returns, bad debts, inventories, recoverability of intangible assets, income taxes, financing operations, pensions and other post-retirement benefits and contingencies and litigation. We base our estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

We believe the following critical accounting policies affect our more significant judgments and estimates used in the preparation of our consolidated financial statements.

Revenue Recognition. We recognize revenue in accordance with SEC Staff Accounting Bulletin 101 "Revenue Recognition in Financial Statements as amended by Staff Accounting Bulletin 104. The SEC requires that the following four basic criteria must be met before the Company recognizes revenue:

- Persuasive evidence of an arrangement exists;
- Delivery has occurred or services have been rendered;
- The seller's price to the buyer is fixed or determinable; and
- Collectibility is reasonably assured.

We recognizes revenue upon the passage of title on the sale of manufactured goods, which is at time of shipment, and under the units-of-delivery method in a limited number of aerospace long-term projects.

Accounts Receivable. We are required to estimate the collectability of our accounts receivable, which requires a considerable amount of judgment in assessing the ultimate realization of these receivables, including the current credit-worthiness of each customer. Changes in required reserves may occur in the future as conditions in the marketplace change.

Inventory. Inventories are stated at the lower of cost or market value. Cost is principally determined by the first-in, first-out method. We account for inventory under a full absorption method. We record adjustments to the value of inventory based upon past sales history and forecasted plans to sell our inventories. The physical condition, including age and quality, of the inventories is also considered in establishing its valuation. These adjustments are estimates, which could vary significantly, either favorably or unfavorably, from actual requirements if future economic conditions, customer inventory levels or competitive conditions differ from our expectations.

Goodwill and Intangible Assets. We adopted the provisions of SFAS No. 141, "Business Combinations," and Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets," ("SFAS No. 142") at the beginning of fiscal 2003. These standards require that all business combinations be accounted for using the purchase method and that goodwill (representing the excess of the amount paid to acquire a company over the estimated fair value of the net assets acquired) and intangible assets with indefinite useful lives not be amortized but instead be tested for impairment annually (performed by us during the fourth quarter of each fiscal year), or when events or circumstances indicate that its value may have declined. Goodwill had been amortized by the straight-line method over a 40-year period through March 30, 2002. Effective with fiscal 2003, goodwill amortization was suspended in conjunction with the adoption of SFAS No. 142.

Definite-lived intangible assets are being amortized over their useful lives of 5 to 15 years. Also included in intangible assets is an asset relating to our minimum pension liability.

Stock Based Compensation. We account for options and warrants granted to employees using the intrinsic value method pursuant to APB No. 25, "Accounting for Stock Issued to Employees," under which no compensation cost has been recognized since the exercise price of all grants issued was at or above the fair market value of our common stock at the date of grant as determined by the board of directors. Had compensation cost for option and warrant grants to employees been determined based on the fair value at the grant dates consistent with SFAS No. 123, "Accounting for Stock-Based Compensation," our net income would have been reduced to the following pro-forma amounts:

	Fiscal Year Ended		
	April 3, 2004	March 29, 2003	March 30, 2002
Net income, as reported	$ 663	$ 49	$ 1,669
Less: stock-based compensation expense determined under fair value method, net of tax	131	56	—
Pro-forma net income (loss)	$ 532	$ (7)	$ 1,669
Net income (loss) per common share, as reported:			
Basic	$ (0.60)	$ (0.51)	$ 0.67
Diluted	(0.60)	(0.51)	0.47
Net income (loss) per common share, pro-forma:			
Basic	$ (0.65)	$ (0.53)	$ 0.67
Diluted	(0.65)	(0.53)	0.47

For purposes of the pro-forma disclosures, the estimated fair value of the options and warrants is amortized to expense over the service period that generally is the option or warrant vesting period. The weighted average fair value of options and warrants granted was $0.6 million in fiscal 2004 and $1.6 million in fiscal 2003. During fiscal 2001, in conjunction with an accelerated vesting decision, all outstanding warrants and options became fully vested. During fiscal 2002, there were no issuances of warrants or options; therefore, no pro-forma stock-based compensation adjustment was necessary.

The fair value for our options and warrants was estimated at the date of grant using a Black-Scholes option-pricing model with the following weighted-average assumptions.

	Fiscal Year Ended	
	April 3, 2004	March 29, 2003
Dividend yield	0.0%	0.0%
Expected weighted-average life	3.0	3.0
Risk-free interest rate	3.5%	3.5%
Expected volatility	0.1%	0.1%

The Black-Scholes pricing model was developed for use in estimating the fair value of traded options and warrants which have no vesting restrictions and are fully transferable. In addition, option and warrant valuation models require the input of highly subjective assumptions, including the expected stock price volatility. Because our warrants have characteristics significantly different from those of traded options and warrants, and because changes in the subjective input assumptions can materially affect the fair value estimate, the existing models do not necessarily provide a reliable single measure of the fair value of its options and warrants.

Impact of Inflation and Changes in Prices of Raw Materials and Supplies

To date, inflation in the economy as a whole has not significantly affected our operations. However we purchase steel at market prices, which during the past 12 months have increased to historical highs as a result of a relatively low level of supply and a relatively high level of demand, and we have recently received notices of additional price increases from our suppliers. To date, we have generally been able to pass through these price increases through price increases on our products, the assessment of steel surcharges on our customers or entry into long term agreements with our customers which often contain escalator provisions tied to our invoiced price of steel. However, even if we are able to pass these steel surcharges or price increases to our customers, there may be a time lag of up to 12 weeks between the time a price increase goes into effect and our ability to implement surcharges or prices increases, particularly for orders already in our backlog. As a result our gross margin percentage may decline, and we may not be able to implement other price increases for our products.

Competitive pressures and the terms of certain of our long-term contracts may require us to absorb at least part of these cost increases, particularly during periods of high inflation. Our principal raw material is 440c and 52100 wire and rod steel (types of stainless and chrome steel), which has historically been readily available. Recently, because of extraordinarily high demand for certain grades of steel, suppliers have in some instances allocated certain types of steel in limited quantities to customers. However, to date, we have never experienced a work stoppage due to a supply shortage. We maintain multiple sources for raw materials including steel and have various supplier agreements. Through sole source arrangements, supplier agreements and pricing, we have been able to minimize our exposure to fluctuations in raw material prices.

Our suppliers and sources of raw materials are based in the U.S., Europe and Asia. We believe that our sources are adequate for our needs in the foreseeable future, that there exist alternative suppliers for our raw materials and that in most cases readily available alternative materials can be used for most of our raw materials.

Quantitative and Qualitative Disclosure About Market Risk

We are exposed to market risks, which arise during the normal course of business from changes in interest rates and foreign currency exchange rates.

Interest Rates. We are exposed to market risk from changes in the interest rates on a significant portion of our outstanding indebtedness. Outstanding balances under our Senior Credit Facility bear interest at a variable rate based on prime (for any day, a floating rate equal to the higher of (1) the rate publicly posted as the base rate posted by at least 75% of the nation's 30 largest banks or (2) the Federal Funds Rate plus 50 basis points per year) or LIBOR (the London inter-bank offered rate for deposits in U.S. dollars for the applicable LIBOR Period) ranging from 30 to 120 days as adjusted each interest period. As of January 1, 2005, based on the aggregate amount of $160.1 million outstanding under our Senior Credit Facility, as of such date, a 100 basis point change in interest rates would have changed our interest expense by approximately $1.6 million per year.

We continually evaluate our exposure to interest rate fluctuations and follow established policies and procedures to implement strategies designed to manage the amount of variable rate indebtedness outstanding at any point in time in an effort to mitigate the effect of interest rate fluctuations on our earnings and cash flows. On December 31, 2004 we entered into a Rate Cap Transaction Agreement capping LIBOR at 5.0% on a notional amount of $50.0 million. This agreement expires on December 31, 2005.

Interest rate fluctuations affect the fair market value of our fixed rate debt, but with respect to such fixed rate instruments, do not impact our earnings or cash flows.

Foreign Currency Exchange Rates. As a result of increased sales in Europe, our exposure to risk associated with fluctuating currency exchange rates between the U.S. dollar, the Euro and the Swiss Franc has increased. Our Swiss operations utilize the Swiss franc as the functional currency and our French operations utilize the Euro as the functional currency. Foreign currency transaction gains and losses are included in earnings. Approximately 21% of our sales are derived from sales outside the U.S. for the nine month period ended January 1, 2005. We expect that this proportion is likely to increase as we seek to increase our penetration of foreign markets, particularly within the aerospace and defense markets. Foreign currency transaction exposure arises primarily from the transfer of foreign currency from one subsidiary to another within the group, and to foreign currency denominated trade receivables. Unrealized currency translation gains and losses are recognized upon translation of the foreign subsidiaries' balance sheets to U.S. dollars. Because our financial statements are denominated in U.S. dollars, changes in currency exchange rates between the U.S. dollar and other currencies have had, and will continue to have, an impact on our earnings. We currently do not have exchange rate hedges in place to reduce the risk of an adverse currency exchange movement. Although currency fluctuations have not had a material impact on our financial performance in the past, such fluctuations may materially affect our financial performance in the future. The impact of future exchange rate fluctuations on our results of operations cannot be accurately predicted.

Off-Balance Sheet Arrangements

We have no off-balance sheet arrangements.

BUSINESS

RBC Bearings Incorporated

We are a well known international manufacturer and marketer of highly engineered precision plain, roller and ball bearings. Bearings, which are integral to the manufacture and operation of most machines and mechanical systems, reduce wear to moving parts, facilitate proper power transmission and reduce damage and energy loss caused by friction. While we manufacture products in all major bearing categories, we focus primarily on highly technical or regulated bearing products for specialized markets that require sophisticated design, testing and manufacturing capabilities. Our unique expertise has enabled us to garner leading positions in most of the markets in which we compete including certain markets where we are the only manufacturer able to provide the required bearing solution. We estimate that approximately two-thirds of our net sales during fiscal 2004 were generated by products for which we hold the number one or two market position. We have been providing bearing solutions to our customers since 1919. Over the past ten years, under the leadership of our current management team, we have significantly broadened our end markets, products, customer base and geographic reach. We currently operate 16 manufacturing facilities in three countries.

The Bearing Industry

The bearing industry is a highly fragmented multi-billion dollar market. Purchasers of bearings include producers of commercial and military aerospace equipment, automotive and commercial truck manufacturers, industrial equipment and machinery manufacturers, agricultural machinery manufacturers and construction, mining and specialized equipment manufacturers.

Demand for bearings generally follows the market for products in which bearings are incorporated and the economy as a whole. In general, the bearing industry grew through the 1990's and peaked in 1998. A number of factors, including an economic downturn and reduced capital investment, led to a historic reduction in bearings demand between 1998 and 2002. In 2003, the industry began to experience a turnaround, with bearing shipments increasing over the previous year.

According to an industry source, demand for bearings in the U.S. is projected to increase 5.2% per year through 2008. We believe many of the end markets we serve will grow at a higher rate over the comparable period. The increased demand for bearings in the diversified industrial market is being influenced by growth in industrial machinery and equipment shipments and increasing nonresidential construction activity. In addition, increased usage of existing machinery will significantly improve aftermarket demand for replacement bearing products. In the aerospace market, aging of the existing commercial aircraft fleet along with carrier traffic growth is expected to continue to expand demand for our bearing solutions. Lastly, strong growth in the defense market is being influenced by modernization programs necessitating increased spending on new equipment, as well as continued utilization of deployed equipment supporting robust aftermarket demand for replacement bearings.

Our Competitive Strengths

Leading Market Positions. We compete in specialized markets where we believe we are often the only supplier with the manufacturing expertise, business plan and engineering resources required to provide the required bearing solution. We estimate that approximately two-thirds of our net sales during fiscal 2004 were generated by products for which we hold the number one or two market position. Most of our products undergo lengthy and rigorous customer certification processes and/or approvals, while our aerospace and defense products generally require additional FAA and military certification, respectively. We often participate in our customers' product design process, and, in many cases, our bearings are the only products that are certified for use with the product. This is evidenced by our strong customer relationships, many of which are greater than 20 years.

Diversified Revenue Base. We sell a wide array of bearing products to customers across many diverse end markets, each of which is influenced by different fundamental economic factors. Our products are sold both to OEMs, and to aftermarket distributors and service providers. In addition, we

currently sell our products to more than 5,500 customers, and no single customer represented more than 4.0% of our net sales during fiscal 2004. Our diversified revenue base mitigates the impact of any single product or customer on our financial performance.

Large Installed Product Base with Recurring Aftermarket Revenue Stream. We provide bearings to a large and growing number of applications for which our products have been tested and certified. Our bearing products are approved for over 32,000 applications, many of which are part of aerospace, defense and industrial platforms that can be in service for as long as several decades, thereby requiring continuing aftermarket support. Many of our products are critical to the performance of the equipment in which they are installed but represent a small percentage of the ongoing maintenance expense of the equipment. Aftermarket sales of replacement parts for existing equipment platforms represented approximately 60% of our net sales for fiscal 2004. We believe we are well positioned to continue to capture recurring revenue from these product lines in the future due to the high customer switching costs and our high service levels associated with most of the equipment in which our products are installed.

Proprietary Design and Manufacturing Capabilities. We believe that our bearing engineering and manufacturing expertise, including our dedicated team of engineers and proprietary manufacturing capabilities, positions us to provide high quality, innovative solutions to our targeted markets in a timely way. We also believe that our design and manufacturing capabilities will allow us to maintain a leadership position as our customers continue to rely on us to develop new bearing solutions that can be manufactured cost effectively.

Disciplined Acquisition Program with History of Successful Integration. We have demonstrated expertise in acquiring and integrating bearing and precision-engineered component manufacturers that have complementary products or distribution channels and provide significant potential for margin enhancement. We have consistently increased the profitability of acquired businesses through a process of methods and systems improvement coupled with the introduction of complementary and proprietary new products. Since October 1992 we have completed 12 acquisitions which have significantly broadened our end markets, products, customer base and geographic reach.

Experienced Management Team. Our management team possesses extensive managerial experience in the bearing industry, with our top five operating executives averaging over 20 years of bearing industry experience. We intend to retain and attract experienced professionals by leveraging our reputation as a premier provider of precision bearing solutions.

Our Growth Strategy

We intend to grow our business while continuing to focus on specialized markets for highly engineered bearing solutions. Key elements of our growth strategy include:

Continue to Develop Innovative Bearing Solutions. We intend to leverage our design and manufacturing expertise and our extensive customer relationships to continue to develop new products for markets where we believe there are substantial growth opportunities. We analyze new product opportunities carefully by taking into account projected market prices and volumes and expected manufacturing costs, only pursuing new product lines that we believe will achieve our gross margin targets. Recent examples of our new product and process innovation include lightweight aircraft structural components that integrate bearing products for the Airbus series of aircraft, corrosion resistant materials for aircraft bearings and patented new designs that improve the service performance of cam followers for the oil and gas, packaging and material handling industries. Our ability to develop new custom engineered products strengthens existing customer relationships and creates new business opportunities for us.

Expand Customer Base and Penetrate End Markets. We continually seek opportunities to penetrate new customers, geographic locations and bearing platforms with existing products or profitable new product opportunities. For example, we have been expanding our sales to foreign aerospace

manufacturers and foreign defense manufacturers that support the U.S. government. In addition, in the last three years we have added sales support in the following 9 locations: Chicago, the greater New York City area, Syracuse, Charlotte, Dallas/Forth Worth, Detroit, Southern California, Montreal, Canada and Paris, France and have been able to increase aftermarket sales in these regions. We currently have sales offices in over 10 other U.S. cities as well as other international locations such as Aachen, Germany, Cheltenham, England and Delemont, Switzerland. We intend to continue to expand our sales force, customer base and end markets and have identified a number of attractive growth opportunities domestically and abroad, including current projects in semiconductor machinery, airframe controls and missile guidance systems. In addition, our OEM relationships, coupled with our design expertise, provide us with extensive cross-selling opportunities on platforms that we do not currently supply.

Increase Aftermarket Sales. Aftermarket sales accounted for approximately 60% of our net sales for fiscal 2004. Such sales included both sales to third party distributors and a portion of our sales to OEMs for replacement bearings. We intend to increase the percentage of our revenues derived from the replacement market by continuing to implement several initiatives. First, we will continue to seek opportunities to increase our sales to key existing distributors as well as expand our base of third party customers. Second, our new product and new end market initiatives are focused on high-growth platforms, such as 300 millimeter semiconductor manufacturing systems and the U.S. government's Joint Strike Fighter program that we expect will be in service for long periods and therefore create significant demand for replacement parts. Additionally, we will seek opportunities to develop new products that can be used as replacement parts for existing platforms. For example, we have been approved recently to supply replacement bearings on the U.S. Navy's fleet of Harrier aircraft. We believe that increasing our aftermarket sales of replacement parts will further enhance the continuity and predictability of our revenues and increase our profitability.

Pursue Selective Acquisitions. We believe that there will continue to be consolidation within the bearing industry that may present us with acquisition opportunities, particularly within the industrial and aerospace markets. This consolidation is being driven by an ongoing trend among OEMs to utilize fewer suppliers in order to simplify procurement, increase manufacturing efficiency and reduce costs; and, because we are one of the more well known and established suppliers of high quality specialty bearing products, it is a trend that has often worked in our favor. We regularly evaluate opportunities, some of which may be material, to acquire bearing and precision-engineered component manufacturers which have complementary products, customers or distribution channels, provide significant potential for margin enhancement and further expand the breadth of our product portfolio.

Customers and Markets

We serve a broad range of end markets where we can add value with our specialty, precision bearing products and applications. We classify our customers into three principal categories: diversified industrial, aerospace and defense.

- ***Diversified Industrial Market (62% of fiscal 2004 net sales)***

We manufacture bearing products for a wide range of diversified industrial markets, including construction and mining, heavy truck, packaging and semiconductor machinery. Nearly all mechanical devices and machinery require bearings to relieve friction where one part moves relative to another. Our products target existing market applications in which our engineering and manufacturing capabilities provide us with a competitive advantage in the marketplace.

Our largest diversified industrial customers include Applied Materials, Caterpillar, Chicago Rawhide, Eaton, Hitachi Construction Machinery, Parker-Hannifin Corporation and various aftermarket distributors including Applied Industrial, Motion Industries and McMaster Carr. We believe that the diversification of our sales among the various markets of the industrial bearings market reduces our exposure to downturns in any individual market. We believe opportunities exist for growth and margin improvement in this market as a result of increasing demand for industrial machinery, the introduction of new products and the expansion of aftermarket sales.

- ***Aerospace Market (25% of fiscal 2004 net sales)***

We supply bearings for use in commercial and private aircraft. We supply bearings for many of the commercial aircraft currently operating world-wide and are the primary supplier for many of our product lines. This includes military contractors for airplanes, helicopters and missile systems. Commercial aerospace customers generally require precision products, often of special materials, made to unique designs and specifications. Many of our aerospace bearing products are designed and certified during the original development of the aircraft being served, which often makes us the primary bearing supplier for the life of the aircraft.

Our largest aerospace customers include Airbus, Boeing, General Electric, Lockheed Martin, Raytheon, Rolls Royce, Pratt and Whitney and various aftermarket channels. We estimate that over 75% of commercial aerospace net sales are actually used as replacement parts, as bearings are regularly replaced on aircraft in conjunction with routine maintenance procedures. We believe our strong relationships with OEMs helps drive our aftermarket sales since a portion of OEM sales are ultimately intended for use as replacement parts. We believe that growth and margin expansion in this segment will be driven primarily by expanding our international presence and the refurbishment and maintenance of existing commercial aircraft.

- ***Defense Market (13% of fiscal 2004 net sales)***

We manufacture bearing products used by the U.S. Department of Defense and certain foreign governments for use in fighter jets, troop transports, naval vessels, helicopters, gas turbine engines, armored vehicles, guided weaponry and satellites. We manufacture an extensive line of standard products that conform to many domestic military application requirements, as well as customized products designed for unique applications. We specialize in the manufacture of high precision ball and roller bearings, commercial ball bearings and metal-to-metal and self-lubricating plain bearings for the defense market. Our bearing products are manufactured to conform to U.S. military specifications and are typically custom designed during the original product design phase, which often makes us the sole or primary bearing supplier for the life of the product. In addition to products that meet military specifications, these customers often require precision products made of specialized materials to custom designs and specifications. Product approval for use on military equipment is often a lengthy process ranging from six months to ten years.

Our largest defense customers include the U.S. Department of Defense and all branches of the U.S. military. Sales consist primarily of replacement bearings on programs for which we are the sole source supplier. We believe that our current installed base of bearing products and our sophisticated engineering and manufacturing capabilities position us to benefit from growing replacement part demand caused by increased equipment utilization as well as the introduction of new weapons and transport systems. Appropriations for maintenance and repairs for product platforms serviced by us have generally remained relatively stable, even during periods where defense spending was in relative decline, such as the early to mid-1990s. With increased government spending on defense, demands for the repair and maintenance of the product platforms serviced by us have strengthened in the past year.

Products

Bearings are employed to fulfill several functions including reduction of friction, transfer of motion and carriage of loads. We design, manufacture and market a broad portfolio of bearing products. The following table provides a summary of our product segments:

Segment	FY 2004 Sales	Representative Applications
Plain Bearings	$ 77,578 (41%)	• Aircraft engine controls and landing gear • Helicopter rotors and missile launchers • Mining and construction equipment
Roller Bearings	$ 63,106 (34%)	• Aircraft hydraulics • Military and commercial truck chassis • Packaging machinery and gear pumps
Ball Bearings	$ 35,801 (19%)	• Radar and night vision systems • Airframe control and actuation • Semiconductor equipment
Other	$ 10,846 (6%)	• Precision ground ball screws for robotic handling and missile guidance • Collets for machine tools

Plain Bearings. Plain bearings are primarily used to rectify inevitable misalignments in various mechanical components, such as aircraft controls, helicopter rotors, or in heavy mining and construction equipment. Such misalignments are either due to machining inaccuracies or result when components change position relative to each other. Plain bearings are produced with either self-lubricating or metal-to-metal designs and consist of several sub-classes, including rod end bearings, spherical plain bearings and journal bearings. Sales of plain bearings accounted for 41% of our net sales in fiscal 2004.

Roller Bearings. Roller bearings are anti-friction products that utilize cylindrical rolling elements. We produce three main designs: tapered roller bearings, needle roller bearings and needle bearing track rollers and cam followers. We produce medium sized tapered roller bearings used primarily in heavy truck axle applications. We offer several needle roller bearing designs that are used in both industrial applications and certain US military aircraft platforms. These products are generally specified for use where there are high loads and the design is constrained by space considerations. A significant portion of the sales of this product is to the aftermarket. Needle bearing track rollers and cam followers have wide and diversified use in the industrial market and are often prescribed as a primary component in articulated aircraft wings. We believe we are the world's largest producer of aircraft needle bearing track rollers. The sale of roller bearings accounted for 34% of our net sales in fiscal 2004.

Ball Bearings. Ball bearings are devices which utilize high precision ball elements to reduce friction in high speed applications. We specialize in four main types of ball bearings: high precision aerospace, airframe control, thin section and industrial ball bearings. High precision aerospace bearings are primarily sold to customers in the defense industry that require more technically sophisticated bearing products, such as missile guidance systems, providing higher degrees of fault tolerance given the criticality of the applications in which they are used. Airframe control ball bearings are precision ball bearings that are plated to resist corrosion and are qualified under a military specification. Thin section ball bearings are specialized bearings that use extremely thin cross sections and give specialized machinery manufacturers many advantages. We produce a general line of industrial ball bearings sold primarily to the aftermarket. Ball bearings accounted for 19% of our net sales in fiscal 2004.

Other. Our other products consist primarily of precision linear precision products and machine tool collets. Linear products are precision ground ball bearing screws that offer repeatable positioning

accuracy in defense, machine tools, robotic handling and semiconductor equipment. We also have several application development programs for linear precision products in progress in guided missile, unmanned aircraft, and "smart bomb" applications. Machine tool collets are cone-shaped metal sleeves, used for holding circular or rodlike pieces in a lathe or other machine, that provide effective part holding and accurate part location during machining operations. Other accounted for approximately 6% of our fiscal 2004 net sales.

Product Design and Development

We produce specialized bearings which are often tailored to the specifications of a customer or application. Our sales professionals are highly experienced engineers who collaborate with our customers on a continual basis to develop bearing solutions. The product development cycle can follow many paths which are dependent on the end market or channel. The process normally takes between 3-6 years from concept to sale depending upon the application and the market. A common route that is used for major OEM projects begins when our design engineers meet with their customer counterparts at the machine design conceptualization stage and work with them through the conclusion of the product development.

Often, at the early stage, a bearing design concept is produced that addresses the expected demands of the application. Environmental demands are many but normally include load, stress, heat, thermal gradients, vibration, lubricant supply, corrosion resistance, with one or two of these environmental constraints being predominant in the design consideration. A bearing design must perform reliably for a period of time specified by the customer's product objectives.

Once a bearing is designed, a mathematical simulation is created to replicate the expected application environment and thus allow optimization with respect to these design variables. Upon conclusion of the design and simulation phase, samples are produced and laboratory testing commences at one of our test laboratories. The purpose of this testing phase is not only to verify the design and the simulation model but also to allow further design improvement where needed. Finally, upon successful field testing by the customer, the product is ready for sale.

Manufacturing and Operations

Our manufacturing strategies are focused on product reliability, quality and service. Custom and standard products are produced according to manufacturing schedules that ensure maximum availability of popular items for immediate sale while carefully considering the economies of lot production and special products. Capital programs and manufacturing methods development are focused on quality improvement and low production costs. A monthly review of product line production performance assures an environment of continuous attainment of profitability goals.

Capacity. Our plants currently run on a single shift, and light second and third shifts at selected locations, to meet the demands of our customers. We believe that current capacity levels and future annual estimated capital expenditures on equipment equal to approximately 4% of sales should permit us to effectively meet demand levels for the foreseeable future. We also believe that we have the ability to increase capacity and move to full second or third shifts when required.

Inventory Management. Our increasing emphasis on the distributor/aftermarket sector has required us to maintain greater inventories of a broader range of products than the OEM market historically demanded. We operate an inventory management program designed to balance customer delivery requirements with economically optimal inventory levels. In this program, each product is categorized based on characteristics including order frequency, number of customers and sales volume. Using this classification system, our primary goal is to maintain a sufficient supply of standard items while minimizing warehousing costs. In addition, production cost savings are achieved by optimizing plant scheduling around inventory levels and customer delivery requirements. This leads to more efficient

utilization of manufacturing facilities and minimizes plant production changes while maintaining sufficient inventories to service customer needs.

Sales, Marketing and Distribution

Our marketing strategy is aimed at increasing sales within our three primary markets, targeting specific applications in which we can exploit our competitive strengths. To effect this strategy, we seek to expand into geographic areas not previously served by us and we continue to capitalize on new markets and industries for existing and new products. We employ a technically proficient sales force and utilize marketing managers, product managers, customer service representatives and product application engineers in our selling efforts.

We have accelerated the development of our sales force through the hiring of sales personnel with prior bearing industry experience, complemented by an in-house training program. We intend to continue to hire and develop expert sales professionals and strategically locate them to implement our expansion strategy. Today, our direct sales force is located to service North America, Europe and Latin America and is responsible for selling all of our products. This selling model leverages our relationship with key customers and provides opportunities to market multiple product lines to both established and potential customers. We also sell our products through a well-established, global network of industrial and aerospace distributors. This channel primarily provides our products to smaller OEM customers and the end users of bearings that require local inventory and service. In addition, specific larger OEM customers are also serviced through this channel to facilitate requirements for "Just In Time" deliveries or "Kan Ban" systems. Our worldwide distributor network provides our customers with more than 1,500 points of sale for our products. We intend to continue to focus on building distributor sales volume.

The sale of our products is supported by a well-trained and experienced customer service organization. This organization provides customers with instant access to key information regarding their bearing purchase and delivery requirements. We also provide customers with updated information through our web site, and we have developed on-line integration with specific customers, enabling more efficient ordering and timely order fulfillment for those customers.

We store product inventory in four company-owned and operated warehouses located on the East and West coasts of the U.S., France and in Switzerland. The inventory is located in these warehouses based on thorough analysis of customer demand to provide superior service and product availability to our customers.

Competition

Our principal competitors include Kaydon Corporation, New Hampshire Ball Bearings and McGill Manufacturing Company, Inc., although we compete with different companies for each of our product lines. We believe that for the majority of our products, the principal competitive factors affecting our business are product qualifications, product line breadth, service and price. Although some of our current and potential competitors may have greater financial, marketing, personnel and other resources than us, we believe that we are well positioned to compete with regard to each of these factors in each of the markets in which we operate.

Product Qualifications. Many of the products we produce are qualified for the application by the OEM, the U.S. Department of Defense, the FAA or a combination of these agencies. These credentials have been achieved for thousands of distinct items after years of design, testing and improvement. In many cases patent protection presides, in all cases there is strong brand identity and in numerous cases we have the exclusive product for the application.

Product Line Breadth. Our products encompass an extraordinarily broad range of designs which often create a critical mass of complementary bearings and components for our markets. This position allows many of our industrial and aircraft customers the ability for a single manufacturer to provide the engineering service and product breadth needed to achieve a series of OEM design objectives or aftermarket requirements. This ability enhances our value to the OEM considerably while strengthening our overall market position.

Service. Product design, performance, reliability, availability, quality, technical and administrative support are elements that define the service standard for this business. Our customers are sophisticated and demanding, as our products are fundamental and enabling components to the construction or operating of their machinery. We maintain inventory levels of our most popular items for immediate sale and service well over 15,000 voice and electronic contacts per month. Our customers have high expectations regarding product availability, and the primary emphasis of our service efforts is to ensure the widest possible range of available products and delivering them on a timely basis.

Price. We believe our products are priced competitively in the markets we serve. We continually evaluate our manufacturing and other operations to maximize efficiencies in order to reduce costs, eliminate unprofitable products from our portfolio and maximize our profit margins. While we compete with larger bearing manufacturers who direct the majority of their business activities, investments and expertise toward the automotive industries, our sales in this industry are only a small percentage of our business. We invest considerable effort to develop our price to value algorithms and we price to market levels where required by competitive pressures.

Suppliers and Raw Materials

We obtain raw materials, component parts and supplies from a variety of sources and generally from more than one supplier. Our principal raw material is steel. Our suppliers and sources of raw materials are based in the U.S., Europe and Asia. We purchase steel at market prices, which during the past 12 months have increased to historical highs as a result of a relatively low level of supply and a relatively high level of demand, and we have recently received notices of additional price increases from our suppliers. To date, we have generally managed to pass through these raw materials price increases to our customers by assessing steel surcharges on, or price increases of, our bearing products. However, we have from time to time experienced a time lag of up to 12 weeks in our ability to pass through steel surcharges to our customers which has negatively impacted our gross margins. We will continue to pass on raw materials price increases as competitive conditions allow.

Recently because of extraordinarily high demand for certain grades of steel, suppliers have in some instances allocated certain types of steel in limited quantities to customers. However, to date, we have never experienced a work stoppage due to a supply shortage. We believe that our sources for raw materials, including steel, are adequate for our needs in the foreseeable future, that there exist alternative suppliers for our raw materials and that in most cases readily available alternative materials can be used for most of our raw materials. However, we cannot provide any assurances of the availability or the prices thereof. We do not believe that the loss of any one supplier would have a material adverse effect on our financial condition or results of operations.

We have not been significantly impacted by recent increases in energy prices because energy costs, the most significant component of which is natural gas used in heat treating operations, represent less than 5% of our overall costs.

Backlog

As of January 1, 2005, we had an order backlog of $133.8 million, as compared to a backlog of $85.0 million as of December 27, 2003 (which excludes amounts relating to RBC-API which was acquired in December 2003). The amount of backlog includes orders which we estimate will be fulfilled

within the next 12 months; however, orders included in our backlog are subject to cancellation, delay or other modifications by our customers prior to fulfillment. We sell many of our products pursuant to contractual agreements, single source relationships or long-term purchase orders, each of which may permit early termination by the customer. However, due to the nature of many of the products supplied by us and the lack of availability of alternative suppliers to meet the demands of such customers' orders in a timely manner, we believe that it is not practical or prudent for most of our customers to shift their bearing business to other suppliers.

Employees

We had approximately 1,172 hourly employees and 502 salaried employees as of January 1, 2005, of whom 250 were employed in our European and Mexican operations. We believe that our employee relations are satisfactory.

We are subject to several collective bargaining agreements covering unionized workers, as follows:

- collective bargaining agreements with the United Auto Workers covering substantially all of the hourly employees at our West Trenton, New Jersey; Fairfield, Connecticut and Bremen, Indiana plants. These agreements expire on June 30, 2007, January 31, 2008 and October 29, 2005, respectively;

- collective bargaining agreements with the United Steelworkers covering substantially all the hourly employees at our Glasgow, Kentucky and Kulpsville, Pennsylvania plants. These agreements expire on June 13, 2008, and January 31, 2008, respectively; and

- a labor agreement with the Association of Swiss Engineering Employers covering substantially all of the hourly employees at our Delemont, Switzerland plant. This agreement expires on December 31, 2005.

As of January 1, 2005, approximately 800 of our hourly employees, or 69%, are non-unionized.

Intellectual Property

We own U.S. and foreign patents and trademark registrations and U.S. copyright registrations, and have U.S. trademark and patent applications pending. We file patent applications and maintain patents to protect certain technology, inventions and improvements that are important to the development of our business, and we file trademark applications and maintain trademark registrations to protect product names that have achieved brand-name recognition among our customers. We also rely upon trade secrets, know-how and continuing technological innovation to develop and maintain our competitive position. Many of our brands are well recognized by our customers and are considered valuable assets of our business. We do not believe, however, that any individual item of intellectual property is material to our business. See "Risk Factors".

Regulation

Product Approvals. Essential to servicing the aerospace market is the ability to obtain product approvals. We have in excess of 32,000 product approvals, which enable us to provide products used in virtually all domestic aircraft platforms presently in production or operation. Product approvals are typically issued by the FAA to designated OEMs who are Production Approval Holders of FAA approved aircraft. These Production Approval Holders provide quality control oversight and generally limit the number of suppliers directly servicing the commercial aerospace aftermarket. Regulations enacted by the FAA provide for an independent process (the Parts Manufacturer Approval, or PMA, process), which enables suppliers who currently sell their products to the Production Approval Holders, to sell products to the aftermarket. We have received over 2,400 PMA approvals to date and have approximately 633 active PMA applications in process.

With respect to military government contracts, and in accordance with 10 U.S.C. 2534, current DoD regulations (the Department of Defense Federal Acquisition Regulation Supplement, also known as the "DFARS") contain a domestic source preference for ball and roller bearings and bearing components that are manufactured in the United States or Canada. In general, these regulations prohibit the DoD, with limited exceptions, from procuring ball and roller bearings and bearing components unless they are manufactured in the U.S. or Canada. The DoD has only a limited authority to waive this prohibition. This prohibition, however, does not apply to contracts or subcontracts for commercial items, except for when commercial ball and roller bearings are being acquired as end items. It also does not apply to ball and roller bearings manufactured in the U.K. This current domestic source preference is set to expire in October 2005. We do not know whether Congress will take any action to extend this preference beyond this period.

We are subject to various other federal laws, regulations and standards. New laws, regulations or standards or changes to existing laws, regulations or standards could subject us to significant additional costs of compliance or liabilities, and could result in material reductions to our results of operations, cash flow or revenues.

Environmental Matters

We are subject to federal, state and local environmental laws and regulations, including those governing discharges of pollutants into the air and water, the storage, handling and disposal of wastes and the health and safety of employees. We also may be liable under the Comprehensive Environmental Response, Compensation, and Liability Act or similar state laws for the costs of investigation and cleanup of contamination at facilities currently or formerly owned or operated by us, or at other facilities at which we have disposed of hazardous substances. In connection with such contamination, we may also be liable for natural resource damages, government penalties and claims by third parties for personal injury and property damage. Agencies responsible for enforcing these laws have authority to impose significant civil or criminal penalties for non-compliance. We believe we are currently in material compliance with all applicable requirements of environmental laws. We do not anticipate material capital expenditures for environmental controls in fiscal years 2005 or 2006.

Investigation and remediation of contamination is ongoing at some of our sites. In particular, state agencies have been overseeing groundwater monitoring activities at our facilities in Hartsville, South Carolina and Fairfield, Connecticut. At Hartsville, we are monitoring low levels of contaminants in the groundwater caused by former operations. The state will permit us to cease monitoring activities after two consecutive sampling periods demonstrate contaminants are below action levels. In connection with the purchase of our Fairfield, Connecticut facility in 1996, we agreed to assume responsibility for completing clean-up efforts previously initiated by the prior owner. We submitted data to the state that we believe demonstrates that no further remedial action is necessary although the state may require additional cleanup or monitoring. Although there can be no assurance, we do not expect any of those to be material.

We received notice in 2003 from the U.S. EPA that we had been named a potentially responsible *de minimis* party for past disposal of hazardous substances at the Operating Industries, Inc.'s landfill in Monterey, California. Any such disposal would have been conducted prior to our ownership, and we notified the former owners of a potential claim for indemnification pursuant to the terms of our asset purchase agreements. We are currently negotiating a *de minimis* settlement with the U.S. EPA and expect that any settlement, even if we are unsuccessful in obtaining indemnification, will not be material to our results of operations or to our business.

Properties

Our principal executive offices are located at One Tribology Center, Oxford, Connecticut 06478. We also use this facility for manufacturing our plain bearing products, both Teflon® lined and metal-to-metal, and commercial ball bearings.

In addition, we own facilities in Hartsville, South Carolina; Fairfield, Connecticut; Kulpsville, Pennsylvania; Rancho Dominguez, California; Santa Ana, California; Walterboro, South Carolina; Bremen, Indiana; and Scionzier Cedex, France, as well as a small parcel of real property in Oxford, Connecticut which may be used for expansion of our manufacturing operations at that location. We also have leases in effect with respect to facilities in the following locations until the following dates: West Trenton, New Jersey, February 10, 2009; Oxford, Connecticut, September 30, 2014; Torrington, Connecticut, December 22, 2006; Plymouth, Indiana, May 15, 2022; Glasgow, Kentucky, June 30, 2005; Delemont, Switzerland, December 31, 2009; Reynosa, Tamaulipas, Mexico, September 20, 2005; Oklahoma City, Oklahoma, December 31, 2008, Les Ulis Cedex, France, July 1, 2010, and Chatsworth, California, November 11, 2006.

We believe that our existing property, facilities and equipment are generally in good condition, are well maintained and adequate to carry on our current operations. We also believe that our existing manufacturing facilities have sufficient capacity to meet increased customer demand. Substantially all of our owned domestic properties and most of our other assets are subject to a lien securing our obligations under our Senior Credit Facility and Second Lien Term Loan.

Legal Proceedings

From time to time, we are involved in litigation and administrative proceedings which arise in the ordinary course of our business. We do not believe that any litigation or proceeding in which we are currently involved, either individually or in the aggregate, is likely to have a material adverse effect on our business, financial condition, operating results, cash flows or prospects.

MANAGEMENT

The following table sets forth certain information concerning our directors and executive officers. Each director is elected for a one-year term or until such person's successor is duly elected and qualified.

Name	Age	Positions
Dr. Michael J. Hartnett	59	Chairman, President and Chief Executive Officer
Daniel A. Bergeron	45	Vice President and Chief Financial Officer
Phillip H. Beausoleil	62	General Manager, ITB and TDC
Thomas C. Crainer	48	General Manager, Heim, RBC-API and Schaublin SA
Richard J. Edwards	50	General Manager, RBC Divisions
Robert Anderson	84	Director
Richard R. Crowell	50	Director
Dr. Amir Faghri	54	Director
William P. Killian	70	Director
Michael Stone	42	Director

Dr. Michael J. Hartnett has been the President and Chief Executive Officer since April 1992 and Chairman of the board of directors since June 1993. Prior to that, Dr. Hartnett served as Vice President and General Manager of our Industrial Tectonics Bearings Corporation, or ITB, subsidiary from 1990, following eighteen years at The Torrington Company, one of the three largest bearings manufacturers in the U.S. While at Torrington Company, Dr. Hartnett held the position of Vice President and General Manager of the Aerospace Business Unit and was, prior to that, Vice President of the Research and Development Division. Dr. Hartnett holds an undergraduate degree from University of New Haven, a Masters degree from Worcester Polytechnic Institute and a Ph.D. in Applied Mechanics from the University of Connecticut. Dr. Hartnett has also developed numerous patents, authored more than two dozen technical papers and is well known for his contributions to the field of tribology, the study of friction. Dr. Hartnett currently serves as a director of Aftermarket Technology Company, a publicly-held company in the business of re-manufacturing aftermarket components for automobiles.

Daniel A. Bergeron joined us in May 2003 as Vice President, Finance. On August 5, 2003, he was appointed Vice President and Chief Financial Officer. From November 2002 through May 2003, he served as Vice President and Chief Financial Officer of Allied Healthcare International, Inc., a publicly-held provider of healthcare staffing services. Mr. Bergeron served as Vice President and Chief Financial Officer at Paragon Networks International, Inc., a telecommunications company, from June 2000 to October 2002. From April 1998 to February 2000, he served as Vice President and Chief Financial Officer of Tridex Corporation, a publicly-held software company. From July 1987 to March 1998, Mr. Bergeron held various financial reporting positions with Dorr-Oliver Inc., an international engineering and manufacturing company, including Vice President and Chief Financial Officer from 1994 to March 1998. Mr. Bergeron holds a B.S. in Finance from Northeastern University and a M.B.A. from the University of New Haven.

Phillip H. Beausoleil spent three years as Plant Manager for the SKF Kulpsville, Pennsylvania facility before joining us in 1993 as Plant Manager of the Santa Ana, California division, Transport Dynamics. In 1995, the general manager responsibilities at Industrial Tectonics Bearings, or ITB, in

California were given to Mr. Beausoleil. He also spent 23 years at New Hampshire Ball Bearing, the last five years as General Manager of its Astro Division.

Thomas C. Crainer joined us in 1986 as Plant Manager at the ITB division in California and was promoted to General Manager in 1995. In 2000, Mr. Crainer became General Manager for RBC Schaublin. In 2003, he returned to the U.S. to assume additional responsibilities for our Heim Bearings, Engineered Component and Aircraft Products facilities. He had previously been employed for six years at TRW Bearing in Falconer, NY as Manufacturing Supervisor, Production Control Manager and Manufacturing Manager. His undergraduate degree in Business Administration is from St. Bonaventure University. In 1991 he received an M.B.A. from the University of Phoenix.

Richard J. Edwards joined the Company as Manufacturing Manager for the Hartsville, South Carolina facility in 1990. He was named General Manager of the RBC Divisions in 1996. Prior to joining us, Mr. Edwards spent six years with The Torrington Company as Materials Manager and Plant Superintendent in the Tyger River plant. He holds a Bachelor of Science degree in Production Operations Management from Arizona State University.

Robert Anderson has been a director since June 1998. Mr. Anderson has served as Chairman Emeritus of Rockwell Corporation since February 1990. He also serves as a director of Aftermarket Technology Corporation and is a member of the Caltech Board of Trustees and a graduate of the Anderson School of the University of California, Los Angeles.

Richard R. Crowell has been a director since June 1992. Mr. Crowell is President and a Managing General Partner of Aurora Capital Group, a private equity investment firm. Prior to establishing Aurora in 1991, Mr. Crowell was a Managing Partner of Acadia Partners, a New York-based investment fund formed with The Robert M. Bass Group. From 1983 to 1987, he was a Managing Director, Corporate Finance for Drexel Burnham Lambert. He serves on the board of directors of Aftermarket Technologies Inc. Impaxx, Inc., Tartan Textile Services, Inc., ADCO Global, Inc. and Quality Distribution Service Partners, Inc. Mr. Crowell earned a B.A. in English Literature from the University of California, Santa Cruz and an M.B.A. from the Anderson School of the University of California, Los Angeles.

Dr. Amir Faghri has been a director since July 2004. Dr. Faghri is presently the Dean of the School of Engineering of the University of Connecticut. He joined the university in 1994 as Head of the Mechanical Engineering Department. Dr. Faghri is published extensively in the area of heat transfer and is the sole inventor of six U.S. patents. He has been a consultant for several major research centers, including Los Alamos, Oak Ridge National Laboratories and Intel Corporation. He is a Fellow of ASME. He received a B.S. from Oregon State University and an M.S. and a Ph.D. from the University of California, Berkeley.

William P. Killian has been a director since October 2001. Mr. Killian has reported directly to and advised CEOs of Fortune 500, NYSE corporations on strategy, corporate growth, acquisitions and divestitures for 25 years. From 1986 until his retirement in 2000, Mr. Killian was Corporate Vice President, Development and Strategy for Johnson Controls, Inc. a $20 billion global market leader in automotive systems and facility management and controls. Currently, he serves as a member of the board of directors of Aqua-Chem, Inc. and Premix, Inc. Mr. Killian holds a Bachelor of Chemical Engineering from Georgia Tech and a Master of Engineering Administration from the University of Utah.

Michael Stone has been a director since April 2002. Mr. Stone is a Managing Partner of Whitney. He has been with Whitney since 1989 and has been a senior investor in each of Whitney's outside equity funds. Previously, he was with Bain & Company where he worked with manufacturing and pharmaceutical clients and Bain Capital-owned entities. He received a B.A. from Duke University and a M.B.A. from Harvard Business School. Mr. Stone is a director of several private companies.

Board of Directors

Our board of directors will consist of up to 9 members. We currently have 6 members on our board of directors. A majority of our board of directors are independent. The term of office for each director will be until his successor is elected or appointed, with elections for each directorship being held annually. We expect to add an additional board member to serve as an independent financial expert on our audit committee within six months after this offering.

Committees of Our Board of Directors

The standing committees of our board of directors consist of an audit committee, a compensation committee and a corporate governance and nominating committee. Mr. Stone and Dr. Hartnett currently serve on our audit committee, Messrs. Crowell, Anderson and Killian serve on our compensation committee, and Mr. Stone, Dr. Hartnett and Dr. Faghri serve on our corporate governance and nominating committee. Within one year of the consummation of this offering, all the members of our corporate governance and nominating committee and, upon consummation of this offering, we expect that all of the members of our audit committee will be "independent" as defined by applicable securities exchange rules.

Audit Committee

The principal duties and responsibilities of our audit committee are as follows:

- to monitor our financial reporting process and internal control system;
- to appoint and replace our independent outside auditors from time to time, determine their compensation and other terms of engagement and oversee their work;
- to oversee the internal audit function; and
- to oversee our compliance with legal, ethical and regulatory matters.

The audit committee has the power to investigate any matter brought to its attention within the scope of its duties. It also has the authority to retain counsel and advisors to fulfill its responsibilities and duties. We intend to comply with future audit committee requirements as they become applicable to us.

Compensation Committee

The principal duties and responsibilities of our compensation committee are as follows:

- to provide oversight on the development and implementation of the compensation policies, strategies, plans and programs for our key employees and outside directors and disclosure relating to these matters;
- to review and approve the compensation of our chief executive officer and the other executive officers of us and our subsidiaries; and
- to provide oversight concerning selection of officers, management succession planning, performance of individual executives and related matters.

Each member of our compensation committee will be an "outside" director as that term is defined in 162(m) of the Internal Revenue Code of 1986, as amended, and a "non-employee" director within the meaning of Rule 16b-3 of the rules under the Securities Exchange Act of 1934.

Corporate Governance and Nominating Committee

The principal duties and responsibilities of our corporate governance and nominating committee are as follows:

- to establish criteria for board and committee membership and recommend to our board of directors proposed nominees for election to the board of directors and for membership on committees of the board of directors;
- to make recommendations regarding proposals submitted by our shareholders; and
- to make recommendations to our board of directors regarding corporate governance matters and practice.

Compensation of Directors

Independent members of our board of directors are paid $20,000 per year, payable quarterly, and are entitled to annual stock option grants at the discretion of the compensation committee of the board of directors for their services. In addition, we expect to revise our compensation policy to provide for payments for service on any board committee and reimbursements for reasonable out-of-pocket expenses incurred in connection with attendance at board meetings or of any committee thereof.

Code of Ethics

Our board of directors has adopted a code of business conduct and ethics applicable to our directors, officers and employees. To the extent they are not already embodied therein, we will, prior to the completion of this offering, supplement this code with corporate governance guidelines in accordance with applicable securities exchange listing standards. A copy of our code of ethics is available, upon request, by writing to: Attn: Corporate Secretary, RBC Bearings Incorporated, One Tribology Center, Oxford, CT 06478.

Corporate Governance Guidelines

To help discharge its responsibilities, our board of directors will adopt corporate governance guidelines on significant corporate governance issues prior to the consummation of this offering. These guidelines address such matters as director independence, committee membership and structure, meetings and executive sessions, director selection, retirement, and training, among other things.

Limitation on Director's Liability and Indemnification

Our amended and restated certificate of incorporation will limit the liability of directors to the maximum extent permitted by Delaware law. Delaware law provides that directors of a corporation will not be personally liable for monetary damages for breach of their fiduciary duties as directors, except liability for:

- any breach of their duty of loyalty to the corporation or its stockholders;
- acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law;
- unlawful payments of dividends or unlawful stock repurchases or redemptions; or
- any transaction from which the director derived an improper personal benefit.

The limitation of liability does not apply to liabilities arising under the federal securities laws and does not affect the availability of equitable remedies such as injunctive relief or rescission.

Our restated certificate of incorporation provides that we will indemnify our directors and officers and may indemnify our employees and other agents to the fullest extent permitted by law. We believe

that indemnification under our restated certificate of incorporation covers at least negligence and gross negligence on the part of indemnified parties. Our restated certificate of incorporation also permits us to secure insurance on behalf of any officer, director, employee or other agent for any liability arising out of his or her actions in his or her capacity as an officer, director, employee or other agent.

The limited liability and indemnification provisions in our restated certificate of incorporation may discourage stockholders from bringing a lawsuit against our directors for breach of their fiduciary duty and may reduce the likelihood of derivative litigation against our directors and officers, even though a derivative action, if successful, might otherwise benefit us and our stockholders. A stockholder's investment in us may be adversely affected to the extent we pay the costs of settlement or damage awards against our directors and officers under these indemnification provisions.

At present, there is no pending litigation or proceeding involving any of our directors, officers or employees in which indemnification is sought, nor are we aware of any threatened litigation that may result in claims for indemnification.

Insofar as indemnification for liabilities arising under the Securities Act may be permitted for directors, officers and controlling persons of us pursuant to the foregoing provisions or otherwise, we have been advised that in the opinion of the Securities and Exchange Commission, or SEC, such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable.

Executive Compensation

The following table sets forth the cash and other compensation paid by us in fiscal 2004, 2003 and 2002 to Dr. Hartnett, our Chairman, President and Chief Executive Officer, and our next four most highly paid executive officers, or the Named Executive Officers. (Amounts shown below are in dollars.)

SUMMARY COMPENSATION TABLE

		Annual Compensation			Long-Term Compensation Awards	
Name and Principal Position	**Year**	**Salary(a)**	**Bonus**	**Other Annual Compensation**	**Securities Underlying Options/SARs**	**All Other Compensation**
Dr. Michael J. Hartnett	2004	$ 560,442	—	$ 8,685(b)	—	$ 15,000(c)
Chairman, President & Chief	2003	413,437	$ 175,034(d)	11,832(b)	—	—
Executive Officer	2002	413,437	50,684(e)	20,373(b)	—	7,958(c)
Phillip H. Beausoleil	2004	204,269	50,000(f)	—	—	7,605(g)
General Manager, ITB and TDC	2003	189,371	45,000(d)	—	$ 5,000(h)	7,854(g)
	2002	170,668	60,600(e)	—	—	6,354(g)
Daniel A. Bergeron	2004	152,769(i)	—	6,000(j)	—	—
Vice President and Chief Financial Officer	2003	—	—	—	—	—
	2002	—	—	—	—	—
Thomas C. Crainer	2004	211,835	—	5,702(k)	—	5,708(l)
General Manager, Heim, RBC-API and	2003	224,228	37,000(d)	5,960(k)	5,000(h)	5,329(l)
Schaublin SA	2002	195,000	—	5,280(k)	—	5,329(l)
Richard J. Edwards	2004	202,448	35,000(f)	12,800(m)	10,000(n)	—
General Manager, RBC Divisions	2003	172,917	30,000(d)	9,573(m)	5,000(h)	3,750(o)
	2002	173,165	25,000(e)	12,083(m)	—	3,167(o)

(a) Includes amounts deferred by the executive pursuant to our 401(k) Plan.

(b) Consists of leased vehicles for use by Dr. Hartnett.

(c) Consists of employer match contributed to Dr. Hartnett's SERP account.

(d) Bonus earned in fiscal 2002 and paid in fiscal 2003. Bonus for fiscal 2003 was paid in fiscal 2004.

(e) Bonus earned in fiscal 2001 and paid in fiscal 2002. Bonus for fiscal 2002 was paid in fiscal 2003.

(f) Bonus earned in fiscal 2003 and paid in fiscal 2004. Bonus for fiscal 2004 will be paid in fiscal 2005.

(g) Consists of employer match contributed to Mr. Beausoleil's SERP account.

(h) Options granted under the 2001 Stock Option Plan. Options with respect to 66% of such shares are exercisable as of April 3, 2004.

(i) Mr. Bergeron joined us on May 27, 2003. His annual base salary is $180,000.

(j) Consists of $6,000 car allowance for Mr. Bergeron.

(k) Consists of a leased vehicle for use by Mr. Crainer.

(l) Consists of employer match contributed to Mr. Crainer's SERP account.

(m) Consists of a leased vehicle for use by Mr. Edwards.

(n) Options granted under the 2001 Stock Option Plan. Options with respect to 50% of such shares are exercisable as of April 3, 2004.

(o) Consists of employer match contributed to Mr. Edwards' SERP account.

Option Grants in Last Fiscal Year

The following table provides information with respect to stock options granted to our named executive officers during fiscal 2004:

	Individual Grants				Potential Realizable Value At Assumed Annual Rates of Stock Price Appreciation for Option Term	
Name	Number of Securities Underlying Options/SARs Granted	% of Total Options Granted to Employees in 2004	Exercise or Base Price per Share	Expiration Date	5%	10%
Richard J. Edwards	10,000	4.4%	$ 20.00	July 1, 2012	$ 94,334	$ 239,061

Aggregated Stock Option Exercises in Last Fiscal Year and Fiscal Year-end Option Values

The following table sets forth the number of exercisable and unexercisable options and warrants held by each of the Named Executive Officers at April 3, 2004. None of our securities were acquired during fiscal 2004 upon the exercise of stock options by the Named Executive Officers. All the numbers in the table set forth below have been adjusted for our 100-for-1 stock split effective March 4, 2002.

Fiscal Year-End Option and Warrant Values

	Number of Securities Underlying Unexercised Options and Warrants at Fiscal Year-End		Value of Unexercised In-the-Money Options and Warrants at Fiscal Year-End	
Name	Exercisable	Unexercisable	Exercisable	Unexercisable(a)
Dr. Michael J. Hartnett(b)	725,063	—	$ 14,501,260	$ —
Daniel A. Bergeron	—	—	—	—
Phillip H. Beausoleil	28,450	—	569,000	—
Richard J. Edwards	72,520	5,000	1,450,400	100,000
Thomas C. Crainer	23,240	—	464,800	—

(a) Based upon a per share price of $20.00.

(b) The options and warrants are held by Dr. Hartnett and by Hartnett Family Investments, L.P.

There was no public market for any of our common stock underlying the options and warrants reflected on the table.

Securities Authorized for Issuance Under Equity Compensation Plans

The following table summarizes information about securities authorized for issuance under the Company's equity compensation plans and other agreements as of April 3, 2004:

Plan Category	(a) Number of Securities to be Issued Upon Exercise of Outstanding Options and Warrants	(b) Weighted-Average Exercise Price of Outstanding Options and Warrants	(c) Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in Column (a))
Equity compensation plans approved by security holders	121,397	$ 28.31	336,873
Equity compensation plans not approved by security holders	585,227	$ 1.77	—
Total	706,624	$ 6.33	336,873

Stock Option Plans

1998 Stock Option Plan

Effective February 18, 1998, we adopted the RBC Bearings Incorporated (f/k/a Roller Bearing Holding Company, Inc.) 1998 Stock Option Plan. The terms of the 1998 option plan provide for the grant of options to purchase up to 3,365,596 shares of Class A common stock to officers and employees of, and consultants (including members of the board of directors) to us and our subsidiaries. Options granted may be either incentive stock options (under Section 422 of the Internal Revenue Code) or non-qualified stock options. The 1998 option plan, which expires on December 31, 2008, is to be governed by our board of directors or a committee to which the Board delegates its responsibilities. As of January 1, 2005, there were outstanding options to purchase 185,770 shares of Class A common stock granted under the 1998 option plan, all of which were exercisable. The 2001 Stock Option Plan will be frozen and no additional stock options will be awarded pursuant to the plan.

The exercise price of options granted under the 1998 option plan shall be determined by our board of directors, but in no event less than 100% of the Fair Market Value (as defined in the 1998 option plan) of the Class A common stock on the date of grant. Options granted under the 1998 option plan may be exercised during the period set forth in the agreement pursuant to which the options are granted, but in no event more than ten years following grant.

The number of shares of Class A common stock for which options may be granted under the 1998 option plan shall be increased, and the number of shares for which outstanding options shall be exercisable, and the exercise price thereof, shall be adjusted upon the happening of stock dividends, stock splits, recapitalizations and certain other capital events regarding our company or the Class A common stock. Upon any merger, consolidation or combination where shares of Class A common stock are converted into cash, securities or other property, outstanding options shall be converted into the right to receive upon exercise the consideration as would have been payable in exchange for the shares of Class A common stock underlying such options had such options been exercised prior to such event. The number and kind of shares holders of options will be entitled to receive will be adjusted in accordance with the terms of the plan in connection with the Pre-Offering Transactions consummated prior to this offering. See "Related Party Transactions—Pre-Offering Transactions."

Options granted under the 1998 option plan are not transferable by the holders thereof except by the laws of descent and distribution. Our board of directors has the right to establish such rules and regulations concerning the 1998 option plan and to make such determinations and interpretations of the terms thereof as it deems necessary or advisable.

2001 Stock Option Plan

The RBC Bearings Incorporated (f/k/a Roller Bearing Holding Company, Inc.) 2001 Stock Option Plan was adopted in fiscal 2002 and amended and restated on October 24, 2003. The terms of the 2001 option plan provide for the grant of options to purchase up to 403,421 shares of Class A common stock to our officers and employees of, and consultants (including members of our board of directors) to, us and our subsidiaries selected by the CEO to participate in the plan. Options granted may be either incentive stock options (under Section 422 of the Internal Revenue Code) or non-qualified stock options. The 2001 option plan, which expires in July, 2011, is to be governed our board of directors or a committee to which the board of directors delegates its responsibilities. As of January 1, 2005, there were outstanding options to purchase 186,396.5 shares of Class A common stock granted under the 2001 option plan, 127,730 of which were exercisable. Upon consummation of this offering, the 2001 Stock Option Plan will be frozen and no additional stock options will be awarded pursuant to the plan.

The exercise price of options granted under the 2001 option plan shall be determined by the board of directors, but in no event less than 100% of the Fair Market Value (as defined in the 2001 option plan) of the Class A common stock on the date of grant. Options granted under the 2001 option plan may be exercised during the period set forth in the agreement pursuant to which the options are granted, but in no event more than ten years following grant.

The 2001 Stock Option Plan provides that the number of shares of Class A common stock for which options may be granted under the plan are to be increased, and the number of shares for which outstanding options shall be exercisable, and the exercise price thereof, shall be adjusted upon the happening of stock dividends, stock splits, recapitalizations and certain other capital events regarding our Company or the Class A common stock. Upon any merger, consolidation or combination where shares of Class A common stock are converted into cash securities or other property, outstanding options shall be converted into the right to receive upon exercise the consideration as would have been payable in exchange for the shares of Class A common stock underlying such options had such options been exercised prior to such event. The number and kind of shares holders of options will be entitled to receive will be adjusted in accordance with the terms of the plan in connection with our Pre-Offering Transactions consummated prior to this offering. See "Related Party Transactions—Pre-Offering Transactions."

Options granted under the 2001 option plan are not transferable by the holders thereof except (1) by the laws of descent and distribution, (2) transfers to members of any holder's immediate family (which for purposes of the 2001 option plan shall be limited to the participant's children, grandchildren and spouse), (3) to one or more trusts for the benefit of such family members, or (4) to partnerships or limited liability companies in which such family members and/or trusts are the only partners or members; provided, that options may be transferred pursuant to sections (2) through (4) hereof only if the option expressly so provides, or as otherwise approved by the CEO or the board of directors in their discretion. Our board of directors has the right to establish such rules and regulations concerning the 2001 option plan and to make such determinations and interpretations of the terms thereof as it deems necessary or advisable.

2005 Long-Term Incentive Plan

We will adopt our 2005 Long-Term Incentive Plan effective upon the completion of this offering. The plan provides for grants of stock options, restricted stock and performance awards. Our directors, officers and other employees and persons who engage in services for us are eligible for grants under the plan. The purpose of the plan is to provide these individuals with incentives to maximize stockholder value and otherwise contribute to our success and to enable us to attract, retain and reward the best available persons for positions of responsibility.

A total of 6% of our fully-diluted shares of our common stock will be authorized for issuance under the plan, subject to adjustment in the event of a reorganization, stock split, merger or similar change in our corporate structure or the outstanding shares of common stock. Of this amount, 60% will be awarded to Dr. Hartnett at the time of this offering at the offering price and the remaining 40% will be reserved for grants to other employees. In connection with this offering, we will not be granting any shares of restricted stock, leaving all of the shares available for issuance under the plan. Our compensation committee will administer the plan. Our board also has the authority to administer the plan and to take all actions that the compensation committee is otherwise authorized to take under the plan. The terms and conditions of each award made under the plan, including vesting requirements, will be set forth consistent with the plan in a written agreement with the grantee.

Stock Options. Under the plan, the compensation committee or the board may award grants of incentive stock options and other non-qualified stock options. The compensation committee also has the authority to grant options that will become fully vested and exercisable automatically upon a change in control. The compensation committee may not, however, award to any one person in any calendar year options to purchase common stock equal to more than 10% of the total number of shares authorized under the plan, and it may not award incentive options first exercisable in any calendar year whose underlying shares have a fair market value greater than $100,000 determined at the time of grant.

The compensation committee will determine the exercise price and term of any option in its discretion, however, the exercise price may not be less than 100% of the fair market value of a share of common stock on the date of grant. In the case of any incentive stock option, the option must be exercised within 10 years of the date of grant. The exercise price of an incentive option awarded to a person who owns stock constituting more than 10% of our voting power may not be less than 110% of such fair market value on such date and the option must be exercised within five years of the date of grant.

Restricted Stock. Under the plan, the compensation committee may award restricted stock subject to the conditions and restrictions, and for the duration that it determines in its discretion.

Stock Appreciation Rights. Provided that our common stock is traded on an established securities market, the compensation committee may grant stock appreciation rights, or SARs, subject to the terms and conditions contained in the plan. Under the plan, the exercise price of an SAR must equal the fair market value of a share of our common stock on the date the SAR was granted. Upon exercise of a SAR, the grantee will receive an amount in shares of our common stock equal to the difference between the fair market value of a share of common stock on the date of exercise and the exercise price of the SAR, multiplied by the number of shares as to which the SAR is exercised.

Performance Awards. The compensation committee may grant performance awards contingent upon achievement by the grantee or by us, of set goals and objectives regarding specified performance criteria, over a specified performance cycle. Awards may include specific dollar-value target awards, performance units, the value of which is established at the time of grant, and/or performance shares, the value of which is equal to the fair market value of a share of common stock on the date of grant. The value of a performance award may be fixed or fluctuate on the basis of specified performance criteria. A performance award may be paid out in cash and/or shares of common stock or other securities.

Amendment and Termination of the Plan. The board may amend or terminate the plan in its discretion, except that no amendment will become effective without prior approval of our stockholders if such approval is necessary for continued compliance with the performance-based compensation exception of Section 162(m) of the Internal Revenue Code or any stock exchange listing requirements.

If not previously terminated by the board, the plan will terminate on the tenth anniversary of its adoption.

401(k) Plan

We maintain the Roller Bearing Company of America 401(k) Retirement Plan, or the 401(k) Plan, a plan established pursuant to Section 401(k) of the Internal Revenue Code, for the benefit of our non-union employees. All non-union employees who have completed six months of service with us are entitled to participate. Subject to various limits, employees are entitled to defer up to 25% of their annual salary on a pre-tax basis and up to an additional 10% of their annual salary on an after-tax basis. We previously matched 50% of an employee's pre-tax contribution up to 10% of annual salary. Effective October 1, 2001, we suspended matching contributions to the 401(k) Plan. Employees vest in our contributions ratably over three years.

Effective April 3, 2004, we resumed matching contributions to our 401(k) Plan at a rate of 25% of an employees' pre-tax contribution up to 4% of annual salary. We also maintain a smaller 401(k) plan for non-union employees at our Miller bearing facility. We also maintain three 401(k) plans for our union employees. Subject to various limits, union employees are entitled to defer up to 25% of their annual salary on a pre-tax basis. We make employer contributions (matching and, in some cases, non-elective contributions) based on requirements in applicable collective bargaining agreements.

Supplemental Retirement Plan

Effective September 1, 1996, we adopted a non-qualified supplemental retirement plan, or SERP, for a select group of highly compensated and management employees designated by our board of directors. The SERP allows eligible employees to elect to defer until termination of their employment the receipt of up to 25% of their current salary. We make contributions equal to the lesser of 50% of the deferrals or 3.5% of the employee's annual salary, which vest in full after three years of service following the effective date of the SERP. Accounts are paid, either in a lump sum or installments, upon retirement, death or termination of employment. Accounts are generally payable from our general assets although it is intended that we set aside in a "rabbi trust" invested in annuity contracts amounts necessary to pay benefits. Employees' rights to receive payments are subject to the rights of our creditors.

Compensation Committee Interlocks and Insider Participation

The current compensation of our executive officers, other than our Chief Executive Officer's, which was determined in accordance with his employment agreement with us, was determined by our Chief Executive Officer in consultations with our board of directors. Our compensation committee was formed on November 9, 2004, which has undertaken responsibility for oversight with respect to executive compensation issues. See "Management—Committees of our Board of Directors—Compensation Committee." No member of our compensation committee will serve as a member of the board of directors or compensation committee of an entity that has one or more executive officers serving as a member of our board of directors or compensation committee.

Dr. Hartnett Employment Agreement

On December 18, 2000, we entered into an employment agreement with Dr. Hartnett. Under the terms of the employment agreement, Dr. Hartnett was employed as our Chief Executive Officer. The term of Dr. Hartnett's employment agreement is set to expire on December 17, 2005. We expect to enter into an amended or new employment agreement on substantially similar terms to the current agreement described below.

Dr. Hartnett's current agreement provided for a base salary for the fiscal year ended April 3, 2004 of $560,442. Dr. Hartnett's base salary is subject to an automatic annual increase effective December 1 of each year during the term in a percentage amount equal to the greater of (i) five percent (5%) or (ii) the percentage change in the consumer price index for the prior year. Dr. Hartnett is also entitled to an annual performance bonus with respect to each fiscal year during which he remains an employee in an amount determined as a percentage of Dr. Hartnett's base salary, based on the amount by which our performance exceeds (or fails to meet) EBITDA targets in an operating plan.

The employment agreement also contains non-competition provisions prohibiting the Dr. Hartnett from competing against us during the term of the employment agreement and for two years thereafter without our prior written consent. Dr. Hartnett is also entitled to certain additional benefits (beyond those generally available to our employees) including medical and hospitalization insurance, and additional life insurance. We are also required to maintain an apartment in Los Angeles for use by Dr. Hartnett while on business.

RELATED PARTY TRANSACTIONS

Except as described below, since March 29, 2001, we have not been a party to, nor have we currently proposed, any transaction or series of similar transactions in which the amount exceeds $60,000, and in which any director, executive officer, holder of more than 5% of our common stock or any member of the immediate family of any of the foregoing persons had or will have a direct or indirect material interest, other than compensation agreements and other agreements, which are described in the "Management" section of this prospectus. We believe that each of the following transactions, other than the loans to our executives, are on terms no less favorable than we could obtain from an unrelated third party.

Set forth below is a summary of certain agreements and arrangements, as well as other transactions between us and related parties which have taken place during our most recent fiscal year or agreements with respect to transactions entered into in our prior fiscal year among related parties and other material agreements which remain in effect as January 1, 2005.

Sale of Class B Exchangeable Convertible Participating Preferred Stock

On July 29, 2002, Dr. Hartnett purchased 10,000 shares and Whitney Investor, through an affiliate, purchased 230,000 shares of Class B Exchangeable Convertible Participating Preferred Stock of RBCI in exchange for gross proceeds of $24.0 million, referred to as the 2002 Class B Sale. In connection with the purchase, we paid a fee of $750,000 to Whitney, and we amended the terms of our management services agreement with Whitney. Following the closing of the sale, we utilized the proceeds of the sale and certain of our cash on hand to repurchase approximately $30.4 million in principal amount at maturity of our Discount Debentures. This repurchase satisfied our obligation to make a scheduled redemption payment relating to such debt in December 2002. For more information on Whitney Investor's beneficial ownership of our equity securities, see "Principal and Selling Stockholders."

The holders of our Class B preferred stock are entitled to an 8% per annum accumulating dividend and are further entitled to participate in any dividends paid to the holders of shares of our common stock. The Class B preferred stock is subject to conversion by us or exchange by the holders thereof. In either situation, each share of Class B preferred stock would yield a number of shares of our Class A common stock determined by reference to a formula set forth in our Amended and Restated Certificate of Incorporation (which includes anti-dilution protections), a number of shares of our Class C redeemable preferred stock also determined by reference to a formula set forth in our amended and restated certificate of incorporation and one share of Class D preferred stock. Any holders of Class C preferred stock would be entitled to an 8% per annum accumulating dividend. The Class C preferred stock is subject to redemption by us at our option but is not subject to mandatory redemption. The Class D preferred stock entitles the holders thereof, upon liquidation, to a payment determined by reference to a formula set forth in our amended and restated certificate of incorporation.

Dr. Hartnett Loan

In connection with a recapitalization which took place in May of 1997, we loaned Dr. Hartnett, our President and Chief Executive Officer, $500,000 to purchase shares of our capital stock. The loan does not bear interest and is due on the earlier of (i) June 23, 2007, (ii) the consummation of a sale of our company or (iii) the consummation of an initial public offering by us. The loan is secured by a pledge of Dr. Hartnett's shares of RBCI to us. The loan will be repaid in full prior to the consummation of this offering.

Amended and Restated Stockholders Agreement; Registration Rights

On February 6, 2003, in connection with an investment in us by Dr. Hartnett and Whitney V, L.P., or Whitney V, we entered into an Amended and Restated Stockholders' Agreement with Dr. Hartnett, Hartnett Family Investments, L.P., or the Hartnett Partnership, Whitney V and the Whitney Investor. We will amend this agreement to eliminate provisions related to transfer restrictions and provisions with respect to seats on our board of directors. We expect that Whitney Investor will have information and observer rights upon the completion of this offering. The stockholders' agreement also contains provisions with respect to registration rights that will remain in place after this offering is consummated. However, we will make other modifications and amendments as a result of the consummation of the Pre-Offering Transactions. The principal terms of this agreement include:

Piggyback Registration. Whenever we propose to register a public offering of our common stock, upon any request by Dr. Hartnett or Whitney Investor, we are required to include their shares in the offering, subject to customary cutback provisions.

Demand Registration. Commencing on the earlier of (1) 6 months after an effective date of an initial public offering of our common stock and (2) February 6, 2006, the holders of the majority of shares owned by Whitney Investor or permitted transferees shall have the right, on two occasions, to demand that we prepare and file with the Securities and Exchange Commission a registration statement to permit the public offering of the shares owned by those parties demanding such registration. This right will be made subject to a lock-up agreement between Whitney Investor and our underwriters in connection with this offering which will prevent Whitney Investor from exercising this right until the applicable lock-up period of 180 days has either expired or been waived.

We will bear all registration expenses, except underwriting discounts and selling commissions, incurred in connection with the registrations described above. We have agreed with Dr. Hartnett and Whitney Investor (or their permitted transferees) to indemnify each other against certain liabilities, including liabilities under federal and state securities laws.

Class A Preferred Stock Transaction

In February 2003, we raised capital from Dr. Hartnett and Whitney V, an affiliate of Whitney Investor. On February 6, 2003, Dr. Hartnett and Whitney V bought an aggregate of 1,008.41 shares of our Class A preferred stock for $3 per share, or an aggregate purchase price of approximately $3.0 million. The Class A preferred stock was the most senior of our capital stock in terms of liquidation preference and was entitled to an accrued dividend at 8% per annum. In connection with the sale of the Class A preferred stock, we paid to Whitney closing fees in the amount of $200,000, and reimbursed Whitney for expenses of approximately $35,000 incurred in connection with the purchase. Pursuant to the terms of the Purchase Agreement for the Class A preferred stock, on February 10, 2003, we exercised our option to repurchase such stock for the purchase price plus all accrued dividends. Accordingly, no Class A preferred stock is outstanding as of the date hereof. The purpose of this transaction was to provide an infusion to our equity capital and to the equity capital of our subsidiary RBCA in order to cure defaults of certain covenants contained in our credit agreement and in the indentures governing our Discount Debentures and previously outstanding RBCA notes. These defaults resulted from RBCA having made certain restricted payments in the fourth quarter of 2002 at a time when it technically was not permitted to do so. Such payments included (1) advances in the amounts of $519,000 and $450,000 that RBCA made to our subsidiary, Schaublin Holding, on December 10, 2002 and December 13, 2002, respectively, in connection with an acquisition by Schaublin of Myonic, and (2) a dividend in the amount of approximately $2.5 million that RBCA made to us on December 13, 2003 for purposes of financing an interest payment due on our Discount Debentures. As a result of the equity infusion, the defaults described above were cured or waived. This transaction was unanimously approved by the disinterested members of our board of directors and the

terms thereof were unanimously determined by such Boards of Directors to have been no less favorable to us than those that could be obtained on the date thereof in arm's-length dealings with a person who was not an affiliate of ours.

Amended and Restated Management Services Agreement

On July 29, 2002, in connection with the investment in us by Dr. Hartnett and an affiliate of Whitney Investor, we entered into an Amended and Restated Management Services Agreement with Whitney. Pursuant to the agreement, Whitney provides us certain services in exchange for an annual advisory fee of approximately $500,000 (subject to reduction upon the occurrence of specified circumstances). In addition, we paid Whitney a one-time fee of approximately $800,000. This agreement will be terminated upon consummation of this offering on terms agreeable to Whitney and us.

Pre-Offering Transactions

As of January 1, 2005, there were 2,475,461 shares of our Class A Common Stock and 100 shares of our Class B common stock outstanding. Additionally, as of such date, there were outstanding (1) warrants and options to purchase up to an additional 769,014 shares of our Class A common stock, (2) warrants and options to purchase 549,146 shares of our Class B common stock, and (3) 240,000 shares of our Class B exchangeable convertible participating preferred stock, or Class B preferred stock, which was convertible into shares of Class A common stock, Class C straight preferred stock and Class D straight preferred stock. Dr. Hartnett owned all of our Class B common stock, options and warrants to purchase Class B common stock, as well as 10,000 shares of our Class B preferred stock. Dr. Hartnett's shares of Class B common stock entitled him majority voting control with respect to our capital stock. The balance of 230,000 shares of Class B preferred stock was held by Whitney Investor.

The following transactions, referred to as the Pre-Offering Transactions, will occur immediately prior to the completion of this offering:

Recapitalization

We currently have three classes of capital stock outstanding: Class B preferred stock, Class A common stock and Class B common stock. Immediately prior to the consummation of this offering, we will effectuate a series of transactions in order to, among other things, simplify our capital structure. Our simplified capital structure will have two classes of authorized capital stock (common stock and preferred stock), of which only shares of common stock will be outstanding after the offering. The recapitalization transaction will involve a number of steps to be effectuated contemporaneously with the consummation of the Refinancing Transaction (discussed below) and this offering. These steps will occur as follows:

Conversion of Class B Preferred Stock. Immediately prior to the consummation of the recapitalization, all outstanding shares of Class B preferred stock will be converted in accordance with their terms into 738,558 shares of Class A common stock, shares of Class C preferred stock and 240,000 shares of Class D preferred stock.

Redemption of Class C Preferred Stock. Immediately after the conversion of the Class B preferred stock, we shall use proceeds of this offering and the Refinancing Transaction to redeem all outstanding Class C preferred stock, including any accrued and unpaid dividends, for an aggregate redemption price determined in accordance with our pre-offering charter. Assuming a July 15, 2005 redemption date, the aggregate redemption price of the Class C preferred stock would be approximately $30.4 million. This amount will increase at a rate of 0.02% for each additional day that the Class C preferred stock remains outstanding as a result of preferred dividends which will continue to accrue thereon.

Repurchase of Class D Preferred Stock. Immediately after the conversion of the Class B preferred stock, we shall repurchase all of the outstanding Class D preferred stock for an aggregate repurchase price equal to $8 million payable as follows: $4 million of the repurchase price shall be paid in cash using proceeds of this offering and the Refinancing Transaction, and $4 million shall be paid in shares of our Class A common stock based on the offering price (before giving effect to underwriters' discounts or commissions).

Reclassification of Class A Common Stock and Class B Common Stock. Immediately after the transactions described above, we will amend and restate our certificate to provide for, among other things, authorized capital stock of million shares of common stock and million shares of preferred stock. As a result, all of our Class A common stock and Class B common stock (including shares of Class A common stock issued upon conversion of the Class B preferred stock and repurchase of the Class D preferred stock) will be reclassified as common stock, on a one-for-one basis.

Stock Split. We will amend and restate our charter to effect a : stock split of our common stock.

Stock Options and Warrants. Following the reclassification of our shares, all outstanding options and warrants to purchase our Class A common stock and Class B common stock will become exercisable into shares of our newly created common stock in accordance with the terms of our stock option plans and stock option and warrant agreements. We will freeze our existing 1998 Stock Option Plan and 2001 Stock Option Plan such that no further awards or grants may be made under them. We will establish a new 2005 Long Term Incentive Plan which will provide for the issuance of stock options or other equity awards equal to 6% of our fully-diluted common stock, after giving effect to this offering. 60% of this amount will be awarded to Dr. Hartnett upon the consummation of this offering at the offering price, subject to vesting, and the remaining 40% will be reserved for grants to our employees (other than Dr. Hartnett) at the discretion of our board of directors. With the exception of options and warrants that are exercised in connection with this offering, all outstanding options and warrants to purchase common stock held by our employees will be subject to a lock-up period of not less than 180 days following the date of this prospectus. See "Use of Proceeds" and "Related Party Transactions—Pre-Offering Transactions."

Refinancing Transaction

We expect to amend or refinance our existing Senior Credit Facility to increase our borrowings under our Senior Credit Facility by $ million, referred to as the Refinancing Transaction. The proceeds from the Refinancing Transaction and the proceeds of this offering will be used for the purposes described under "Use of Proceeds."

PRINCIPAL AND SELLING STOCKHOLDERS

The following table sets forth information known to us with respect to the beneficial ownership of our common stock as of , 2005 prior to the offering of common stock contemplated hereby, and as adjusted to reflect the Pre-Offering Transactions and the sale of common stock in this offering, by (1) each stockholder known by us to own beneficially more than 5% of our common stock, (2) each of the named executive officers, (3) each of our directors and (4) all of our directors and executive officers as a group. The table below assumes no exercise of the underwriters' over-allotment option. Beneficial ownership is determined in accordance with the rules of the SEC. Such rules provide that in computing the number of shares beneficially owned by a person and the percentage ownership of that person, shares of common stock subject to options or warrants held by that person that are currently exercisable or will become exercisable within 60 days after , 2005 are deemed outstanding. Such shares are not deemed outstanding for purposes of computing percentage ownership of any other person.

Some of the selling stockholders will be selling shares in this offering that they will acquire by exercising options through a net share settlement.

Dr. Hartnett is offering shares, a significant portion of which he will acquire upon exercising options in connection with this offering. Of these shares, will be sold through a limited partnership, Hartnett Family Investments, L.P., of which Dr. Hartnett is a general partner.

Unless otherwise indicated in the footnotes below (1) the persons and entities named in the table have sole voting and investment power with respect to all shares beneficially owned, subject to community property laws where applicable and (2) unless otherwise indicated, the address of each of the individuals listed in the table is RBC Bearings Incorporated, One Tribology Center, Oxford, CT 06478.

	Shares Beneficially Owned Prior to the Offering			Shares Beneficially Owned After the Offering	
Name(a)	Common Stock	Percentage of Common Stock	Number of Shares Offered	Common Stock	Percentage of Common Stock
Dr. Michael J. Hartnett	(a)	%		%	%
Daniel A. Bergeron					
Phillip H. Beausoleil					
Richard J. Edwards					
Thomas C. Crainer					
William P. Killian	*(c)	*			*
Robert Anderson	*(b)	*			*
Richard R. Crowell	*(b)	*			*
Dr. Amir Faghri	*(b)	*			*
Michael Stone(e)	(e)				
Whitney RBHC Investor, LLC(g)	(g)				
Hartnett Family Investments, L.P.	(h)				
All directors and officers as a group (11 persons)	(i)	100.0%		100.0%	

* Less than 1%

(a) Consists of (1) options granted to Dr. Hartnett under the 1998 Stock Option Plan to purchase up to shares of our common stock that are currently exercisable or exercisable within 60 days of

2005 (2) the Hartnett Option, and (3) shares of our common stock. The above amount does not include shares of common stock beneficially owned by Dr. Hartnett as a result of his interest in Hartnett Family Investments, L.P. (the "Hartnett Partnership"). Dr. Hartnett would be deemed to beneficially own at total of shares of common stock, or % of our common stock including the interests of the Hartnett Partnership. See footnotes (i) and (j) below.

(b) Consists of shares of our common stock issuable upon exercise of stock options that are currently exercisable or exercisable within 60 days of, 2005.

(c) Consists of shares of our common stock issuable upon exercise of stock options currently exercisable or exercisable within 60 days of , 2005 Mr. Killian maintains his address at Unit 1801/1802, 888 Boulevard of the Arts, Sarasota, Florida 34236.

(d) Mr. Stone maintains his address at c/o Whitney & Co., 177 Broad Street, Stamford, Connecticut, 06901.

(e) Shares of common stock owned by Whitney RBHC Investor, LLC. The Managing Member of Whitney RBHC Investor, LLC is Whitney V, L.P., the general partner of which is Whitney Equity Partners V, LLC. Mr. Stone is a Managing Member of Whitney Equity Partners V, LLC and for the purposes of Section 13 of the Exchange Act, he may be deemed to share voting and dispositive power over such shares and to be a beneficial owner of such securities. Mr. Stone disclaims beneficial ownership of securities held by Whitney RBHC Investor, LLC, except to the extent of his pecuniary interest in such securities.

(f) Whitney RBHC Investor, LLC maintains its address at 177 Broad Street, Stamford, Connecticut, 06901.

(g) Shares of common stock, owned by Whitney RBHC Investor, LLC. The Managing Member of Whitney RBHC Investor, LLC is Whitney V, L.P. Whitney V, L.P. disclaims beneficial ownership of such securities, except to the extent of his pecuniary interest.

(h) Shares of common stock owned by Hartnett Family Investments, L.P., a Delaware limited partnership, whose general partner is Dr. Hartnett. Dr. Hartnett, by virtue of his general partnership interest, would be deemed to beneficially own all of the shares of Hartnett Family Investments, L.P.

(i) Includes shares of common stock beneficially owned by Dr. Hartnett as a result of his general partnership interest in the Hartnett Partnership.

DESCRIPTION OF CAPITAL STOCK

General

Pursuant to the Pre-Offering Transactions which will take place immediately prior to completion of this offering, and upon completion of the offering we will be authorized to issue shares of common stock, $0.01 par value, and shares of preferred stock, $0.01 par value. In addition, upon completion of this offering, there will be no preferred stock outstanding, as all of the outstanding preferred stock will be converted into shares of common stock or will be redeemed or repurchased with a portion of the net proceeds of this offering. See "Use of Proceeds" and "Related Party Transactions—Pre-Offering Transactions." As of January 1, 2005, there were 2,481,007 shares of our Class A common stock and 100 shares of our Class B common stock outstanding. Additionally, as of such date, there were outstanding (1) warrants and options to purchase up to an additional 760,494 shares of our Class A common stock, (2) warrants and options to purchase 549,146 shares of our Class B common stock, and (3) 240,000 shares of our Class B exchangeable convertible participating preferred stock, or Class B preferred stock, which was convertible into shares of Class A common stock, Class C straight preferred stock and Class D straight preferred stock. Dr. Hartnett owned all of our Class B common stock, options and warrants to purchase Class B common stock, as well as 10,000 shares of our Class B preferred stock. Dr. Hartnett's shares of Class B common stock entitled him majority voting control with respect to our capital stock. The balance of 230,000 shares of Class B preferred stock was held by Whitney Investor. The following description of our capital stock does not purport to be complete and is subject to and qualified in its entirety by our amended and restated certificate of incorporation and bylaws, which are included as exhibits to the Registration Statement of which this prospectus forms a part, and by the provisions of applicable Delaware law.

Common Stock

Upon the completion of this offering, there will be shares of common stock outstanding and shares reserved for issuance under our stock option plans, of which options to purchase shares at an average option price of $ have been issued. The holders of common stock will be entitled to one vote per share on all matters to be voted upon by the stockholders. Subject to preferences that may be applicable to any outstanding preferred stock, the holders of common stock will be entitled to receive ratably such dividends, if any, as may be declared from time to time by the board of directors out of funds legally available for that purpose. In the event of a liquidation, dissolution or winding up of our company, the holders of common stock will be entitled to share ratably in all assets remaining after payment of liabilities, subject to prior distribution rights of preferred stock, if any, then outstanding. The common stock will have no preemptive or conversion rights or other subscription rights. There will be no redemption or sinking fund provisions applicable to the common stock. All outstanding shares of common stock will be fully paid and nonassessable, and the shares of common stock to be issued upon the closing of this offering will be fully paid and nonassessable.

Preferred Stock

Pursuant to our amended and restated charted to be filed prior to the completion of this offering, our board of directors will be authorized, subject to any limitations prescribed by law, without stockholder approval, from time to time to issue up to an aggregate of shares of preferred stock, $ par value per share, in one or more series, each of the series to have such rights and preferences, including voting rights, dividend rights, conversion rights, redemption privileges and liquidation preferences, as shall be determined by our board of directors. The rights of the holders of common stock will be subject to, and may be adversely affected by, the rights of holders of any preferred stock that may be issued in the future. Issuance of preferred stock, while providing desirable flexibility in connection with possible acquisitions and other corporate purposes, could have the effect

of making it more difficult for others to acquire, or of discouraging others from attempting to acquire, a majority of our outstanding voting stock. We have no present plans to issue any shares of preferred stock.

Delaware Anti-Takeover Law and Charter and Bylaw Provisions

Provisions of Delaware law and our certificate of incorporation and bylaws could make it more difficult to acquire us by means of a tender offer, a proxy contest or otherwise and the removal of incumbent officers and directors. These provisions, summarized below, are expected to discourage types of coercive takeover practices and inadequate takeover bids and to encourage persons seeking to acquire control of us to first negotiate with us. We believe that the benefits of increased protection of our potential ability to negotiate with the proponent of an unfriendly or unsolicited proposal to acquire or restructure us outweigh the disadvantages of discouraging takeover or acquisition proposals because, among other things, negotiation of these proposals could result in an improvement of their terms.

We are subject to Section 203 of the Delaware General Corporation Law, an anti-takeover law. In general, Section 203 prohibits a publicly held Delaware corporation from engaging in a "business combination" with an "interested stockholder" for a period of three years following the date the person became an interested stockholder, unless (with certain exceptions) the "business combination" or the transaction in which the person became an interested stockholder is approved in a prescribed manner. Generally, a "business combination" includes a merger, asset or stock sale, or other transaction resulting in a financial benefit to the interested stockholder. Generally, an "interested stockholder" is a person who, together with affiliates and associates, owns (or within three years prior to the determination of interested stockholder status, did own) 15% or more of a corporation's voting stock. The existence of this provision would be expected to have an anti-takeover effect with respect to transactions not approved in advance by the board of directors, including discouraging attempts that might result in a premium over the market price for the shares of common stock held by stockholders.

Registration Rights

Subject to limitations contained in our Amended and Restated Stockholders Agreement dated February 6, 2003, between us, Dr. Hartnett, the Hartnett Partnership and Whitney Investor, the holders of the majority of shares owned by Whitney Investor or its affiliates or permitted transferees shall have the right, on two occasions, to demand that we prepare and file with the Securities and Exchange Commission a registration statement to permit the public offering of the shares owned by those parties demanding such registration. This right will be made subject to a lock-up agreement between Whitney Investor and our underwriters in connection with this offering which, unless waived, will prevent Whitney Investor from exercising this right until 180 days after the date of this Prospectus. Whenever we propose to register a public offering of our common stock, upon any request by Dr. Hartnett or Whitney Investor, we are required to include their shares in the offering, subject to customary cutback provisions.

We will bear all registration expenses, except underwriting discounts and selling commissions, incurred in connection with the registrations described above. We have agreed with Dr. Hartnett and Whitney Investor (or their permitted transferees) to indemnify each other against certain liabilities, including liabilities under federal and state securities laws.

Transfer Agent and Registrar

The transfer agent and registrar for the common stock is .

DESCRIPTION OF CERTAIN INDEBTEDNESS

Senior Credit Facility

On June 29, 2004, we entered into a senior credit facility totaling $165 million, or the Senior Credit Facility, summarized below. The following description does not purport to be complete and is qualified in its entirety by reference to the credit agreement, which is available from us upon request.

The Senior Credit Facility consists of (1) the 6.5-year $55.0 million Revolving Credit Facility (including the $25.0 million letter of credit subfacility available for the issuance of letters of credit) and (2) the 6.5-year $110.0 million Term Loan. The credit agreement requires us to make annual amortization payments (payable in quarterly installments) equal to 1% of the balance of the Term Loan in years one through six and the remaining balance is due at maturity in 2010.

Mandatory prepayments in respect of the Term Loan or permanent reductions to the commitments under the Revolving Credit Facility, as applicable, are required in an amount equal to, (a) 100% of the net cash proceeds of all asset sales and dispositions by us or our and its subsidiaries, subject to certain exceptions, (b) 100% of the net cash proceeds from extraordinary receipts (including, without limitation, proceeds from certain key-man life policies) and (c) 100% of the net cash proceeds from equity issuances by us and our subsidiaries, subject to certain exceptions; provided that in the event of certain qualified public offerings of equity securities by us, net cash proceeds thereof shall be used first to repay our outstanding Discount Debentures until paid in full; second 50% of any remaining proceeds must be used to repay our Second Lien Term Loan and third, any remaining proceeds, up to 50% may be used to make restricted payments, including redemptions of our common and preferred stock, and up to 50% may be used to repay our Second Lien Term Loan and any remaining unused balance may be used for general corporate purposes. This offering will constitute a qualified public offering as defined under the Senior Credit Facility. Accordingly, all of the outstanding Discount Debentures will be paid in full out of the proceeds of this offering.

Voluntary prepayments and commitment reductions are permitted in whole or in part, without premium or penalty, subject to minimum prepayment or reduction requirements, provided that voluntary prepayments of LIBOR loans on a date other than the last day of the relevant interest period will be subject to the payment of customary breakage costs, if any.

All of our obligations under the Senior Credit Facility will be unconditionally guaranteed by us and each existing and subsequently acquired or organized subsidiary other than foreign subsidiaries after the consummation of this offering. The obligations under the Term Loan and the Revolving Credit Facility (including the guarantees) are secured by substantially all of our present and future assets and all present and future assets of each guarantor, including but not limited to (1) a first-priority pledge of all of RBCA's outstanding capital stock owned by us, (2) a first-priority pledge of all of the outstanding capital stock owned by us or any guarantor in any domestic subsidiary, (3) a first-priority pledge of 66% and 65.34% of the outstanding capital stock of RBC Schaublin Holdings S.A. and RBC de Mexico S de R. L. de C.V., respectively and (4) a perfected first-priority security interests in all of our present and future assets and the present and future assets of each guarantor, subject to certain limited exceptions.

The Revolving Credit Facility bears interest at a floating rate, and at RBCA's option so long as no event of default has occurred or is continuing, of either the higher of the base rate on corporate loans or the federal funds rate plus 50 basis points, plus 1.75%; or the offered rate for deposits on U.S. Dollars in the London interbank market for the relevant interest period which is published by the British Bankers Association, or LIBOR rate, plus 3.00%. The Term Loan bears interest at a floating rate, at our option so long as no event of default has occurred or is continuing, of either the higher of the base rate on corporate loans posted by at least 75% of the nation's 30 largest banks published in *The Wall Street Journal*, or Base Rate, or the federal funds rate plus 50 basis points, plus 2.50%; or

LIBOR plus 3.75%. As of January 1, 2005, the blended interest rate on the Senior Credit Facility and Second Lien Term Loan (discussed below) was 7.8%.

In addition, the lenders under the Revolving Credit Facility are entitled to be paid a fee on unused commitments under that facility at a rate equal to 0.50% per annum, payable monthly in arrears. With respect to the letter of credit subfacility, an additional fee, equal to the product of the average daily undrawn face amount of all letters of credit issued, guaranteed or supported by risk participation agreements multiplied by a per annum rate equal to the applicable margin applied to LIBOR rate loans, *i.e.* 3.0% is payable monthly in arrears together with any fees and charges incurred by the administrative agent to a letter of credit issuer.

During the existence of any default under the credit agreement, the applicable margins applied to all obligations under the senior credit facilities would increase by 2% per year.

The credit agreement documentation contains customary representations and warranties and customary covenants restricting our, and our domestic subsidiaries' ability to, among other things and subject to various exceptions, (1) declare dividends, make distributions or redeem or repurchase capital stock, (2) prepay, redeem or repurchase other debt, (3) incur liens or grant negative pledges, (4) make loans and investments, (5) incur additional indebtedness or guarantees, (6) amend or otherwise alter our organizational documents or any debt and other material agreements, (7) make capital expenditures, (8) engage in mergers, acquisitions and asset sales, (9) conduct transactions with affiliates, (10) alter the nature of our businesses, (11) change our fiscal quarter or our fiscal year, (12) engage in "sale-leaseback" transactions, (13) cancel indebtedness owing to us or our subsidiaries or (14) prohibit restricted subsidiaries from funding dividends or distributions or repaying intercompany loans. We and our subsidiaries also will be required to comply with specified financial covenants (including, without limitation, a leverage ratio and a fixed charge coverage ratio) and various affirmative covenants.

Events of default under the credit agreement include, but are not limited to, (1) our failure to pay principal, interest, fees or other amounts under the credit agreement when due or after expiration of a grace period, (2) any representation or warranty proving to have been materially incorrect when made, (3) covenant defaults subject, with respect to certain covenants, to a grace period, (4) bankruptcy events, (5) a cross default to certain other debt, (6) unsatisfied final judgments over a threshold, (7) a change of control, (8) ERISA defaults and (9) the invalidity or impairment of any loan document or any security interest.

In addition, the credit agreement includes customary provisions regarding breakage or redeployment costs incurred in connection with prepayments, changes in capital adequacy and capital requirements or their interpretation, illegality, unavailability, reserves without proration or offset and payments free and clear of withholding.

We expect to amend or refinance our existing Senior Credit Facility to increase our borrowings under our Senior Credit Facility by $ million in connection with the Refinancing Transaction. The proceeds from the Refinancing Transaction, together with the proceeds of this offering, will be used for for the purposes described under the heading "Use of Proceeds." See "Pre-Offering Transactions—Refinancing Transactions." See "Pre-Offering Transactions," "The Offering" and "Use of Proceeds."

Second Lien Term Loan

On June 29, 2004, we entered into a Second Lien Term Loan totaling $45.0 million with a seven year maturity. The Second Lien Term Loan is secured by a second priority security interest in the assets secured by the Term Loan and the Revolving Credit Facility set forth above, pursuant to an intercreditor agreement. The Second Lien Term Loan bears interest at a floating rate, at RBCA's option so long as no event of default has occurred or is continuing, of either the higher of the Base Rate or the federal funds rate plus 50 basis points, plus 7.25%; or LIBOR plus 8.50%. All of our

outstanding indebtedness under the Second Lien Term Loan will be repaid out of the proceeds of this offering and the Refinancing Transaction.

Swiss Credit Facility

On December 8, 2003, Schaublin Holding S.A. entered into a bank credit facility with Credit Suisse Zurich providing for 10.0 million swiss francs or approximately $8.0 million in term loan, or Swiss Term Loan, and up to 2.0 million swiss francs, or approximately $1.6 million, of revolving credit loans and letters of credit, referred to as the Swiss Revolver. We have pledged 99.4% of the present and future share capital of Schaublin (1,366 shares) to the agent under this credit facility to secure Schaublin's obligation thereunder. This credit facility contains customary representation and warranties, affirmative and negative covenants and events of defaults, as well as certain financial covenants applicable solely to Schaublin. The Swiss Term Loan is payable in semi-annual installments ranging from approximately $0.4 million, to approximately $1.0 million and matures on March 31, 2009. The Swiss Terms Loan bears interest at variable rates, calculated at LIBOR plus a margin which varies based on debt capacity ratios determined annually, payable quarterly. On November 8, 2004, we amended the Swiss Credit Facility to increase the Swiss Revolver to 4.0 million swiss francs, or approximately $3.5 million. As of January 1, 2005, $7.5 million was outstanding under the Swiss Term Loan, and no loans or letters of credit were outstanding under the Swiss Revolver.

Industrial Revenue Bonds

During fiscal 1995, we entered into a loan agreement with the South Carolina Jobs Economic Development Authority, or SC JEDA, which provides for borrowings up to $10.7 million under two industrial development revenue bonds, or IRBs. During fiscal 1999 we entered into an additional loan agreement with the SC JEDA which provides for borrowings up to $3.0 million under an industrial development revenue bond. Additionally, during fiscal 2000, we entered into a loan agreement with the California Infrastructure and Economic Development Bank, or CIEDB, which provides for borrowings up to $4.8 million under an industrial development revenue bond (the CIEDB Series 1999 IRB). The proceeds from these IRBs are restricted for working capital requirements and capital expenditure purposes.

On March 1, 2002, we retired the unused portion of the SC JEDA Series 1998 IRB of $1.8 million by asking the state of South Carolina to collapse the bond to just the amount of money that had been used, thereby reducing the debt and the restricted marketable securities balances by $1.8 million.

As of January 1, 2005, $18.2 million of the proceeds have been expended (including accumulated interest of $1.6 million), and the remaining $12.0 million is invested by the trustee in marketable securities.

The SC JEDA Series 1994 A IRB, SC JEDA Series 1994 B IRB and the SC JEDA Series 1998 IRB are secured by a letter of credit issued under the letter of credit subfacility under the Revolving Credit Facility. The CIEDB Series 1999 IRB is likewise secured by an irrevocable direct-pay letter of credit issued by one of our existing lenders.

As of January 1, 2005, we had $16.7 million aggregate principal amount of our industrial revenue bonds outstanding.

SHARES ELIGIBLE FOR FUTURE SALE

Upon completion of this offering, we will have shares of our common stock outstanding. If the underwriters exercise their over-allotment option, we will have a total of shares of our common stock outstanding. Of these shares, all of the shares sold in this offering will be freely tradable without restriction or further registration under the Securities Act, unless such shares are purchased by "affiliates" as that term is defined in Rule 144 under the Securities Act. The remaining shares of common stock held by existing stockholders are "restricted securities" as that term is defined in Rule 144 under the Securities Act, described below. Subject to such restrictions and applicable law, the holders of shares of common stock will be free to sell any and all shares of common stock that they beneficially owns at various times commencing 180 days after the date of this prospectus. The holders of shares of common stock will be free to sell any shares of common stock they beneficially own on , 2005.

We cannot make any predictions as to the number of shares that may be sold in the future or the effect, if any, that sales of these shares, or the availability of these shares for future sale, will have on the prevailing market prices of our common stock. Sales of a significant number of shares of our common stock in the public market, or the perception that these sales could occur, could adversely affect prevailing market prices of our common stock and could impair our ability to raise equity capital in the future.

Lock-Up Agreements

We, our officers and directors and substantially all of our stockholders, option holders and warrant holders have agreed, subject to exceptions, that we or they will not, for a period of 180 days after the date of this prospectus (i) offer, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant for the sale of, or otherwise dispose of or transfer any shares of our common stock or any securities convertible into or exchangeable or exercisable for common stock, or file, or cause to be filed, any registration statement under the Securities Act of 1933, as amended, with respect to any of the foregoing securities, (ii) enter into any swap or any other agreement or any transaction that transfers, in whole or in part, directly or indirectly, the economic consequence of ownership of the locked-up securities, whether any such swap or transaction is to be settled by delivery of common stock or other securities, in cash or otherwise or (iii) publicly disclose the intention to make any of the foregoing transactions with respect to the locked-up securities, without the prior written consent of Merrill Lynch & Co., which may release all or a portion of the shares subject to this lock-up agreement at any time without prior notice.

Rule 144

In general, under Rule 144, as currently in effect, beginning 90 days after the date of this prospectus, a person who has beneficially owned shares of our common stock for at least one year would be entitled to sell within any three-month period a number of shares that does not exceed the greater of: 1% of the number of shares of common stock then outstanding, which will equal approximately shares immediately after this offering; or the average weekly trading volume of our common stock during the four calendar weeks preceding the filing of a notice on Form 144 with respect to the sale.

Sales under Rule 144 are also subject to manner of sale provisions and notice requirements and to the availability of current public information about us.

Rule 144(k)

Under Rule 144(k), a person who is not deemed to have been one of our affiliates at any time during the 90 days preceding a sale, and who has beneficially owned the shares proposed to be sold for

at least two years, including the holding period of any prior owner other than an affiliate, is entitled to sell the shares without complying with the manner of sale, public information, volume limitation or notice provisions of Rule 144.

Rule 701

Rule 701, as currently in effect, permits resales of shares in reliance upon Rule 144 but without compliance with certain restrictions, including the holding period requirement, of Rule 144. Any of our employees, officers, directors or consultants who purchased shares under a written compensatory plan or contract may be entitled to rely on the resale provisions of Rule 701. Rule 701 permits affiliates to sell their Rule 701 shares under Rule 144 without complying with the holding period requirements of Rule 144. Rule 701 further provides that non-affiliates may sell their shares in reliance on Rule 144 without having to comply with the holding period, public information, volume limitation or notice provisions of Rule 144. All holders of Rule 701 shares are required to wait until 90 days after the date of this prospectus before selling their shares. However, in addition substantially all Rule 701 shares are subject to lock-up agreements and will only become eligible for sale at the earlier of the expiration of the 180-day lock-up agreements or no sooner than 90 days after the offering upon obtaining the prior written consent of Merrill Lynch & Co.

Stock Option

We intend to file a Registration Statement on Form S-8 registering shares of common stock subject to outstanding options or reserved for future issuance under our stock plans. As of , 2005, options to purchase a total shares were outstanding and shares were reserved for future issuance under our stock plans. Common stock issued upon exercise of outstanding vested options, other than common stock issued to our affiliates is available for immediate resale in the open market, subject to the applicable lock-up agreements, as described above, and in compliance with Rule 144. Substantially all of our optionholders will execute 180-day lock-up agreements with the underwriters.

Registration Rights

Beginning 180 days after the date of this offering, holders of shares of our common stock will be able to require us to conduct a registered public offering of their shares. They have demand rights on two occasions. In addition, holders of shares of our common stock have piggyback registration rights to have their shares included for sale in subsequent registered offerings of our common stock, subject to customary cut-back provisions. See "Description of Capital Stock—Registration Rights." Registration of such shares under the Securities Act would, except for shares purchased by affiliates, result in such shares becoming freely tradable without restriction under the Securities Act immediately upon the effectiveness of such registration.

CERTAIN U.S. FEDERAL INCOME TAX CONSIDERATIONS

UNITED STATES TAX CONSEQUENCES TO NON-UNITED STATES HOLDERS

The following is a summary of the material U.S. federal income and estate tax consequences of the acquisition, ownership and disposition of our common stock by a non-U.S. holder. As used in this summary, the term "non-U.S. holder" means a beneficial owner of our common stock that is not, for United States federal income tax purposes:

- an individual who is a citizen or resident of the United States;
- a corporation (or other entity classified as a corporation for these purposes) created or organized in or under the laws of the United States or of any political subdivision of the United States;
- a partnership (including any entity or arrangement classified as a partnership for these purposes);
- an estate whose income is includible in gross income for U.S. federal income tax purposes regardless of its source; or
- a trust, if (1) a United States court is able to exercise primary supervision over the trust's administration and one or more "United States persons" (within the meaning of the U.S. Internal Revenue Code) has the authority to control all of the trust's substantial decisions, or (2) the trust has a valid election in effect under applicable U.S. Treasury regulations to be treated as a "United States person."

An individual may be treated as a resident of the United States in any calendar year for United States federal income tax purposes, instead of a nonresident, by, among other ways, being present in the United States on at least 31 days in that calendar year and for an aggregate of at least 183 days during a three-year period ending in the current calendar year. For purposes of this calculation, an individual would count all of the days present in the current year, one-third of the days present in the immediately preceding year and one-sixth of the days present in the second preceding year. Residents are taxed for U.S. federal income purposes as if they were U.S. citizens.

If a partnership or other pass-through entity (including an entity or arrangement treated as a partnership or other type of pass-through entity for U.S federal income tax purposes) owns our common stock, the tax treatment of a partner or beneficial owner of the partnership or other pass-through entity may depend upon the status of the partner or beneficial owner and the activities of the partnership or entity and by certain determinations made at the partner or beneficial owner level. Partners and beneficial owners in partnerships or other pass-through entities that own our common stock should consult their own tax advisors as to the particular U.S. federal income and estate tax consequences applicable to them.

This summary does not discuss all of the aspects of U.S. federal income and estate taxation that may be relevant to a non-U.S. holder in light of the non-U.S. holder's particular investment or other circumstances. In particular, this summary only addresses a non-U.S. holder that holds our common stock as a capital asset (generally, investment property) and does not address:

- special U.S. federal income tax rules that may apply to particular non-U.S. holders, such as financial institutions, insurance companies, tax-exempt organizations, U.S. expatriates, and dealers and traders in securities or currencies;
- non-U.S. holders holding our common stock as part of a conversion, constructive sale, wash sale or other integrated transaction or a hedge, straddle or synthetic security;
- any U.S. state and local or non-U.S. or other tax consequences; and

- the U.S. federal income or estate tax consequences for the beneficial owners of a non-U.S. holder.

This summary is based on provisions of the U.S. Internal Revenue Code of 1986, as amended, applicable U.S. Treasury regulations and administrative and judicial interpretations, all as in effect or in existence on the date of this prospectus. Subsequent developments in U.S. federal income or estate tax law, including changes in law or differing interpretations, which may be applied retroactively, could have a material effect on the U.S. federal income and estate tax consequences of purchasing, owning and disposing of our common stock as set forth in this summary. Each non-U.S. holder should consult a tax advisor regarding the U.S. federal, state, local and non-U.S. income and other tax consequences of acquiring, holding and disposing of our common stock.

Dividends

We do not anticipate paying cash dividends on our common stock in the foreseeable future. See "Dividend Policy." In the event, however, that we pay dividends on our common stock, we will have to withhold a U.S. federal withholding tax at a rate of 30%, or a lower rate under an applicable income tax treaty, from the gross amount of the dividends paid to a non-U.S. holder. Non-U.S. holders should consult their own tax advisors regarding their entitlement to benefits under a relevant income tax treaty.

In order to claim the benefit of an applicable income tax treaty, a non-U.S. holder will be required to provide a properly executed U.S. Internal Revenue Service Form W-8BEN (or other applicable form) in accordance with the applicable certification and disclosure requirements. Special rules apply to partnerships and other pass-through entities and these certification and disclosure requirements also may apply to beneficial owners of partnerships and other pass-through entities that hold our common stock. A non-U.S. holder that is eligible for a reduced rate of U.S. federal withholding tax under an income tax treaty may obtain a refund or credit of any excess amounts withheld by filing an appropriate claim for a refund with the U.S. Internal Revenue Service. Non-U.S. holders should consult their own tax advisors regarding their entitlement to benefits under a relevant income tax treaty and the manner of claiming the benefits.

Dividends that are effectively connected with a non-U.S. holder's conduct of a trade or business in the United States and, if required by an applicable income tax treaty, are attributable to a permanent establishment maintained by the non-U.S. holder in the United States, will be taxed on a net income basis at the regular graduated rates and in the manner applicable to United States persons. In that case, we will not have to withhold U.S. federal withholding tax if the non-U.S. holder provides a properly executed U.S. Internal Revenue Service Form W-8ECI (or other applicable form) in accordance with the applicable certification and disclosure requirements. In addition, a "branch profits tax" may be imposed at a 30% rate, or a lower rate under an applicable income tax treaty, on dividends received by a foreign corporation that are effectively connected with the conduct by that foreign corporation of a trade or business in the United States.

Gain on Disposition of Common Stock

A non-U.S. holder generally will not be taxed on any gain recognized on a disposition of our common stock unless:

- the gain is effectively connected with the non-U.S. holder's conduct of a trade or business in the United States and, if required by an applicable income tax treaty, is attributable to a permanent establishment maintained by the non-U.S. holder in the United States; in these cases, the gain will be taxed on a net income basis at the regular graduated rates and in the manner applicable to United States persons (unless an applicable income tax treaty provides otherwise) and, if the

non-U.S. holder is a foreign corporation, the "branch profits tax" described above may also apply;

- the non-U.S. holder is an individual who holds our common stock as a capital asset, is present in the United States for more than 182 days in the taxable year of the disposition and meets other requirements (in which case, except as otherwise provided by an applicable income tax treaty, the gain, which may be offset by U.S. source capital losses, generally will be subject to a flat 30% U.S. federal income tax, even though the non-U.S. holder is not considered a resident alien under the U.S. Internal Revenue Code); or

- we are or have been a "U.S. real property holding corporation" for U.S. federal income tax purposes at any time during the shorter of the five-year period ending on the date of disposition or the period that the non-U.S. holder held our common stock.

Generally, a corporation is a "U.S. real property holding corporation" if the fair market value of its "U.S. real property interests" equals or exceeds 50% of the sum of the fair market value of its worldwide real property interests plus its other assets used or held for use in a trade or business. The tax relating to stock in a U.S. real property holding corporation generally will not apply to a non-U.S. holder whose holdings, direct and indirect, at all times during the applicable period, constituted 5% or less of our common stock, provided that our common stock was regularly traded on an established securities market. We believe that we are not currently, and we do not anticipate becoming in the future, a U.S. real property holding corporation.

We have applied to have our common stock listed on a nationally recognized U.S. securities exchange. Although not free from doubt, our common stock should be considered to be regularly traded on an established securities market for any calendar quarter during which it is regularly quoted on the securities exchange by brokers or dealers that hold themselves out to buy or sell our common stock at the quoted price. If we were to be a U.S. real property holding corporation and if our common stock were not considered to be regularly traded on a nationally recognized securities exchange at any time during the applicable calendar year, then a non-5% holder would be taxed for U.S. federal income tax purposes on any gain realized on the disposition of our common stock on a net income basis as if the gain were effectively connected with the conduct of a U.S. trade or business by the non-5% holder during the taxable year and, in such case, the person acquiring our common stock from a non-5% holder generally would have to withhold 10% of the amount of the proceeds of the disposition. Such withholding may be reduced or eliminated pursuant to a withholding certificate issued by the U.S. Internal Revenue Service in accordance with applicable U.S. Treasury regulations. We urge all non-U.S. holders to consult their own tax advisors regarding the application of these rules to them.

Federal Estate Tax

Our common stock that is owned or treated as owned by an individual who is not a U.S. citizen or resident of the United States (as specially defined for U.S. federal estate tax purposes) at the time of death will be included in the individual's gross estate for U.S. federal estate tax purposes, unless an applicable estate tax or other treaty provides otherwise and, therefore, may be subject to U.S. federal estate tax.

Information Reporting and Backup Withholding Tax

Dividends paid to a non-U.S. holder may be subject to U.S. information reporting and backup withholding. A non-U.S. holder will be exempt from backup withholding if the non-U.S. holder provides a properly executed U.S. Internal Revenue Service Form W-8BEN or otherwise meets documentary evidence requirements for establishing its status as a non-U.S. holder or otherwise establishes an exemption.

The gross proceeds from the disposition of our common stock may be subject to U.S. information reporting and backup withholding. If a non-U.S. holder sells our common stock outside the United States through a non-U.S. office of a non-U.S. broker and the sales proceeds are paid to the non-U.S. holder outside the United States, then the U.S. backup withholding and information reporting requirements generally will not apply to that payment. However, U.S. information reporting, but not U.S. backup withholding, will apply to a payment of sales proceeds, even if that payment is made outside the United States, if a non-U.S. holder sells our common stock through a non-U.S. office of a broker, such broker does not have documentary evidence in its files that the non-U.S. holder is not a United States person and certain other conditions are met (unless the non-U.S. holder otherwise establishes an exemption) and the broker:

- is a United States person;
- derives 50% or more of its gross income in specified periods from the conduct of a trade or business in the United States;
- is a "controlled foreign corporation" for U.S. federal income tax purposes; or
- is a foreign partnership, if at any time during its tax year either one or more of its partners are United States persons who in the aggregate hold more than 50% of the income or capital interests in the partnership or the foreign partnership is engaged in a United States trade or business.

If a non-U.S. holder receives payments of the proceeds of a sale of our common stock to or through a U.S. office of a broker, the payment is subject to both U.S. backup withholding and information reporting unless the non-U.S. holder provides a properly executed U.S. Internal Revenue Service Form W-8BEN certifying that the non-U.S. Holder is not a "United States person" or the non-U.S. holder otherwise establishes an exemption.

A non-U.S. holder generally may obtain a refund of any amounts withheld under the backup withholding rules that exceed the non-U.S. holder's U.S. federal income tax liability by filing a refund claim with the U.S. Internal Revenue Service.

UNDERWRITING

We intend to offer the shares through the underwriters. Merrill Lynch, Pierce, Fenner & Smith Incorporated, KeyBanc Capital Markets, a division of McDonald Investments, Inc., and Jefferies & Company, Inc. are acting as representatives of the underwriters named below. Subject to the terms and conditions described in a purchase agreement among us, the selling stockholders and the underwriters, we and the selling stockholders have agreed to sell to the underwriters, and the underwriters severally have agreed to purchase from us and the selling stockholders, the number of shares listed opposite their names below.

Underwriter	Number of Shares
Merrill Lynch, Pierce, Fenner & Smith Incorporated	
KeyBanc Capital Markets, a division of McDonald Investments, Inc.	
Jefferies & Company, Inc.	
Total	

The underwriters have agreed to purchase all of the shares sold under the purchase agreement if any of these shares are purchased. If an underwriter defaults, the purchase agreement provides that the purchase commitments of the nondefaulting underwriters may be increased or the purchase agreement may be terminated.

We and the selling stockholders have agreed to indemnify the underwriters against certain liabilities, including liabilities under the Securities Act, or to contribute to payments the underwriters may be required to make in respect of those liabilities.

The underwriters are offering the shares, subject to prior sale, when, as and if issued to and accepted by them, subject to approval of legal matters by their counsel, including the validity of the shares, and other conditions contained in the purchase agreement, such as the receipt by the underwriters of officer's certificates and legal opinions. The underwriters reserve the right to withdraw, cancel or modify offers to the public and to reject orders in whole or in part.

Commissions and Discounts

The representatives have advised us and the selling stockholders that the underwriters propose initially to offer the shares to the public at the initial public offering price on the cover page of this prospectus and to dealers at that price less a concession not in excess of $ per share. The underwriters may allow, and the dealers may reallow, a discount not in excess of $ per share to other dealers. After the initial public offering, the public offering price, concession and discount may be changed.

The following table shows the public offering price, underwriting discount and proceeds before expenses to us and the selling stockholders. The information assumes either no exercise or full exercise by the underwriters of their over-allotment option.

	Per Share	Without Option	With Option
Public offering price	$	$	$
Underwriting discount	$	$	$
Proceeds, before expenses, to us	$	$	$
Proceeds, before expenses, to the selling stockholders	$	$	$

The expenses of the offering, not including the underwriting discount, are estimated at $ and are payable by us.

Over-allotment Option

We have granted an option to the underwriters to purchase up to additional shares at the public offering price less the underwriting discount. The underwriters may exercise this option for 30 days from the date of this prospectus solely to cover any over-allotments. If the underwriters exercise this option, each will be obligated, subject to conditions contained in the underwriting agreement, to purchase a number of additional shares proportionate to that underwriter's initial amount reflected in the above table.

Reserved Shares

At our request, the underwriters have reserved for sale, at the initial public offering price, up to % of the shares offered by this prospectus for sale to some of our directors, officers, employees, distributors, dealers, business associates and related persons. If these persons purchase reserved shares, this will reduce the number of shares available for sale to the general public. Any reserved shares that are not orally confirmed for purchase within one day of the pricing of this offering will be offered by the underwriters to the general public on the same terms as the other shares offering by this prospectus.

No Sales of Similar Securities

We, our executive officers and directors, the selling stockholders, option holders and warrant holders have agreed, with exceptions, not to sell or transfer any common stock for 180 days after the date of this prospectus without first obtaining the written consent of Merrill Lynch. Specifically, we and these other individuals have agreed not to directly or indirectly:

- offer, pledge, sell or contract to sell any common stock,
- sell any option or contract to purchase any common stock,
- purchase any option or contract to sell any common stock,
- grant any option, right or warrant for the sale of any common stock,
- lend or otherwise dispose of or transfer any common stock,
- request or demand that we file a registration statement related to the common stock, or
- enter into any swap or other agreement that transfers, in whole or in part, the economic consequence of ownership of any common stock whether any such swap or transaction is to be settled by delivery of shares or other securities, in cash or otherwise.

This lock-up provision applies to common stock and to securities convertible into or exchangeable or exercisable for or repayable with common stock. It also applies to common stock owned now or acquired later by the person executing the agreement or for which the person executing the agreement later acquires the power of disposition.

Merrill Lynch has informed us that while it does not currently expect to release the entities or persons bound by the lock-up arrangements, including affiliates, prior to the end of the lock-up period, it retains the right to do so at any time without notice at its sole discretion.

Stock Exchange Listing

We expect the shares to be approved for listing on a nationally recognized securities exchange under the symbol " ." In order to meet the requirements for listing on an exchange, the underwriters and the international managers may be required to undertake to sell a minimum number of shares to a minimum number of beneficial owners as required by the securities exchange.

Before this offering, there has been no public market for our common stock. The initial public offering price will be determined through negotiations among us, the selling stockholders and the representatives. In addition to prevailing market conditions, the factors to be considered in determining the initial public offering price are:

- the valuation multiples of publicly traded companies that the representatives believe to be comparable to us,
- our financial information,
- the history of, and the prospects for, our company and the industry in which we compete,
- an assessment of our management, our past and present operations, and the prospects for, and timing of, our future revenues,
- the present state of our development, and
- the above factors in relation to market values and various valuation measures of other companies engaged in activities similar to ours.

An active trading market for the shares may not develop. It is also possible that after the offering the shares will not trade in the public market at or above the initial public offering price.

The underwriters do not expect to sell more than 5% of the shares in the aggregate to accounts over which they exercise discretionary authority.

Price Stabilization, Short Positions and Penalty Bids

Until the distribution of the shares is completed, SEC rules may limit underwriters and selling group members from bidding for and purchasing our common stock. However, the representatives may engage in transactions that stabilize the price of the common stock, such as bids or purchases to peg, fix or maintain that price.

If the underwriters create a short position in the common stock in connection with the offering, i.e., if they sell more shares than are listed on the cover of this prospectus, the representatives may reduce that short position by purchasing shares in the open market. The representatives may also elect to reduce any short position by exercising all or part of the over-allotment option described above. Purchases of the common stock to stabilize its price or to reduce a short position may cause the price of the common stock to be higher than it might be in the absence of such purchases.

The representatives may also impose a penalty bid on underwriters and selling group members. This means that if the representatives purchase shares in the open market to reduce the underwriter's short position or to stabilize the price of such shares, they may reclaim the amount of the selling concession from the underwriters and selling group members who sold those shares. The imposition of a penalty bid may also affect the price of the shares in that it discourages resales of those shares.

Neither we nor any of the underwriters makes any representation or prediction as to the direction or magnitude of any effect that the transactions described above may have on the price of the common stock. In addition, neither we nor any of the underwriters makes any representation that the representatives will engage in these transactions or that these transactions, once commenced, will not be discontinued without notice.

Selling Restrictions

Each underwriter has agreed that (i) it has not offered or sold, and prior to the six months after the date of issue of the shares will not offer or sell any shares to persons in the United Kingdom except to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for purposes of their businesses or otherwise in circumstances which have not resulted and will not result in an offer to the public in the United Kingdom within the meaning of the Public Offers of Securities Regulations 1995, (ii) it has complied, and will comply with, all applicable provisions of the Financial Services and Markets Act 2000 of Great Britain ("FSMA") with respect to anything done by it in relation to the shares in, from or otherwise involving the United Kingdom and (iii) it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received by it in connection with the issue or sale of any shares in circumstances in which section 21(1) of the FSMA does not apply to the issuer.

Internet Distribution

Merrill Lynch will be facilitating Internet distribution for this offering to certain of its Internet subscription customers. Merrill Lynch intends to allocate a limited number of shares for sale to its online brokerage customers. An electronic prospectus is available on the Internet Web site maintained by Merrill Lynch. Other than the prospectus in electronic format, the information on the Merrill Lynch Web site is not part of this prospectus.

Other Relationships

Some of the underwriters and their affiliates have engaged in, and may in the future engage in, investment banking and other commercial dealings in the ordinary course of business with us. They have received customary fees and commissions for these transactions.

LEGAL MATTERS

The validity of the common stock offered hereby will be passed upon for us by Kirkland & Ellis LLP, New York, New York. Certain legal matters will be passed upon for the underwriters by Fried, Frank, Harris, Shriver & Jacobson LLP, New York, New York.

EXPERTS

The consolidated financial statements of RBC Bearings Incorporated at April 3, 2004 and March 29, 2003, and for each of the three years in the period ended April 3, 2004, appearing in this Prospectus and Registration Statement have been audited by Ernst & Young LLP, independent registered public accounting firm, as set forth in their report thereon appearing elsewhere herein, and are included in reliance upon such report given on the authority of such firm as experts in accounting and auditing.

WHERE YOU CAN FIND ADDITIONAL INFORMATION

We have filed a registration statement on Form S-1, including relevant exhibits and schedules, under the Securities Act with the SEC for the common stock we are offering by this prospectus. This prospectus, which contains a part of the registration statement, does not include all of the information contained in the registration statement. You should read the registration statement and its exhibits for additional information. Statements in this prospectus as to the contents of any contract, agreement or other document referred to are not necessarily complete. In each instance, reference is made to the copy of such document or contract filed as an exhibit to the registration statement, and each such statement is qualified in all respects by such reference. As a result of this offering, we will also be

required to file annual, quarterly and current reports, proxy statements and other information with the SEC.

You may read and copy all or any portion of the registration statement or any reports, statements or other information that we file at the SEC's Public Reference Room at 450 Fifth Street, N.W., Room 1024, Washington D.C. 20549. You can request copies of these documents, upon payment of a duplicating fee, by writing to the Securities and Exchange Commission. Please call the SEC at 1-800-SEC-0330 for further information on the operation of the Public Reference Room. Our SEC filings, including the registration statement, are also available to the public on the Internet at the SEC's web site at *http://www.sec.gov*.

RBC Bearings Incorporated

Index to Consolidated Financial Statements

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

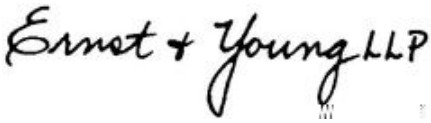
To the Board of Directors and Stockholders
RBC Bearings Incorporated

We have audited the accompanying consolidated balance sheets of RBC Bearings Incorporated as of April 3, 2004 and March 29, 2003, and the related consolidated statements of operations, stockholders' deficit and comprehensive income (loss), and cash flows for each of the three years in the period ended April 3, 2004. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Company's internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of RBC Bearings Incorporated at April 3, 2004 and March 29, 2003, and the consolidated results of its operations and its cash flows for each of the three years in the period ended April 3, 2004, in conformity with accounting principles generally accepted in the United States.

As discussed in Note 8 to the consolidated financial statements, in 2003 the Company changed its method of accounting for goodwill, pursuant to the adoption of Statement of Financial Accounting Standards No. 142, Goodwill and Other Intangible Assets.



Stamford, Connecticut
July 2, 2004

RBC Bearings Incorporated

Consolidated Balance Sheets

(dollars in thousands, except share data)

	April 3, 2004	March 29, 2003
ASSETS		
Current assets:		
Cash	$ 3,250	$ 3,553
Accounts receivable, net of allowance for doubtful accounts of $770 in 2004 and $744 in 2003	44,516	39,691
Inventory	90,504	86,188
Deferred income taxes	2,342	2,400
Prepaid expenses and other current assets	2,454	3,106
Total current assets	143,066	134,938
Property, plant and equipment, net	56,249	57,772
Restricted marketable securities	12	113
Goodwill	25,150	25,150
Intangible assets, net of accumulated amortization of $449 in 2004 and $105 in 2003	2,853	2,090
Deferred financing costs, net of accumulated amortization of $7,849 in 2004 and $6,332 in 2003	5,628	5,975
Other assets	1,788	6,318
Total assets	$ 234,746	$ 232,356
LIABILITIES AND STOCKHOLDERS' DEFICIT		
Current liabilities:		
Accounts payable	$ 13,618	$ 13,927
Accrued expenses and other current liabilities	13,276	15,505
Current portion of long-term debt	10,421	15,946
Capital lease obligations	201	149
Total current liabilities	37,516	45,527
Long-term debt, less current portion	204,803	194,987
Capital lease obligations, less current portion	225	75
Other non-current liabilities	8,487	9,416
Total liabilities	251,031	250,005
Commitments and contingencies (Note 17)	—	—
Class C redeemable preferred stock, $0.01 par value; authorized shares: 900,000 in 2004 and 2003; none issued and outstanding	—	—
Stockholders' deficit:		
Class A preferred stock, $0.01 par value; authorized shares: 15,500 in 2004 and 2003; none issued and outstanding	—	—
Class B exchangeable convertible participating preferred stock, $0.01 par value; authorized shares: 240,000 in 2004 and 2003; issued and outstanding shares: 240,000 in 2004 and 2003	2	2
Class D preferred stock, $0.01 par value; authorized shares: 240,000 in 2004 and 2003; none issued and outstanding	—	—
Class A voting common stock, $.01 par value; authorized shares: 8,000,000 in 2004 and 10,000,000 in 2003; issued and outstanding shares: 2,475,461 in 2004 and 2003	25	25
Class B super voting common stock, $.01 par value; authorized shares: 1,000,000 in 2004 and 10,000,000 in 2003; issued and outstanding shares: 100 in 2004 and 2003	—	—
Additional paid-in capital	33,485	33,485
Accumulated other comprehensive loss	(3,343)	(4,044)
Accumulated deficit	(46,454)	(47,117)
Total stockholders' deficit	(16,285)	(17,649)
Total liabilities and stockholders' deficit	$ 234,746	$ 232,356

See accompanying notes.

RBC Bearings Incorporated

Consolidated Statements of Operations

(dollars in thousands, except share data)

	Fiscal Year Ended		
	April 3, 2004 (53 weeks)	March 29, 2003	March 30, 2002
Net sales	$187,331	$172,860	$168,331
Cost of sales	135,433	124,086	114,575
Gross margin	51,898	48,774	53,756
Operating expenses:			
Selling, general and administrative	28,107	26,647	25,641
Other, net	1,662	1,424	937
Total operating expenses	29,769	28,071	26,578
Operating income	22,129	20,703	27,178
Interest expense, net	20,380	21,023	23,440
Gain on early extinguishment of debt	—	(780)	—
Other non-operating expenses	16	298	17
Income before income taxes	1,733	162	3,721
Provision for income taxes	1,070	113	2,052
Net income	$ 663	$ 49	$ 1,669
Net income (loss) per common share:			
Basic	$ (0.60)	$ (0.51)	$ 0.67
Diluted	$ (0.60)	$ (0.51)	$ 0.47
Weighted average common shares:			
Basic	2,475,561	2,475,561	2,475,561
Diluted	2,475,561	2,475,561	3,556,658

See accompanying notes.

RBC Bearings Incorporated

Consolidated Statements of Stockholders' Deficit and Comprehensive Income (Loss)

(dollars in thousands)

	Preferred Stock		Common Stock		Additional Paid-in Capital	Accumulated Other Comprehensive Loss	Accumulated Deficit	Total Stockholders' Deficit	Comprehensive Income/ (Loss)
	Shares	Amount	Shares	Amount					
Balance at March 31, 2001	—	$ —	2,475,561	$ 25	$ 10,598	$ 78	$ (48,835)	$ (38,134)	
Net income	—	—	—	—	—	—	1,669	1,669	$ 1,669
Currency translation adjustments	—	—	—	—	—	76	—	76	76
Minimum pension liability adjustment, net of taxes	—	—	—	—	—	(1,178)	—	(1,178)	(1,178)
Comprehensive income									$ 567
Balance at March 30, 2002	—	—	2,475,561	25	10,598	(1,024)	(47,166)	(37,567)	
Net income	—	—	—				49	49	$ 49
Issuance of Class B preferred stock	240,000	2	—	—	22,887	—	—	22,889	
Issuance of Class A preferred stock	—	—	—	—	3,025	—	—	3,025	
Repurchase of Class A preferred stock	—	—	—	—	(3,025)	—	—	(3,025)	
Currency translation adjustments	—	—	—	—	—	(1,455)	—	(1,455)	(1,455)
Minimum pension liability adjustment, net of taxes	—	—	—	—	—	(1,565)	—	(1,565)	(1,565)
Comprehensive loss									$ (2,971)
Balance at March 29, 2003	240,000	2	2,475,561	25	33,485	(4,044)	(47,117)	(17,649)	
Net income (53 weeks)	—	—	—	—	—	—	663	663	$ 663
Currency translation adjustments	—	—	—	—	—	63	—	63	63
Minimum pension liability adjustment, net of taxes	—	—	—	—	—	638	—	638	638
Comprehensive income									$ 1,364
Balance at April 3, 2004	240,000	$ 2	2,475,561	$ 25	$ 33,485	$ (3,343)	$ (46,454)	$ (16,285)	

See accompanying notes.

RBC Bearings Incorporated

Consolidated Statements of Cash Flows

(dollars in thousands)

	Fiscal Year Ended		
	April 3, 2004 (53 weeks)	March 29, 2003	March 30, 2002
Cash flows from operating activities:			
Net income	$ 663	$ 49	$ 1,669
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	8,838	8,714	8,304
Deferred income taxes	2,219	401	(648)
Amortization of intangible assets	344	105	801
Amortization of deferred financing costs and debt discount	1,580	3,304	9,257
Loss on disposition of assets	236	858	22
Other	—	28	28
Changes in operating assets and liabilities, net of acquisitions:			
Accounts receivable	(4,447)	1,032	(1,558)
Inventory	44	(8,713)	(8,586)
Prepaid expenses and other current assets	652	(688)	(1,100)
Other non-current assets	2,718	(2,631)	108
Accounts payable	(309)	(1,009)	(548)
Accrued expenses and other current liabilities	(5,507)	1,693	(3,734)
Other non-current liabilities	513	880	4,139
Net cash provided by operating activities	7,544	4,023	8,154
Cash flows from investing activities:			
Acquisition of businesses, net of cash acquired	(5,944)	(2,822)	(2,128)
Purchase of property, plant and equipment	(4,951)	(6,522)	(5,941)
Proceeds from restricted marketable securities	101	1,143	940
Proceeds from sale of land	—	—	627
Net cash used in investing activities	(10,794)	(8,201)	(6,502)
Cash flows from financing activities:			
Net (decrease) increase in revolving credit facility	(6,083)	(20,018)	9,000
Issuance of Class B preferred stock, net of fees	—	22,889	—
Retirement of senior secured discount debentures	—	(28,766)	—
Issuance of Class A preferred stock	—	3,025	—
Repurchase of Class A preferred stock	—	(3,025)	—
Payment of Industrial Revenue Bond	—	—	(1,845)
Proceeds from Industrial Revenue Bond	—	—	1,845
Proceeds from senior credit facility	10,000	40,664	—
Payments on term loans	(7,741)	(5,328)	(7,139)
Principal payments on capital lease obligations	(173)	(457)	(773)
Restructure of foreign debt	—	7,127	—
Financing fees paid in connection with senior credit facility	(1,090)	(3,226)	—
Proceeds from Swiss credit facility	7,971	—	—
Retirement of RBCA's senior credit facility	—	(10,974)	—
Net cash provided by financing activities	2,884	1,911	1,088
Effect of exchange rate changes on cash	63	(1,365)	374
Cash and cash equivalents:			
Increase (decrease) during the year	(303)	(3,632)	3,114
Cash, at beginning of year	3,553	7,185	4,071
Cash, at end of year	$ 3,250	$ 3,553	$ 7,185
Supplemental disclosures of cash flow information:			
Cash paid during the year for:			
Interest	$ 19,073	$ 15,745	$ 14,127
Income taxes	$ 321	$ 671	$ 255

See accompanying notes.

1. Organization and Business

RBC Bearings Incorporated ("Company", collectively with its subsidiaries), is a Delaware corporation. The Company operates in four reportable business segments—roller bearings, plain bearings, ball bearings and corporate and other—in which it manufactures roller bearing components and assembled parts and designs and manufactures high-precision roller and ball bearings. The Company sells to a wide variety of original equipment manufacturers ("OEMs") and distributors who are widely dispersed geographically. In fiscal 2004, 2003 and 2002, no one customer accounted for more than 4.0% of the Company's sales. The Company's segments are further discussed in Note 20.

2. Summary of Significant Accounting Policies

General

The consolidated financial statements include the accounts of RBC Bearings Incorporated, Roller Bearing Company of America, Inc. ("RBCA") and its wholly-owned subsidiaries, Industrial Tectonics Bearings Corporation ("ITB"), RBC Linear Precision Products, Inc. ("LPP"), RBC Nice Bearings, Inc. ("Nice"), Bremen Bearings, Inc. ("Bremen"), Miller Bearings, Inc. ("Miller"), Tyson Bearings., Inc. ("Tyson"), Schaublin, RBC de Mexico ("Mexico"), RBC Oklahoma, Inc. ("RBC Oklahoma") and RBC Aircraft Products, Inc. ("API"), as well as its Transport Dynamics ("TDC"), Heim ("Heim") and Engineered Components ("ECD") divisions. All material intercompany balances and transactions have been eliminated in consolidation.

The Company has a fiscal year consisting of 52 or 53 weeks, ending on the Saturday closest to March 31. Based on this policy, fiscal year 2004 contained 53 weeks and fiscal years 2003 and 2002 contained 52 weeks.

Cash and Cash Equivalents

The Company considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.

Inventory

Inventories are stated at the lower of cost or market, using the first-in, first-out method.

Shipping and Handling

The sales price billed to customers includes the costs associated with shipping and handling, which is included in net sales. The costs to the Company for shipping and handling are included in cost of sales.

Property, Plant, and Equipment

Property, plant, and equipment are recorded at cost. Depreciation and amortization of property, plant and equipment, including equipment under capital leases, is provided for by the straight-line method over the estimated useful lives (3 to 39 years) of the respective assets or the lease term, if shorter. Amortization of assets under capital leases is reported within depreciation and amortization. The cost of equipment under capital leases is equal to the lower of the net present value of the

minimum lease payments or the fair market value of the leased equipment at the inception of the lease. Expenditures for normal maintenance and repairs are charged to expense as incurred.

Recognition of Revenue and Accounts Receivable and Concentration of Credit Risk

The Company recognizes revenue only after the following four basic criteria are met:

- Persuasive evidence of an arrangement exists;
- Delivery has occurred or services have been rendered;
- The seller's price to the buyer is fixed or determinable; and
- Collectibility is reasonably assured.

Revenue is recognized upon the passage of title, which is at the time of shipment. In addition, revenue on long-term aerospace contracts at ITB is recognized under the percentage-of-completion (units-of-delivery method). Accounts receivable, net of applicable allowances, are recorded when goods are shipped.

The Company sells to a large number of OEMs and distributors who service the aftermarket. The Company's credit risk associated with accounts receivable is minimized due to its customer base and wide geographic dispersion. The Company performs ongoing credit evaluations of its customers' financial condition and generally does not require collateral or charge interest on outstanding amounts. At April 3, 2004 and March 29, 2003, the Company had no significant concentrations of credit risk.

Allowance for Doubtful Accounts

The Company maintains an allowance for doubtful accounts for estimated losses resulting from the inability of its customers to make required payments. The Company reviews the collectibility of its receivables on an ongoing basis taking into account a combination of factors. The Company reviews potential problems, such as past due accounts, a bankruptcy filing or deterioration in the customer's financial condition, to ensure the Company is adequately accrued for potential loss. Accounts are considered past due based on when payment was originally due. If a customer's situation changes, such as a bankruptcy or creditworthiness, or there is a change in the current economic climate, the Company may modify its estimate of the allowance for doubtful accounts. The Company will write-off accounts receivable after reasonable collection efforts have been made and the accounts are deemed uncollectible.

Goodwill and Amortizable Intangible Assets

The Company adopted the provisions of Statement of Financial Accounting Standards ("SFAS") No. 141, "Business Combinations," and SFAS No. 142, "Goodwill and Other Intangible Assets," at the beginning of fiscal 2003. These standards require that all business combinations be accounted for using the purchase method and that goodwill (representing the excess of the amount paid to acquire a company over the estimated fair value of the net assets acquired) and intangible assets with indefinite useful lives not be amortized but instead be tested for impairment annually (performed by the Company during the fourth quarter of each fiscal year), or when events or circumstances indicate that

its value may have declined. Goodwill had been amortized by the straight-line method over a 40-year period through March 30, 2002. Effective with fiscal 2003, goodwill amortization was suspended in conjunction with the adoption of SFAS No. 142.

Definite-lived intangible assets are being amortized over their useful lives of 5 to 15 years. Also included in intangible assets is an asset relating to the Company's minimum pension liability, as further described in Note 13.

Deferred Financing Costs

Deferred financing costs are amortized by the effective interest method over the lives of the related credit agreements (5 to 23 years).

Income Taxes

The Company accounts for income taxes using the liability method, which requires it to recognize a current tax liability or asset for current taxes payable or refundable and a deferred tax liability or asset for the estimated future tax effects of temporary differences between the financial statement and tax reporting bases of assets and liabilities to the extent that they are realizable. Deferred tax expense (benefit) results from the net change in deferred tax assets and liabilities during the year.

Temporary differences relate primarily to the timing of deductions for depreciation, goodwill amortization relating to the acquisition of operating divisions, basis differences arising from acquisition accounting, pension and retirement benefits, and various accrued and prepaid expenses. Deferred tax assets and liabilities are recorded at the rates expected to be in effect when the temporary differences are expected to reverse.

Net Income (Loss) Per Common Share

Basic net income (loss) per common share is computed by dividing net income (loss) available to common stockholders by the weighted-average number of common shares outstanding. Diluted net income (loss) per common share is computed by dividing net income (loss) by the sum of the weighted-average number of common shares, dilutive common share equivalents then outstanding using the treasury stock method and the assumed conversion of preferred stock to common shares. Common equivalent shares consist of the incremental common shares issuable upon the exercise of stock options and warrants.

If the above calculation results in a net loss available to common stockholders (due to a net loss for the period or the effect of accrued preferred stock dividends) and if the effect of including common shares equivalents and the assumed conversion of preferred stock is anti-dilutive, then diluted net loss per common share will equal basic net loss per common share.

The table below reflects the calculation of weighted-average shares outstanding for each year presented as well as the computation of basic and diluted net income (loss) per common share:

	Fiscal Year Ended		
	April 3, 2004 (53 weeks)	March 29, 2003	March 30, 2002
Numerator:			
Net income	$ 663	$ 49	$1,669
Accrued preferred stock dividends	(2,144)	(1,313)	—
Numerator for basic net income (loss) per common share—income (loss) available to common stockholders	(1,481)	(1,264)	1,669
Effect of preferred stock dividends	2,144	1,313	—
Numerator for diluted net income (loss) per common share—income (loss) available to common stockholders after assumed conversion of preferred stock	$ 663	$ 49	$1,669
Denominator:			
Denominator for basic net income (loss) per common share—weighted-average shares	2,475,561	2,475,561	2,475,561
Effect of dilutive securities:			
Employee stock options and warrants	874,131	1,081,232	1,081,097
Convertible preferred stock	738,558	491,698	—
Dilutive potential common shares	1,612,689	1,572,930	1,081,097
Denominator for diluted net income (loss) per common share—adjusted weighted-average shares and assumed conversions	4,088,250	4,048,491	3,556,658
Basic net income (loss) per common share	$ (0.60)	$ (0.51)	$ 0.67
Diluted net income (loss) per common share	$ (0.60)	$ (0.51)	$ 0.47

For additional disclosures regarding the outstanding preferred stock and the employee stock options and warrants, see Note 16.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities, at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Estimates are used for, but not limited to, the accounting for the allowance for doubtful accounts, valuation of inventories, accrued expenses, depreciation and amortization and pension and postretirement obligations.

Impairment of Long-Lived Assets

The Company assesses the net realizable value of its long-lived assets and evaluates such assets for impairment whenever indicators of impairment are present.

For amortizable long-lived assets to be held and used, if indicators of impairment are present, management determines whether the sum of the estimated undiscounted future cash flows are less than the carrying amount. The amount of asset impairment, if any, is based on the excess of the carrying amount over its fair value, which is estimated based on projected discounted future operating cash flows using a discount rate reflecting the Company's average cost of funds. To date, no indicators of impairment exist.

Long-lived assets to be disposed of by sale or other means are reported at the lower of carrying amount or fair value, less costs to sell.

Foreign Currency Translation and Transactions

Assets and liabilities of the Company's foreign operations are translated into U.S. dollars using the exchange rate in effect at the balance sheet date. Results of operations are translated using the average exchange rate prevailing throughout the period. The effects of exchange rate fluctuations on translating foreign currency assets and liabilities into U.S. dollars are included in accumulated other comprehensive loss, while gains and losses resulting from foreign currency transactions, which were not material for any of the fiscal years presented, are included in selling, general and administrative expenses. Net income of the Company's foreign operations for fiscal 2004, 2003 and 2002 amounted to $2,242, $3,068 and $1,328, respectively.

Fair Value of Financial Instruments

The carrying amounts reported in the balance sheet for cash, accounts receivable, prepaids and other current assets, and accounts payable and accruals approximate their fair value.

The carrying amounts of the Company's Senior Subordinated notes payable and discount debentures approximate fair value and are estimated based on the quoted market price of similar debt instruments. The carrying amounts of the Company's borrowings under its Senior Credit Facility, Swiss Credit Facility and Industrial Development Revenue Bonds approximate fair value, as these obligations have interest rates which vary in conjunction with current market conditions.

Early Extinguishment of Debt

SFAS No. 145, "Rescission of FASB Statements No. 4, 44 and 64, Amendment of FASB Statement No. 13 and Technical Corrections", was issued in April 2002 and addresses the reporting of gains and losses resulting from the extinguishment of debt, accounting for sale-leaseback transactions and rescinds or amends other existing authoritative pronouncements. SFAS No. 145 requires that any gain or loss on extinguishment of debt that does not meet the criteria of Accounting Principles Board Opinion ("APB") No. 30 for classification as an extraordinary item shall not be classified as extraordinary and shall be included in earnings from continuing operations. The gain on early extinguishment of debt in

fiscal year 2003 has been classified as non-operating income in the accompanying consolidated statements of operations.

Accumulated Other Comprehensive Loss

The components of comprehensive income (loss) that relate to the Company are net income, foreign currency translation adjustments and pension plan additional minimum liability, all of which are presented in the consolidated statements of stockholders' deficit and comprehensive income (loss).

The following summarizes the activity within each component of accumulated other comprehensive income (loss):

	Currency Translation	Minimum Pension Liability	Total
Balance at March 31, 2001	$ 12	$ 66	$ 78
Currency translation	76	—	76
Minimum pension liability	—	(1,178)	(1,178)
Balance at March 30, 2002	88	(1,112)	(1,024)
Currency translation	(1,455)	—	(1,455)
Minimum pension liability	—	(1,565)	(1,565)
Balance at March 29, 2003	(1,367)	(2,677)	(4,044)
Currency translation	63	—	63
Minimum pension liability	—	638	638
Balance at April 3, 2004	$ (1,304)	$ (2,039)	$ (3,343)

Stock-Based Compensation

The Company accounts for options and warrants granted to employees using the intrinsic value method pursuant to APB No. 25, "Accounting for Stock Issued to Employees," under which no compensation cost has been recognized since the exercise price of all grants issued was at or above the fair market value of the Company's common stock at the date of grant as determined by the Board of Directors. Had compensation cost for these grants been determined based on the fair value at the grant

dates consistent with SFAS No. 123, "Accounting for Stock-Based Compensation," the Company's net income would have been reduced to the following pro-forma amounts:

	Fiscal Year Ended		
	April 3, 2004	March 29, 2003	March 30, 2002
Net income, as reported	$ 663	$ 49	$ 1,669
Less: stock-based compensation expense determined under fair value method, net of tax	131	56	—
Pro-forma net income (loss)	$ 532	$ (7)	$ 1,669
Net income (loss) per common share, as reported:			
Basic	$ (0.60)	$ (0.51)	$ 0.67
Diluted	$ (0.60)	$ (0.51)	$ 0.47
Net income (loss) per common share, pro-forma:			
Basic	$ (0.65)	$ (0.53)	$ 0.67
Diluted	$ (0.65)	$ (0.53)	$ 0.47

For purposes of the pro-forma disclosures, the estimated fair value of the options and warrants is amortized to expense over the service period that generally is the option or warrant vesting period. The weighted average fair value of options and warrants granted was $578 in fiscal 2004 and $1,557 in fiscal 2003. During fiscal 2001, in conjunction with an accelerated vesting decision, all outstanding warrants and options became fully vested. During fiscal 2002, there were no issuances of warrants or options; therefore, no pro-forma stock-based compensation adjustment was necessary.

The fair value for the Company's options and warrants was estimated at the date of grant using a Black-Scholes option-pricing model with the following weighted-average assumptions.

	Fiscal Year Ended	
	April 3, 2004	March 29, 2003
Dividend yield	0.0%	0.0%
Expected weighted-average life	3.0	3.0
Risk-free interest rate	3.5%	3.5%
Expected volatility	0.1%	0.1%

The Black-Scholes pricing model was developed for use in estimating the fair value of traded options and warrants which have no vesting restrictions and are fully transferable. In addition, option and warrant valuation models require the input of highly subjective assumptions, including the expected stock price volatility. Because our warrants have characteristics significantly different from those of traded options and warrants, and because changes in the subjective input assumptions can materially affect the fair value estimate, the existing models do not necessarily provide a reliable single measure of the fair value of its options and warrants.

Recent Account Pronouncements

In January 2003, the Financial Accounting Standards Board ("FASB") issued Interpretation No. 46, "Consolidation of Variable Interest Entities, an Interpretation of Accounting Research Bulletin (ARB) No. 51", ("FIN 46"). FIN 46 requires certain variable interest entities to be consolidated by the primary beneficiary of the entity if the equity investors in the entity do not have the characteristics of a controlling financial interest or do not have sufficient equity at risk for the entity to finance its activities without additional subordinated financial support from other parties. FIN 46 is effective for all new variable interest entities created or acquired after January 31, 2003. For variable interest entities created or acquired prior to February 1, 2003, the provisions of FIN 46 must be applied for the first interim or annual period beginning after June 15, 2003. However, in December 2003, the FASB deferred the effective date of FIN 46 to the end of the first interim or annual period ending after December 15, 2003 for those arrangements involving special purpose entities entered into prior to February 1, 2003. All other arrangements within the scope of FIN 46 are subject to its provisions beginning in 2004. The Company adopted FIN 46, as required, with no material impact to its consolidated financial position or results of operations.

3. Acquisitions

In a transaction effective as of August 20, 2001, RBCA, through its wholly-owned subsidiary, RBC Oklahoma, purchased certain assets used in the design, development, manufacture, assembly and sale of tapered thrust bearings, universal joints, synchronizing rings and GTRAG bearings, previously owned by Driveline Technologies, Inc., from Prime Financial Corporation and Congress Financial Corporation (Southwest), for an aggregate purchase price of $2,400.

In a transaction effective as of December 2002, RBCA, through its wholly-owned subsidiary, Schaublin, SA, purchased all of the outstanding capital stock of myonic SAS ("Myonic"). The capital stock of Myonic was purchased from myonic AG, a Swiss corporation. Myonic is engaged in the sale of bearings manufactured by Schaublin and third parties. The total consideration paid by the Company was $2,822, of which $1,722 was allocated to goodwill, which is expected to be deductible for income tax purposes. The corporate name of Myonic has since been changed to RBC France SAS. RBC France is included in the plain bearings reportable segment.

Effective December 22, 2003, API, a wholly-owned subsidiary of RBCA, purchased the airframe control bearing business of Timken Corp., located in Torrington, CT. The total consideration paid was $5,944. The preliminary purchase price allocation, which will be completed upon receipt of the intangible asset valuation, is as follows: accounts receivable ($379), inventory ($4,361), property, plant and equipment ($2,601), intangible assets ($997) and accrued expenses ($2,394). The products associated with the acquisition are complementary with products already provided by other Company businesses. API is included in the roller bearings reportable segment.

The results of operations subsequent to the effective dates of the acquisitions are included in the results of operations of the Company. Unaudited pro-forma consolidated results of operations of the Company, based upon pre-acquisition unaudited historical information provided for the years ended

April 3, 2004, March 29, 2003 and March 30, 2002, as if the Myonic and API acquisitions took place on April 1, 2001, are as follows:

	Fiscal Year Ended		
	April 3, 2004	March 29, 2003	March 30, 2002
Net sales	$ 209,384	$ 207,800	$ 205,116
Net income	$ 2,943	$ 3,734	$ 5,569
Net income per common share:			
Basic	$ 0.25	$ 0.75	$ 2.25
Diluted	$ 0.18	$ 0.56	$ 1.57

4. Allowance for Doubtful Accounts

The activity in the allowance for doubtful accounts consists of the following:

Fiscal Year Ended	Balance at Beginning of Year	Additions	Write-offs	Balance at End of Year
April 3, 2004	$ 744	$ 378	$ (352)	$ 770
March 29, 2003	621	123	—	744
March 30, 2002	257	364	—	621

5. Inventory

Inventory consists of the following:

	April 3, 2004	March 29, 2003
Raw materials	$ 3,611	$ 2,707
Work in process	25,798	17,745
Finished goods	61,095	65,736
	$ 90,504	$ 86,188

6. Property, Plant and Equipment

Property, plant and equipment consist of the following:

	April 3, 2004	March 29, 2003
Land	$ 6,983	$ 6,983
Buildings	15,492	14,081
Machinery and equipment	105,143	99,670
	127,618	120,734
Less: accumulated depreciation and amortization	71,369	62,962
	$ 56,249	$ 57,772

7. Restricted Marketable Securities

Restricted marketable securities, which are classified as available for sale, consist of short-term investments of $12 and $113 at April 3, 2004 and March 29, 2003, respectively, which were purchased with proceeds from industrial development revenue bonds issued by the Company during fiscal 2000, 1999 and 1995. The use of these investments is restricted primarily for capital expenditure requirements in accordance with the applicable loan agreement and, accordingly, are classified as non-current. These investments consist of highly liquid investments with insignificant interest rate risk and original maturities of three months or less, and are carried at market value, which approximates cost.

8. Goodwill and Amortizable Intangible Assets

On March 31, 2002, the Company adopted SFAS No. 142, "Goodwill and Other Intangible Assets", which eliminates the amortization of goodwill and instead requires that goodwill be tested for impairment at least annually. Transitional impairment tests of goodwill made by the Company during the quarter ended June 29, 2002, and annual impairment tests made during the quarters ended March 29, 2003 and April 3, 2004, did not require adjustment to the carrying value of its goodwill. There were no changes to goodwill during the two years in the period ended April 3, 2004.

Goodwill balances, by segment, for the two years in the period ended April 3, 2004 are as follows:

	Fiscal Year Ended	
	April 3, 2004	March 29, 2003
Roller	$ 15,673	$ 15,673
Plain	9,477	9,477
	$ 25,150	$ 25,150

Per the provisions of SFAS No. 142, the Company's definite-lived intangible assets, consisting primarily of acquired distribution agreements and customer lists, are amortized over their useful lives of five years. Also included in intangible assets is an asset relating to the Company's minimum pension liability, as further described in Note 13.

Actual results of operations for the years ended April 3, 2004 and March 29, 2003, and the pro-forma results of operations for the year ended March 30, 2002 had we applied the non-amortization provisions of SFAS 142 in fiscal 2002, is as follows:

	Fiscal Year Ended		
	April 3, 2004	March 29, 2003	March 30, 2002
Net income, as reported	$ 663	$ 49	$ 1,669
Add: Goodwill amortization, net of tax	—	—	481
Pro-forma net income	$ 663	$ 49	$ 2,150
Pro-forma net income (loss) per common share:			
Basic	$ (0.60)	$ (0.51)	$ 0.87
Diluted	$ (0.60)	$ (0.51)	$ 0.60

Amortization expense for definite-lived intangible assets during the fiscal years ended 2004, 2003 and 2002 was $344, $105, and $0, respectively. Estimated amortization expense for the five succeeding fiscal years and thereafter is as follows:

2005	$ 462
2006	462
2007	462
2008	357
2009	118
2010 and thereafter	409

9. Accrued Expenses and Other Current Liabilities

The significant components of accrued expenses and other current liabilities are as follows:

	April 3, 2004	March 29, 2003
Employee compensation and related benefits	$ 3,782	$ 2,713
Interest	4,742	5,161
Other	4,752	7,631
	$ 13,276	$ 15,505

10. Debt

During fiscal 1998, the Company issued $110,000 aggregate principal amount of $9^{5}/_{8}$% Senior Subordinated Notes due 2007 ("Notes"). The Notes paid interest semi-annually and had an original maturity date of June 15, 2007, but could be redeemed at the Company's option earlier under certain conditions specified in the indenture (the "Indenture") pursuant to which the Notes were issued. The Notes were unsecured and subordinate to all existing and future Senior Indebtedness (as defined in the Indenture) of the Company. The Notes were fully, unconditionally and irrevocably guaranteed jointly and severally, on a senior subordinated basis, by each of the domestic wholly-owned subsidiaries of RBCA. The Notes were repaid on June 29, 2004 (Note 21).

During fiscal 1998, the Company issued $40,000 of Senior Subordinated Discount Debentures ("Debentures") due in 2009, which had an aggregate principal amount at maturity of $74,882. During fiscal 2003, the Company made principal payments on this debt of $30,400. At April 3, 2004, the principal amount due at maturity is $38,562. The Debentures accrue interest at 13% per annum with no periodic payments due until June 2002, after which time interest is payable in cash, semi-annually. The Debentures generally did not require the payment of cash interest until December 15, 2002, and do not mature until June 15, 2009. The Debentures are callable at any point subsequent to June 2002, at a premium to the principal amount declining to par at the end of June 2008. Additionally, the Company may, at any time at its option, redeem the Debentures, in whole or in part, with the net cash proceeds of one or more public equity offerings by the Company. The Debentures are senior secured obligations of the Company, senior in right of payment to all existing and future subordinated indebtedness of the Company. The Debentures are secured by all of the outstanding common stock of RBCA.

RBCA and its domestic subsidiaries entered into a $94,000 senior secured credit facility ("Senior Credit Facility"), dated May 30, 2002, with General Electric Capital Corporation, as agent and lender, Congress Financial Corporation (Western), as lender, GECC Capital Markets Group, as lead arranger, and other lenders signatory thereto from time to time, consisting of a $40,000 term loan ("Term Loans") and a $54,000 revolving credit facility ("Revolving Credit Facility"). This credit facility was amended and restated on December 19, 2003 to add a further $10,000 term loan ("Term Loan B"). In connection with this credit facility, RBCA and its domestic subsidiaries granted liens and mortgages on substantially all of their existing and future personal and real property. In addition, RBCA pledged all

of its capital stock in its domestic subsidiaries and a portion of its capital stock in its directly-owned foreign subsidiaries.

The proceeds of the Term Loans were used to pay off RBCA's senior credit facility, dated June 23, 1997, by and between RBCA, Credit Suisse First Boston, as administrative agent, and the lenders thereto, to pay fees and expenses with respect to the new credit facility and for other corporate purposes. The Revolving Credit Facility is available for issuances of letters of credit of up to $25,000 and for loans in connection with acquisitions, working capital needs or other general corporate purposes.

On June 19, 2003, RBCA further amended and restated the Senior Credit Facility in order to increase its liquidity and to facilitate the funding of RBCA's foreign operations. The Senior Credit Facility now includes a structure under which RBCA may include certain of its foreign assets within the "collateral borrowing base" that sets forth the amounts that RBCA may borrow under its Revolving Credit Facility. As part of this amendment, RBCA has created intercompany loan and asset pledge arrangements (including pledges of certain foreign assets) that are all ultimately assigned to the lenders as further collateral to secure the borrowings under the Senior Credit Facility.

The Senior Credit Facility is secured by substantially all of the Company's assets. Under the terms of the Senior Credit Facility, the Company is required to comply with various operational and financial covenants, including minimum EBITDA, minimum fixed charge coverage, total interest coverage and maximum leverage ratio, as defined in the credit agreements.

In addition, the Senior Credit Facility places limitations on the Company's capital expenditures in any fiscal year, restricts its ability to pay dividends, requires the Company to obtain the lenders' consents to certain acquisitions and contains mandatory prepayment provisions which include prepayments from the sale of the Company's stock and 50% of excess cash flow, as defined.

On December 8, 2003, Schaublin entered into a bank credit facility (the "Swiss Credit Facility") with Credit Suisse providing for 10,000 swiss francs, or approximately $8,000, of term loans (the "Swiss Term Loans") and up to 2,000 swiss francs, or approximately $1,600, of revolving credit loans and letters of credit (the "Swiss Revolving Credit Facility"). RBCA pledged 99.4% of the present and future share capital of Schaublin (1,366 shares) against this facility. In connection with the purchase of Myonic, RBCA entered into an eighteen-month loan ("Myonic Loan") with the Seller for 500 Euros, or approximately $399.

In connection with the purchase of Tyson, the Company entered into a loan for $1,072 with the former owner of Tyson for the purchase of certain leasehold improvements, which are included in property, plant and equipment. This loan bears interest at 9.0% and is paid monthly. The term of the loan is for 75 months and ends in June 2005.

At April 3, 2004, $19,880 of the Revolving Credit Facility was being utilized to provide letters of credit to secure the Company's obligations relating to certain Industrial Development Revenue Bonds ($16,655), described below, and a letter of credit securing a captive insurance policy primarily in relation to workers compensation ($2,975). A letter of credit fee of 2.25% per annum, payable quarterly in arrears, is required on the outstanding amount of the letter of credit. As of April 3, 2004,

the Company had the ability to borrow up to an additional $13,990 under the Revolving Credit Facility. Borrowings outstanding under this facility as of April 3, 2004 were $2,500. A commitment fee of 0.5%, or 0.75% per annum, payable quarterly in arrears, is required on the unused portion of the Revolving Credit Facility, which is calculated on the percentage of the revolver that is not utilized. The interest rate for borrowings outstanding on this facility as of April 3, 2004 was 5.25%.

During fiscal 1995, the Company entered into a loan agreement with the South Carolina Jobs Economic Development Authority ("SC JEDA") which provides for borrowings up to $10,700 under two industrial development revenue bonds (Series 1994 A and B) and, during fiscal 1999, the Company entered into an additional loan agreement with the SC JEDA which provides for borrowings up to $3,000 under an industrial development revenue bond (Series 1998). The interest rate is variable and based on the 90-day U.S. Treasury Bill rate. Additionally, during fiscal 2000, the Company entered into a loan agreement with the California Infrastructure and Economic Development Bank which provides for borrowings up to $4,800 under an industrial development revenue bond (Series 1999) (collectively, "Bonds"). The interest rate on the Bonds is variable and based on the Bond Market Association 7-day Municipal Swap Index. The proceeds from the Bonds are restricted for working capital requirements and capital expenditure purposes. On March 1, 2002, the Company retired the unused portion of the Series 1998 bonds of $1,845, thereby reducing the amount of the loan agreement and the restricted marketable securities balances by this amount. As of April 3, 2004, $18,254 of the proceeds have been expended (including accumulated interest of $1,611), and the remaining $12 is invested by the trustee in marketable securities. The Series 1994 A and B bonds and the Series 1998 bonds are secured by an irrevocable direct-pay letter of credit issued by one of the Company's lenders. The letter of credit is equal to the aggregate principal amount of the bonds plus not less than forty-five days' interest thereon, calculated at 12% per annum ($12,026 at April 3, 2004). The Series 1999 bonds are likewise secured by an irrevocable direct-pay letter of credit issued by one of the Company's lenders. The Company's obligation to its lenders is secured pursuant to the provisions of the Credit Facility and is equal to the aggregate principal amount of the bonds plus not less than fifty days' interest thereon, calculated at 12% per annum ($4,879 at April 3, 2004).

The balances payable under all borrowing facilities are as follows:

	April 3, 2004	March 29, 2003
$9^5/_8$% Senior Subordinated Notes Payable	$ 110,000	$ 110,000
13% Senior Subordinated Discount Debentures	37,806	37,663
Senior Credit Facility		
Term Loans, payable in quarterly installments of $1,428, commencing September 30, 2002, with final payment of $12,857 due May 30, 2007; bears interest at variable rates, payable monthly and upon maturity at prime or LIBOR, at the Company's election	30,000	37,143
Term Loan B, payable May 30, 2007; bears interest at variable rates, payable monthly and upon maturity at prime or LIBOR, at the Company's election	10,085	—
Revolving Credit Facility	2,500	8,582
Swiss Credit Facility		
Term Loan, payable in semi-annual installments ranging from approximately $400, commencing March 31, 2004, to approximately $1,000 from September 30, 2005, with final payment due March 31, 2009; bears interest at variable rates, payable quarterly	7,480	—
Other Loans	698	890
Industrial Development Revenue Bonds		
Series 1994 A, due in annual installments of $180 beginning September 1, 2006, graduating to $815 on September 1, 2014, with final payment due on September 1, 2017; bears interest at a variable rate, payable monthly through December 2017	7,700	7,700
Series 1994 B, bears interest at a variable rate, payable monthly through December 2017	3,000	3,000
Series 1998, bearing interest at variable rates, payable monthly through December 2021	1,155	1,155
Series 1999, bearing interest at variable rates, payable monthly through April 2024	4,800	4,800
Total Debt	215,224	210,933
Less: Current Portion	10,421	15,946
Long-Term Debt	$ 204,803	$ 194,987

The current portion of long-term debt as of April 3, 2004 and March 29, 2003 includes $2,500 and $8,582, respectively, of borrowings on the Revolving Credit Facility.

The Company is subject to fluctuating interest rates that may impact its consolidated results of operations or cash flows for its variable rate Senior Credit Facility, Swiss Credit Facility and Industrial

Development Revenue Bonds. As of April 3, 2004, the weighted average interest rate on the Company's debt was approximately 8.6%.

RBCA incurred approximately $4,137 of fees primarily related to costs associated with the issuance of the Senior Credit Facility. RBCA also incurred approximately $5,458 of fees related to costs associated with the issuance of the Notes and $180 of fees related to costs associated with the Swiss Credit Facility. These costs have been capitalized as deferred financing costs and are being amortized over the term of the respective debt.

Maturities of debt during each of the following five fiscal years and thereafter are as follows:

2005	$ 10,421
2006	7,749
2007	7,289
2008	24,321
2009	110,983
Thereafter	54,461
Total	$ 215,224

11. Obligations Under Capital Leases

Machinery and equipment additions under capital leases amounted to $458, $0 and $0 in fiscal 2004, 2003 and 2002, respectively. The average imputed rate of interest on capital leases at each year end is 4.4%, 7.0% and 6.7% in fiscal 2004, 2003 and 2002, respectively.

Included in property, plant and equipment are the following assets held under capital leases:

	April 3, 2004	March 29, 2003
Machinery and equipment	$ 6,512	$ 6,054
Accumulated depreciation	(5,612)	(5,210)
	$ 900	$ 844

Future minimum lease payments under capital leases at April 3, 2004 are as follows:

2005	$ 214
2006	137
2007	99
2008	2
Total minimum lease payments	452
Less: amount representing interest	26
Present value of net minimum lease payments	426
Less: current maturities	201
Non-current capital lease obligations	$ 225

12. Other Non-Current Liabilities

The significant components of other non-current liabilities consist of:

	April 3, 2004	March 29, 2003
Deferred income taxes	$ —	$ 229
Additional minimum pension liability	3,979	4,935
Other post-retirement benefits	2,995	3,153
Other	1,513	1,099
	$ 8,487	$ 9,416

13. Pension Plans

At April 3, 2004, the Company has noncontributory defined benefit pension plans covering union employees in its Heim division plant in Fairfield, Connecticut, its Nice subsidiary plant in Kulpsville, Pennsylvania, its Bremen subsidiary plant in Plymouth, Indiana and its Tyson subsidiary plant in Glasgow, Kentucky.

Plan assets are comprised primarily of U.S. government securities, corporate bonds and stocks. The plans provide benefits of stated amounts based on a combination of an employee's age and years of service. The Company uses a December 31 measurement date for its plans. The Company expects to contribute approximately $2,000 to its pension plans in fiscal year 2005.

The following table sets forth net periodic benefit cost of the Company's plans for the three fiscal years in the period ended April 3, 2004:

	Fiscal Year Ended		
	April 3, 2004	March 29, 2003	March 30, 2002
Components of net periodic benefit cost:			
Service cost	$ 497	$ 361	$ 276
Interest cost	923	894	864
Expected return on plan assets	(803)	(912)	(984)
Amortization of prior service cost	19	(4)	(29)
Amortization of losses	343	108	38
Plan administrative expenses	—	—	54
Net periodic benefit cost	$ 979	$ 447	$ 219

The following tables set forth the funded status of the Company's defined benefit pension plans, the amount recognized in the balance sheet at April 3, 2004 and March 29, 2003, and the principal weighted-average assumptions inherent in their determination:

	April 3, 2004	March 29, 2003
Change in benefit obligation:		
Benefit obligation at beginning of year	$ 14,420	$ 12,684
Service cost	497	361
Interest cost	923	894
Plan amendments	246	290
Actuarial loss	117	909
Benefits paid	(783)	(718)
Benefit obligation at end of year	15,420	14,420
Change in plan assets:		
Fair value of plan assets at beginning of year	9,143	10,341
Actual return on plan assets	1,760	(921)
Employer contributions	669	441
Benefits paid	(783)	(718)
Fair value of plan assets at end of year	10,789	9,143
Reconciliation of funded status at end of year:		
Underfunded status	(4,631)	(5,277)
Unrecognized prior service cost	302	75
Unrecognized actuarial net loss	3,677	4,860
Net amount recognized in the balance sheet	$ (652)	$ (342)
Amounts recognized in the balance sheet:		
Minimum pension liability	$ (4,631)	$ (5,277)
Intangible asset	583	473
Accumulated other comprehensive loss	3,396	4,462
Net amount recognized in the balance sheet	$ (652)	$ (342)

Benefits under the union plans are not a function of employees' salaries; thus, the accumulated benefit obligation equals the projected benefit obligation.

The assumptions used in determining the net periodic benefit cost information are as follows:

	FY2004	FY2003	FY2002
Discount rate	6.50%	7.25%	7.50%
Expected long-term rate of return on plan assets	9.00%	9.00%	9.00%

The discount rate used in determining the funded status as of April 3, 2004 and March 29, 2003 is 6.25% and 6.50%, respectively.

In developing the overall expected long-term return on plan assets assumption, a building block approach was used in which rates of return in excess of inflation were considered separately for equity securities and debt securities. The excess returns were weighted by the representative target allocation and added along with an appropriate rate of inflation to develop the overall expected long-term return on plan assets assumption.

The Company recorded a minimum pension liability of $4,631 and $5,277 at April 3, 2004 and March 29, 2003, respectively. This liability represents the amount by which the accumulated benefit obligation exceeds the sum of the fair market value of plan assets. The additional minimum pension liability at April 3, 2004 and March 29, 2003 of $3,979 and $4,935, respectively, is offset by an intangible asset to the extent of previously unrecognized prior service cost. The intangible assets of $583 and $473 at April 3, 2004 and March 29, 2003, respectively, are included on the line item entitled "Intangible assets" in the consolidated balance sheet. The remaining amounts of $2,039 and $2,677, net of deferred income taxes of $1,357 and $1,785, respectively, are recorded as a component of stockholders' deficit on the line item titled "Accumulated other comprehensive loss" in the consolidated balance sheet at April 3, 2004 and March 29, 2003, respectively. The intangible asset in 2004 and 2003 is greater than the unrecognized prior service cost because two of the Company's plans have an unrecognized negative prior service cost.

The Company's investment program objective is to achieve a rate of return on plan assets which will fund the plan liabilities and provide for required benefits while avoiding undue exposure to risk to the plan and increases in funding requirements.

At March 29, 2003, the target allocation for each category of plan assets was 35 percent equity investments and 65 percent fixed income investments. During fiscal year 2004, the Company undertook a review of its investment policy with regard to plan assets, including allocation of plan assets among investment categories. As part of this review, the Company established a new target allocation of plan assets which, on April 3, 2004, was 100 percent equity investments.

The following benefit payments, which reflect future service as appropriate, are expected to be paid. The benefit payments are based on the same assumptions used to measure the Company's benefit obligation at the end of fiscal 2004.

2005	$ 823
2006	866
2007	869
2008	918
2009	1,003
2010–2015	6,326

In addition, the Company has a defined contribution plan under Section 401(k) of the Internal Revenue Code for all of its employees not covered by a collective bargaining agreement. The plan is funded by eligible participants through employee contributions and by Company contributions equal to a percentage of eligible employee compensation. Effective October 1, 2001, the Company suspended matching contributions to this plan. Employer contributions under this plan amounted to $602 in fiscal 2002. Effective April 4, 2004, the Company resumed a program of employer matching contributions to this plan.

Effective September 1, 1996, the Company adopted a non-qualified Supplemental Executive Retirement Plan ("SERP") for a select group of highly compensated management employees designated by the Board of Directors of the Company. The SERP allows eligible employees to elect to defer, until termination of their employment, the receipt of up to 25% of their current salary. The Company makes contributions equal to the lesser of 50% of the deferrals, or 3.5% of the employees' annual salary, which vest in full after three years of service following the effective date of the SERP. Employer contributions under this plan amounted to $58, $52, and $69 in fiscal 2004, 2003 and 2002, respectively.

14. Postretirement Health Care and Life Insurance Benefits

The Company, for the benefit of employees at its Heim, West Trenton, Nice, Tyson and Bremen facilities, sponsors contributory defined benefit health care plans that provide postretirement medical and life insurance benefits to union employees who have attained certain age and/or service requirements while employed by the Company. The plans are unfunded and costs are paid as incurred. Postretirement benefit obligations are included in "Other non-current liabilities" in the consolidated balance sheet.

The Company uses a March 31 measurement date for its plans. The Company expects to contribute approximately $340 to its postretirement benefit plans in fiscal year 2005.

On December 8, 2003, the Medicare Prescription Drug Improvement and Modernization Act of 2003 (the "Act") was signed into law. The Company is evaluating how and when any Federal subsidies would apply. The postretirement benefit obligation and net periodic benefit cost shown in the tables below do not reflect the possible effects of the Act on the Company's benefit programs. Specific authoritative guidance on the accounting for the Federal subsidy is pending and that guidance, when published, could require the Company to change previously reported information.

Information with respect to the postretirement medical and life insurance plans follows:

	April 3, 2004	March 29, 2003
Accumulated benefit obligation at beginning of year	$ 4,995	$ 4,589
Service cost	238	55
Interest cost	249	319
Plan amendments	(1,300)	—
Actuarial loss	317	252
Benefits paid	(336)	(220)
Accumulated benefit obligation at end of year	4,163	4,995
Unrecognized prior service cost	658	(162)
Unrecognized net loss	(1,826)	(1,680)
	$ 2,995	$ 3,153

Components of net periodic postretirement benefit cost are as follows:

	Fiscal Year Ended		
	April 3, 2004	March 29, 2003	March 30, 2002
Service cost	$ 238	$ 55	$ 61
Interest cost	249	319	317
Prior service cost amortization	(481)	(71)	(71)
Amount of loss recognized	172	91	97
	$ 178	$ 394	$ 404

During fiscal 2004, the plans were amended to contractually limit the benefit to be provided for certain groups of current and future retirees. As a result, there is no health care trend associated with these groups. The effect of a 1% annual increase and decrease in the assumed cost trend rate would increase the accumulated postretirement benefit obligation by approximately 3.6% and 3.2%, respectively, for these plans; the annual service and interest cost components in the aggregate would not be materially affected. The discount rate used in determining the accumulated postretirement benefit obligation was 6.25% at April 3, 2004, 7.25% at March 29, 2003 and 7.50% at March 30, 2002. The discount rate used in determining the net periodic benefit cost was 6.50% for fiscal 2004, 7.25% for fiscal 2003 and 7.5% for fiscal year 2002.

The following benefit payments, which reflect future service as appropriate, are expected to be paid. The benefit payments are based on the same assumptions used to measure the Company's benefit obligation at the end of fiscal 2004.

2005	$ 340
2006	340
2007	360
2008	380
2009	400
2010–2015	2,200

15. Income Taxes

Income (loss) before income taxes for the Company's domestic and foreign operations are as follows:

	Fiscal Year Ended		
	April 3, 2004	March 29, 2003	March 30, 2002
Domestic	$ (860)	$ (3,182)	$ 2,117
Foreign	2,593	3,344	1,604
	$ 1,733	$ 162	$ 3,721

The provision for income taxes consists of the following:

	Fiscal Year Ended		
	April 3, 2004	March 29, 2003	March 30, 2002
Current:			
Federal	$ (1,299)	$ (493)	$ 2,194
State	(201)	(71)	230
Foreign	351	276	276
	(1,149)	(288)	2,700
Deferred:			
Federal	1,921	352	(656)
State	298	49	8
	2,219	401	(648)
Total	$ 1,070	$ 113	$ 2,052

A reconciliation of income taxes computed using the U.S. federal statutory rate to that reflected in operations follows:

	Fiscal Year Ended		
	April 3, 2004	March 29, 2003	March 30, 2002
Income taxes using U.S. federal statutory rate	$ 589	$ 55	$ 1,265
State income taxes, net of federal benefit	58	(13)	143
Amortization of goodwill	—	—	196
Officer's life insurance	59	57	41
Meals and entertainment	38	61	51
ETI benefit	(70)	(70)	—
Adjustment of taxes to tax returns as filed	225	(1)	369
Other	171	24	(13)
	$ 1,070	$ 113	$ 2,052

Net deferred tax assets consist of the following:

	April 3, 2004	March 29, 2003
Deferred tax assets:		
Post retirement benefits	$ 1,117	$ 969
Employee compensation accruals	769	1,205
Alternative minimum tax credits	1,558	1,558
Net operating losses	3,694	2,874
Inventory	2,133	1,177
Stock warrants	2,103	2,103
Other	2,252	2,166
Total deferred tax assets	13,626	12,052
Deferred tax liabilities:		
Property, plant and equipment	(6,743)	(4,596)
Unremitted foreign earnings	(3,524)	(2,557)
Amortizaton of goodwill	(964)	(742)
Total deferred tax liabilities	(11,231)	(7,895)
Net deferred tax assets	$ 2,395	$ 4,157

At April 3, 2004, the Company has net operating loss carryforwards of approximately $14,729 to offset future federal and state income taxes, which expire at various dates through 2024. At April 3, 2004, the Company also has research and development tax credit carryforwards of approximately $882 to offset future federal income taxes which expire at various dates through 2020. In addition, the Company has alternative minimum tax credit carryforwards of approximately $1,558. The net operating loss carryforwards and research and development tax credit carryforwards may be subject to the limitations provided in IRC Sections 382 and 383.

16. Stockholders' Deficit

Class A Preferred Stock. The Class A Preferred Stock is the most senior of the Company's capital stock for the purposes of the payment of dividends and distributions upon a liquidation or deemed liquidation event. The holders of Class A Preferred Stock are entitled to an accrued dividend at a rate of 8% per annum payable when and if declared by the Company's board of directors. As of April 3, 2004, no dividends have accrued on the Class A Preferred Stock. The stated value of the Class A Preferred Stock is $3,000 per share. Except to the extent required by law, holders of Class A Preferred Stock have no voting rights.

Class B Exchangeable Convertible Participating Preferred Stock. The Class B Preferred Stock ranks junior to the Class A Preferred Stock, is on par with the Class C Preferred Stock, and is senior to all other classes of stock with respect to payment of dividends. The Class B Preferred Stock ranks junior to the Class A Preferred Stock, and is senior to all other classes of stock with respect to distributions upon a liquidation or deemed liquidation event.

The Class B Preferred Stock is subject to conversion by the Company or exchange by the holders thereof. In either situation, each share of Class B Preferred Stock would yield upon conversion (i) a number of shares of Class A Common Stock determined by multiplying the number of shares of Class B Preferred Stock to be converted by the stated value of the Class B Preferred Stock and dividing the result by the conversion price then in effect, (ii) a number of shares of Class C Preferred Stock determined by multiplying the number of Class B Preferred Stock to be converted by the sum of the stated value of the shares and the amount of all unpaid dividends thereon and dividing the result by the stated value of the Class C Preferred Stock, and (iii) one share of Class D Preferred Stock. The stated value of the Class B Preferred Stock is $100 per share. The Class B Preferred Stock is subject to mandatory conversion upon the consummation of an Initial Public Offering or an Organic Transaction (each as defined in the Company's Amended and Restated Certificate of Incorporation).

The Class B Preferred Stock entitles the holders thereof, upon a liquidation or deemed liquidation event, to a payment of its stated value plus an amount determined by reference to a formula set forth in the Company's Amended and Restated Certificate of Incorporation. The holders of Class B Preferred Stock are entitled to an accrued dividend at a rate of 8% per annum payable when and if declared by the Company's board of directors. Such dividends shall accrue whether or not they have been decleared and whether or not there are profits. The holders of Class B Preferred Stock are further entitled to participate in any dividends paid to the holders of shares of Common Stock. As of April 3, 2004, the amount of accumulated undeclared and unpaid dividends on the Class B Preferred Stock equaled approximately $3.5 million. Except to the extent required by law, holders of Class B Preferred Stock have no voting rights.

During July 2002, two investors in the Company purchased an aggregate of 240,000 shares of its Class B Exchangeable Convertible Participating Preferred Stock in exchange for gross proceeds of $24,000. In connection with the purchase, the Company paid a fee of $750 to one of the investors and amended the terms of the Whitney (a related party) management services agreement. Following the closing of the sale, the Company utilized the proceeds of the sale and certain of the Company's cash on hand to repurchase approximately $30,400 (Note 10) in principal amount at maturity of certain debt. This repurchase satisfied the Company's obligation to make a scheduled redemption payment relating to such debt. The Company recognized a pre-tax gain on the extinguishment of this debt obligation of approximately $780, net of transaction expenses of $406, during fiscal 2003, which has been recorded as non-operating income.

Class C Redeemable Preferred Stock. The Class C Preferred Stock ranks junior to the Class A Preferred Stock, on par with the Class B Preferred Stock, and senior to all other classes of stock with respect to payment of dividends. The Class C Preferred Stock ranks junior to the Class A Preferred Stock and Class B Preferred Stock, and senior to all other classes of stock with respect to distributions upon a liquidation or deemed liquidation event.

The holders of Class C Preferred Stock are entitled to an accrued dividend at a rate of 8% per annum payable when and if declared by the Company's board of directors. As of April 3, 2004, no dividends have accrued on the Class C Preferred Stock. The Class C Preferred Stock is subject to redemption by the Company at its option. If shares of Class C Preferred Stock are issued in exchange for shares of Class B Preferred Stock, the Company is required to redeem such shares no later than one business day following the day of such issuance. The stated value of the Class C Preferred Stock is

$100 per share. Except to the extent required by law, holders of Class C Preferred Stock have no voting rights.

Class D Preferred Stock. The Class D Preferred Stock ranks junior to the Class A Preferred Stock, Class B Preferred Stock and Class C Preferred Stock, and senior to all other classes of stock with respect to the payment of dividends and distributions upon a liquidation or deemed liquidation event. The Class D Preferred Stock entitles the holders thereof, upon a liquidation or deemed liquidation event, to a payment determined by reference to a formula set forth in the Company's Amended and Restated Certificate of Incorporation. Except to the extent required by law, holders of Class D Preferred Stock have no voting rights.

Class A and Class B Common Stock. The Company has 2,475,461 shares of Class A Common Stock outstanding held by 7 holders, and 100 shares of Class B Common Stock outstanding held by Dr. Michael J. Hartnett, the Company's founder and Chief Executive Officer. In addition, as of April 3, 2004, there were outstanding warrants and options to purchase up to an additional 706,624 shares of the Company's Class A Common Stock and 549,146 shares of Class B Common Stock.

Holders of Class A Common Stock are entitled to one vote per share. Until certain events occur, the holders of Class B Common Stock are entitled to 51% of the voting power of the Company's issued and outstanding common stock.

Stock Option Plans

2001 Stock Option Plan

The RBC Bearings Incorporated (f/k/a Roller Bearing Holding Company, Inc.) 2001 Stock Option Plan was adopted in fiscal 2002 and amended and restated on October 24, 2003. The terms of the 2001 option plan provide for the grant of options or warrants to purchase up to 403,421 shares of Class A Common Stock to officers and employees of, and consultants (including members of the Company's board of directors) of, the Company and its subsidiaries selected by the CEO to participate in the plan. Options granted may be either incentive stock options (under Section 422 of the Internal Revenue Code) or non-qualified stock options. The 2001 option plan, which expires in July 2011, is governed by the Company's board of directors, or a committee to which the Board delegates its responsibilities.

1998 Stock Option Plan

Effective February 18, 1998, the Company adopted the RBC Bearings Incorporated (f/k/a Roller Bearing Holding Company, Inc.) 1998 Stock Option Plan. The terms of the 1998 option plan provide for the grant of options or warrants to purchase up to 3,365,596 shares of Class A Common Stock to officers and employees of, and consultants (including members of the Company's board of directors) to, the Company and its subsidiaries. Options granted may be either incentive stock options (under Section 422 of the Internal Revenue Code) or non-qualified stock options. The 1998 option plan, which expires on December 31, 2008, is governed by the Company's board of directors or a committee to which the Board delegates its responsibilities.

The exercise price of options granted under the 2001 and 1998 option plans is determined by the board of directors, but in no event is less than 100% of the fair market value of the Class A Common Stock.

A summary of the status of the Company's warrants and stock options outstanding as of April 3, 2004, March 29, 2003 and March 30, 2002, and changes during the years ended on those dates, is presented below:

	Number Of Class A Common Stock Warrants/Options	Weighted Average Exercise Price
Outstanding, March 31, 2001	606,087	$ 1.88
Cancelled fiscal 2002	(1,310)	5.14
Outstanding, March 30, 2002	604,777	1.88
Awarded fiscal 2003	114,097	30.00
Cancelled fiscal 2003	(31,520)	24.95
Outstanding, March 29, 2003	687,354	5.30
Awarded fiscal 2004	37,300	24.49
Cancelled fiscal 2004	(18,030)	12.03
Outstanding, April 3, 2004	706,624	6.16

Certain members of management left the Company during fiscal 2003 without exercising the vested portion of 16,410 Class A warrants and, accordingly, the warrants were cancelled.

The Company has also issued warrants to purchase 549,146 shares of Class B Supervoting Common Stock to Dr. Hartnett, the Company's CEO. There has been no warrant activity with respect to the Class B Supervoting Common Stock during fiscal 2004, 2003 and 2002.

The following table summarizes information about stock options and warrants outstanding at April 3, 2004:

Exercise Price and Weighted Average Exercise Price	Options/Warrants Outstanding	Weighted Average Contractual Life	Options/Warrants Exercisable
Class A			
$1.00	476,847	3.3 years	476,847
$5.14	108,380	3.8 years	108,380
$30.00	106,597	8.5 years	90,764
$20.00	10,000	9.5 years	5,000
$8.00	4,800	9.5 years	1,600
	706,624		682,591
Class B			
$1.00	424,146	3.3 years	424,146
$5.14	125,000	3.3 years	125,000
	549,146		549,146

17. Commitments and Contingencies

The Company leases factory facilities under non-cancelable operating leases, which expire on various dates through February 2009, with rental expense aggregating $1,801, $1,657 and $1,403 in fiscal 2004, 2003 and 2002, respectively.

The Company also has non-cancelable operating leases for transportation, computer and office equipment, which expire at various dates. Rental expense for fiscal 2004, 2003 and 2002 aggregated $579, $747 and $759, respectively.

The aggregate future minimum lease payments under operating leases are as follows:

2005	$ 2,551
2006	2,211
2007	1,972
2008	1,733
2009	1,634
Thereafter	3,707
	$ 13,808

The Company entered into an agreement with Whitney, a related party, whereby a quarterly management services fee is paid for certain consulting and management advisory services, as directed by the board of directors of the Company and agreed to by Whitney. Such ongoing fees aggregated $450, $375, and $188 for fiscal 2004, 2003 and 2002, respectively. At April 3, 2004 and March 29, 2003, amounts payable to Whitney were $338 and $113, respectively.

The Company enters into government contracts and subcontracts that are subject to audit by the government. In the opinion of the Company's management, the results of such audits, if any, are not expected to have a material impact on the financial condition or results of operations of the Company.

The Company is subject to federal, state and local environmental laws and regulations, including those governing discharges of pollutants into the air and water, the storage, handling and disposal of wastes and the health and safety of employees. The Company also may be liable under the Comprehensive Environmental Response, Compensation, and Liability Act or similar state laws for the costs of investigation and cleanup of contamination at facilities currently or formerly owned or operated by the Company, or at other facilities at which the Company may have disposed of hazardous substances. In connection with such contamination, the Company may also be liable for natural resource damages, government penalties and claims by third parties for personal injury and property damage. Agencies responsible for enforcing these laws have authority to impose significant civil or criminal penalties for non-compliance. The Company believes it is currently in material compliance with all applicable requirements of environmental laws. The Company does not anticipate material capital expenditures for environmental controls in fiscal years 2005 or 2006.

Investigation and remediation of contamination is ongoing at some of the Company's sites. In particular, state agencies have been overseeing groundwater monitoring activities at the Company's facilities in Hartsville, South Carolina and Fairfield, Connecticut. At Hartsville, the Company is monitoring low levels of contaminants in the groundwater caused by former operations. The state will permit the Company to cease monitoring activities after two consecutive sampling periods demonstrate contaminants are below action levels. In connection with the purchase of the Fairfield, Connecticut facility in 1996, the Company agreed to assume responsibility for completing cleanup efforts previously initiated by the prior owner. The Company submitted data to the state that the Company believes demonstrates that no further remedial action is necessary, although the state may require additional cleanup or monitoring. Although there can be no assurance, the Company does not expect any of those to be material.

The Company received notice in 2003 from the U.S. Environmental Protection Agency that the Company had been named a potentially responsible *de minimis* party for past disposal of hazardous substances at the Operating Industries, Inc. Landfill in Monterey, Calif. Any such disposal would have been conducted prior to the Company's ownership, and the Company notified the former owners of a potential claim for indemnification based on the indemnity described above. The Company is currently negotiating a *de minimis* settlement with the U.S. Environmental Protection Agency and expects that any settlement, even if the Company is unsuccessful in obtaining indemnification, will not be material to its financial position or results of operations.

There are various claims and legal proceedings against the Company relating to its operations in the normal course of business, none of which the Company believes is material to its financial position or results of operations. The Company currently maintains insurance coverage for product liability claims.

18. Other Expense, Net

Other expense, net is comprised of the following:

	Fiscal Year Ended		
	April 3, 2004	March 29, 2003	March 30, 2002
Amortization of goodwill	$ —	$ —	$ 801
Management fees	525	375	188
Loss on disposition of assets	236	858	22
Write-off of acquisition costs	399	—	—
Provision for doubtful accounts	378	123	364
Other expense (income)	124	68	(438)
	$ 1,662	$ 1,424	$ 937

19. Related Party Transactions

The Company has loaned Dr. Michael J. Hartnett, President and Chief Executive Officer of the Company and RBCA, $500 to purchase shares of capital stock of the Company. The loan does not bear interest and is due on the earlier of (i) June 23, 2007, (ii) the consummation of a sale of the Company or (iii) the consummation of an initial public offering of the Company. The loan is secured by a pledge of Dr. Hartnett's shares in the Company.

20. Reportable Segments

The Company operates through operating segments for which separate financial information is available, and for which operating results are evaluated regularly by the Company's chief operating decision maker in determining resource allocation and assessing performance. Those operating segments with similar economic characteristics and that meet all other required criteria, including nature of the products and production processes, distribution patterns and classes of customers, are aggregated as reportable segments. Certain other operating segments do not exhibit the common attributes mentioned above and do not meet the quantitative thresholds for separate disclosure, and their information is combined and disclosed as "Corporate and Other".

The Company has four reportable business segments engaged in the manufacture and sale of the following:

Roller Bearings. Roller bearings are anti-friction bearings that use rollers instead of balls. The Company manufactures four basic types of roller bearings: heavy duty needle roller bearings with inner rings, tapered roller bearings, track rollers and aircraft roller bearings.

Plain Bearings. Plain bearings are produced with either self-lubricating or metal-to-metal designs and consist of several sub-classes, including rod end bearings, spherical plain bearings and journal bearings. Unlike ball bearings, which are used in high-speed rotational applications, plain bearings are primarily used to rectify inevitable misalignments in various mechanical components.

Ball Bearings. The Company manufactures four basic types of ball bearings: high precision aerospace, airframe control, thin section and commercial ball bearings which are used in high-speed rotational applications,

Corporate and Other. Corporate and other consists of expenses incurred at the corporate office and two minor operating locations that do not fall into the above segmented categories. The Company produces precision ground ball bearing screws at its Linear Precision Products (LPP) plant that offer repeatable positioning accuracy in machine tools, transfer lines, robotic handling and semiconductor equipment. The Company's Schaublin location produces precision machine tool collets that provide effective part holding and accurate part location during machining operations.

The accounting policies of the reportable segments are the same as those described in Note 2. Segment performance is evaluated based on segment net sales, operating income and total assets. Items not allocated to segment operating income include corporate administrative expenses and certain other amounts. Identifiable assets by reportable segment consist of those directly identified with the segment's operations. Corporate assets consist of cash, fixed assets and certain prepaid expenses.

	Fiscal Year Ended		
	April 3, 2004	March 29, 2003	March 30, 2002
Net External Sales			
Roller	$ 63,106	$ 60,788	$ 59,523
Plain	77,578	67,448	65,976
Ball	35,801	34,038	32,531
Corporate and other	10,846	10,586	10,301
	$ 187,331	$ 172,860	$ 168,331
Operating Income			
Roller	$ 11,259	$ 8,459	$ 14,014
Plain	18,573	16,782	20,403
Ball	6,676	7,009	7,522
Corporate and other	(14,379)	(11,547)	(14,761)
	$ 22,129	$ 20,703	$ 27,178
Total Assets			
Roller	$ 44,402	$ 40,647	$ 41,528
Plain	112,441	106,675	94,965
Ball	21,145	20,440	18,243
Corporate and other	56,758	64,594	65,579
	$ 234,746	$ 232,356	$ 220,315
Capital Expenditures			
Roller	$ 2,108	$ 2,201	$ 2,746
Plain	1,535	2,187	1,080
Ball	795	563	1,002
Corporate and other	513	1,571	1,113
	$ 4,951	$ 6,522	$ 5,941

Depreciation & Amortization			
Roller	$ 2,453	$ 2,298	$ 2,228
Plain	2,568	2,341	2,455
Ball	1,549	1,638	1,574
Corporate and other	2,612	2,542	2,848
	$ 9,182	$ 8,819	$ 9,105
Geographic External Sales			
Domestic	$ 166,763	$ 155,579	$ 154,354
Foreign	20,568	17,281	13,977
	$ 187,331	$ 172,860	$ 168,331
Geographic Long-Lived Assets			
Domestic	$ 52,956	$ 53,798	$ 55,645
Foreign	3,293	3,974	3,891
	$ 56,249	$ 57,772	$ 59,536
Intersegment Sales			
Roller	$ 1,669	$ 1,818	$ 1,220
Plain	880	1,787	3,182
Ball	397	18	952
Corporate and other	6,349	5,135	3,254
	$ 9,295	$ 8,758	$ 8,608

All intersegment revenues are eliminated in consolidation.

21. Subsequent Event

On June 29, 2004, the Company closed a $210,000 debt refinancing agreement led and arranged by General Electric Capital Corporation. The agreement provides a $55,000 revolving credit agreement, a $110,000 term loan and a $45,000 second lien term loan. Each loan is secured by a lien against substantially all of the assets of the Company and subjects the Company to standard affirmative and negative covenants, as well as financial leverage tests. The proceeds were used to refinance the existing senior credit facility and to redeem outstanding debt. Most notably, concurrently with the funding, the Company issued a notice of redemption to the noteholders of the $9^{5}/_{8}$% Senior Subordinated Notes issued pursuant to an indenture and due June 15, 2007. The requisite funds, approximately $113,000 (101.6041% of the principal amount), were irrevocably put on deposit with the trustee, Bank of New York, for redemption on July 29, 2004. In June 2004, $4,303 in unamortized deferred finance costs associated with the retired debt were charged to other non-operating expenses and deferred finance fees of $4,500 were capitalized associated with the new debt refinancing arrangement.

RBC Bearings Incorporated

Index to Unaudited Interim Consolidated Financial Statements

RBC Bearings Incorporated

Consolidated Balance Sheets

(dollars in thousands, except share data)

	January 1, 2005	April 3, 2004
	(unaudited)	
ASSETS		
Current assets:		
Cash	$ 1,703	$ 3,250
Accounts receivable, net of allowance for doubtful accounts of $541 at January 1, 2005 and $770 at April 3, 2004	46,773	44,516
Inventory	99,351	90,504
Deferred income taxes	2,410	2,342
Prepaid expenses and other current assets	3,688	2,454
Total current assets	153,925	143,066
Property, plant and equipment, net of accumulated depreciation of $75,761 at January 1, 2005 and $71,369 at April 3, 2004	54,233	56,249
Restricted marketable securities	12	12
Goodwill	25,150	25,150
Intangible assets, net of accumulated amortization of $796 at January 1, 2005 and $449 at April 3, 2004	3,083	2,853
Deferred financing costs, net of accumulated amortization of $1,096 at January 1, 2005 and $7,849 at April 3, 2004	5,023	5,628
Other assets	1,864	1,788
Total assets	$ 243,290	$ 234,746
LIABILITIES & STOCKHOLDERS' DEFICIT		
Current liabilities:		
Accounts payable	$ 17,955	$ 13,618
Accrued expenses and other current liabilities	10,574	13,276
Current portion of long-term debt	8,183	10,421
Capital lease obligations	185	201
Total current liabilities	36,897	37,516
Long-term debt, less current portion	214,071	204,803
Capital lease obligations, less current portion	330	225
Other non-current liabilities	6,643	8,487
Total liabilities	257,941	251,031
Class C redeemable preferred stock, $0.01 par value; authorized shares: 900,000 at January 1, 2005 and April 3, 2004; none issued and outstanding	—	—
Stockholders' deficit:		
Class A preferred stock, $0.01 par value; authorized shares; 15,500 at January 1, 2005 and April 3, 2004; none issued and outstanding	—	—
Class B exchangeable convertible participating preferred stock, $0.01 par value; authorized shares: 240,000 at January 1, 2005 and April 3, 2004; issued and outstanding shares: 240,000 at January 1, 2005 and April 3, 2004	2	2
Class D preferred stock, $0.01 par value; authorized shares: 240,000 at January 1, 2005 and April 3, 2004; none issued and outstanding	—	—
Class A voting common stock, $.01 par value; authorized shares: 8,000,000 at January 1, 2005 and April 3, 2004; issued and outstanding shares: 2,475,461 at January 1, 2005 and April 3, 2004	25	25
Class B super voting common stock, $.01 par value; authorized shares: 1,000,000 at January 1, 2005 and April 3, 2004; issued and outstanding shares: 100 at January 1, 2005 and April 3, 2004	—	—
Additional paid-in capital	33,485	33,485
Accumulated other comprehensive loss	(2,226)	(3,343)
Accumulated deficit	(45,937)	(46,454)
Total stockholders' deficit	(14,651)	(16,285)
Total liabilities and stockholders' deficit	$ 243,290	$ 234,746

See notes to unaudited interim consolidated financial statements

RBC Bearings Incorporated

Consolidated Statements of Operations

(dollars in thousands, except share data)
(unaudited)

	Nine Months Ended	
	January 1, 2005	December 27, 2003
Net sales	$170,731	$125,087
Cost of sales	123,325	90,745
Gross margin	47,406	34,342
Operating expenses		
Selling, general and administrative	22,929	19,615
Other, net	2,464	863
Total operating expenses	25,393	20,478
Operating income	22,013	13,864
Interest expense, net	14,335	15,289
Loss on early extinguishment of debt	6,956	—
Other non-operating expense (income)	(98)	12
Income (loss) before income taxes	820	(1,437)
Provision for (benefit from) income taxes	303	(492)
Net income (loss)	$ 517	$ (945)
Net income (loss) per common share:		
Basic	$ (0.47)	$ (1.01)
Diluted	$ (0.47)	$ (1.01)
Weighted average common shares:		
Basic	2,475,561	2,475,561
Diluted	2,475,561	2,475,561

See notes to unaudited interim consolidated financial statements

RBC Bearings Incorporated

Consolidated Statements of Stockholders' Deficit and Comprehensive Income/(Loss)

(dollars in thousands)

	Preferred Stock		Common Stock		Additional Paid-in Capital	Accumulated Other Comprehensive Loss	Accumulated Deficit	Total Stockholders' Deficit	Comprehensive Income/ Loss
	Shares	Amount	Shares	Amount					
Balance at March 29, 2003	240,000	$ 2	2,475,561	$ 25	$ 33,485	$ (4,044)	$ (47,117)	$ (17,649)	
Net income (53 weeks)	—	—	—	—	—	—	663	663	$ 663
Currency translation adjustments	—	—	—	—	—	63	—	63	63
Minimum pension liability adjustment, net of taxes	—	—	—	—	—	638	—	638	638
Comprehensive income									$ 1,364
Balance at April 3, 2004	240,000	2	2,475,561	25	33,485	(3,343)	(46,454)	(16,285)	
Net income (unaudited)	—	—	—	—	—	—	517	517	$ 517
Currency translation adjustments (unaudited)	—	—	—	—	—	1,117	—	1,117	1,117
Comprehensive income (unaudited)									$ 1,634
Balance at January 1, 2005 (unaudited)	240,000	$ 2	2,475,561	$ 25	$ 33,485	$ (2,226)	$ (45,937)	$ (14,651)	

See notes to unaudited interim consolidated financial statements

RBC Bearings Incorporated

Consolidated Statements of Cash Flows

(dollars in thousands)
(Unaudited)

	Nine Months Ended	
	January 1, 2005	December 27, 2003
Cash flows from operating activities:		
Net income (loss)	$ 517	$ (945)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation	6,997	7,274
Deferred income taxes	(68)	(69)
Amortization of intangible assets	347	258
Amortization of deferred financing costs and debt discount	898	1,227
Loss on disposition of assets	1,841	—
Loss on early extinguishment of debt	4,303	—
Other	12	34
Changes in operating assets and liabilities, net of acquisitions:		
Accounts receivable	(1,263)	3,973
Inventory	(6,767)	(6,573)
Prepaid expenses and other current assets	(1,222)	58
Other non-current assets	169	879
Accounts payable and other current liabilities	837	(7,764)
Other non-current liabilities	(1,896)	1,751
Net cash provided by operating activities	4,705	103
Cash flows from investing activities:		
Purchase of property, plant & equipment	(6,604)	(2,952)
Proceeds from sale of assets	110	—
Acquisition of businesses, net of cash acquired	(1,228)	(6,364)
Proceeds from restricted marketable securities	—	101
Net cash used in investing activities	(7,722)	(9,215)
Cash flows from financing activities:		
Net increase in revolving credit facility	2,890	2,500
Financing fees paid in connection with credit facility	(4,500)	(748)
Retirement of senior subordinated notes payable	(110,000)	—
Proceeds from senior credit facility	—	10,000
Proceeds from new credit facility	155,000	—
Increase in foreign debt	—	7,971
Payments on term loans	(41,750)	(4,515)
Principal payments on capital lease obligations	(211)	(140)
Net cash provided by financing activities	1,429	15,068
Effect of exchange rate changes on cash	41	651
Cash and cash equivalents:		
(Decrease) increase during the period	(1,547)	6,607
Cash, at beginning of period	3,250	3,553
Cash, at end of period	$ 1,703	$ 10,160
Supplemental disclosures of cash flow information:		
Cash paid during the period for:		
Interest	$ 17,307	$ 18,512
Income taxes	$ 224	$ 201

See notes to unaudited interim consolidated financial statements

RBC Bearings Incorporated

Notes to Unaudited Interim Consolidated Financial Statements

(dollars in thousands, except share and per share data)

The consolidated financial statements included herein have been prepared by RBC Bearings Incorporated (collectively with its subsidiaries, the "Company"), without audit, pursuant to the rules and regulations of the Securities and Exchange Commission. The fiscal year-end balance sheet data have been derived from the Company's audited financial statements, but does not include all disclosures required by generally accepted accounting principles in the United States. The interim financial statements furnished with this report have been prepared on a consistent basis with the Company's audited financial statements and notes thereto included herein for the fiscal year ended April 3, 2004. These statements reflect all adjustments, consisting only of items of a normal recurring nature, which are, in the opinion of management, necessary for the fair presentation of the consolidated financial condition and consolidated results of operations for the interim periods presented. These financial statements should be read in conjunction with the Company's audited financial statements and notes thereto included herein.

The consolidated financial statements include the accounts of RBC Bearings Incorporated, Roller Bearing Company of America, Inc. ("RBCA") and its wholly-owned subsidiaries, Industrial Tectonics Bearings Corporation ("ITB"), RBC Linear Precision Products, Inc. ("LPP"), RBC Nice Bearings, Inc. ("Nice"), Bremen Bearings, Inc. ("Bremen"), Miller Bearings, Inc. ("Miller"), Tyson Bearings., Inc. ("Tyson"), Schaublin, RBC de Mexico ("Mexico"), RBC Oklahoma, Inc. ("RBC Oklahoma") and RBC Aircraft Products, Inc. ("API"), as well as its Transport Dynamics ("TDC"), Heim ("Heim"), Engineered Components ("ECD") and U.S. Bearings ("USB") divisions. All material intercompany balances and transactions have been eliminated in consolidation.

1. Acquisitions

Effective December 22, 2004, RBCA purchased certain net assets of the U.S. Bearing division of Network Electronic Corporation, a manufacturer of lined and unlined spherical, rod-end and other specialty bearings located in Chatsworth, California. The total consideration paid was $1,228. The purchase price allocation is as follows: inventory ($522), property, plant and equipment ($585), intangible assets ($438) and accrued expenses ($317). All of the products associated with the acquisition are complementary with products already provided by other Company businesses.

Effective December 22, 2003, API, a wholly-owned subsidiary of RBCA, purchased the airframe control bearing business of Timken Corp. located in Torrington, CT. The total consideration paid was $5,471. The purchase price allocation is as follows: accounts receivable ($379), inventory ($3,911), property, plant, and equipment ($2,439), intangible assets ($1,136) and accrued expenses ($2,394). The products associated with the acquisition are complementary with products already provided by other Company businesses.

The results of operations subsequent to the effective dates of the acquisitions are included in the results of operations of the Company. Unaudited pro-forma consolidated results of operations of the Company, based upon pre-acquisition unaudited historical information provided for the nine months

ended January 1, 2005 and December 27, 2003, as if the USB and API acquisitions took place on March 30, 2003, are as follows:

	January 1, 2005	December 27, 2003
Net sales	$ 172,281	$ 148,690
Net income	$ 777	$ 1,595
Net income (loss) per common share:		
Basic	$ (0.37)	$ 0.01
Diluted	$ (0.37)	$ 0.01

2. Net Income (Loss) Per Common Share

Basic net income (loss) per common share is computed by dividing net income (loss) available to common stockholders by the weighted-average number of common shares outstanding. Diluted net income (loss) per common share is computed by dividing net income (loss) by the sum of the weighted-average number of common shares, dilutive common share equivalents then outstanding using the treasury stock method and the assumed conversion of preferred stock to common shares. Common equivalent shares consist of the incremental common shares issuable upon the exercise of stock options and warrants.

If the above calculation results in a net loss available to common stockholders (due to a net loss for the period or the effect of accrued preferred stock dividends) and if the effect of including common share equivalents and the assumed conversion of preferred stock is anti-dilutive, then diluted net loss per common share will equal basic net loss per common share.

The table below reflects the calculation of weighted-average shares outstanding for each year presented as well as the computation of basic and diluted net income (loss) per common share:

Numerator:		
Net income (loss)	$ 517	$ (945)
Accrued preferred stock dividends	(1,693)	(1,561)
Numerator for basic net income (loss) per common share—income (loss) available to common stockholders	(1,176)	(2,506)
Effect of preferred stock dividends	1,693	1,561
Numerator for diluted net income (loss) per common share—income (loss) available to common stockholders after assumed conversion of preferred stock	$ 517	$ (945)
Denominator:		
Denominator for basic net income (loss) per common share—weighted-average shares	2,475,561	2,475,561
Effect of dilutive securities:		
Employee stock options and warrants	1,031,578	874,908
Convertible preferred stock	738,558	738,558
Dilutive potential common shares	1,770,136	1,613,466
Denominator for diluted net income (loss) per common share—adjusted weighted-average shares and assumed conversions	4,245,697	4,089,027
Basic net income (loss) per common share	$ (0.47)	$ (1.01)
Diluted net income (loss) per common share	$ (0.47)	$ (1.01)

3. Inventory

Inventories are stated at the lower of cost or market, using the first-in, first-out method, and are summarized below:

	January 1, 2005	April 3, 2004
Raw materials	$ 5,260	$ 3,611
Work in process	28,188	25,798
Finished goods	65,903	61,095
	$ 99,351	$ 90,504

4. Accumulated Other Comprehensive Loss

The components of comprehensive income (loss) that relate to the Company are net income, foreign currency translation adjustments and pension plan additional minimum liability, all of which are presented in the consolidated statements of stockholders' deficit and comprehensive income (loss).

The following summarizes the activity within accumulated other comprehensive loss:

	Currency Translation	Minimum Pension Liability	Total
Balance at March 29, 2003	$ (1,367)	$ (2,677)	$ (4,044)
Currency translation adjustments	63	—	63
Minimum pension liability	—	638	638
Balance at April 3, 2004	(1,304)	(2,039)	(3,343)
Currency translation adjustments	1,117	—	1,117
Balance at January 1, 2005	$ (187)	$ (2,039)	$ (2,226)

5. Stock-Based Compensation

The Company accounts for options and warrants granted to employees using the intrinsic value method pursuant to APB No. 25, "Accounting for Stock Issued to Employees," under which no compensation cost has been recognized since the exercise price of all grants issued was at or above the fair market value of the Company's common stock at the date of grant as determined by the Board of Directors. Had compensation cost for these grants been determined based on the fair value at the grant dates consistent with SFAS No. 123, "Accounting for Stock-Based Compensation," the Company's net income (loss) would have been reduced to the following pro-forma amounts:

	Nine Months Ended	
	January 1, 2005	December 27, 2003
Net income (loss), as reported	$ 517	$ (945)
Less: stock-based compensation expense determined under fair value method, net of tax	42	21
Pro-forma net income (loss)	$ 475	$ (966)
Net income (loss) per common share, as reported:		
Basic	$ (0.47)	$ (1.01)
Diluted	$ (0.47)	$ (1.01)
Net income (loss) per common share, pro-forma:		
Basic	$ (0.49)	$ (1.02)
Diluted	$ (0.49)	$ (1.02)

The Company has issued 65,000 options to purchase Class A Common Stock at an exercise price of $20.00 during the nine months ended January 1, 2005. Determining the fair value of the Company's Class A Common Stock requires making subjective and complex judgments and estimates. The Company employed the market approach to estimate the enterprise value. The market approach involves applying an appropriate market multiple, compared to like public companies in the Company's industry, to the operating performance for the twelve months ended April 3, 2004 and the actual and projected operating performance for the twelve months ended April 2, 2005. The options issued during

the nine-month period ended January 1, 2005 were based on this valuation and approved by the Company's Board of Directors. The Company and the Board of Directors anticipate that a retrospective review and assessment will be performed due to the pending initial public offering to determine any change in the fair market value of the Company's enterprise value, which could result in recording deferred compensation and compensation expense for the fiscal year ending April 2, 2005.

6. Debt

On June 29, 2004, the Company closed a $210,000 debt refinancing agreement (the "New Credit Facility") led and arranged by General Electric Capital Corporation. The agreement provides a $55,000 revolving credit agreement (the "New Revolving Credit Facility"), a $110,000 term loan (the "New Term Loan"), and a $45,000 second lien term loan (the "SCIL Loan"). Each loan is secured by a lien against substantially all of the assets of the Company and subjects the Company to standard affirmative and negative covenants, as well as financial leverage tests. The proceeds were used to refinance the existing senior credit facility and to redeem outstanding debt. Most notably, concurrently with funding, the Company issued a notice of redemption to the noteholders of the Senior Subordinated Notes issued pursuant to an indenture and due June 15, 2007. The requisite funds, approximately $113,000 (101.6041% of the principal amount), were irrevocably put on deposit with the trustee, Bank of New York, for redemption July 29, 2004. This amount includes a redemption premium of $1,771 that was recorded as a loss on extinguishment of debt, as was $4,303 in unamortized deferred finance fees associated with this debt and $882 in interest expense during the call period. Deferred finance fees of $4,500 were capitalized associated with the new debt refinancing arrangement.

Approximately $20,300 of the New Revolving Credit Facility is being utilized to provide letters of credit to secure RBCA's obligations relating to certain Industrial Development Revenue Bonds and insurance programs. As of January 1, 2005, RBCA had the ability to borrow up to an additional $18,618 under the New Revolving Credit Facility.

The New Revolving Credit Facility bears interest at a floating rate of either the higher of the base rate on corporate loans or the federal funds rate plus 50 basis points, plus 1.75%; or LIBOR plus 3.00%. The Company has the right to elect the applicable interest rate on the New Revolving Credit Facility. The New Term Loan bears interest at a floating rate of either the higher of the base rate on corporate loans or the federal funds rate plus 50 basis points, plus 2.50%; or LIBOR plus 3.75%. The Company has the right to elect the applicable interest rate on the New Term Loan. The SCIL Loan bears interest at a floating rate of either the higher of the base rate on corporate loans or the federal funds rate plus 50 basis points, plus 7.25%; or LIBOR plus 8.50%. The Company has the right to elect the applicable interest rate on the SCIL Loan. As of January 1, 2005, the blended interest rate on this debt refinancing agreement was 7.80%.

On December 8, 2003, Schaublin entered into a bank credit facility (the "Swiss Credit Facility") with Credit Suisse providing for 10,000 swiss francs, or approximately $8,000, of term loans (the "Swiss Term Loans") and up to 2,000 swiss francs, or approximately $1,600, of revolving credit loans (the "Swiss Revolving Credit Facility"). RBCA pledged 99.4% of the present and future share capital of Schaublin (1,366 shares) against this facility. On November 8, 2004, Schaublin amended the Swiss Credit Facility to increase the Swiss Revolving Credit Facility to 4,000 swiss francs, or approximately $3,500. As of January 1, 2005, there were no borrowings outstanding under the Swiss Revolving Credit Facility.

The balances payable under all borrowing facilities are as follows:

	January 1, 2005	April 3, 2004
$9^5/_8$% Senior Subordinated Notes Payable	$ —	$ 110,000
13% Senior Subordinated Discount Debentures	37,902	37,806
New Credit Facility		
New Term Loan, payable in quarterly installments of $275, commencing October 1, 2004, with final payment of $103,125 due December 29, 2010; bears interest at variable rates, payable monthly and upon maturity at prime or LIBOR, at the Company's election	109,725	—
SCIL Loan, payable June 29, 2011; bears interest at variable rates, payable monthly and upon maturity at prime or LIBOR, at the Company's election.	45,000	—
New Revolving Credit Facility	5,390	—
Senior Credit Facility		
Term Loans, payable in quarterly installments of $1,428, commencing September 30, 2002, with final payment of $12,857 due May 30, 2007; bears interest at variable rates, payable monthly and upon maturity at prime or LIBOR, at the Company's election	—	30,000
Term Loan B, payable May 30, 2007; bears interest at variable rates, payable monthly and upon maturity at prime or LIBOR, at the Company's election; three percent of interest accrues as paid in kind additions to principal outstanding	—	10,085
Revolving Credit Facility	—	2,500
Swiss Credit Facility		
Term Loan, payable in semi-annual installments ranging from approximately $400, commencing March 31, 2004, to approximately $1,000 from September 30, 2005, with final payment due March 31, 2009; bears interest at variable rates, payable quarterly	7,457	7,480
Other Loans	125	698
Industrial Development Revenue Bonds		
Series 1994 A, due in annual installments of $180 beginning September 1, 2006, graduating to $815 on September 1, 2014, with final payment due on September 1, 2017; bears interest at a variable rate, payable monthly through December 2017	7,700	7,700
Series 1994 B, bears interest at a variable rate, payable monthly through December 2017	3,000	3,000
Series 1998, bears interest at variable rates, payable monthly through December 2021.	1,155	1,155
Series 1999, bearing interest at variable rates, payable monthly through April 2024	4,800	4,800
Total Debt	222,254	215,224
Less: Current Portion	8,183	10,421
Long-Term Debt	$ 214,071	$ 204,803

The current portion of long-term debt as of January 1, 2005 and April 3, 2004 includes $5,390 and $2,500, respectively, of borrowings under the revolving credit facilities.

The Company's exposure to interest rate risk is derived from its outstanding variable-rate debt obligations which primarily consist of the New Credit Facility and the SCIL loan. The Company is subject to fluctuating interest rates on $184,227 of debt. In December 2004, RBCA entered into an interest rate cap agreement with LaSalle Bank on $50 million of notes payable maturing on October 1, 2010. The agreement caps the LIBOR interest rate at five percent and matures on December 31, 2005. The interest rate cap agreement is being accounted for as an economic hedge. There was no material impact on the financial statements of the Company for the nine months ended January 1, 2005 of the interest rate cap agreement.

7. Disposal of Fixed Assets

During the nine-month period ended January 1, 2005, the Company had a non-cash charge of $1,841 on the loss on sale and disposal of property, plant, and equipment related to the consolidation of production lines and outsourcing certain components to low-cost producers. This amount was classified as an "other, net" operating expense in the consolidated statements of operations.

8. Pension and Postretirement Plans

At January 1, 2005, the Company has noncontributory defined benefit pension plans covering union employees in its Heim division plant in Fairfield, Connecticut, its Nice subsidiary plant in Kulpsville, Pennsylvania, its Bremen subsidiary plant in Plymouth, Indiana and its Tyson subsidiary plant in Glasgow, Kentucky.

In its consolidated financial statements for the year ended April 3, 2004, the Company stated it expected to contribute $2,000 to its defined benefit plans and $340 to its retiree medical plans during the 2005 fiscal year. As of January 1, 2005, $1,100 has been contributed to the defined benefit plans and $210 has been contributed to the retiree medical plans. For the remainder of fiscal 2005, the Company intends to contribute $107 to its defined benefit plans and $70 to the retiree medical plans.

The following tables illustrate the components of net periodic benefit cost for the Company's pension and other postretirement benefits plans:

	Pension Benefits Nine Months Ended	
	January 1, 2005	December 27, 2003
Components of net periodic benefit cost:		
Service cost	$ 381	$ 373
Interest cost	708	692
Expected return on plan assets	(549)	(596)
Amortization of losses	14	267
Net periodic benefit cost	$ 554	$ 736

	Other Postretirement Benefits Nine Months Ended	
	January 1, 2005	December 27, 2003
Components of net periodic benefit cost:		
Service cost	$ 168	$ 179
Interest cost	186	187
Prior service cost amortization	(314)	(361)
Amount of loss recognized	123	129
Net periodic benefit cost	$ 163	$ 134

On December 8, 2003, the Medicare Prescription Drug Improvement and Modernization Act of 2003 (the "Act") was signed into law. The Company is evaluating how and when any Federal subsidies would apply. The postretirement benefit obligation and net periodic benefit cost in the financial statements do not reflect the possible effects of the Act on the Company's benefit programs. Specific authoritative guidance on the accounting for the Federal subsidy is pending and that guidance, when published, could require the Company to change previously reported information.

9. Related Party Transactions

In connection with a management services agreement with Whitney, RBCA incurred fees of $338 in each of the nine-month periods ended January 1, 2005 and December 27, 2003. At January 1, 2005 and December 27, 2003, amounts payable to Whitney were $450 and $113, respectively.

10. Income Taxes

The effective income tax rates for the nine-month periods ended January 1, 2005 and December 27, 2003 are 37% and 34.2%, respectively.

11. Reportable Segments

The Company operates through operating segments for which separate financial information is available, and for which operating results are evaluated regularly by the Company's chief operating decision maker in determining resource allocation and assessing performance. These operating segments have similar economic characteristics and met all other required criteria, including nature of the products and production processes, distribution patterns and classes of customers. The Company aggregates these operating segments for reporting purposes. Certain other operating segments do not exhibit the common attributes mentioned above and, therefore, information about them is reported separately, along with those operating segments which do not meet the quantitative thresholds for separate disclosure, and their information is combined and disclosed as "Corporate and Other".

The Company has four reportable business segments engaged in the manufacture and sale of the following:

Roller Bearings. Roller bearings are anti-friction bearings that use rollers instead of balls. The Company manufactures four basic types of roller bearings: heavy duty needle roller bearings with inner rings, tapered roller bearings, track rollers and aircraft roller bearings.

Plain Bearings. Plain bearings are produced with either self-lubricating or metal-to-metal designs and consist of several sub-classes, including rod end bearings, spherical plain bearings and journal bearings. Unlike ball bearings, which are used in high-speed rotational applications, plain bearings are primarily used to rectify inevitable misalignments in various mechanical components.

Ball Bearings. The Company manufactures four basic types of ball bearings: high precision aerospace, airframe control, thin section and commercial ball bearings which are used in high-speed rotational applications.

Corporate and Other. Corporate and other consists of expenses incurred at the corporate office and its holding company parent, and two minor operating locations that do not fall into the above segmented categories. The Company produces precision ground ball bearing screws at its Linear Precision Products (LPP) plant that offer repeatable positioning accuracy in machine tools, transfer lines, robotic handling and semiconductor equipment. The Company's Schaublin location produces precision machine tool collets that provide effective part holding and accurate part location during machining operations.

Segment performance is evaluated based on segment net sales, operating income and total assets. Items not allocated to segment operating income include corporate administrative expenses and certain other amounts. Corporate assets consist of cash, fixed assets and certain prepaid expenses.

	Nine Months Ended	
	January 1, 2005	December 27, 2003
Net External Sales		
Roller	$ 64,643	$ 39,193
Plain	68,354	55,494
Ball	28,357	22,807
Corporate and other	9,377	7,593
	$ 170,731	$ 125,087
Operating Income		
Roller	$ 10,550	$ 6,132
Plain	16,572	12,691
Ball	5,699	4,598
Corporate and other	(10,808)	(9,557)
	$ 22,013	$ 13,864
Geographic External Sales		
Domestic	$ 151,164	$ 110,332
Foreign	19,567	14,755
	$ 170,731	$ 125,087
Intersegment Sales		
Roller	$ 4,821	$ 1,220
Plain	1,628	129
Ball	2,695	502
Corporate and other	7,124	4,393
	$ 16,268	$ 6,244

All intersegment revenues are eliminated in consolidation.

12. Recently Issued Accounting Pronouncements

In November 2004, the FASB issued SFAS No. 151, "Inventory Costs, an amendment of ARB No. 43, Chapter 4." The amendments made by SFAS No. 151 clarify that abnormal amounts of idle facility expense, freight, handling costs, and wasted materials (spoilage) should be recognized as current-period charges and require the allocation of fixed production overheads to inventory based on the normal capacity of the production facilities. The guidance is effective for inventory costs incurred during fiscal years beginning after June 15, 2005. It is not believed that the adoption of SFAS No. 151 will have a material impact on the consolidated financial position, results of operations or cash flows of the Company.

In December 2004, the FASB issued SFAS No. 123 (revised 2004), "Share-Based Payment." SFAS No. 123(R) will require that the compensation cost relating to share-based payment transactions be recognized in financial statements. That cost will be measured based on the fair value of the equity or liability instruments issued. SEAS No. 123(R) covers a wide range of share-based compensation arrangements including share options, restricted share plans, performance-based awards, share appreciation rights, and employee share purchase plans. SFAS No. 123(R) replaces FASB Statement No. 123, "Accounting for Stock-Based Compensation", and supersedes APB Opinion No. 25, "Accounting for Stock Issued to Employees." SFAS No. 123, as originally issued in 1995, established as preferable a fair value-based method of accounting for share-based payment transactions with employees. However, that Statement permitted entities the option of continuing to apply the guidance in APB Opinion No. 25, as long as the footnotes to financial statements disclosed what net income would have been had the preferable fair value-based method been used. Public entities will be required to apply SFAS No. 123(R) as of the first interim or annual reporting period that begins after June 15, 2005. SFAS No. 123(R) permits public companies to adopt its requirements using one of two methods:

1. A "modified prospective" method in which compensation cost is recognized beginning with the effective date (a) based on the requirements of SFAS No. 123(R) for all share-based payments granted after the effective date and (b) based on requirements of SFAS No. 123 for all awards granted to employees prior to the effective date of SFAS No. 123 (R) that remain unvested on the effective date.

2. A "modified retrospective" method which includes the requirements of the modified prospective method described above, but also permits entities to restate based on the amount previously recognized under SFAS No. 123 for purpose of pro forma disclosures either (a) all prior periods presented or (b) prior interim periods of the year of adoption.

The Company is currently evaluating these transition methods and determining the effect on the Company's consolidated results of operations and whether the adoption will result in amounts that are similar to the current pro-forma disclosures under SFAS No. 123. For fiscal 2005, the Company will continue to disclose stock-based compensation information in accordance with SFAS No. 148, "Accounting for Stock-Based Compensation—Transition and Disclosure—an Amendment of FASB Statement No. 123," and SFAS No. 123.

Through and including , 2005 (the 25th day after the date of this prospectus), all dealers effecting transactions in these securities, whether or not participating in this offering, may be required to deliver a prospectus. This is in addition to the dealers' obligation to deliver a prospectus when acting as underwriters and with respect to their unsold allotments or subscriptions.

Shares

Common Stock

PROSPECTUS

Merrill Lynch & Co.

KeyBanc Capital Markets

Jefferies & Company, Inc.

, 2005

PART II

INFORMATION NOT REQUIRED IN PROSPECTUS

Item 13. Other Expenses of Issuance and Distribution

The following table sets forth the costs and expenses, other than underwriting discounts and commissions, payable by RBC Bearings Incorporated in connection with the offer and sale of the securities being registered. All amounts are estimates except the SEC registration fee and the NASD filing fee.

SEC registration fee	$	16,831.10
NASD filing fee		13,000.00
Stock Exchange listing fee		*
Transfer Agent's Fee		*
Trustee's fee		*
Printing and engraving costs		*
Legal fees and expenses		*
Accounting fees and expenses		*
Miscellaneous		*
Total	$	

Item 14. Indemnification of Directors and Officers

Delaware. The General Corporation Law of the State of Delaware ("DGCL") authorizes corporations to limit or eliminate the personal liability of directors to corporations and their stockholders for monetary damages for breaches of directors' fiduciary duties. The certificates of incorporation of the Delaware registrants include a provision that eliminates the personal liability of directors for monetary damages for actions taken as a director, except for liability for breach of duty of loyalty; for acts or omissions not in good faith or involving intentional misconduct or knowing violation of law; under Section 174 of the DGCL (unlawful dividends and stock repurchases); or for transactions from which the director derived improper personal benefit.

The certificates of incorporation of the Delaware registrants provide that these registrants must indemnify their directors and officers to the fullest extent authorized by the DGCL and must also pay expenses incurred in defending any such proceeding in advance of its final disposition upon delivery of an undertaking, by or on behalf of an indemnified person, to repay all amounts so advanced if it should be determined ultimately that such person is not entitled to be indemnified under this section or otherwise.

The indemnification rights set forth above shall not be exclusive of any other right which an indemnified person may have or hereafter acquire under any statute, provision of our certificate of incorporation, our by laws, agreement, vote of stockholders or disinterested directors or otherwise.

The purchase agreement to be entered into between RBC Bearings Incorporated and the underwriters in connection with this offering will include provisions pursuant to which the underwriters indemnify the directors and officers of RBC Bearings Incorporated.

RBC Bearings Incorporated maintains insurance to protect itself and its directors and, officers and those of its subsidiaries against any such expense, liability or loss, whether or not it would have the power to indemnify them against such expense, liability or loss under applicable law.

Item 15. Recent Sales of Unregistered Securities

None.

Item 16. Exhibits and Financial Statement Schedules

(a) *Exhibit.* The following exhibits are filed as part of this Registration Statement.

1.1	Form of Purchase Agreement.*
3.1	Form of Amended and Restated Certificate of Incorporation of RBC Bearings Incorporated dated , 2005.
3.3	Form of Bylaws of RBC Bearings Incorporated.
4.3	Form of stock certificate for common stock.*
5.1	Form of Opinion of Kirkland & Ellis LLP.
10.1	Indenture, dated as of June 15, 1997 between RBC Bearings Incorporated (f/k/a Roller Bearing Holding Company, Inc.) and the United States Trust Company of New York.
10.2	Stock Option Plan of RBC Bearings Incorporated (f/k/a Roller Bearing Holding Company, Inc.), dated as of February 18, 1998 with form of agreement.
10.3	Form of Stock Transfer Restriction Agreement between RBC Bearings Incorporated (f/k/a Roller Bearing Holding Company, Inc.) and certain of its stockholders.
10.4	Amended and Restated 2001 Stock Option Plan of RBC Bearings Incorporated (f/k/a Roller Bearing Holding Company, Inc.), dated October 24, 2003.
10.5	Form of 2005 Long Term Equity Incentive Plan.
10.6	Agreement of Lease between Robear West Trenton Associates, L.P. and Roller Bearing Company of America, Inc., dated February 10, 1999, for West Trenton, New Jersey premises.
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10.10	Loan Agreement, dated as of September 1, 1994, between the South Carolina Job—Economic Development Authority and Roller Bearing Company of America, Inc. with respect to the Series 1994A Bonds.
10.11	Agreement between Bremen, Indiana Plant of SKF USA, Inc. and International Union Automobile, Aerospace and Agricultural Workers of America, U.A.W., Local 1368, expires October 29, 2005.
10.12	Trust Indenture, dated as of September 1, 1994, between the South Carolina Job—Economic Development Authority and Mark Twain Bank, as Trustee, with respect to the Series 1994A Bonds.
10.13	Loan Agreement, dated as of September 1, 1994, between the South Carolina Job—Economic Development Authority and Roller Bearing Company of America, Inc., with respect to the Series 1994B Bonds.
10.14	Trust Indenture, dated as of September 1, 1994, between the South Carolina Job—Economic Development Authority and Mark Twain Bank, as Trustee, with respect to the Series 1994B Bonds.

10.15	Collective Bargaining Agreement between Heim, the International Union, United Automobile, Aerospace and Agricultural Implement Workers of America, U.A.W., and Amalgamated Local 376, U.A.W., expires January 31, 2008.
10.16	Nice Union Agreement, between Nice Ball Bearings, Inc. and United Steelworkers of America, Local 6816-12, expires January 31, 2008.*
10.17	Collective Bargaining Agreement between Roller Bearing Company of America, Inc. and the International Union U.A.W. and its Local 502, expires June 30, 2007.
10.18	Collective Bargaining Agreement between Tyson Bearing Company, Inc. and the United Steelworkers of America, AFL-CIO, Local 7461-01, expires June 13, 2008.*
10.19	Employment Agreement, effective as of December 18, 2000, between the Company and Michael J. Hartnett, Ph.D.
10.20	Amended and Restated Promissory Note, dated as of December 15, 2000, for $500,000, made by Michael J. Hartnett, Ph.D. and payable to Roller Bearing Company of America, Inc.
10.21	Loan Agreement, dated as of April 1, 1999, by and between California Infrastructure and Economic Development Bank and Roller Bearing Company of America, Inc.
10.22	Indenture Of Trust, dated as of April 1, 1999, between California Infrastructure and Economic Development Bank and U.S. Bank Trust National Association, as Trustee.
10.23	Tax Regulatory Agreement, dated as of April 1, 1999, by and among California Infrastructure and Economic Development Bank, U.S. Bank Trust National Association, as Trustee, and Roller Bearing Company of America, Inc.
10.24	Lease Agreement, dated as of December 17, 1999, between Schaublin SA and RBC Schaublin SA.
10.25	Lease by and among ABCS Properties, LLC, Michael H. Short and Lynn C. Short and Bremen Bearings, Inc. dated August 31, 2001.
10.26	Fourth Amended and Restated Credit Agreement, dated June 29, 2004, by and among Roller Bearing Company of America, Inc., certain of its domestic subsidiaries, General Electric Capital Corporation, as agent and lender and GECC Capital Markets Group, Inc.
10.27	Security Agreement, dated May 30, 2002, by and among Roller Bearing Company of America, Inc., certain of its domestic subsidiaries, General Electric Capital Corporation, as agent and Lender.
10.28	Pledge Agreement, dated May 30, 2002, by and among Roller Bearing Company of America, Inc., certain of its domestic subsidiaries, General Electric Capital Corporation, as agent and Lender.
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10.30	Security Agreement, dated June 29, 2004, by and among Roller Bearing Company of America, Inc., certain of its domestic subsidiaries, General Electric Capital Corporation, as Agent for SCIL Lenders.
10.31	Pledge Agreement, dated June 29, 2004, by and among Roller Bearing Company of America, Inc., certain of its domestic subsidiaries, General Electric Capital Corporation, as Agent for SCIL Lenders.
10.32	Master Reaffirmation and Amendment to Loan Documents, dated June 29, 2004, by and among Roller Bearing Company of America, Inc., certain of its domestic subsidiaries, General Electric Capital Corporation, as agent and Lender.
10.33	Lease Agreement dated May 17, 2004 by and between Shadowmoss Properties, LLC, a South Carolina limited liability company and Roller Bearing Company of America, Inc.

10.34	Credit Agreement, dated December 8, 2003, between Credit Suisse and Schaublin SA.
10.35	Amendment No. 1 to Credit Agreement, dated November 8, 2004, between Credit Suisse and Schaublin SA.
21.2	Subsidiaries of the Registrant
23.1	Consent of Ernst & Young LLP.
23.2	Consent of Kirkland & Ellis LLP (included in Exhibit 5.1).*
24.1	Powers of Attorney (included on signature page).

* To be filed by amendment.

(b) Financial Statement Schedules

Schedule II-Valuation and Qualifying Accounts

Allowance for Doubtful Accounts

The activity in the allowance for doubtful accounts consists of the following:

Fiscal Year Ended	Balance at Beginning of Year	Additions	Write-offs	Balance at End of Year
April 3, 2004	$ 744	$ 378	$ (352)	$ 770
March 29, 2003	621	123	—	744
March 30, 2002	257	364	—	621

Item 17. Undertakings

1. The undersigned registrant hereby undertakes to provide to the underwriters at the closing specified in the underwriting agreements, certificates in such denominations and registered in such names as required by the underwriters to permit prompt delivery to each purchaser.

2. Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers, and controlling persons of the registrant pursuant to the foregoing provisions, or otherwise, the registrant has been advised that in the opinion of the SEC such indemnification is against public policy as expressed in the Securities Act and is therefore unenforceable. In the event that a claim for indemnification by the registrant against such liabilities, other than the payment by the registrant of expenses incurred or paid by a director, officer or controlling person of the registrant in the successful defense of any action, suit or proceeding, is asserted by such director, officer or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Act and will be governed by the final adjudication of such issue.

3. The undersigned registrant hereby undertakes that

(i) For purposes of determining any liability under the Securities Act, the information omitted from the form of prospectus filed as part of this registration statement in reliance upon Rule 430A and contained in a form of prospectus filed by the registrant pursuant to Rule 424(b)(1) or (4) or 497(h) under the Securities Act shall be deemed to be part of this registration statement as of the time it was declared effective.

(ii) For the purpose of determining any liability under the Securities Act, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial *bona fide* offering thereof.

SIGNATURES

Pursuant to the requirements of the Securities Act, as amended, the registrant has duly caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized, in Oxford, Connecticut on May 11, 2005.

RBC BEARINGS INCORPORATED

By: /s/ DR. MICHAEL J. HARTNETT

Name: Dr. Michael J. Hartnett
Title: Chief Executive Officer and Chairman

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Daniel A. Bergeron his or her true and lawful attorney-in-fact and agent, with full power of substitution and resubstitution, for him or her and in his or her name, place and stead, in any and all capacities (including his or her capacity as a director and/or officer of RBC Bearings Incorporated) to sign any or all amendments (including post-effective amendments) to this registration statement and any subsequent registration statement filed pursuant to Rule 462 (b) under the Securities Act, and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorney-in-fact and agent full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises, as fully to all intents and purposes as he or she might or could do in person, hereby ratifying and confirming all that said attorney-in-fact and agent or his substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Act, this Registration Statement on Form S-1 has been signed by the following persons in the capacities indicated on May 11, 2005.

Signature	Title
/s/ DR. MICHAEL J. HARTNETT Dr. Michael J. Hartnett	Chief Executive Officer (Principal Executive Officer and Chairman)
/s/ DANIEL A. BERGERON Daniel A. Bergeron	Chief Financial Officer (Principal Financial and Accounting Officer)
Robert Anderson	Director
/s/ RICHARD R. CROWELL Richard R. Crowell	Director
/s/ WILLIAM P. KILLIAN William P. Killian	Director
/s/ MICHAEL STONE Michael Stone	Director
/s/ DR. AMIR FAGHRI Dr. Amir Faghri	Director

EXHIBIT INDEX

1.1	Form of Purchase Agreement.*
3.1	Form of Amended and Restated Certificate of Incorporation of RBC Bearings Incorporated dated , 2005.
3.3	Form of Bylaws of RBC Bearings Incorporated.
4.3	Form of stock certificate for common stock.*
5.1	Form of Opinion of Kirkland & Ellis LLP.
10.1	Indenture, dated as of June 15, 1997 between RBC Bearings Incorporated (f/k/a Roller Bearing Holding Company, Inc.) and the United States Trust Company of New York.
10.2	Stock Option Plan of RBC Bearings Incorporated (f/k/a Roller Bearing Holding Company, Inc.), dated as of February 18, 1998 with form of agreement.
10.3	Form of Stock Transfer Restriction Agreement between RBC Bearings Incorporated (f/k/a Roller Bearing Holding Company, Inc.) and certain of its stockholders.
10.4	Amended and Restated 2001 Stock Option Plan of RBC Bearings Incorporated (f/k/a Roller Bearing Holding Company, Inc.), dated October 24, 2003.
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24.1	Powers of Attorney (included on signature page).

* To be filed by amendment.

QuickLinks

FORM OF AMENDED AND RESTATED
CERTIFICATE OF INCORPORATION
RBC BEARINGS INCORPORATED

RBC BEARINGS INCORPORATED, a corporation organized and existing under the laws of the state of Delaware (the "Corporation") hereby certifies that:

1. The name of the Corporation is RBC Bearings Incorporated. The Corporation was originally incorporated under the name Roller Bearing Holding Company, Inc.

2. The date of filing of the Corporation's original Certificate of Incorporation was March 23, 1992.

3. The Amended and Restated Certificate of Incorporation of the Corporation as provided in Exhibit A hereto was duly adopted in accordance with the provisions of Section 245 of the General Corporation Law of the State of Delaware by the Board of Directors of the Corporation.

4. Pursuant to Section 245 of the Delaware General Corporation Law, approval of the stockholders of the Corporation has been obtained.

5. The Amended and Restated Certificate of Incorporation so adopted reads in full as set forth in Exhibit A attached hereto and is hereby incorporated by reference.

IN WITNESS WHEREOF, the undersigned has signed this certificate this day of , 2005, and hereby affirms and acknowledges under penalty of perjury that the filing of this Amended and Restated Certificate of Incorporation is the act and deed of RBC Bearings Incorporated.

RBC BEARINGS INCORPORATED

By _____
Daniel A. Bergeron
Vice President and Chief Financial Officer

EXHIBIT A

AMENDED AND RESTATED CERTIFICATE OF INCORPORATION

OF
RBC BEARINGS INCORPORATED

ARTICLE ONE

The name of the Corporation is RBC Bearing Incorporated (the "Corporation").

ARTICLE TWO

The address of the Corporation's registered office in the state of Delaware is 2711 Centerville Road, Suite 400, Wilmington, Delaware 19808, in the City of Wilmington, County of New Castle. The name of its registered agent at such address is Corporation Service Company.

ARTICLE THREE

The purpose of the Corporation is to engage in any lawful act or activity for which corporations may be organized under the General Corporation Law of the State of Delaware.

ARTICLE FOUR

Section 1. Authorized Shares. The total number of shares of capital stock which the Corporation has authority to issue is shares, consisting of:

(a) shares of Preferred Stock, par value $.01 per share ("Preferred Stock"); and

(b) shares of Common Stock, par value $.01 per share ("Common Stock").

The Preferred Stock and the Common Stock shall have the rights, preferences and limitations set forth below.

Section 2. Preferred Stock. The Preferred Stock may be issued from time to time and in one or more series. The Board of Directors of the Corporation is authorized to determine or alter the powers, preferences and rights (including voting rights), and the qualifications, limitations and restrictions granted to or imposed upon any wholly unissued series of Preferred Stock, and within the limitations or restrictions stated in any resolution or resolutions of

the Board of Directors originally fixing the number of shares constituting any series of Preferred Stock, to increase or decrease (but not below the number of shares of any such series of Preferred Stock then outstanding) the number of shares of any such series of Preferred Stock, and to fix the number of shares of any series of Preferred Stock. In the event that the number of shares of any series of Preferred Stock shall be so decreased, the shares constituting such decrease shall resume the status which such shares had prior to the adoption of the resolution originally fixing the number of shares of such series of Preferred Stock subject to the requirements of applicable law.

Section 3. Common Stock.

(a) Dividends. Except as otherwise provided by the Delaware General Corporation Law or this Amended and Restated Certificate of Incorporation (this "Certificate of Incorporation"), the holders of Common Stock: (i) subject to the rights of holders of any series of Preferred Stock, shall share ratably, on a per share basis, in all dividends and other distributions payable in cash, securities or other property of the Corporation as may be declared thereon by the Board of Directors from time to time out of assets or funds of the Corporation legally available therefor; and (ii) are subject to all the powers, rights, privileges, preferences and priorities of any series of Preferred Stock as provided herein or in any resolution or resolutions adopted by the Board of Directors pursuant to authority expressly vested in it by the provisions of Section 2 of this ARTICLE FOUR.

(b) Conversion Rights. The Common Stock shall not be convertible into, or exchangeable for, shares of any other class or classes or of any other series of the same class of the Corporation's capital stock.

(c) Preemptive Rights. No holder of Common Stock shall have any preemptive rights with respect to the Common Stock or any other securities of the Corporation, or to any obligations convertible (directly or indirectly) into securities of the Corporation whether now or hereafter authorized.

(d) Voting Rights. Except as otherwise provided by the Delaware General Corporation Law or this Certificate of Incorporation and subject to the rights of holders of any series of Preferred Stock, all of the voting power of the stockholders of the Corporation shall be vested in the holders of the Common Stock, and each holder of Common Stock shall have one vote for each share held by such holder on all matters voted upon by the stockholders of the Corporation.

(e) Liquidation Rights. In the event of any liquidation, dissolution or winding up of the affairs of the Corporation, whether voluntary or involuntary, after payment or provision for payment of the Corporation's debts and subject to the rights of the holders of shares of Preferred Stock upon such dissolution, liquidation or winding up, the remaining net assets of the Corporation shall be distributed among holders of shares of Common Stock ratably on a per share basis. A merger or consolidation of the Corporation with or into any other corporation or other entity, or a sale or conveyance of all or any part of the assets of the Corporation (which shall not in fact result in the liquidation of the Corporation and the distribution of assets to its stockholders) shall not be deemed to be a voluntary or involuntary liquidation or dissolution or winding up of the Corporation within the meaning of this Section 3(e).

(f) Registration or Transfer. The Corporation shall keep or cause to be kept at its principal office (or such other place as the Corporation reasonably designates) a register for the registration of Common Stock. Upon the surrender of any certificate representing shares of any class of Common Stock at such place, the Corporation shall, at the request of the registered holder of such certificate, execute and deliver a new certificate or certificates in exchange therefor representing in the aggregate the number of shares of such class represented by the surrendered certificate, and the Corporation forthwith shall cancel such surrendered certificate. Each such new certificate will be registered in such name and will represent such number of shares of such class as is requested by the holder of the surrendered certificate and shall be

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substantially identical in form to the surrendered certificate. The issuance of new certificates shall be made without charge to the holders of the surrendered certificates for any issuance tax in respect thereof or other cost incurred by the Corporation in connection with such issuance.

(g) Replacement. Upon receipt of evidence reasonably satisfactory to the Corporation (an affidavit of the registered holder will be satisfactory) of the ownership and the loss, theft, destruction or mutilation of any certificate evidencing one or more shares of any class of Common Stock, and in the case of any such loss, theft or destruction, upon receipt of indemnity reasonably satisfactory to the Corporation (provided that if the holder is a financial institution or other institutional investor, its own agreement will be satisfactory), or, in the case of any such mutilation upon surrender of such certificate, the Corporation shall (at its expense) execute and deliver in lieu of such certificate a new certificate of like kind representing the number of shares of such class represented by such lost, stolen, destroyed or mutilated certificate and dated the date of such lost, stolen, destroyed or mutilated certificate.

(h) Notices. All notices referred to herein shall be in writing, shall be delivered personally or by first class mail, postage prepaid, and shall be deemed to have been given when so delivered or mailed to the Corporation at its principal executive offices and to any stockholder at such holder's address as it appears in the stock records of the Corporation (unless otherwise specified in a written notice to the Corporation by such holder).

(i) Fractional Shares. In no event will holders of fractional shares be required to accept any consideration in exchange for such shares other than consideration which all holders of Common Stock are required to accept.

ARTICLE FIVE

The Corporation is to have perpetual existence.

ARTICLE SIX

Section 1. Number, Election and Term of Office. The manner of election and removal of such directors and the term such Directors shall hold office shall be designated in the Bylaws of the Corporation. Each Director shall hold office until a successor is duly elected and qualified or until his or her earlier death, resignation or removal. Elections of Directors need not be by written ballot unless the Bylaws of the Corporation shall so provide.

ARTICLE SEVEN

In furtherance and not in limitation of the powers conferred by statute, the Board of Directors is expressly authorized to make, alter, amend or repeal the Bylaws of the Corporation.

ARTICLE EIGHT

Section 1. Limitation of Liability.

(a) To the fullest extent permitted by the Delaware General Corporation Law as it now exists or may hereafter be amended (but, in the case of any such amendment, only to the

extent that such amendment permits the Corporation to provide broader indemnification rights than permitted prior thereto), and except as otherwise provided in the Corporation's Bylaws, no Director of the Corporation shall be liable to the Corporation or its stockholders for monetary damages arising from a breach of fiduciary duty owed to the Corporation or its stockholders.

(b) Any repeal or modification of the foregoing paragraph by the stockholders of the Corporation shall not adversely affect any right or protection of a Director of the Corporation existing at the time of such repeal or modification.

Section 2. Right to Indemnification. Each person who was or is made a party or is threatened to be made a party to or is otherwise involved (including involvement as a witness) in any action, suit or proceeding, whether civil, criminal, administrative or investigative (a "proceeding"), by reason of the fact that he or she is or was a Director or officer of the Corporation or, while a Director, officer or other employee of the Corporation, is or was serving at the request of the Corporation as a Director, officer, employee or agent of another corporation or of a partnership, joint venture, trust or other enterprise, including service with respect to an employee benefit plan (an "indemnitee"), whether the basis of such proceeding is alleged action in an official capacity as a Director or officer or in any other capacity while serving as a Director or officer, shall be indemnified and held harmless by the Corporation to the fullest extent authorized by the Delaware General Corporation Law, as the same exists or may hereafter be amended (but, in the case of any such amendment, only to the extent that such amendment permits the Corporation to provide broader indemnification rights than permitted prior thereto), against all expense, liability and loss (including attorneys' fees, judgments, fines, excise taxes or penalties and amounts paid in settlement) reasonably incurred or suffered by such indemnitee in connection therewith and such indemnification shall continue as to an indemnitee who has ceased to be a Director, officer, employee or agent and shall inure to the benefit of the indemnitee's heirs, executors and administrators; provided, however, that, except as provided in Section 3 of this ARTICLE EIGHT with respect to proceedings to enforce rights to indemnification, the Corporation shall indemnify any such indemnitee in connection with a proceeding (or part thereof) initiated by such indemnitee only if such proceeding (or part thereof) was authorized by the Board of Directors of the Corporation. The right to indemnification conferred in this Section 2 of this ARTICLE EIGHT shall be a contract right and shall include the obligation of the Corporation to pay the expenses incurred in defending any such proceeding in advance of its final disposition (an "advance of expenses"); provided, however, that, if and to the extent that the Delaware General Corporation Law requires, an advance of expenses incurred by an indemnitee in his or her capacity as a Director or officer (and not in any other capacity in which service was or is rendered by such indemnitee, including, without limitation, service to an employee benefit plan) shall be made only upon delivery to the Corporation of an undertaking (an "undertaking"), by or on behalf of such indemnitee, to repay all amounts so advanced if it shall ultimately be determined by final judicial decision from which there is no further right to appeal (a "final adjudication") that such indemnitee is not entitled to be indemnified for such expenses under this Section 2 or otherwise. The Corporation may, by action of its Board of Directors, provide indemnification to employees and agents of the Corporation with the same or lesser scope and effect as the foregoing indemnification of Directors and officers.

Section 3. Procedure for Indemnification. Any indemnification of a Director or officer of the Corporation or advance of expenses under Section 2 of this ARTICLE EIGHT

shall be made promptly, and in any event within forty-five days (or, in the case of an advance of expenses, twenty days), upon the written request of the Director or officer. If a determination by the Corporation that the Director or officer is entitled to indemnification pursuant to this ARTICLE EIGHT is required, and the Corporation fails to respond within sixty days to a written request for indemnity, the Corporation shall be deemed to have approved the request. If the Corporation denies a written request for indemnification or advance of expenses, in whole or in part, or if payment in full pursuant to such request is not made within forty-five days (or, in the case of an advance of expenses, twenty days), the right to indemnification or advances as granted by this ARTICLE EIGHT shall be enforceable by the Director or officer in any court of competent jurisdiction. Such person's costs and expenses incurred in connection with successfully establishing his or her right to indemnification, in whole or in part, in any such action shall also be indemnified by the Corporation. It shall be a defense to any such action (other than an action brought to enforce a claim for the advance of expenses where the undertaking required pursuant to Section 2 of this ARTICLE EIGHT, if any, has been tendered to the Corporation) that the claimant has not met the standards of conduct which make it permissible under the Delaware General Corporation Law for the Corporation to indemnify the claimant for the amount claimed, but the burden of such defense shall be on the Corporation. Neither the failure of the Corporation (including its Board of Directors, independent legal counsel or its stockholders) to have made a determination prior to the commencement of such action that indemnification of the claimant is proper in the circumstances because he or she has met the applicable standard of conduct set forth in the Delaware General Corporation Law, nor an actual determination by the Corporation (including its Board of Directors, independent legal counsel or its stockholders) that the claimant has not met such applicable standard of conduct, shall be a defense to the action or create a presumption that the claimant has not met the applicable standard of conduct. The procedure for indemnification of other employees and agents for whom indemnification is provided pursuant to Section 2 of this ARTICLE EIGHT shall be the same procedure set forth in this Section 3 for Directors or officers, unless otherwise set forth in the action of the Board of Directors providing indemnification for such employee or agent.

Section 4. Insurance. The Corporation may purchase and maintain insurance on its own behalf and on behalf of any person who is or was a Director, officer, employee or agent of the Corporation or was serving at the request of the Corporation as a Director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, including service with respect to an employee benefit plan, against any expense, liability or loss asserted against him or her and incurred by him or her in any such capacity, whether or not the Corporation would have the power to indemnify such person against such expenses, liability or loss under the Delaware General Corporation Law.

Section 5. Service for Subsidiaries. Any person serving as a Director, officer, employee or agent of another corporation, partnership, limited liability company, joint venture or other enterprise, at least 50% of whose equity interests are owned by the Corporation (a "subsidiary" for this ARTICLE EIGHT) shall be conclusively presumed to be serving in such capacity at the request of the Corporation.

Section 6. Reliance. Persons who after the date of the adoption of this provision become or remain Directors or officers of the Corporation or who, while a Director, officer or

other employee of the Corporation, become or remain a Director, officer, employee or agent of a subsidiary, shall be conclusively presumed to have relied on the rights to indemnity, advance of expenses and other rights contained in this ARTICLE EIGHT in entering into or continuing such service. The rights to indemnification and to the advance of expenses conferred in this ARTICLE EIGHT shall apply to claims made against an indemnitee arising out of acts or omissions which occurred or occur both prior and subsequent to the adoption hereof.

Section 7. Non-Exclusivity of Rights. The rights to indemnification and to the advance of expenses conferred in this ARTICLE EIGHT shall not be exclusive of any other right which any person may have or hereafter acquire under this Restated Certificate or under any statute, by-law, agreement, vote of stockholders or disinterested Directors or otherwise.

Section 8. Merger or Consolidation. For purposes of this ARTICLE EIGHT, references to the "Corporation" shall include, in addition to the resulting Corporation, any constituent Corporation (including any constituent of a constituent) absorbed in a consolidation or merger which, if its separate existence had continued, would have had power and authority to indemnify its Directors, officers and employees or agents, so that any person who is or was a Director, officer, employee or agent of such constituent Corporation, or is or was serving at the request of such constituent Corporation as a Director, officer, employee or agent of another Corporation, partnership, joint venture, trust or other enterprise, shall stand in the same position under this ARTICLE EIGHT with respect to the resulting or surviving Corporation as he or she would have with respect to such constituent Corporation if its separate existence had continued.

Section 9. Savings Clause. If this ARTICLE EIGHT or any portion hereof shall be invalidated on any ground by any court of competent jurisdiction, then the Corporation shall nevertheless indemnify each person entitled to indemnification under Section 2 of this ARTICLE EIGHT as to all expense, liability and loss (including attorneys' fees and related disbursements, judgments, fines, ERISA excise taxes and penalties, penalties and amounts paid or to be paid in settlement) actually and reasonably incurred or suffered by such person and for which indemnification is available to such person pursuant to this ARTICLE EIGHT to the full extent permitted by any applicable portion of this ARTICLE EIGHT that shall not have been invalidated and to the full extent permitted by applicable law.

ARTICLE NINE

Meetings of stockholders may be held within or without the State of Delaware, as the Bylaws may provide. The books of the Corporation may be kept (subject to any provision contained in the statutes) outside of the State of Delaware at such place or places as may be designated from time to time by the Board of Directors or in the Bylaws of the Corporation.

ARTICLE TEN

For so long as any security of the Company is registered under Section 12 of the Securities Exchange Act of 1934: (i) the stockholders of the Corporation may not take any action by written consent in lieu of a meeting, and must take any actions at a duly called annual or special meeting of stockholders and the power of stockholders to consent in writing without a

meeting is specifically denied; and (ii) special meetings of stockholders of the Corporation may be called only by the Board of Directors pursuant to a resolution adopted by the affirmative vote of the majority of the total number of directors then in office.

ARTICLE ELEVEN

Section 1. Certain Acknowledgments. In recognition and anticipation that: (i) the partners, principals, directors, officers, members, managers and/or employees of Whitney & Co., LLC ("Whitney") may serve as directors and/or officers of the Corporation, (ii) Whitney may engage in the same or similar activities or related lines of business as those in which the Corporation, directly or indirectly, may engage and/or other business activities that overlap with or compete with those in which the Corporation, directly or indirectly, may engage, and (iii) that the Corporation and its subsidiaries may engage in material business transactions with Whitney and that the Corporation is expected to benefit therefrom, the provisions of this ARTICLE ELEVEN are set forth to regulate and define the conduct of certain affairs of the Corporation as they may involve Whitney and their respective directors, officers, members, managers and/or employees, and the powers, rights, duties and liabilities of the Corporation and its officers, directors and stockholders in connection therewith.

Section 2. Competition and Corporate Opportunities. Whitney shall not have any duty to refrain from engaging directly or indirectly in the same or similar business activities or lines of business as the Corporation or any of its subsidiaries. In the event that Whitney acquires knowledge of a potential transaction or matter which may be a corporate opportunity for itself and the Corporation or any of its subsidiaries, neither the Corporation nor any of its subsidiaries shall have any expectancy in such corporate opportunity, and neither Whitney shall have any duty to communicate or offer such corporate opportunity to the Corporation or any of its subsidiaries and may pursue or acquire such corporate opportunity for itself or direct such corporate opportunity to another person.

Section 3. Allocation of Corporate Opportunities. In the event that a director or officer of the Corporation who is also a partner, principal, director, officer, member, manager and/or employee of Whitney acquires knowledge of a potential transaction or matter which may be a corporate opportunity

for the Corporation or any of its subsidiaries and Whitney, neither the Corporation nor any of its subsidiaries shall have any expectancy in such corporate opportunity unless such corporate opportunity is expressly offered to such person solely in his or her capacity as a director or officer of the Corporation.

Section 4. Certain Matters Deemed Not Corporate Opportunities. In addition to and notwithstanding the foregoing provisions of this ARTICLE ELEVEN, a corporate opportunity shall not be deemed to belong to the Corporation if it is a business opportunity that the Corporation is not financially able or contractually permitted or legally able to undertake, or that is, from its nature, not in the line of the Corporation's business or is of no practical advantage to it or that is one in which the Corporation has no interest or reasonable expectancy.

Section 5. Agreements and Transactions with Whitney. In the event that Whitney enters into an agreement or transaction with the Corporation or any of its subsidiaries, a director or officer of the Corporation who is also a partner, principal, director, officer, member, manager

and/or employee of Whitney, as applicable, shall have fully satisfied and fulfilled the fiduciary duty of such director or officer to the Corporation and its stockholders with respect to such agreement or transaction, if:

(a) The agreement or transaction was approved, after being made aware of the material facts of the relationship between each of the Corporation or subsidiary thereof and Whitney, and the material terms and facts of the agreement or transaction, by (i) an affirmative vote of a majority of the members of the Board of Directors of the Corporation who are not persons or entities with a material financial interest in the agreement or transaction ("Interested Persons") or (ii) an affirmative vote of a majority of the members of a committee of the Board of Directors of the Corporation consisting of members who are not Interested Persons;

(b) The agreement or transaction was fair to the Corporation at the time the agreement or transaction was entered into by the Corporation; or

(c) The agreement or transaction was approved by an affirmative vote of a majority of the shares of the Corporation's Common Stock entitled to vote, excluding Whitney, and any Interested Person; provided that if no Common Stock is then outstanding a majority of the voting power of the Corporation's capital stock entitled to vote, excluding Whitney and any other Interested Person, as applicable.

Section 6. Amendment of this Article. Notwithstanding anything to the contrary elsewhere contained in this Certificate of Incorporation, the affirmative vote of the holders of at least 80% of the voting power of all shares of Common Stock then outstanding, voting together as a single class, shall be required to alter, amend or repeal, or to adopt any provision inconsistent with, this ARTICLE ELEVEN.

Section 7. Deemed Notice. Any person or entity purchasing or otherwise acquiring any interest in any shares of the Corporation shall be deemed to have notice or and to have consented to the provisions of this ARTICLE ELEVEN.

ARTICLE TWELVE

Notwithstanding any other provisions of this Certificate or any provision of law which might otherwise permit a lesser vote or no vote, but in addition to any affirmative vote of the holders of the capital stock required by law or this Certificate, the affirmative vote of the holders of at least two-thirds (2/3) of the combined voting power of all of the then outstanding shares of the Corporation eligible to be cast in the election of directors shall be required to alter, amend or repeal ARTICLES EIGHT, TEN or FOURTEEN hereof, or this ARTICLE TWELVE, or any provision thereof or hereof.

ARTICLE THIRTEEN

The Corporation reserves the right to amend, alter, change or repeal any provision contained in this Certificate, in the manner now or hereafter prescribed by statute, and all rights conferred upon stockholders herein are granted subject to this reservation.

ARTICLE FOURTEEN

The Corporation expressly elects to be governed by Section 203 of the Delaware General Corporation Law. Notwithstanding the terms of Section 203 of the Delaware General Corporation Law, Whitney and its affiliates shall not be deemed at any time and without regard to the percentage of voting stock of the Corporation owned by Whitney or any of its affiliates, as applicable, to be an "interested stockholder" as such term is defined in Section 203(c)(5) of the Delaware General Corporation Law.

ARTICLE FIFTEEN

Whenever a compromise or arrangement is proposed between the Corporation and its creditors or any class of them and/or between the Corporation and its stockholders or any class of them, any court of equitable jurisdiction within the State of Delaware may, on the application in a summary way of the Corporation or any creditor or stockholder thereof or on the application of a receiver or receivers appointed for the Corporation under the provisions of Section 291 of Title 8 of the Delaware Code or on the application of trustees in dissolution or of any receiver or receivers appointed for the Corporation under the provisions of Section 279 of Title 8 of the Delaware Code, order a meeting of the creditors, and/or the shareholders or class of stockholders of the Corporation, as the case may be, to be summoned in such manner as the said court directs. If a majority in number representing three-fourths in value of the creditors or class of creditors, and/or of the stockholders or class of stockholders of the Corporation, as the case may be, agree to any compromise or arrangement and to any reorganization of the Corporation as a consequence of such compromise or arrangement, the said compromise or arrangement and the said reorganization shall, if sanctioned by the court to which the said application has been made, be binding on all the creditors or class of creditors, and/or on all the stockholders, or class of stockholders, of the Corporation, as the case may be, and also on this Corporation.

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BYLAWS

OF

RBC BEARINGS INCORPORATED

A Delaware Corporation
(Adopted as of [ ], 2005)

ARTICLE I

OFFICES

Section 1. Registered Office. The registered office of RBC Bearings Incorporated (the "Corporation") in the State of Delaware shall be located at 2711 Centerville Road, Wilmington, Delaware 19801. The name of the Corporation's registered agent at such address shall be Corporation Service Company. The registered office and/or registered agent of the Corporation may be changed from time to time by action of the Board of Directors.

Section 2. Other Offices. The Corporation may also have offices at such other places, both within and without the State of Delaware, as the Board of Directors may from time to time determine or the business of the Corporation may require.

ARTICLE II

MEETINGS OF STOCKHOLDERS

Section 1. Annual Meeting. An annual meeting of the stockholders shall be held each year within 150 days after the close of the immediately preceding fiscal year of the Corporation or at such other time specified by the Board of Directors for the purpose of electing Directors and conducting such other proper business as may come before the annual meeting. At the annual meeting, stockholders shall elect Directors and transact such other business as properly may be brought before the annual meeting pursuant to Section 11 of ARTICLE II hereof.

Section 2. Special Meetings. Special meetings of the stockholders may only be called in the manner provided in ARTICLE TEN of the Amended and Restated Certificate of Incorporation of the Corporation (the "Certificate of Incorporation").

Section 3. Place of Meetings. The Board of Directors may designate any place, either within or without the State of Delaware, as the place of meeting for any annual meeting or for any special meeting. If no designation is made, or if a special meeting be otherwise called, the place of meeting shall be the principal executive office of the Corporation. If for any reason any annual meeting shall not be held during any year, the business thereof may be transacted at any special meeting of the stockholders.

Section 4. Notice. Whenever stockholders are required or permitted to take action at a meeting, written or printed notice stating the place, date, time and, in the case of special meetings, the purpose or purposes, of such meeting, shall be given to each stockholder entitled to vote at such meeting not less than 10 nor more than 60 days before the date of the meeting. All such notices shall be delivered, either personally or by mail, by or at the direction of the Board of Directors, the chairman of the board, the president or the secretary, and if mailed, such notice shall be deemed to be delivered when deposited in the United States mail, postage prepaid, addressed to the stockholder at his, her or its address as the same appears on the records of the Corporation. Attendance of a person at a meeting shall constitute a waiver of notice of such meeting, except when the person attends for the express purpose of objecting at the beginning of the meeting to the transaction of any business because the meeting is not lawfully called or convened.

Section 5. Stockholders List. The officer having charge of the stock ledger of the Corporation shall make, at least 10 days before every meeting of the stockholders, a complete list of the stockholders entitled to vote at such meeting arranged in alphabetical order, showing the address of each stockholder and the number of shares registered in the name of each stockholder. Such list shall be open to the examination of any stockholder, for any purpose germane to the meeting, during ordinary business hours, for a period of at least 10 days prior to the meeting, either at a place within the city where the meeting is to be held, which place shall be specified in the notice of the meeting or, if not so specified, at the place where the meeting is to be held. The list shall also be produced and kept at the time and place of the meeting during the whole time thereof, and may be inspected by any stockholder who is present.

Section 6. Quorum. The holders of a majority of the outstanding shares of capital stock entitled to vote, present in person or represented by proxy, shall constitute a quorum at all meetings of the stockholders, except as otherwise provided by the General Corporation Law of the State of Delaware or by the Certificate of Incorporation. If a quorum is not present, the holders of a majority of the shares present in person or represented by proxy at the meeting, and entitled to vote at the meeting, may adjourn the meeting to another time and/or place. When a specified item of business requires a vote by a class or series (if the Corporation shall then have outstanding shares of more than one class or series) voting as a class or series, the holders of a majority of the shares of such class or series shall constitute a quorum (as to such class or series) for the transaction of such item of business.

Section 7. Adjourned Meetings. When a meeting is adjourned to another time and place, notice need not be given of the adjourned meeting if the time and place thereof are announced at the meeting at which the adjournment is taken. At the adjourned meeting the Corporation may transact any business which might have been transacted at the original meeting. If the adjournment is for more than 30 days, or if after the adjournment a new record date is fixed for the adjourned meeting, a notice of the adjourned meeting shall be given to each stockholder of record entitled to vote at the meeting.

Section 8. Vote Required. When a quorum is present, the affirmative vote of the majority of shares present in person or represented by proxy at the meeting and entitled to vote on the subject matter shall be the act of the stockholders, unless (i) by express provisions of an

applicable law or of the Certificate of Incorporation a different vote is required, in which case such express provision shall govern and control the decision of such question, or (ii) the subject matter is the election of Directors, in which case Section 2 of ARTICLE III hereof shall govern and control the approval of such subject matter.

Section 9. Voting Rights. Except as otherwise provided by the General Corporation Law of the State of Delaware, the Certificate of Incorporation or these Bylaws, every stockholder shall at every meeting of the stockholders be entitled to one vote in person or by proxy for each share of capital stock held by such stockholder.

Section 10. Proxies. Each stockholder entitled to vote at a meeting of stockholders or to express consent or dissent to corporate action in writing without a meeting may authorize another person or persons to act for him or her by proxy, but no such proxy shall be voted or acted upon after three years from its date, unless the proxy provides for a longer period. A duly executed proxy shall be irrevocable if it states that it is irrevocable and if, and only as long as, it is coupled with an interest sufficient in law to support an irrevocable power. A proxy may be made irrevocable regardless of whether the interest with which it is coupled is an interest in the stock itself or an interest in the Corporation generally. Any proxy is suspended when the person executing the proxy is present at a meeting of stockholders and elects to vote, except that when such proxy is coupled with an interest and the fact of the interest appears on the face of the proxy, the agent named in the proxy shall have all voting and other rights referred to in the proxy, notwithstanding the presence of the person executing the proxy. At each meeting of the stockholders, and before any voting commences, all proxies filed at or before the meeting shall be submitted to and examined by the secretary or a person designated by the secretary, and no shares may be represented or voted under a proxy that has been found to be invalid or irregular.

Section 11. Business Brought Before an Annual Meeting. At an annual meeting of the stockholders, only such business shall be conducted as shall have been properly brought before the meeting. To be properly brought before an annual meeting, business must be (i) specified in the notice of meeting (or any supplement thereto) given by or at the direction of the Board of Directors, (ii) brought before the meeting by or at the direction of the Board of Directors or (iii) otherwise properly brought before the meeting by a stockholder. For business to be properly brought before an annual meeting by a stockholder, the stockholder must have given timely notice thereof in writing to the secretary of the Corporation. To be timely, a stockholder's notice must be delivered to or mailed and received at the principal executive offices of the Corporation, not less than 60 days nor more than 90 days prior to the meeting; provided, however, that in the event that less than 70 days' notice or prior public announcement of the date of the meeting is given or made to stockholders, notice by the stockholder to be timely must be so received not later than the close of business on the 10th day following the date on which such notice of the date of the annual meeting was mailed or such public announcement was made. A stockholder's notice to the secretary shall set forth as to each matter the stockholder proposes to bring before the annual meeting (i) a brief description of the business desired to be brought before the annual meeting, (ii) the name and address, as they appear on the Corporation's books, of the stockholder proposing such business, (iii) the class and number of shares of the Corporation which are beneficially owned by the stockholder and (iv) any material interest of the stockholder in such business. Notwithstanding anything in these Bylaws to the contrary, no business shall be

conducted at an annual meeting except in accordance with the procedures set forth in this section. The presiding officer of an annual meeting shall, if the facts warrant, determine and declare to the meeting that business was not properly brought before the meeting and in accordance with the provisions of this section; if he should so determine, he shall so declare to the meeting and any such business not properly brought before the meeting shall not be transacted. For purposes of this section, "public announcement" shall mean disclosure in a press release reported by Dow Jones News Service, Associated Press or a comparable national news service. Nothing in this section shall be deemed to affect any rights of stockholders to request inclusion of proposals in the Corporation's proxy statement pursuant to Rule 14a-8 promulgated under the Securities Exchange Act of 1934 (the "Exchange Act").

ARTICLE III

DIRECTORS

Section 1. General Powers. The business and affairs of the Corporation shall be managed by or under the direction of the Board of Directors. In addition to such powers as are herein and in the Certificate of Incorporation expressly conferred upon it, the Board of Directors shall have and may exercise all the powers of the Corporation, subject to the provisions of the laws of Delaware, the Certificate of Incorporation and these Bylaws.

Section 2. Number, Election and Term of Office. The number of Directors which shall constitute the board shall initially be 7. Thereafter, the number of Directors shall be established from time to time by resolution of the board. The Directors shall be elected by a plurality of the votes of the shares present in person or represented by proxy at the meeting and entitled to vote in the election of directors. The Directors shall be elected in this manner at the annual meeting of the stockholders, except as provided in Section 4 of this Article III. Each Director elected shall hold office until a successor is duly elected and qualified or until his or her earlier death, resignation or removal as hereinafter provided.

Section 3. Removal and Resignation. No Director may be removed from office without cause and without the affirmative vote of the holders of a majority of the voting power of the then outstanding shares of capital stock entitled to vote generally in the election of Directors voting together as a single class; provided, however, that if the holders of any class or series of capital stock are entitled by the provisions of the Certificate of Incorporation (it being understood that any references to the Certificate of Incorporation shall include any duly authorized certificate of designation) to elect one or more Directors, such Director or Directors so elected may be removed without cause only by the vote of the holders of a majority of the outstanding shares entitled to vote for such Director(s). Any Director may resign at any time upon written notice to the Corporation.

Section 4. Vacancies. Vacancies occurring on the Board of Directors for any reason may be filled by vote of a majority of the remaining members of the Board of Directors, even if less than a quorum, at any meeting of the Board of Directors. A Person so elected by the Board of Directors to fill a vacancy shall hold office until the next succeeding annual meeting of

stockholders of the Corporation and until his or her successor shall have been duly elected and qualified.

Section 5. Nominations.

(a) Only persons who are nominated in accordance with the procedures set forth in these Bylaws shall be eligible to serve as Directors. Nominations of persons for election to the Board of Directors of the Corporation may be made at a meeting of stockholders (i) by or at the direction of the Board of Directors or (ii) by any stockholder of the Corporation who was a stockholder of record at the time of giving of notice provided for in these Bylaws, who is entitled to vote generally in the election of Directors at the meeting and who shall have complied with the notice procedures set forth below in Section 5(b).

(b) In order for a stockholder to nominate a person for election to the Board of Directors of the Corporation at a meeting of stockholders, such stockholder shall have delivered timely notice of such stockholder's intent to make such nomination in writing to the secretary of the Corporation. To be timely, a stockholder's notice shall be delivered to or mailed and received at the principal executive offices of the Corporation (i) in the case of an annual meeting, not less than 60 nor more than 90 days prior to the first anniversary of the preceding year's annual meeting; provided, however, that in the event that the date of the annual meeting is changed by more than 30 days from such anniversary date, notice by the stockholder to be timely must be so received not later than the close of business on the 10th day following the earlier of the day on which notice of the date of the meeting was mailed or public disclosure of the meeting was made, and (ii) in the case of a special meeting at which Directors are to be elected, not later than the close of business on the 10th day following the earlier of the day on which notice of the date of the meeting was mailed or public disclosure of the meeting was made. Such stockholder's notice shall set forth (i) as to each person whom the stockholder proposes to nominate for election as a Director at such meeting all information relating to such person that is required to be disclosed in solicitations of proxies for election of Directors, or is otherwise required, in each case pursuant to Regulation 14A under the Exchange Act (including such person's written consent to being named in the proxy statement as a nominee and to serving as a Director if elected); (ii) as to the stockholder giving the notice (A) the name and address, as they appear on the Corporation's books, of such stockholder and (B) the class and number of shares of the Corporation which are beneficially owned by such stockholder and also which are owned of record by such stockholder; and (iii) as to the beneficial owner, if any, on whose behalf the nomination is made, (A) the name and address of such person and (B) the class and number of shares of the Corporation which are beneficially owned by such person. At the request of the Board of Directors, any person nominated by the Board of Directors for election as a Director shall furnish to the secretary of the Corporation that information required to be set forth in a stockholder's notice of nomination which pertains to the nominee.

(c) No person shall be eligible to serve as a Director of the Corporation unless nominated in accordance with the procedures set forth in this section. The chairman of the meeting shall, if the facts warrant, determine and declare to the meeting that a nomination was not made in accordance with the procedures prescribed by this section, and if he should so determine, he shall so declare to the meeting and the defective nomination shall be disregarded.

A stockholder seeking to nominate a person to serve as a Director must also comply with all applicable requirements of the Exchange Act, and the rules and regulations thereunder with respect to the matters set forth in this section.

Section 6. Annual Meetings. The annual meeting of the Board of Directors shall be held, without any notice other than this Section 6, immediately after, and at the same place as, the annual meeting of stockholders.

Section 7. Other Meetings and Notice. Regular meetings, other than the annual meeting, of the Board of Directors may be held without notice at such time and at such place as shall from time to time be determined by resolution of the Board of Directors. Special meetings of the Board of Directors may be called by the chairman of the board, the president (if the president is a Director) or, upon the written request of at least two (2) Directors then in office, the secretary of the Corporation on at least 24 hours notice to each Director, either personally, by telephone, by mail or by telecopy.

Section 8. Chairman of the Board, Quorum, Required Vote and Adjournment. The Board of Directors shall elect, by the affirmative vote of a majority of the total number of Directors then in office, a chairman of the board, who shall preside at all meetings of the stockholders and Board of Directors at which he or she is present and shall have such powers and perform such duties as the Board of Directors may from time to time prescribe. If the chairman of the board is not present at a meeting of the stockholders or the Board of Directors, the president (if the president is a Director and is not also the chairman of the board) shall preside at such meeting, and, if the president is not present at such meeting, a majority of the Directors present at such meeting shall elect one of their members to so preside. A majority of the total number of Directors then in office shall constitute a quorum for the transaction of business. Unless by express provision of an applicable law, the Certificate of Incorporation or these Bylaws a different vote is required, the vote of a majority of Directors present at a meeting at which a quorum is present shall be the act of the Board of Directors. If a quorum shall not be present at any meeting of the Board of Directors, the Directors present thereat may adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum shall be present.

Section 9. Committees. The Board of Directors may, by resolution passed by a majority of the total number of Directors then in office, designate one or more committees, each committee to consist of one or more of the Directors of the Corporation, which to the extent provided in such resolution or these Bylaws shall have, and may exercise, the powers of the Board of Directors in the management and affairs of the Corporation, except as otherwise limited by law. The Board of Directors may designate one or more Directors as alternate members of any committee, who may replace any absent or disqualified member at any meeting of the committee. Such committee or committees shall have such name or names as may be determined from time to time by resolution adopted by the Board of Directors. Each committee shall keep regular minutes of its meetings and report the same to the Board of Directors upon request.

Section 10. Committee Rules. Each committee of the Board of Directors may fix its own rules of procedure and shall hold its meetings as provided by such rules, except as may

otherwise be provided by a resolution of the Board of Directors designating such committee. Unless otherwise provided in such a resolution, the presence of at least a majority of the members of the committee shall be necessary to constitute a quorum. Unless otherwise provided in such a resolution, in the event that a member and that member's alternate, if alternates are designated by the Board of Directors, of such committee is or are absent or disqualified, the

member or members thereof present at any meeting and not disqualified from voting, whether or not such member or members constitute a quorum, may unanimously appoint another member of the Board of Directors to act at the meeting in place of any such absent or disqualified member.

Section 11. Communications Equipment. Members of the Board of Directors or any committee thereof may participate in and act at any meeting of such board or committee through the use of a conference telephone or other communications equipment by means of which all persons participating in the meeting can hear and speak with each other, and participation in the meeting pursuant to this section shall constitute presence in person at the meeting.

Section 12. Waiver of Notice and Presumption of Assent. Any member of the Board of Directors or any committee thereof who is present at a meeting shall be conclusively presumed to have waived notice of such meeting except when such member attends for the express purpose of objecting at the beginning of the meeting to the transaction of any business because the meeting is not lawfully called or convened. Such member shall be conclusively presumed to have assented to any action taken unless his or her dissent shall be entered in the minutes of the meeting or unless his or her written dissent to such action shall be filed with the person acting as the secretary of the meeting before the adjournment thereof or shall be forwarded by registered mail to the secretary of the Corporation immediately after the adjournment of the meeting. Such right to dissent shall not apply to any member who voted in favor of such action.

Section 13. Action by Written Consent. Unless otherwise restricted by the Certificate of Incorporation, any action required or permitted to be taken at any meeting of the Board of Directors, or of any committee thereof, may be taken without a meeting if all members of such board or committee, as the case may be, consent thereto in writing, and the writing or writings are filed with the minutes of proceedings of the board or committee.

ARTICLE IV

OFFICERS

Section 1. Number. The officers of the Corporation shall be elected by the Board of Directors and shall consist of a chairman of the board, a chief executive officer, a president, one or more vice-presidents, a secretary, a chief financial officer and such other officers and assistant officers as may be deemed necessary or desirable by the Board of Directors. Any number of offices may be held by the same person, except that neither the chief executive officer nor the president shall also hold the office of secretary. In its discretion, the Board of Directors may choose not to fill any office for any period as it may deem advisable, except that the offices of president and secretary shall be filled as expeditiously as possible.

Section 2. Election and Term of Office. The officers of the Corporation shall be elected annually by the Board of Directors at its first meeting held after each annual meeting of stockholders or as soon thereafter as convenient. Vacancies may be filled or new offices created and filled at any meeting of the Board of Directors. Each officer shall hold office until a successor is duly elected and qualified or until his or her earlier death, resignation or removal as hereinafter provided.

Section 3. Removal. Any officer or agent elected by the Board of Directors may be removed by the Board of Directors at its discretion, but such removal shall be without prejudice to the contract rights, if any, of the person so removed.

Section 4. Vacancies. Any vacancy occurring in any office because of death, resignation, removal, disqualification or otherwise may be filled by the Board of Directors.

Section 5. Compensation. Compensation of all executive officers shall be approved by the Board of Directors, and no officer shall be prevented from receiving such compensation by virtue of his or her also being a Director of the Corporation; provided however, that compensation of all executive officers may be determined by a committee established for that purpose if so authorized by the Board of Directors.

Section 6. Chairman of the Board. The chairman of the Board of Directors shall preside at all meetings of the stockholders and of the Board of Directors and shall have such other powers and perform such other duties as may be prescribed to him or her by the Board of Directors or provided in these Bylaws.

Section 7. Chief Executive Officer. The chief executive officer shall have the powers and perform the duties incident to that position. Subject to the powers of the Board of Directors and the chairman of the board, the chief executive officer shall be in the general and active charge of the entire business and affairs of the Corporation, and shall be its chief policy making officer. The chief executive officer shall have such other powers and perform such other duties as may be prescribed by the Board of Directors or provided in these Bylaws. The chief executive officer is authorized to execute bonds, mortgages and other contracts requiring a seal, under the seal of the Corporation, except where required or permitted by law to be otherwise signed and executed and except where the signing and execution thereof shall be expressly delegated by the Board of Directors to some other officer or agent of the Corporation. Whenever the president is unable to serve, by reason of sickness, absence or otherwise, the chief executive officer shall perform all the duties and responsibilities and exercise all the powers of the president.

Section 8. The President. The president of the Corporation shall, subject to the powers of the Board of Directors, the chairman of the board and the chief executive officer, have general charge of the business, affairs and property of the Corporation, and control over its officers, agents and employees. The president shall see that all orders and resolutions of the Board of Directors are carried into effect. The president is authorized to execute bonds, mortgages and other contracts requiring a seal, under the seal of the Corporation, except where required or permitted by law to be otherwise signed and executed and except where the signing and execution thereof shall be expressly delegated by the Board of Directors to some other

officer or agent of the Corporation. The president shall have such other powers and perform such other duties as may be prescribed by the chairman of the board, the chief executive officer, the Board of Directors or as may be provided in these Bylaws.

Section 9. Vice-Presidents. The vice-president, or if there shall be more than one, the vice-presidents in the order determined by the Board of Directors or the chairman of the board, shall, in the absence or disability of the president, act with all of the powers and be subject to all the restrictions of the president. The vice-presidents shall also perform such other duties and have such other powers as the Board of Directors, the chairman of the board, the chief executive officer, the president or these Bylaws may, from time to time, prescribe. The vice-presidents may also be designated as executive vice-presidents or senior vice-presidents, as the Board of Directors may from time to time prescribe.

Section 10. The Secretary and Assistant Secretaries. The secretary shall attend all meetings of the Board of Directors, all meetings of the committees thereof and all meetings of the stockholders and record all the proceedings of the meetings in a book or books to be kept for that purpose or shall ensure that his or her designee attends each such meeting to act in such capacity. Under the chairman of the Board of Directors' supervision, the secretary shall give, or cause to be given, all notices required to be given by the Certificate of Incorporation, these Bylaws or by applicable law; shall have such powers and perform such duties as the Board of Directors, the chairman of the board, the chief executive officer, the president or these Bylaws may, from time to time, prescribe; and shall have custody of the corporate seal of the Corporation. The secretary, or an assistant secretary, shall have authority to affix the corporate seal to any instrument requiring it and when so affixed, it may be attested by his or her signature or by the signature of such assistant secretary. The Board of Directors may give general authority to any other officer to affix the seal of the Corporation and to attest the affixing by his or her signature. The assistant secretary, or if there be more than one, any of the assistant secretaries, shall in the absence or disability of the secretary, perform the duties and exercise the powers of the secretary and shall perform such other duties and have such other powers as the Board of Directors, the chairman of the board, the chief executive officer, the president, or secretary may, from time to time, prescribe.

Section 11. The Chief Financial Officer. The chief financial officer shall have the custody of the corporate funds and securities; shall keep full and accurate all books and accounts of the Corporation as shall be necessary or desirable in accordance with applicable law or generally accepted accounting principles; shall deposit all monies and other valuable effects in the name and to the credit of the Corporation as may be ordered by the chairman of the board or the Board of Directors; shall cause the funds of the Corporation to be disbursed when such disbursements have been duly authorized, taking proper vouchers for such disbursements; and shall render to the Board of Directors, at its regular meeting or when the Board of Directors so requires, an account of the Corporation; shall have such powers and perform such duties as the Board of Directors, the chairman of the board, the chief executive officer, the president or these Bylaws may, from time to time, prescribe. If required by the Board of Directors, the chief financial officer shall give the Corporation a bond (which shall be rendered every six years) in such sums and with such surety or sureties as shall be satisfactory to the Board of Directors for the faithful performance of the duties of the office of chief financial officer and for the

restoration to the Corporation, in case of death, resignation, retirement or removal from office of all books, papers, vouchers, money and other property of whatever kind in the possession or under the control of the chief financial officer belonging to the Corporation.

Section 12. Other Officers, Assistant Officers and Agents. Officers, assistant officers and agents, if any, other than those whose duties are provided for in these Bylaws, shall have such authority and perform such duties as may from time to time be prescribed by resolution of the Board of Directors.

Section 13. Absence or Disability of Officers. In the case of the absence or disability of any officer of the Corporation and of any person hereby authorized to act in such officer's place during such officer's absence or disability, the Board of Directors may by resolution delegate the powers and duties of such officer to any other officer or to any Director, or to any other person selected by it.

ARTICLE V

CERTIFICATES OF STOCK

Section 1. Form. Every holder of stock in the Corporation shall be entitled to have a certificate, signed by, or in the name of the Corporation by the chairman of the board, the chief executive officer or the president and the secretary or an assistant secretary of the Corporation, certifying the number of shares owned by such holder in the Corporation. If such a certificate is countersigned (i) by a transfer agent or an assistant transfer agent other than the Corporation or its employee or (ii) by a registrar, other than the Corporation or its employee, the signature of any such chairman of the board, chief executive officer, president, secretary or assistant secretary may be facsimiles. In case any officer or officers who have signed, or whose facsimile signature or signatures have been used on, any such certificate or certificates shall cease to be such officer or officers of the Corporation whether because of death, resignation or otherwise before such certificate or certificates have been delivered by the Corporation, such certificate or certificates may nevertheless be issued and delivered as though the person or persons who signed such certificate or certificates or whose facsimile signature or signatures have been used thereon had not ceased to be such officer or officers of the Corporation. All certificates for shares shall be consecutively numbered or otherwise identified. The name of the person to whom the shares represented thereby are issued, with the number of shares and date of issue, shall be entered on the books of the Corporation. Shares of stock of the Corporation shall only be transferred on the books of the Corporation by the holder of record thereof or by such holder's attorney duly authorized in writing, upon surrender to the Corporation of the certificate or certificates for such shares endorsed by the appropriate person or persons, with such evidence of the authenticity of such endorsement, transfer, authorization and other matters as the Corporation may reasonably require, and accompanied by all necessary stock transfer stamps. In that event, it shall be the duty of the Corporation to issue a new certificate to the person entitled thereto, cancel the old certificate or certificates and record the transaction on its books. The Board of Directors may appoint a bank or trust company organized under the laws of the United States or any state thereof to act as its transfer agent or registrar, or both in connection with the transfer of any class or series of securities of the Corporation.

Section 2. Lost Certificates. The Board of Directors may direct a new certificate or certificates to be issued in place of any certificate or certificates previously issued by the Corporation alleged to have been lost, stolen or destroyed, upon the making of an affidavit of that fact by the person claiming the certificate of stock to be lost, stolen or destroyed. When authorizing such issue of a new certificate or certificates, the Corporation may, in its discretion and as a condition precedent to the issuance thereof, require the owner of such lost, stolen or destroyed certificate or certificates, or his or her legal representative, to give the Corporation a bond sufficient to indemnify the Corporation against any claim that may be made against the Corporation on account of the loss, theft or destruction of any such certificate or the issuance of such new certificate.

Section 3. Fixing a Record Date for Stockholder Meetings. In order that the Corporation may determine the stockholders entitled to notice of or to vote at any meeting of stockholders or any adjournment thereof, the Board of Directors may fix a record date, which record date shall not precede the date upon which the resolution fixing the record date is adopted by the Board of Directors, and which record date shall not be more than 60 nor less than 10 days before the date of such meeting. If no record date is fixed by the Board of Directors, the record date for determining stockholders entitled to notice of or to vote at a meeting of stockholders shall be the close of business on the next day preceding the day on which notice is first given. A determination of stockholders of record entitled to notice of or to vote at a meeting of stockholders shall apply to any adjournment of the meeting; provided, however, that the Board of Directors may fix a new record date for the adjourned meeting.

Section 4. Fixing a Record Date for Other Purposes. In order that the Corporation may determine the stockholders entitled to receive payment of any dividend or other distribution or allotment or any rights or the stockholders entitled to exercise any rights in respect of any change, conversion or exchange of stock, or for the purposes of any other lawful action, the Board of Directors may fix a record date, which record date shall not precede the date upon which the resolution fixing the record date is adopted, and which record date shall be not more than 60 days prior to such action. If no record date is fixed, the record date for determining stockholders for any such purpose shall be at the close of business on the day on which the Board of Directors adopts the resolution relating thereto.

Section 5. Registered Stockholders. Prior to the surrender to the Corporation of the certificate or certificates for a share or shares of stock with a request to record the transfer of such share or shares, the Corporation may treat the registered owner as the person entitled to receive dividends, to vote, to receive notifications and otherwise to exercise all the rights and powers of an owner. The Corporation shall not be bound to recognize any equitable or other claim to or interest in such share or shares on the part of any other person, whether or not it shall have express or other notice thereof.

Section 6. Subscriptions for Stock. Unless otherwise provided for in the subscription agreement, subscriptions for shares shall be paid in full at such time, or in such installments and at such times, as shall be determined by the Board of Directors. Any call made by the Board of Directors for payment on subscriptions shall be uniform as to all shares of the same class or as to all shares of the same series. In case of default in the payment of any installment or call when

such payment is due, the Corporation may proceed to collect the amount due in the same manner as any debt due the Corporation.

ARTICLE VI

GENERAL PROVISIONS

Section 1. Dividends. Dividends upon the capital stock of the Corporation, subject to the provisions of the Certificate of Incorporation, if any, may be declared by the Board of Directors at any regular or special meeting, in accordance with applicable law. Dividends may be paid in cash, in property or in shares of the capital stock, subject to the provisions of the Certificate of Incorporation. Before payment of any dividend, there may be set aside out of any funds of the Corporation available for dividends such sum or sums as the Directors from time to time, in their absolute discretion, think proper as a reserve or reserves to meet contingencies, or for equalizing dividends, or for repairing or maintaining any property of the Corporation, or any other purpose and the Directors may modify or abolish any such reserve in the manner in which it was created.

Section 2. Checks, Drafts or Orders. All checks, drafts or other orders for the payment of money by or to the Corporation and all notes and other evidences of indebtedness issued in the name of the Corporation shall be signed by such officer or officers, agent or agents of the Corporation, and in such manner, as shall be determined by resolution of the Board of Directors or a duly authorized committee thereof.

Section 3. Contracts. In addition to the powers otherwise granted to officers pursuant to ARTICLE IV hereof, the Board of Directors may authorize any officer or officers, or any agent or agents, of the Corporation to enter into any contract or to execute and deliver any instrument in the name of and on behalf of the Corporation, and such authority may be general or confined to specific instances.

Section 4. Loans. Subject to compliance with applicable laws, the Corporation may lend money to, or guarantee any obligation of, or otherwise assist any officer or other employee of the Corporation or of its subsidiaries, including any officer or employee who is a Director of the Corporation or its subsidiaries, whenever, in the judgment of the Directors, such loan, guaranty or assistance may reasonably be expected to benefit the Corporation. The loan, guaranty or other assistance may be with or without interest, and may be unsecured, or secured in such manner as the Board of Directors shall approve, including, without limitation, a pledge of shares of stock of the Corporation. Nothing in this section shall be deemed to deny, limit or restrict the powers of guaranty or warranty of the Corporation at common law or under any statute.

Section 5. Fiscal Year. The fiscal year of the Corporation shall be fixed by resolution of the Board of Directors.

Section 6. Corporate Seal. The Board of Directors may provide a corporate seal which shall be in the form of a circle and shall have inscribed thereon the name of the

Corporation and the words “Corporate Seal, Delaware.” The seal may be used by causing it or a facsimile thereof to be impressed or affixed or reproduced or otherwise. No seal shall be required by virtue of this Section.

Section 7. Voting Securities Owned By Corporation. Voting securities in any other Corporation held by the Corporation shall be voted by the chief executive officer, the president or a vice-president, unless the Board of Directors specifically confers authority to vote with respect thereto, which authority may be general or confined to specific instances, upon some other person or officer. Any person authorized to vote securities shall have the power to appoint proxies, with general power of substitution.

Section 8. Inspection of Books and Records. The Board of Directors shall have power from time to time to determine to what extent and at what times and places and under what conditions and regulations the accounts and books of the Corporation, or any of them, shall be open to the inspection of

the stockholders; and no stockholder shall have any right to inspect any account or book or document of the Corporation, except as conferred by the laws of the State of Delaware, unless and until authorized so to do by resolution of the Board of Directors or of the stockholders of the Corporation.

Section 9. Section Headings. Section headings in these Bylaws are for convenience of reference only and shall not be given any substantive effect in limiting or otherwise construing any provision herein.

Section 10. Inconsistent Provisions. In the event that any provision of these Bylaws is or becomes inconsistent with any provision of the Certificate of Incorporation, the General Corporation Law of the State of Delaware or any other applicable law, the provision of these Bylaws shall not be given any effect to the extent of such inconsistency but shall otherwise be given full force and effect.

ARTICLE VII

AMENDMENTS

In furtherance and not in limitation of the powers conferred by statute, the Board of Directors of the Corporation is expressly authorized to make, alter, amend, change, add to or repeal these Bylaws by the affirmative vote of a majority of the total number of Directors then in office. Any alteration or repeal of these Bylaws by the stockholders of the Corporation shall require the affirmative vote of a majority of the outstanding shares of the Corporation entitled to vote on such alteration or repeal; provided, however, that Section 11 of ARTICLE II and Sections 2, 3, 4 and 5 of ARTICLE III and this ARTICLE VII of these Bylaws shall not be altered, amended or repealed and no provision inconsistent therewith shall be adopted without the affirmative vote of the holders of at least two thirds (2/3) of the combined voting power of all of the then outstanding shares of the Corporation entitled to vote on such alteration or repeal.

Exhibit 5.1

KIRKLAND & ELLIS LLP
AND AFFILIATED PARTNERSHIPS

Citigroup Center
153 East 53rd Street
New York, New York 10022-4611

212 446-4800 Facsimile: 212 446-4900

, 2005

RBC Bearings Incorporated
One Tribology Center
Oxford, CT 06478

Ladies and Gentlemen:

We are acting as special counsel to RBC Bearings Incorporated, a Delaware corporation (the "Company"), in connection with the proposed registration by the Company of shares of its Common Stock, par value $ per share (the "Common Stock"), including shares of its Common Stock to cover over-allotments, if any, pursuant to a Registration Statement on Form S-1, originally filed with the Securities and Exchange Commission (the "Commission") on May , 2005 under the Securities Act of 1933 (the "Act") (such Registration Statement, as amended or supplemented, is hereinafter referred to as the "Registration Statement"). The shares of Common Stock to be issued and sold by the Company pursuant to the Registration Statement are referred to herein as the "Firm Shares" and the shares of Common Stock to be sold by the selling stockholders identified in the Registration Statement are referred to herein as the "Secondary Shares."

In that connection, we have examined originals, or copies certified or otherwise identified to our satisfaction, of such documents, corporate records and other instruments as we have deemed necessary for the purposes of this opinion, including (i) the Restated Certificate of Incorporation (the "Restated Charter") of the Company in the form filed as Exhibit 3.1 to the Registration Statement to be filed with the Secretary of State of the State of Delaware prior to the sale of the shares of Common Stock registered pursuant to the Registration Statement (the "Shares"); (ii) the Bylaws (the "Bylaws") of the Company in the form filed as Exhibit 3.2 to the Registration Statement; (iii) the form of purchase agreement attached as Exhibit 1.1 to the Registration Statement (the "Underwriting Agreement"); (iv) resolutions of the Board of Directors and stockholders of the Company with respect to this issuance and sale of the Firm Shares and the original issuance of the Secondary Shares (the "Resolutions"); and (v) the Registration Statement.

For purposes of this opinion, we have assumed the authenticity of all documents submitted to us as originals, the conformity to the originals of all documents submitted to us as copies and the authenticity of the originals of all documents submitted to us as copies. We have

also assumed the legal capacity of all natural persons, the genuineness of the signatures of persons signing all documents in connection with which this opinion is rendered, the authority of such persons signing on behalf of the parties thereto and the due authorization, execution and delivery of all documents by the parties thereto. In rendering the opinion set forth below with respect to the Secondary Shares, we have assumed that the Company has received the entire amount of the consideration contemplated by the Resolutions of the Board of Directors of the Company authorizing the issuance of such shares of Common Stock. We have not independently established or verified any facts relevant to the opinions expressed herein, but have relied upon statements and representations of officers and other representatives of the Company and others as to factual matters.

Based upon and subject to the foregoing qualifications, assumptions and limitations and the further limitations set forth below, when (i) the Restated Charter is filed with the Secretary of State of the State of Delaware, (ii) the final Underwriting Agreement is duly executed and delivered by the parties thereto, and (iii) the Registration Statement becomes effective under the Act:

1. The Secondary Shares will be duly authorized and validly issued, fully paid and non-assessable; and

2. When the Firm Shares are registered by the Company's transfer agent and delivered against payment of the agreed consideration therefore, all in accordance with the Underwriting Agreement and the Resolutions, the Firm Shares will be validly issued, fully paid and non-assessable.

Our opinions expressed above are subject to the qualifications that we express no opinion as to the applicability of, compliance with, or effect of any laws except the General Corporation Law of the State of Delaware.

We hereby consent to the filing of this opinion with the Commission as Exhibit 5.1 to the Registration Statement. We also consent to the reference to our firm under the heading "Legal Matters" in the Registration Statement. In giving this consent, we do not thereby admit that we are in the category of persons whose consent is required under Section 7 of the Act or the rules and regulations of the Commission.

This opinion is limited to the specific issues addressed herein, and no opinion may be inferred or implied beyond that expressly stated herein.

This opinion is furnished to you in connection with the filing of the Registration Statement.

Sincerely,

KIRKLAND & ELLIS LLP

Exhibit 10.1

ROLLER BEARING COMPANY OF AMERICA, INC.
Issuer

9 5/8% Senior Subordinated Notes Due 2007
INDENTURE

Dated as of June 15, 1997

UNITED STATES TRUST COMPANY OF NEW YORK,
Trustee

TABLE OF CONTENTS

ARTICLE 11

Subsidiary Guaranties

ARTICLE 12

Subordination of Subsidiary Guaranties

ARTICLE 13

Miscellaneous

CROSS-REFERENCE TABLE

TIA Section		Indenture Section
310	(a) (1)	7.10
	(a) (2)	7.10
	(a) (3)	N.A.
	(a) (4)	N.A.
	(b)	7.08; 7.10
	(c)	N.A.
311	(a)	7.11
	(b)	7.11
	(c)	N.A.
312	(a)	2.05
	(b)	13.03
	(c)	13.03
313	(a)	7.06
	(b) (1)	N.A.
	(b) (2)	7.06
	(c)	13.02
	(d)	7.06
314	(a)	4.02; 4.10; 13.02
	(b)	N.A.
	(c) (1)	13.04
	(c) (2)	13.04
	(c) (3)	N.A.
	(d)	N.A.
	(e)	13.05
	(f)	4.10
315	(a)	7.01
	(b)	7.05; 13.02
	(c)	7.01
	(d)	7.01
	(e)	6.11
316	(a) (last sentence)	13.06
	(a) (1) (A)	6.05
	(a) (1) (B)	6.04
	(a) (2)	N.A.
	(b)	6.07
317	(a) (1)	6.08
	(a) (2)	6.09
	(b)	2.04
318	(a)	13.01

N.A. means Not Applicable.

Note: This Cross-Reference Table shall not, for any purpose, be deemed to be part of the Indenture.

INDENTURE dated as of June 15, 1997, among ROLLER BEARING COMPANY OF AMERICA, INC., a Delaware corporation (the "Company"), INDUSTRIAL TECTONICS BEARINGS CORPORATION, a Delaware corporation and a wholly owned subsidiary of the Company, RBC LINEAR PRECISION PRODUCTS, INC., a Delaware corporation and a wholly owned subsidiary of the Company, and RBC NICE BEARINGS, INC., a Delaware corporation and a wholly owned subsidiary of the Company, and UNITED STATES TRUST COMPANY OF NEW YORK, a New York trust company (the "Trustee").

Each party agrees as follows for the benefit of the other parties and for the equal and ratable benefit of the Holders of the Company's 9-5/8% Senior Subordinated Notes Due 2007 (the "Initial Securities") and, if and when issued pursuant to a registered exchange for Initial Securities, the Company's 9-5/8% Senior Subordinated Notes Due 2007 (the "Exchange Securities") and, if and when issued pursuant to a private exchange for Initial Securities the Company's 9-5/8% Senior Subordinated Notes Due 2007 (the "Private Exchange Securities" and, together with the Initial Securities and the Exchange Securities, the "Securities"):

ARTICLE 1

Definitions and Incorporation by Reference

SECTION 1.01. Definitions.

"Additional Assets" means (i) any property or assets (other than Indebtedness and Capital Stock) in a Related Business; (ii) the Capital Stock of a Person that becomes a Restricted Subsidiary as a result of the acquisition of such Capital Stock by the Company or another Restricted Subsidiary; or (iii) Capital Stock constituting a minority interest in any Person that at such time is a

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Restricted Subsidiary; provided, however, that any such Restricted Subsidiary described in clauses (ii) or (iii) above is primarily engaged in a Related Business.

"Affiliate" of any specified Person means any other Person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified Person. For the purposes of this definition, "control" when used with respect to any Person means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; and the terms "controlling" and "controlled" have meanings correlative to the foregoing. For purposes of Sections 4.04, 4.06 and 4.07 only, "Affiliate" shall also mean any beneficial owner of Capital Stock representing 10% or more of the total voting power of the Voting Stock (on a fully diluted basis) of the Company or of rights or warrants to purchase such Capital Stock (whether or not currently exercisable) and any Person who would be an Affiliate of any such beneficial owner pursuant to the first sentence hereof.

"Asset Disposition" means any sale, lease, transfer or other disposition (or series of related sales, leases, transfers or dispositions) by the Company or any Restricted Subsidiary, including any disposition by means of a merger, consolidation or similar transaction (each referred to for the purposes of this definition as a "disposition"), of (i) any shares of Capital Stock of a Restricted Subsidiary (other than directors' qualifying shares or shares required by applicable law to be held by a Person other than the Company or a Restricted Subsidiary), (ii) all or substantially all the assets of any division or line of business of the Company or any Restricted Subsidiary or (iii) any other assets of the Company or any Restricted Subsidiary outside of the ordinary course of business of the Company or such Restricted Subsidiary (other than, in the case of (i), (ii) and (iii) above, (x) a disposition by a Restricted Subsidiary to the Company or by the Company or a Restricted Subsidiary to a Wholly Owned Subsidiary, (y) for purposes of Section 4.06 only, a disposition that

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constitutes a Restricted Payment permitted by Section 4.04 and (z) disposition of assets with a fair market value of less than $250,000).

"Attributable Debt" in respect of a Sale/Leaseback Transaction means, as at the time of determination, the present value (discounted at the interest rate borne by the Securities, compounded annually) of the total obligations of the lessee for rental payments during the remaining term of the lease included in such Sale/Leaseback Transaction (including any period for which such lease has been extended).

"Average Life" means, as of the date of determination, with respect to any Indebtedness or Preferred Stock, the quotient obtained by dividing (i) the sum of the products of the numbers of years from the date of determination to the dates of each successive scheduled principal payment of such Indebtedness or redemption or similar payment with respect to such Preferred Stock multiplied by the amount of such payment by (ii) the sum of all such payments.

"Banks" has the meaning specified in the Credit Agreement.

"Bank Indebtedness" means all Obligations pursuant to the Credit Agreement.

"Board of Directors" means the Board of Directors of the Company or any committee thereof duly authorized to act on behalf of such Board.

"Business Day" means each day which is not a Legal Holiday.

"Capital Lease Obligations" means an obligation that is required to be classified and accounted for as a capital lease for financial reporting purposes in accordance with GAAP, and the amount of Indebtedness represented by such obligation shall be the capitalized amount of such obligation determined in accordance with GAAP; and the

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Stated Maturity thereof shall be the date of the last payment of rent or any other amount due under such lease prior to the first date upon which such lease may be terminated by the lessee without payment of a penalty.

"Capital Stock" of any Person means any and all shares, interests, rights to purchase, warrants, options, participations or other equivalents of or interests in (however designated) equity of such Person, including any Preferred Stock, but excluding any debt securities convertible into such equity.

"Change of Control" means the occurrence of any of the following events:

(i) (A) any "person" (as such term is used in Sections 13(d) and 14(d) of the Exchange Act), other than one or more Permitted Holders, is or becomes the beneficial owner (as defined in Rules 13d-3 and 13d-5 under the Exchange Act, except that for purposes of this clause (i) such person shall be deemed to have "beneficial ownership" of all shares that any such person has the right to acquire, whether such right is exercisable immediately or only after the passage of time), directly or indirectly, of more than 35% of the total voting power of the Voting Stock of the Parent and (B) the Permitted Holders beneficially own (as defined in Rules 13d-3 and 13d-5 under the Exchange Act), directly or indirectly, in the aggregate less than 30% of the total voting power of the Voting Stock of the Parent and do not have the right or ability by voting power, contract or otherwise to elect or designate for election a majority of the Board of Directors (for the purposes of this clause (i), such other person shall be deemed

to beneficially own any Voting Stock of a specified Person held by another Person (the "parent entity"), if such other person is the beneficial owner (as defined at the beginning of this clause (i)), directly or indirectly, of more than 35% of the voting power of the Voting Stock of such parent entity and the Permitted Holders beneficially own (as defined in this clause), directly or

indirectly, in the aggregate a lesser percentage of the voting power of the Voting Stock of such parent entity and do not have the right or ability by voting power, contract or otherwise to elect or designate for election a majority of the board of directors of such parent entity);

(ii) during any period of two consecutive years following the first date on which Holdings becomes subject to the proxy rules under the Exchange Act, individuals who at the beginning of such period constituted the board of directors of the Parent (together with any new directors whose election by such board of directors or whose nomination for election by the shareholders of the Parent was approved by a vote of 66-2/3% of the directors of the Parent then still in office who were either directors at the beginning of such period or whose election or nomination for election was previously so approved) cease for any reason to constitute a majority of the board of directors of the Parent then in office;

(iii) the merger or consolidation of the Parent or the Company with or into another Person or the merger of another Person with or into the Parent or the Company, or the sale of all or substantially all the assets of the Company to another Person (other than, in each case, a Person that is controlled by the Permitted Holders), and, in the case of any such merger or consolidation, the securities of the Parent or the Company that are outstanding immediately prior to such transaction and which represent 100% of the aggregate voting power of the Voting Stock of the Parent or the Company are changed into or exchanged for cash, securities or property, unless pursuant to such transaction such securities are changed into or exchanged for, in addition to any other consideration, securities of the surviving Person or transferee that represent immediately after such transaction, at least a majority of the aggregate voting power of the Voting Stock of the surviving Person or transferee; or

(iv) the Parent ceases to own, directly or indirectly, all the Capital Stock of the Company other than as a result of the merger or consolidation of the Parent with the Company.

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

"Company" means the party named as such in this Indenture until a successor replaces it and, thereafter, means the successor and, for purposes of any provision contained herein and required by the TIA, each other obligor on the indenture securities.

"Consolidated Coverage Ratio" as of any date of determination means the ratio of (i) the aggregate amount of EBITDA for the period of the most recent four consecutive fiscal quarters prior to the date of such determination for which financial statements are available to (ii) Consolidated Interest Expense for such four fiscal quarters; provided, however, that (1) if the Company or any Restricted Subsidiary has Incurred any Indebtedness since the beginning of such period that remains outstanding or if the transaction giving rise to the need to calculate the Consolidated Coverage Ratio is an Incurrence of Indebtedness, or both, EBITDA and Consolidated Interest Expense for such period shall be calculated after giving effect on a pro forma basis to such Indebtedness as if such Indebtedness had been Incurred on the first day of such period and the discharge of any other Indebtedness repaid, repurchased, defeased or otherwise discharged with the proceeds of such new Indebtedness as if such discharge had occurred on the first day of such period, (2) if the Company or any Restricted Subsidiary has repaid, repurchased, defeased or otherwise discharged any Indebtedness since the beginning of such period or if any Indebtedness is to be repaid, repurchased, defeased or otherwise discharged (in each case other than Indebtedness Incurred under any revolving credit facility unless such Indebtedness has been permanently repaid and has not been replaced) on the date of the transaction giving rise to the need to calculate the Consolidated Coverage Ratio, EBITDA and Consolidated

Interest Expense for such period shall be calculated on a pro forma basis as if such discharge had occurred on the first day of such period and as if the Company or such Restricted Subsidiary has not earned the interest income actually earned during such period in respect of cash or Temporary Cash Investments used to repay, repurchase, defease or otherwise discharge such Indebtedness, (3) if since the beginning of such period the Company or any Restricted Subsidiary shall have made any Asset Disposition, the EBITDA for such period shall be reduced by an amount equal to the EBITDA (if positive) directly attributable to the assets which are the subject of such Asset Disposition for such period, or increased by an amount equal to the EBITDA (if negative), directly attributable thereto for such period and Consolidated Interest Expense for such period shall be reduced by an amount equal to the Consolidated Interest Expense directly attributable to any Indebtedness of the Company or any Restricted Subsidiary repaid, repurchased, defeased or otherwise discharged with respect to the Company and its continuing Restricted Subsidiaries in connection with such Asset Disposition for such period (or, if the Capital Stock of any Restricted Subsidiary is sold, the Consolidated Interest Expense for such period directly attributable to the Indebtedness of such Restricted Subsidiary to the extent the Company and its continuing Restricted Subsidiaries are no longer liable for such Indebtedness after such sale), (4) if since the beginning of such period the Company or any Restricted Subsidiary (by merger or otherwise) shall have made an Investment in any Restricted Subsidiary (or any person which becomes a Restricted Subsidiary) or an acquisition of assets, including any acquisition of assets occurring in connection with a transaction requiring a calculation to be made hereunder, which constitutes all or substantially all of an operating unit of a business, EBITDA and Consolidated Interest Expense for such period shall be calculated after giving pro forma effect thereto (including the Incurrence of any Indebtedness) as if such Investment or acquisition occurred on the first day of such period and (5) if since the beginning of such period any Person (that subsequently became a Restricted Subsidiary or was merged with or into the Company or any Restricted Subsidiary since the beginning

of such period) shall have made any Asset Disposition, any Investment or acquisition of assets that would have required an adjustment pursuant to clause (3) or (4) above if made by the Company or a Restricted Subsidiary during such period, EBITDA and Consolidated Interest Expense for such period shall be

calculated after giving pro forma effect thereto as if such Asset Disposition, Investment or acquisition occurred on the first day of such period. For purposes of this definition, whenever pro forma effect is to be given to an acquisition of assets, the amount of income or earnings relating thereto and the amount of Consolidated Interest Expense associated with any Indebtedness Incurred in connection therewith, the pro forma calculations shall be determined in good faith by a responsible financial or accounting Officer of the Company. If any Indebtedness bears a floating rate of interest and is being given pro forma effect, the interest of such Indebtedness shall be calculated as if the rate in effect on the date of determination had been the applicable rate for the entire period (taking into account any Interest Rate Agreement applicable to such Indebtedness if such Interest Rate Agreement has a remaining term in excess of 12 months).

"Consolidated Debt Ratio" as of any date of determination means, the ratio of (i) consolidated Indebtedness of the Company as of the end of the most recent fiscal quarter for which financial statements are available to (ii) the aggregate amount of the EBITDA of the Company for the four most recent fiscal quarters for which financial statements are available, in each case with such pro forma adjustments to consolidated Indebtedness and EBITDA as are appropriate and consistent with the pro forma provisions set forth in the definition of Consolidated Coverage Ratio.

"Consolidated Interest Expense" means, for any period, the total interest expense of the Company and its consolidated Restricted Subsidiaries, plus, to the extent not included in such interest expense, and to the extent incurred by the Company or its Restricted Subsidiaries, without duplication, (i) interest expense attributable to capital leases and the interest expense attributable to leases constituting part of a Sale/Leaseback Transaction,

(ii) amortization of debt discount and debt issuance cost, (iii) capitalized interest, (iv) non-cash interest expenses, (v) commissions, discounts and other fees and charges owed with respect to letters of credit and bankers' acceptance financing, (vi) net costs associated with Hedging Obligations (including amortization of fees), (vii) Preferred Stock dividends in respect of all Preferred Stock held by Persons other than the Company or a Wholly Owned Subsidiary, (viii) interest incurred in connection with Investments in discontinued operations, (ix) interest accruing on any Indebtedness of any other Person to the extent such Indebtedness is Guaranteed by (or secured by the assets of) the Company or any Restricted Subsidiary and (x) the cash contributions to any employee stock ownership plan or similar trust to the extent such contributions are used by such plan or trust to pay interest or fees to any Person (other than the Company) in connection with Indebtedness Incurred by such plan or trust.

"Consolidated Net Income" means, for any period, the net income of the Company and its consolidated Subsidiaries; provided, however, that there shall not be included in such Consolidated Net Income:

(i) any net income of any Person (other than the Company) if such Person is not a Restricted Subsidiary, except that (A) subject to the exclusion contained in clause (iv) below, the Company's equity in the net income of any such Person for such period shall be included in such Consolidated Net Income up to the aggregate amount of cash actually distributed by such Person with respect to such period to the Company or a Restricted Subsidiary as a dividend or other distribution (subject, in the case of a dividend or other distribution paid to a Restricted Subsidiary, to the limitations contained in clause (iii) below) and (B) the Company's equity in a net loss of any such Person for such period shall be included in determining such Consolidated Net Income;

(ii) any net income (or loss) of any Person acquired by the Company or a Subsidiary in a pooling of

interests transaction for any period prior to the date of such acquisition;

(iii) any net income of any Restricted Subsidiary if such Restricted Subsidiary is subject to restrictions, directly or indirectly, on the payment of dividends or the making of distributions by such Restricted Subsidiary, directly or indirectly, to the Company, except that (A) subject to the exclusion contained in clause (iv) below, the Company's equity in the net income of any such Restricted Subsidiary for such period shall be included in such Consolidated Net Income up to the aggregate amount of cash actually distributed by such Restricted Subsidiary with respect to such period to the Company or another Restricted Subsidiary as a dividend or other distribution (subject, in the case of a dividend or other distribution paid to another Restricted Subsidiary, to the limitation contained in this clause) and (B) the Company's equity in a net loss of any such Restricted Subsidiary for such period shall be included in determining such Consolidated Net Income;

(iv) any gain or loss realized upon the sale or other disposition of any assets of the Company or its consolidated Subsidiaries (including pursuant to any sale-and-leaseback arrangement) which is not sold or otherwise disposed of in the ordinary course of business and any gain or loss realized upon the sale or other disposition of any Capital Stock of any Person;

(v) extraordinary gains or losses; and

(vi) the cumulative effect of a change in accounting principles. Notwithstanding the foregoing, for the purpose of Section 4.04 only, there shall be excluded from Consolidated Net Income any dividends, repayments of loans or advances or other transfers of assets from Unrestricted Subsidiaries to the Company or a Restricted Subsidiary to the extent such dividends, repayments or transfers increase the amount of

Restricted Payments permitted pursuant to such Section 4.04(a)(3)(D).

"Consolidated Net Worth" means the total of the amounts shown on the balance sheet of the Company and its consolidated Subsidiaries, determined on a consolidated basis in accordance with GAAP, as of the end of the most recent fiscal quarter of the Company prior to the taking of any action for the purpose of which the determination is being made for which financial statements are available, as (i) the par or stated value of all outstanding Capital Stock of the Company plus (ii) paid-in capital or capital surplus relating to such Capital Stock plus (iii) any retained earnings or earned surplus less (A) any accumulated deficit and (B) any amounts attributable to Disqualified Stock.

"Credit Agreement" means the Credit Agreement dated June 23, 1997, to be entered into by and among the Company, certain of its Subsidiaries, the lenders referred to therein and Credit Suisse First Boston, as Administrative Agent, together with the related documents thereto (including without limitation the term loans and revolving loans thereunder, any guarantees and security documents), as amended, extended, renewed, restated, supplemented or otherwise modified (in whole or in part, and without limitation as to amount, terms, conditions, covenants and other provisions) from time to time, and any agreement (and related document) governing Indebtedness incurred to refund or refinance, in whole or in part, the borrowings and commitments then outstanding or permitted to be outstanding under such Credit Agreement or a successor Credit Agreement, whether by the same or any other lender or group of lenders.

"Currency Agreement" means in respect of a Person any foreign exchange contract, currency swap agreement or other similar agreement designed to protect such Person against fluctuations in currency values.

"Default" means any event which is, or after notice or passage of time or both would be, an Event of Default.

"Designated Senior Indebtedness" means (i) the Bank Indebtedness and (ii) any other Senior Indebtedness of the Company which, at the date of determination, has an aggregate principal amount outstanding of, or under which, at the date of determination, the holders thereof are committed to lend up to, at least $25 million and is specifically designated by the Company in the instrument evidencing or governing such Senior Indebtedness as "Designated Senior Indebtedness" for purposes of this Indenture.

"Discount Debentures" means the 13% Senior Discount Debentures Due 2009 of Parent issued on the Issue Date in an aggregate principal amount at maturity of $74,882,000 and any other Indebtedness of Parent that Refinances such Debentures; provided, however, that such other Indebtedness does not require the payment of cash interest or the repayment of principal (or the repurchase of such Indebtedness) in an amount in excess of the amounts thereof provided for in such Debentures being Refinanced or at a time prior to the time such amounts would have been payable as provided for in such Debentures being Refinanced.

"Disqualified Stock" means, with respect to any Person, any Capital Stock which by its terms (or by the terms of any security into which it is convertible or for which it is exchangeable) or upon the happening of any event (i) matures or is mandatorily redeemable pursuant to a sinking fund obligation or otherwise, (ii) is convertible or exchangeable for Indebtedness or Disqualified Stock or (iii) is redeemable at the option of the holder thereof, in whole or in part, in each case on or prior to the first anniversary of the Stated Maturity of the Securities.

"EBITDA" for any period means the sum of Consolidated Net Income, plus Consolidated Interest Expense plus the following to the extent deducted in calculating such Consolidated Net Income: (a) all income tax expense of the Company and its consolidated Restricted Subsidiaries, (b) depreciation expense of the Company and its consolidated Restricted Subsidiaries, (c) amortization expense of the Company and its consolidated Restricted Subsidiaries

(excluding amortization expense attributable to a prepaid cash item that was paid in a prior period) and (d) all other non-cash charges of the Company and its consolidated Restricted Subsidiaries (excluding any such non-cash charge to the extent that it represents an accrual of or reserve for cash expenditures in any future period), in each case for such period. Notwithstanding the foregoing, the provision for taxes based on the income or profits of, and the depreciation and amortization and non-cash charges of, a Restricted Subsidiary shall be added to Consolidated Net Income to compute EBITDA only to the extent (and in the same proportion) that the net income of such Restricted Subsidiary was included in calculating Consolidated Net Income and only if a corresponding amount would be permitted at the date of determination to be dividended to the Company by such Restricted Subsidiary without prior approval (that has not been obtained), pursuant to the terms of its charter and all agreements, instruments, judgments, decrees, orders, statutes, rules and governmental regulations applicable to such Restricted Subsidiary or its stockholders.

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

"GAAP" means generally accepted accounting principles in the United States of America as in effect as of the Issue Date, including those set forth in (i) the opinions and pronouncements of the Accounting Principles Board of the American Institute of Certified Public Accountants, (ii) statements and pronouncements of the Financial Accounting Standards Board, (iii) such other statements by such other entity as approved by a significant segment of the accounting profession and (iv) the rules and regulations of the SEC governing the inclusion of financial statements (including pro forma financial statements) in periodic reports required to be filed pursuant to Section 13 of the Exchange Act, including opinions and pronouncements in staff accounting bulletins and similar written statements from the accounting staff of the SEC. An accounting term not otherwise defined in this Indenture will have the meaning assigned to it in accordance with GAAP. All ratios

and computations based on GAAP contained in this Indenture shall be computed in conformity with GAAP.

"Guarantee" means any obligation, contingent or otherwise, of any Person directly or indirectly guaranteeing any Indebtedness of any other Person and any obligation, direct or indirect, contingent or otherwise, of such Person (i) to purchase or pay (or advance or supply funds for the purchase or payment of) such Indebtedness or other obligation of such Person (whether arising by virtue of partnership arrangements, or by agreements to keep-well, to purchase assets, goods, securities or services, to take-or-pay or to maintain financial statement conditions or otherwise) or (ii) entered into for the purpose of assuring in any other manner the obligee of such Indebtedness of the payment thereof or to protect such obligee against loss in respect thereof (in whole or in part); provided, however, that the term "Guarantee" shall not include endorsements for collection or deposit in the ordinary course of business. The term "Guarantee" used as a verb has a corresponding meaning. The term "Guarantor" shall mean any Person Guaranteeing any obligation.

"Guaranty Agreement" means a supplemental indenture, in a form satisfactory to the Trustee, pursuant to which a Subsidiary Guarantor guarantees the Company's obligations with respect to the Securities on the terms provided for in this Indenture.

"Hedging Obligations" of any Person means the obligations of such Person pursuant to any Interest Rate Agreement or Currency Agreement.

"Holder" or "Securityholder" means the Person in whose name a Security is registered on the Registrar's books.

"Incur" means issue, assume, Guarantee, incur or otherwise become liable for; provided, however, that any Indebtedness or Capital Stock of a Person existing at the time such Person becomes a Subsidiary (whether by merger, consolidation, acquisition or otherwise) shall be deemed to

be Incurred by such Subsidiary at the time it becomes a Subsidiary. The term "Incurrence" when used as a noun shall have a correlative meaning. The accretion of principal of a non-interest bearing or other discount security shall not be deemed the Incurrence of Indebtedness.

"Indebtedness" means, with respect to any Person on any date of determination (without duplication):

(i) the principal of and premium (if any) in respect of (A) indebtedness of such Person for money borrowed and (B) indebtedness evidenced by notes, debentures, bonds or other similar instruments for the payment of which such Person is responsible or liable;

(ii) all Capital Lease Obligations of such Person and all Attributable Debt in respect of Sale/Leaseback Transactions entered into by such Person;

(iii) all obligations of such Person issued or assumed as the deferred purchase price of property, all conditional sale obligations of such Person and all obligations of such Person under any title retention agreement (but excluding trade accounts payable arising in the ordinary course of business);

(iv) all obligations of such Person for the reimbursement of any obligor on any letter of credit, banker's acceptance or similar credit transaction (other than obligations with respect to letters of credit securing obligations (other than obligations described in clauses (i) through (iii) above) entered into in the ordinary course of business of such Person to the extent such letters of credit are not drawn upon or, if and to the extent drawn upon, such drawing is reimbursed no later than the tenth Business Day following payment on the letter of credit);

(v) the amount of all obligations of such Person with respect to the redemption, repayment or other repurchase of any Disqualified Stock or, with respect to any Subsidiary of such Person, the liquidation

preference with respect to, any Preferred Stock (but excluding, in each case, any accrued dividends);

(vi) all obligations of the type referred to in clauses (i) through (v) of other Persons and all dividends of other Persons for the payment of which, in either case, such Person is responsible or liable, directly or indirectly, as obligor, guarantor or otherwise, including by means of any Guarantee;

(vii) all obligations of the type referred to in clauses (i) through (vi) of other Persons secured by any Lien on any property or asset of such Person (whether or not such obligation is assumed by such Person), the amount of such obligation being deemed to be the lesser of the value of such property or assets or the amount of the obligation so secured; and

(viii) to the extent not otherwise included in this definition, Hedging Obligations of such Person.

The amount of Indebtedness of any Person at any date shall be the outstanding balance at such date of all Indebtedness and the maximum liability, upon the occurrence of the contingency giving rise to the obligation, of any contingent obligations at such date.

"Indenture" means this Indenture as amended or supplemented from time to time.

"Interest Rate Agreement" means in respect of a Person any interest rate swap agreement, interest rate cap agreement or other financial agreement or arrangement designed to protect such Person against fluctuations in interest rates.

"Investment" in any Person means any direct or indirect advance, loan (other than advances to customers in the ordinary course of business that are recorded as accounts receivable on the balance sheet of the lender) or other extensions of credit (including by way of Guarantee or similar arrangement) or capital contribution to (by means of

any transfer of cash or other property to others or any payment for property or services for the account or use of others), or any purchase or acquisition of Capital Stock, Indebtedness or other similar instruments issued by such Person. For purposes of the definition of "Unrestricted Subsidiary", the definition of "Restricted Payment" and Section 4.04, (i) "Investment" shall include the portion (proportionate to the Company's equity interest in such Subsidiary) of the fair market value of the net assets of any Subsidiary of the Company at the time that such Subsidiary is designated an Unrestricted Subsidiary; provided, however, that upon a redesignation of such Subsidiary as a Restricted Subsidiary, the Company shall be deemed to continue to have a permanent "Investment" in an Unrestricted Subsidiary equal to an amount (if positive) equal to (x) the Company's "Investment" in such Subsidiary at the time of such

redesignation less (y) the portion (proportionate to the Company's equity interest in such Subsidiary) of the fair market value of the net assets of such Subsidiary at the time of such redesignation; and (ii) any property transferred to or from an Unrestricted Subsidiary shall be valued at its fair market value at the time of such transfer, in each case as determined in good faith by the Board of Directors.

"Issue Date" means the date on which the Securities are originally issued.

"Joint Venture Affiliate" shall mean a Person that is partially owned, directly or indirectly, by the Company and no interest in which is owned, directly or indirectly (other than through such Person's ownership of common stock of the Company), by any Person that is an Affiliate of the Company.

"Lien" means any mortgage, pledge, security interest, encumbrance, lien or charge of any kind (including any conditional sale or other title retention agreement or lease in the nature thereof).

"Net Available Cash" from an Asset Disposition means cash payments received therefrom (including any cash

payments received by way of deferred payment of principal pursuant to a note or installment receivable or otherwise and proceeds from the sale or other disposition of any securities received as consideration, but only as and when received, but excluding any other consideration received in the form of assumption by the acquiring Person of Indebtedness or other obligations relating to such properties or assets or received in any other noncash form), in each case net of (i) all legal, title and recording tax expenses, commissions and other fees and expenses incurred, and all Federal, state, provincial, foreign and local income, franchise, sales and other applicable taxes required to be accrued as a liability under GAAP, as a consequence of such Asset Disposition, (ii) all payments made on any Indebtedness which is secured by any assets subject to such Asset Disposition, in accordance with the terms of any Lien upon or other security agreement of any kind with respect to such assets, or which must by its terms, or in order to obtain a necessary consent to such Asset Disposition, or by applicable law, be repaid out of the proceeds from such Asset Disposition, (iii) all distributions and other payments required to be made to minority interest holders in Subsidiaries or joint ventures as a result of their ownership interest in the Subsidiary or joint venture engaging in such Asset Disposition and (iv) the deduction of appropriate amounts provided by the seller as a reserve, in accordance with GAAP, against any liabilities associated with the property or other assets disposed in such Asset Disposition and retained by the Company or any Restricted Subsidiary after such Asset Disposition.

"Net Cash Proceeds", with respect to any issuance or sale of Capital Stock, means the cash proceeds of such issuance or sale net of attorneys' fees, accountants' fees, underwriters' or placement agents' fees, discounts or commissions and brokerage, consultant and other fees actually incurred in connection with such issuance or sale and net of taxes paid or payable as a result thereof.

"Obligations" means with respect to any Indebtedness all obligations for principal, premium, interest, penalties, fees, reimbursements and other amounts

payable pursuant to the documentation governing such Indebtedness.

"Officer" means the Chairman of the Board, the President, any Vice President, the Treasurer or the Secretary of the Company.

"Officers' Certificate" means a certificate signed by two Officers.

"Opinion of Counsel" means a written opinion from legal counsel who is acceptable to the Trustee. The counsel, at the Company's discretion, may be an employee of or counsel to the Company or the Trustee.

"Parent" means Roller Bearing Holding Company, Inc., a Delaware corporation, and any successor corporation.

"Permitted Holders" means each Person owning, on the Issue Date after giving effect to the recapitalization of the Parent occurring on such date, shares of Common Stock of the Parent or warrants to purchase such common stock and each Person controlled by any Permitted Holder (and, in the case of individuals, the estate and heirs of any Permitted Holder).

"Permitted Investment" means an Investment by the Company or any Restricted Subsidiary in (i) the Company, a Restricted Subsidiary or a Person that will, upon the making of such Investment, become a Restricted Subsidiary; provided, however, that the primary business of such Restricted Subsidiary is a Related Business; (ii) another Person if as a result of such Investment such other Person is merged or consolidated with or into, or transfers or conveys all or substantially all its assets to, the Company or a Restricted Subsidiary; provided, however, that such Person's primary business is a Related Business; (iii) Temporary Cash Investments; (iv) receivables owing to the Company or any Restricted Subsidiary if created or acquired in the ordinary course of business and payable or dischargeable in accordance with customary trade terms; provided, however, that such trade terms may include such

concessionary trade terms as the Company or any such Restricted Subsidiary deems reasonable under the circumstances; (v) payroll, travel and similar advances to cover matters that are expected at the time of such advances ultimately to be treated as expenses for accounting purposes and that are made in the ordinary course of business; (vi) loans or advances to employees made in the ordinary course of business consistent with past practices of the Company or such Restricted Subsidiary; (vii) stock, obligations or securities received in settlement of debts created in the ordinary course of business and owing to the Company or any Restricted Subsidiary or in satisfaction of judgments; and (viii) any Person to the extent such Investment represents the non-cash portion of the consideration received for an Asset Disposition as permitted pursuant to Section 4.06.

"Person" means any individual, corporation, partnership, limited liability company, joint venture, association, joint-stock company, trust, unincorporated organization, government or any agency or political subdivision thereof or any other entity.

"Preferred Stock", as applied to the Capital Stock of any Person, means Capital Stock of any class or classes (however designated) which is preferred as to the payment of dividends or distributions, or as to the distribution of assets upon any voluntary or involuntary liquidation or dissolution of such Person, over shares of Capital Stock of any other class of such Person.

"principal" of a Security means the principal of the Security plus the premium, if any, payable on the Security which is due or overdue or is to become due at the relevant time.

"Public Equity Offering" means an underwritten primary public offering of common stock of the Parent pursuant to an effective registration statement under the Securities Act.

"Public Market" means any time after (x) a Public Equity Offering has been consummated and (y) at least 15% of the total issued and outstanding common stock of the Parent has been distributed by means of an effective registration statement under the Securities Act or sales pursuant to Rule 144 under the Securities Act with gross proceeds to the Parent of not less than $25 million, resulting in the listing of the Parent's common stock on a nationally recognized stock exchange or the inclusion of such stock on the Nasdaq Market's National Market.

"Refinance" means, in respect of any Indebtedness, to refinance, extend, renew, refund, repay, prepay, redeem, defease or retire, or to issue other Indebtedness in exchange or replacement for, such indebtedness. "Refinanced" and "Refinancing" shall have correlative meanings.

"Refinancing Indebtedness" means Indebtedness that Refinances any Indebtedness of the Company or any Restricted Subsidiary existing on the Issue Date or Incurred in compliance with this Indenture, including Indebtedness that Refinances Refinancing Indebtedness; provided, however, that (i) such Refinancing Indebtedness has a Stated Maturity no earlier than the Stated Maturity of the Indebtedness being Refinanced, (ii) such Refinancing Indebtedness has an Average Life at the time such Refinancing Indebtedness is Incurred that is equal to or greater than the Average Life of the Indebtedness being Refinanced and (iii) such Refinancing Indebtedness has an aggregate principal amount (or if Incurred with original issue discount, an aggregate issue price) that is equal to or less than the aggregate principal amount (or if Incurred with original issue discount, the aggregate accreted value) then outstanding or committed (plus fees and expenses, including any premium and defeasance costs) under the Indebtedness being Refinanced; provided further, however, that Refinancing Indebtedness shall not include (x) Indebtedness of a Subsidiary that Refinances Indebtedness of the Company or (y) Indebtedness of the Company or a Restricted Subsidiary that Refinances Indebtedness of an Unrestricted Subsidiary.

"Related Business" means any business related, ancillary or complementary to the businesses of the Company and the Restricted Subsidiaries on the Issue Date.

"Representative" means any trustee, agent or representative (if any) for an issue of Senior Indebtedness of the Company.

"Restricted Payment" with respect to any Person means (i) the declaration or payment of any dividends or any other distributions of any sort in respect of its Capital Stock (including any payment in connection with any merger or consolidation involving such Person) or similar payment to the direct or indirect holders of its Capital Stock (other than dividends or distributions payable solely in its Capital Stock (other than Disqualified Stock) and dividends or distributions payable solely to the Company or a Restricted Subsidiary, and other than pro rata dividends or other distributions made by a Subsidiary that is not a Wholly Owned Subsidiary to minority stockholders (or owners of an equivalent interest in the case of a Subsidiary that is an entity other than a corporation)), (ii) the purchase, redemption or other acquisition or retirement for value of any Capital Stock of the Company held by any Person or of any Capital Stock of a Restricted Subsidiary held by any Affiliate of the Company (other than a Restricted Subsidiary), including the exercise of any option to exchange any Capital Stock (other than into Capital Stock of the Company that is not Disqualified Stock), (iii) the purchase, repurchase, redemption, defeasance or other acquisition or retirement for value, prior to scheduled maturity, scheduled repayment or scheduled sinking fund payment of any Subordinated Obligations (other than the purchase, repurchase, or other acquisition of Subordinated Obligations purchased in anticipation of satisfying a sinking fund obligation, principal installment or final maturity, in each case due within one year of the date of acquisition) or (iv) the making of any Investment in any Person; provided, however, that "Restricted Payments" will not include any Permitted Investment.

"Restricted Subsidiary" means any Subsidiary of the Company that is not an Unrestricted Subsidiary.

"Revolving Credit Facilities" means the revolving credit facility contained in the Credit Agreement and any other facility or financing arrangement that Refinances or replaces, in whole or in part, any such revolving credit facility.

"Sale/Leaseback Transaction" means an arrangement relating to property now owned or hereafter acquired whereby the Company or a Restricted Subsidiary transfers such property to a Person and the Company or a Restricted Subsidiary leases it from such Person.

"SEC" means the Securities and Exchange Commission.

"Secured Indebtedness" means any Indebtedness of the Company secured by a Lien.

"Securities" means the Securities issued under this Indenture.

"Senior Indebtedness" of any Person means all (i) Bank Indebtedness of or guaranteed by such Person, whether outstanding on the Issue Date or thereafter Incurred (including interest accruing during the pendency of any bankruptcy, insolvency, receivership or other similar proceeding, regardless of whether allowed or allowable in such proceeding) and (ii) Indebtedness of such Person whether outstanding on the Issue Date or thereafter Incurred, including interest thereon (including interest accruing during the pendency of any bankruptcy, insolvency, receivership or other similar proceeding, regardless of whether allowed or allowable in such proceeding), in respect of (A) Indebtedness for money borrowed, (B) Indebtedness evidenced by notes, debentures, bonds or other similar instruments for the payment of which such Person is responsible or liable and (C) Hedging Obligations, unless, in the case of (i) and (ii), in the instrument creating or evidencing the same or pursuant to which the same is

outstanding, it is provided that such obligations are subordinate in right of payment to the obligations under the Securities; provided, however, that Senior Indebtedness shall not include (1) any obligation of such Person to any subsidiary of such Person, (2) any liability for Federal, state, local or other taxes owed or owing by such Person, (3) any accounts payable or other liability to trade creditors arising in the ordinary course of business (including guarantees thereof or instruments evidencing such liabilities), (4) any Indebtedness of such Person (and any accrued and unpaid interest in respect thereof) which is subordinate or junior by its terms to any other Indebtedness or other obligation of such Person or (5) that portion of any Indebtedness which at the time of Incurrence is Incurred in violation of this Indenture (but as to any such Indebtedness under the Credit Agreement, no such violation shall be deemed to exist if the Representative of the Lenders thereunder shall have received an officers' certificate of the Company to the effect that the issuance of such Indebtedness does not violate such covenant and setting forth in reasonable detail the reasons therefor). If any Bank Indebtedness is disallowed, avoided or subordinated pursuant to the provisions of Section 548 of the U.S. Bankruptcy Code or any applicable state fraudulent conveyance law, such Bank Indebtedness will still constitute Senior Indebtedness.

"Senior Subordinated Indebtedness" means (i) with respect to the Company, the Securities and any other Indebtedness of the Company that specifically provides that such Indebtedness is to rank pari passu with the Securities in right of payment and is not subordinated by its terms in right of payment to any Indebtedness or other obligations of the Company which is not Senior Indebtedness of the Company and (ii) with respect to a Subsidiary Guarantor, its respective Subsidiary Guaranty of the Securities and any other indebtedness of such Person that specifically provides that such Indebtedness rank pari passu with such Guarantee in respect of payment and is not subordinated by its terms in respect of payment to any Indebtedness or other obligation of such Person which is not Senior Indebtedness of such Person.

"Significant Subsidiary" means any Restricted Subsidiary that would be a "Significant Subsidiary" of the Company within the meaning of Rule 1-02 under Regulation S-X promulgated by the SEC.

"Stated Maturity" means, with respect to any security, the date specified in such security as the fixed date on which the final payment of principal of such security is due and payable, including pursuant to any mandatory redemption provision (but excluding any provision providing for the repurchase of such security at the option of the holder thereof upon the happening of any contingency beyond the control of the issuer unless such contingency has occurred).

"Subordinated Obligation" means any Indebtedness of the Company or any Subsidiary Guarantor (whether outstanding on the Issue Date or thereafter Incurred) which is subordinate or junior in right of payment to, in the case of the Company, the Securities or, in the case of such Subsidiary Guarantor, its Subsidiary Guaranty, pursuant to a written agreement to that effect.

"Subsidiary" means, in respect of any Person, any corporation, association, partnership or other business entity of which more than 50% of the total voting power of shares of Capital Stock or other interests (including partnership interests) entitled (without regard to the occurrence of any contingency) to vote in the election of directors, managers or trustees thereof is at the time owned or controlled, directly or indirectly, by (i) such Person, (ii) such Person and one or more Subsidiaries of such Person or (iii) one or more Subsidiaries of such Person.

"Subsidiary Guarantor" means any subsidiary of the Company that Guarantees the Company's obligations with respect to the Securities, which initially shall be Industrial Tectonics Bearings Corporation, RBC Linear Precision Products, Inc. and RBC Nice Bearings, Inc.

"Subsidiary Guaranty" means a Guarantee by a Subsidiary Guarantor of the Company's obligations with respect to the Securities.

"Tax Sharing Agreement" means any tax sharing agreement between the Company and the Parent or any other Person with which the Company is required to, or is permitted to, file a consolidated tax return or with which the Company is or could be part of a consolidated group for tax purposes.

"Temporary Cash Investments" means any of the following: (i) any investment in direct obligations of the United States of America or any agency thereof or obligations guaranteed by the United States of America or any agency thereof, (ii) investments in time deposit accounts, certificates of deposit and money market deposits maturing within 180 days of the date of acquisition thereof issued by a bank or trust company which is organized under the laws of the United States of America, any state thereof or any foreign country recognized by the United States of America, and which bank or trust company has capital, surplus and undivided profits aggregating in excess of $50,000,000 (or the foreign currency equivalent thereof) and has outstanding debt that is rated "A" (or such similar equivalent rating) or higher by at least one nationally recognized statistical rating organization (as defined in Rule 436 under the Securities Act) or any money-market fund sponsored by a registered broker dealer or mutual fund distributor, (iii) repurchase obligations with a term of not more than 30 days for underlying securities of the types described in clause (i) above entered into with a bank meeting the qualifications described in clause (ii) above, (iv) investments in commercial paper, maturing not more than 90 days after the date of acquisition, issued by a corporation (other than an Affiliate of the Company) organized and in existence under the laws of the United States of America or any foreign country recognized by the United States of America with a rating at the time as of which any investment therein is made of "P-1" (or higher) according to Moody's Investors Service, Inc. or "A-1" (or higher) according to Standard and Poor's Ratings Group, and

(v) investments in securities with maturities of six months or less from the date of acquisition issued or fully guaranteed by any state, commonwealth or territory of the United States of America, or by any political subdivision or taxing authority thereof, and rated at least "A" by Standard & Poor's Ratings Group or "A" by Moody's Investors Service, Inc.

"Term Loan Facilities" means the term loan facilities contained in the Credit Agreement and any other facility or financing arrangement that Refinances in whole or in part any such term loan facility.

"TIA" means the Trust Indenture Act of 1939 (15 U.S.C. ss.ss. 77aaa-77bbbb) as in effect on the date of this Indenture.

"Trustee" means the party named as such in this Indenture until a successor replaces it and, thereafter, means the successor.

"Trust Officer" means the Chairman of the Board, the President or any other officer or assistant officer of the Trustee assigned by the Trustee to administer its corporate trust matters.

"Uniform Commercial Code" means the New York Uniform Commercial Code as in effect from time to time.

"Unrestricted Subsidiary" means (i) any Subsidiary of the Company that at the time of determination shall be designated an Unrestricted Subsidiary by the Board of Directors in the manner provided below and (ii) any Subsidiary of an Unrestricted Subsidiary. The Board of Directors may designate any Subsidiary of the Company (including any newly acquired or newly formed Subsidiary of the Company) to be an Unrestricted Subsidiary unless such Subsidiary or any of its Subsidiaries owns any Capital Stock or Indebtedness of, or owns or holds any Lien on any property of, the Company or any other Subsidiary of the Company that is not a Subsidiary of the Subsidiary to be so designated; provided, however, that either (A) the

Subsidiary to be so designated has total assets of $1,000 or less or (B) if such Subsidiary has assets greater than $1,000, such designation would be permitted under Section 4.04. The Board of Directors may designate any Unrestricted Subsidiary to be a Restricted Subsidiary; provided, however, that immediately after giving effect to such designation (x) the Company could Incur $1.00 of additional Indebtedness under Section 4.03(a) and (y) no Default shall have occurred and be continuing. Any such designation by the Board of Directors shall be evidenced to the Trustee by promptly filing with the Trustee a copy of the resolution of the Board of Directors giving effect to such designation and an Officers' Certificate certifying that such designation complied with the foregoing provisions.

"U.S. Government Obligations" means direct obligations (or certificates representing an ownership interest in such obligations) of the United States of America (including any agency or instrumentality thereof) for the payment of which the full faith and credit of the United States of America is pledged and which are not callable or redeemable at the issuer's option.

"Voting Stock" of a Person means all classes of Capital Stock or other interests (including partnership interests) of such Person then outstanding and normally entitled (without regard to the occurrence of any contingency) to vote in the election of directors, managers, trustees or other governing board thereof.

"Wholly Owned Subsidiary" means a Restricted Subsidiary all the Capital Stock of which (other than directors' qualifying shares) is owned by the Company or one or more Wholly Owned Subsidiaries.

SECTION 1.02. Other Definitions.

Term	Defined in Section
"Affiliate Transaction"	4.07
"Bankruptcy Law"	6.01
"Blockage Notice"	10.03
"covenant defeasance option"	8.01(b)
"Custodian"	6.01
"Event of Default"	6.01
"legal defeasance option"	8.01(b)
"Legal Holiday"	13.08
"Offer"	4.06(b)
"Offer Amount"	4.06(c)(2)
"Offer Period"	4.06(c)(2)
"pay the Securities"	10.03
"Paying Agent"	2.03
"Payment Blockage Period"	10.03
"Purchase Date"	4.06(c)(1)
"Registrar"	2.03
"Successor Company"	5.01

SECTION 1.03. Incorporation by Reference of Trust Indenture Act. This Indenture is subject to the mandatory provisions of the TIA which are incorporated by reference in and made a part of this Indenture. The following TIA terms have the following meanings:

"Commission" means the SEC;

"indenture securities" means the Securities;

"indenture security holder" means a Securityholder;
"indenture to be qualified" means this Indenture;
"indenture trustee" or "institutional trustee" means the Trustee; and

"obligor" on the indenture securities means the Company and any other obligor on the indenture securities.

All other TIA terms used in this Indenture that are defined by the TIA, defined by TIA reference to another statute or defined by SEC rule have the meanings assigned to them by such definitions.

SECTION 1.04. Rules of Construction. Unless the context otherwise requires:

(1) a term has the meaning assigned to it;

(2) an accounting term not otherwise defined has the meaning assigned to it in accordance with GAAP;

(3) "or" is not exclusive;

(4) "including" means including without limitation;

(5) words in the singular include the plural and words in the plural include the singular;

(6) unsecured Indebtedness shall not be deemed to be subordinate or junior to Secured Indebtedness merely by virtue of its nature as unsecured Indebtedness;

(7) the principal amount of any noninterest bearing or other discount security at any date shall be the principal amount thereof that would be shown on a balance sheet of the issuer dated such date prepared in accordance with GAAP;

(8) the principal amount of any Preferred Stock shall be (i) the maximum liquidation value of such Preferred Stock or (ii) the maximum mandatory redemption or mandatory repurchase price with respect to such Preferred Stock, whichever is greater; and

(9) all references to the date the Securities were originally issued shall refer to the date the Initial Securities were originally issued.

ARTICLE 2

The Securities

SECTION 2.01. Form and Dating. Provisions relating to the Initial Securities, the Private Exchange Securities and the Exchange Securities are set forth in the Rule 144A/Regulation S Appendix attached hereto (the "Appendix") which is hereby incorporated in and expressly made part of this Indenture. The Initial Securities and the Trustee's certificate of authentication shall be substantially in the form of Exhibit 1 to the Appendix which is hereby incorporated in and expressly made a part of this Indenture. The Exchange Securities, the Private Exchange Securities and the Trustee's certificate of authentication shall be substantially in the form of Exhibit A, which is hereby incorporated in and expressly made a part of this Indenture. The Securities may have notations, legends or endorsements required by law, stock exchange rule, agreements to which the Company is subject, if any, or usage (provided that any such notation, legend or endorsement is in a form acceptable to the Company). Each Security shall be dated the date of its authentication. The terms of the Securities set forth in the Appendix and Exhibit A are part of the terms of this Indenture.

SECTION 2.02. Execution and Authentication. Two Officers shall sign the Securities for the Company by manual or facsimile signature. The Company's seal shall be impressed, affixed, imprinted or reproduced on the Securities and may be in facsimile form.

If an Officer whose signature is on a Security no longer holds that office at the time the Trustee authenticates the Security, the Security shall be valid nevertheless.

A Security shall not be valid until an authorized signatory of the Trustee manually signs the certificate of authentication on the Security. The signature shall be conclusive evidence that the Security has been authenticated under this Indenture.

The Trustee shall authenticate and deliver Securities for original issue, in an aggregate principal amount of $110,000,000, upon a written order of the Company signed by two Officers or by an Officer and either an Assistant Treasurer or an Assistant Secretary of the Company. Such order shall specify the amount of the Securities to be authenticated and the date on which the original issue of Securities is to be authenticated. The aggregate principal amount of Securities outstanding at any time may not exceed that amount except as provided in Section 2.07.

The Trustee may appoint an authenticating agent reasonably acceptable to the Company to authenticate the Securities. Unless limited by the terms of such appointment, an authenticating agent may authenticate Securities whenever the Trustee may do so. Each reference in this Indenture to authentication by the Trustee includes authentication by such agent. An authenticating agent has the same rights as any Registrar, Paying Agent or agent for service of notices and demands.

SECTION 2.03. Registrar and Paying Agent. The Company shall maintain an office or agency where Securities may be presented for registration of transfer or for exchange (the "Registrar") and an office or agency where Securities may be presented for payment (the "Paying Agent"). The Registrar shall keep a register of the Securities and of their transfer and exchange. The Company may have one or more co-registrars and one or more additional paying agents. The term "Paying Agent" includes any additional paying agent.

The Company shall enter into an appropriate agency agreement with any Registrar, Paying Agent or co-registrar not a party to this Indenture, which shall incorporate the

terms of the TIA. The agreement shall implement the provisions of this Indenture that relate to such agent. The Company shall notify the Trustee of the name and address of any such agent. If the Company fails to maintain a Registrar or Paying Agent, the Trustee shall act as such and shall be entitled to appropriate compensation therefor pursuant to Section 7.07. The Company or any of its domestically incorporated Wholly Owned Subsidiaries may act as Paying Agent, Registrar, co-registrar or transfer agent.

The Company initially appoints the Trustee as Registrar and Paying Agent in connection with the Securities.

SECTION 2.04. Paying Agent To Hold Money in Trust. Prior to each due date of the principal and interest on any Security, the Company shall deposit with the Paying Agent a sum sufficient to pay such principal and interest when so becoming due. The Company shall require each Paying Agent (other than the Trustee) to agree in writing that the Paying Agent shall hold in trust for the benefit of Securityholders or the Trustee all money held by the Paying Agent for the payment of principal of or interest on the Securities and shall notify the Trustee of any default by the Company in making any such payment. If the Company or a Subsidiary acts as Paying Agent, it shall segregate the money held by it as Paying Agent and hold it as a separate trust fund. The Company at any time may require a Paying Agent to pay all money held by it to the Trustee and to account for any funds disbursed by the Paying Agent. Upon complying with this Section, the Paying Agent shall have no further liability for the money delivered to the Trustee.

SECTION 2.05. Securityholder Lists. The Trustee shall preserve in as current a form as is reasonably practicable the most recent list available to it of the names and addresses of Securityholders. If the Trustee is not the Registrar, the Company shall furnish to the Trustee, in writing at least five Business Days before each interest payment date and at such other times as the Trustee may request in writing, a list in such form and as of such date

as the Trustee may reasonably require of the names and addresses of Securityholders.

SECTION 2.06. Replacement Securities. If a mutilated Security is surrendered to the Registrar or if the Holder of a Security claims that the Security has been lost, destroyed or wrongfully taken, the Company shall issue and the Trustee shall authenticate a replacement Security if the requirements of Section 8-405 of the Uniform Commercial Code are met and the Holder satisfies any other reasonable requirements of the Trustee. If required by the Trustee or the Company, such Holder shall furnish an indemnity bond sufficient in the judgment of the Company and the Trustee to protect the Company, the Trustee, the Paying Agent, the Registrar and any co-registrar from any loss which any of them may suffer if a Security is replaced. The Company and the Trustee may charge the Holder for their expenses in replacing a Security.

Every duly issued replacement Security shall be an additional obligation of the Company.

SECTION 2.07. Outstanding Securities. Securities outstanding at any time are all Securities authenticated by the Trustee except for those canceled by it, those delivered to it for cancelation and those described in this Section as not outstanding. A Security does not cease to be outstanding because the Company or an Affiliate of the Company holds the Security.

If a Security is replaced pursuant to Section 2.06, it ceases to be outstanding unless the Trustee and the Company receive proof satisfactory to them that the replaced Security is held by a bona fide purchaser.

If the Paying Agent segregates and holds in trust, in accordance with this Indenture, on a redemption date or maturity date money sufficient to pay all principal and interest payable on that date with respect to the Securities (or portions thereof) to be redeemed or maturing, as the case may be, and the Paying Agent is not prohibited from paying such money to the Securityholders on that date

pursuant to the terms of this Indenture, then on and after that date such Securities (or portions thereof) cease to be outstanding and interest on them shall cease to accrue.

SECTION 2.08. Temporary Securities. Until definitive Securities are ready for delivery, the Company may prepare and the Trustee shall authenticate temporary Securities. Temporary Securities shall be substantially in the form of definitive Securities but may have variations that the Company considers appropriate for temporary Securities. Without unreasonable delay, the Company shall prepare and the Trustee shall authenticate definitive Securities and deliver them in exchange for temporary Securities.

SECTION 2.09 Cancelation. The Company at any time may deliver Securities to the Trustee for cancelation. The Registrar and the Paying Agent shall forward to the Trustee any Securities surrendered to them for registration of transfer, exchange or payment. The Trustee and no one else shall

cancel and destroy (subject to the record retention requirements of the Exchange Act) all Securities surrendered for registration of transfer, exchange, payment or cancelation and deliver a certificate of such destruction to the Company unless the Company directs the Trustee to deliver canceled Securities to the Company. The Company may not issue new Securities to replace Securities it has redeemed, paid or delivered to the Trustee for cancelation.

SECTION 2.10. Defaulted Interest. If the Company defaults in a payment of interest on the Securities, the Company shall pay defaulted interest (plus interest on such defaulted interest to the extent lawful) in any lawful manner. The Company may pay the defaulted interest to the persons who are Securityholders on a subsequent special record date. The Company shall fix or cause to be fixed any such special record date and payment date to the reasonable satisfaction of the Trustee and shall promptly mail to each Securityholder a notice that states the special record date, the payment date and the amount of defaulted interest to be paid.

SECTION 2.11. CUSIP Numbers. The Company in issuing the Securities may use "CUSIP" numbers (if then generally in use) and, if so, the Trustee shall use "CUSIP" numbers in notices of redemption as a convenience to Holders; provided, however, that any such notice may state that no representation is made as to the correctness of such numbers either as printed on the Securities or as contained in any notice of a redemption and that reliance may be placed only on the other identification numbers printed on the Securities, and any such redemption shall not be affected by any defect in or omission of such numbers.

ARTICLE 3

Redemption

SECTION 3.01. Notices to Trustee. If the Company elects to redeem Securities pursuant to paragraph 5 of the Securities, it shall notify the Trustee in writing of the redemption date, the principal amount of Securities to be redeemed and the paragraph of the Securities pursuant to which the redemption will occur.

The Company shall give each notice to the Trustee provided for in this Section at least 60 days before the redemption date unless the Trustee consents to a shorter period. Such notice shall be accompanied by an Officers' Certificate and an Opinion of Counsel from the Company to the effect that such redemption will comply with the conditions herein.

SECTION 3.02. Selection of Securities To Be Redeemed. If fewer than all the Securities are to be redeemed, the Trustee shall select the Securities to be redeemed pro rata or by lot or by a method that complies with applicable legal and securities exchange requirements, if any, and that the Trustee in its sole discretion shall deem to be fair and appropriate and in accordance with methods generally used at the time of selection by fiduciaries in similar circumstances. The Trustee shall make the selection from outstanding Securities not

previously called for redemption. The Trustee may select for redemption portions of the principal of Securities that have denominations larger than $1,000. Securities and portions of them the Trustee selects shall be in amounts of $1,000 or a whole multiple of $1,000. Provisions of this Indenture that apply to Securities called for redemption also apply to portions of Securities called for redemption. The Trustee shall notify the Company promptly of the Securities or portions of Securities to be redeemed.

SECTION 3.03. Notice of Redemption. At least 30 days but not more than 60 days before a date for redemption of Securities, the Company shall mail a notice of redemption by first-class mail to each Holder of Securities to be redeemed at such Holder's registered address.

The notice shall identify the Securities to be redeemed and shall state:

(1) the redemption date;

(2) the redemption price;

(3) the name and address of the Paying Agent;

(4) that Securities called for redemption must be surrendered to the Paying Agent to collect the redemption price;

(5) if fewer than all the outstanding Securities are to be redeemed, the identification and principal amounts of the particular Securities to be redeemed;

(6) that, unless the Company defaults in making such redemption payment or the Paying Agent is prohibited from making such payment pursuant to the terms of this Indenture, interest on Securities (or portion thereof) called for redemption ceases to accrue on and after the redemption date; and

(7) that no representation is made as to the correctness or accuracy of the CUSIP number, if any, listed in such notice or printed on the Securities.

At the Company's request, the Trustee shall give the notice of redemption in the Company's name and at the Company's expense. In such event, the Company shall provide the Trustee with the information required by this Section.

SECTION 3.04. Effect of Notice of Redemption. Once notice of redemption is mailed, Securities called for redemption become due and payable on the redemption date and at the redemption price stated in the notice. Upon surrender to the Paying Agent, such Securities shall be paid at the redemption price stated in the notice, plus accrued interest to the redemption date. Failure to give notice or any defect in the notice to any Holder shall not affect the validity of the notice to any other Holder.

SECTION 3.05. Deposit of Redemption Price. Prior to the redemption date, the Company shall deposit with the Paying Agent (or, if the Company or a Subsidiary is the Paying Agent, shall segregate and hold in trust) money sufficient to pay the redemption price of and accrued interest on all Securities to be redeemed on that date other than Securities or portions of Securities called for redemption which have been delivered by the Company to the Trustee for cancelation.

SECTION 3.06. Securities Redeemed in Part. Upon surrender of a Security that is redeemed in part, the Company shall execute and the Trustee shall authenticate for the Holder (at the Company's expense) a new Security equal in principal amount to the unredeemed portion of the Security surrendered.

ARTICLE 4

Covenants

SECTION 4.01. Payment of Securities. The Company shall promptly pay the principal of and interest on the Securities on the dates and in the manner provided in the Securities and in this Indenture. Principal and interest shall be considered paid on the date due if on such date the Trustee or the Paying Agent holds in accordance with this Indenture money sufficient to pay all principal and interest then due and the Trustee or the Paying Agent, as the case may be, is not prohibited from paying such money to the Securityholders on that date pursuant to the terms of this Indenture.

The Company shall pay interest on overdue principal at the rate specified therefor in the Securities, and it shall pay interest on overdue installments of interest at the same rate to the extent lawful.

SECTION 4.02. SEC Reports. The Company shall file with the Trustee and provide Securityholders, within 15 days after it files them with the SEC, copies of its annual report and the information, documents and other reports which the Company is required to file with the SEC pursuant to Section 13 or 15(d) of the Exchange Act. Notwithstanding that the Company may not be subject to the reporting requirements of Section 13 or 15(d) of the Exchange Act, the Company shall continue to file with the SEC and provide the Trustee and Securityholders with such annual reports and such information, documents and other reports as are specified in Sections 13 and 15(d) of the Exchange Act and applicable to a U.S. corporation subject to such Sections, such information, documents and reports to be so filed and provided at the times specified for the filing of such information, documents and reports under such Sections. The Company also shall comply with the other provisions of TIA ss. 314(a).

SECTION 4.03. Limitation on Indebtedness. (a) The Company shall not, and shall not permit any

Restricted Subsidiary to, Incur, directly or indirectly, any Indebtedness except that the Company may Incur Indebtedness if, on the date of such Incurrence and after giving effect thereto, the Consolidated Coverage Ratio of the Company exceeds 2.0 to 1.0 if such Indebtedness is Incurred prior to June 15, 2000 or 2.25 to 1.0 if such Indebtedness is Incurred thereafter.

(b) Notwithstanding the foregoing paragraph (a), the Company and the Restricted Subsidiaries may Incur any or all of the following Indebtedness:

(1) Indebtedness of the Company or any Restricted Subsidiary Incurred pursuant to the Revolving Credit Facilities; provided, however, that, immediately after giving effect to any such Incurrence, the aggregate principal amount of all Indebtedness incurred under this clause (1) and then outstanding does not exceed the greater of (A) $54.0 million less the sum of all principal payments actually made from time to time after the Issue Date with respect to such Indebtedness pursuant to Section 4.06(a)(ii)(A) and (B) the sum of 50% of the book value of the consolidated inventory of the Company and its Restricted Subsidiaries and 85% of the book value of the consolidated accounts receivables of the Company and its Restricted Subsidiaries;

(2) Indebtedness of the Company or any Restricted Subsidiary Incurred pursuant to the Term Loan Facilities; provided, however, that after giving effect to any such Incurrence, the aggregate principal amount of all Indebtedness Incurred under this clause (2) and then outstanding does not exceed $16.0 million less the aggregate sum of all principal payments actually made from time to time after the Issue Date with respect to such Indebtedness (other than principal payments made from any permitted Refinancings thereof);

(3) Indebtedness of the Company or any Restricted Subsidiary owed to and held by a Wholly Owned Subsidiary; provided, however, that any subsequent issuance or transfer of any Capital Stock which results

in any such Wholly Owned Subsidiary ceasing to be a Wholly Owned Subsidiary or any subsequent transfer of such Indebtedness (other than to the Company or another Wholly Owned Subsidiary) shall be deemed, in each case, to constitute the Incurrence of such Indebtedness by the issuer thereof;

(4) the Securities;

(5) Indebtedness outstanding on the Issue Date (other than Indebtedness described in clause (1), (2), (3) or (4) of this Section 4.03(b));

(6) Refinancing Indebtedness in respect of Indebtedness Incurred pursuant to Section 4.03(a) or pursuant to clause (4) or (5) of this Section 4.03(b) or this clause (6);

(7) (i) Hedging Obligations consisting of Interest Rate Agreements directly related to Indebtedness permitted to be Incurred by the Company pursuant to this Indenture, (ii) surety bonds Incurred in the ordinary cause of business and (iii) self-insurance arrangements;

(8) Indebtedness consisting of the Subsidiary Guaranties and the Guarantees of Indebtedness Incurred pursuant to paragraph (a) or pursuant to clause (1), (2), (4), (5), (6) and (9) of this Section 4.03(b); and

(9) Indebtedness in an aggregate principal amount which, together with all other Indebtedness of the Company outstanding on the date of such Incurrence (other than Indebtedness permitted by clauses (1) through (8) of this Section 4.03(b) or Section 4.03(a)) does not exceed $10.0 million.

(c) Notwithstanding the foregoing, the Company shall not Incur any Indebtedness pursuant to Section 4.03(b) if the proceeds thereof are used, directly or indirectly, to Refinance any Subordinated Obligations unless such

Indebtedness shall be subordinated to the Securities to at least the same extent as such Subordinated Obligations.

(d) For purposes of determining compliance with this Section 4.03, (i) in the event that an item of Indebtedness meets the criteria of more than one of the types of Indebtedness described herein, the Company, in its sole discretion, will classify such item of Indebtedness and only be required to include the amount and type of such Indebtedness in one of the above clauses and (ii) an item of Indebtedness may be divided and classified in more than one of the types of Indebtedness described herein.

(e) Notwithstanding Section 4.03(a) or 4.03(b), the Company shall not, and shall not permit any Subsidiary Guarantor to, Incur (i) any Indebtedness if such Indebtedness is subordinate or junior in ranking in any respect to any Senior Indebtedness of the Company or such Subsidiary Guarantor, as applicable, unless such Indebtedness is Senior Subordinated Indebtedness or is expressly subordinated in right of payment to Senior Subordinated Indebtedness or (ii) any Secured Indebtedness that is not Senior Indebtedness of the Company or such Subsidiary Guarantor unless contemporaneously therewith effective provision is made to secure the Securities equally and ratably with such Secured Indebtedness for so long as such Secured Indebtedness is secured by a Lien.

SECTION 4.04. Limitation on Restricted Payments. (a) The Company shall not, and shall not permit any Restricted Subsidiary, directly or indirectly, to make a Restricted Payment if at the time the Company or such Restricted Subsidiary makes such Restricted Payment:

(1) a Default shall have occurred and be continuing (or would result therefrom);

(2) the Company is not able to Incur an additional $1.00 of Indebtedness under Section 4.03(a); or

(3) the aggregate amount of such Restricted Payment and all other Restricted Payments since the Issue Date would exceed the sum of:

(A) 50% of the Consolidated Net Income accrued during the period (treated as one accounting period) from the beginning of the fiscal quarter immediately following the fiscal quarter during which the Securities are originally issued to the end of the most recent fiscal quarter for which financial statements are available (or, in case such Consolidated Net Income shall be a deficit, minus 100% of such deficit);

(B) the aggregate Net Cash Proceeds received by the Company from the issuance or sale of its Capital Stock (other than Disqualified Stock) subsequent to the Issue Date (other than an issuance or sale to a Subsidiary of the Company and other than an issuance or sale to an employee stock ownership plan or to a trust established by the Company or any of its Subsidiaries for the benefit of their employees);

(C) the amount by which Indebtedness of the Company or its Restricted Subsidiaries is reduced on the Company's balance sheet upon the conversion or exchange (other than by a Subsidiary of the Company) subsequent to the Issue Date of any Indebtedness of the Company or any Restricted Subsidiary for Capital Stock (other than Disqualified Stock) of the Company (less the amount of any cash, or the fair value of any other property, distributed by the Company upon such conversion or exchange); and

(D) an amount equal to the sum of (i) the net reduction in Investments in Unrestricted Subsidiaries resulting from dividends, repayments of loans or advances or other transfers of assets, in each case to the Company or any Restricted Subsidiary from Unrestricted Subsidiaries, and

(ii) the portion (proportionate to the Company's equity interest in such Subsidiary) of the fair market value of the net assets of an Unrestricted Subsidiary at the time such Unrestricted Subsidiary is designated a Restricted Subsidiary; provided, however, that the foregoing sum shall not exceed, in the case of any Unrestricted Subsidiary, the amount of Investments previously made (and treated as a Restricted Payment) by the Company or any Restricted Subsidiary in such Unrestricted Subsidiary.

(b) The provisions of Section 4.04(a) shall not prohibit:

(i) any Restricted Payment made out of the proceeds of the substantially concurrent sale of, or any acquisition of any Capital Stock of the Company made by exchange for, Capital Stock of the Company (other than Disqualified Stock and other than Capital Stock issued or sold to a Subsidiary of the Company or an employee stock ownership plan or to a trust established by the Company or any of its Subsidiaries for the benefit of their employees); provided, however, that (A) such Restricted Payment shall be excluded in the calculation of the amount of Restricted Payments and (B) the Net Cash Proceeds from such sale shall be excluded from the calculation of amounts under clause (3)(B) of Section 4.04(a);

(ii) any purchase, repurchase, redemption, defeasance or other acquisition or retirement for value of Subordinated Obligations made by exchange for, or out of the proceeds of the substantially concurrent sale of, Indebtedness of the Company which is permitted to be Incurred pursuant to Section 4.03; provided, however, that such purchase, repurchase, redemption, defeasance or other acquisition or retirement for value shall be excluded in the calculation of the amount of Restricted Payments;

(iii) dividends paid within 60 days after the date of declaration thereof if at such date of declaration such dividend would have complied with Section 4.04(a); provided, however, that at the time of payment of such dividend, no other Default shall have occurred and be continuing (or result therefrom); provided further, however, that such dividend shall be included in the calculation of the amount of Restricted Payments;

(iv) dividends to the Parent to be used for the repurchase or other acquisition of shares of, or options or warrants to purchase shares of, common stock of the Parent from employees, former employees, directors or former directors of the Parent or any of its Subsidiaries (or permitted transferees of such employees, former employees, directors or former directors), pursuant to the terms of the agreements (including employment agreements), plans (or amendments thereto) or other arrangements approved by the board of directors of the Parent under which such individuals purchase or sell or are granted the option to purchase or sell, shares of such common stock; provided, however, that the aggregate amount of such dividends shall not exceed $500,000 in any calendar year; provided further, however, that such dividends shall be excluded in the calculation of the amount of Restricted Payments;

(v) any payment by the Company to the Parent pursuant to the Tax Sharing Agreement; provided, however, that the amount of any such payment shall not exceed the amount of taxes that the Company would have been liable for on a stand-alone basis; provided further, however, that such payment shall be excluded in the calculation of the amount of Restricted Payments;

(vi) dividends to the Parent to the extent required to pay non-deferrable scheduled cash interest when due on the Discount Debentures and any additional cash interest (at a rate not to exceed 1/2 of 1% per annum) payable with respect to the Discount Debentures as a

result of Parent’s failure to comply with its obligations to register the Discount Debentures; provided, however, that (A) no Default shall have occurred and be continuing (or would result therefrom), (B) the Parent shall immediately apply any such dividend to make such cash interest payment and (C) except in the case of such additional interest, immediately after giving effect to any such dividend, the Company would be able to Incur an additional $1.00 of Indebtedness under Section 4.03(a); provided further, however, that such dividends shall be included in the calculation of the amount of Restricted Payments;

(vii) dividends to the Parent to the extent necessary to pay for general corporate and overhead expenses incurred by the Parent; provided, however, that such dividends shall not exceed $500,000 in any calendar year; provided further, however, that such dividends shall be excluded in the calculation of the amount of Restricted Payments;

(viii) a dividend to the Parent on the Issue Date of $57.7 million; provided, however, that such dividend shall be excluded in the calculation of the amount of Restricted Payments; and

(ix) a dividend or distribution by the Company to the Parent on December 15, 2002 to be used to fund the mandatory redemption on such date of Discount Debentures pursuant to the terms thereof; provided, however, that (a) the amount of such dividend or distribution may not exceed the lesser of (1) $34 million and (2) the amount which when added to other available funds of the Parent on such date are sufficient to satisfy the Parent’s obligation to make such mandatory redemption, (b) Parent applies such dividend to make such redemption on December 15, 2002, (c) on the date of payment of such dividend and after giving effect thereto, the Consolidated Debt Ratio does not exceed 3.0 to 1.0 and (d) that at the time of payment of such dividend, no other Default shall have

occurred and be continuing (or result therefrom); provided further, however, that such dividend shall be included in the calculation of the amount of Restricted Payments.

SECTION 4.05. Limitation on Restrictions on Distributions from Restricted Subsidiaries. The Company shall not, and shall not permit any Restricted Subsidiary to, create or otherwise cause or permit to exist or become effective any consensual encumbrance or restriction on the ability of any Restricted Subsidiary to (a) pay dividends or make any other distributions on its Capital Stock to the Company or a Restricted Subsidiary or pay any Indebtedness owed to the Company, (b) make any loans or advances to the Company or (c) transfer any of its property or assets to the Company, except:

(i) any encumbrance or restriction pursuant to an agreement in effect at or entered into on the Issue Date, including the Credit Agreement;

(ii) any encumbrance or restriction with respect to a Restricted Subsidiary pursuant to an agreement relating to any Indebtedness Incurred by such Restricted Subsidiary on or prior to the date on which such Restricted Subsidiary was acquired by the Company (other than Indebtedness

Incurred as consideration in, or to provide all or any portion of the funds or credit support utilized to consummate, the transaction or series of related transactions pursuant to which such Restricted Subsidiary became a Restricted Subsidiary or was acquired by the Company) and outstanding on such date;

(iii) any encumbrance or restriction pursuant to an agreement effecting a Refinancing of Indebtedness Incurred pursuant to an agreement referred to in clause (i) or (ii) of this Section 4.05 or this clause (iii) or contained in any amendment to an agreement referred to in clause (i) or (ii) of this Section 4.05 or this clause (iii); provided, however, that the encumbrances and restrictions with respect to

such Restricted Subsidiary contained in any such refinancing agreement or amendment are no less favorable to the Securityholders than encumbrances and restrictions with respect to such Restricted Subsidiary contained in such predecessor agreements;

(iv) any such encumbrance or restriction consisting of customary nonassignment provisions in leases governing leasehold interests solely to the extent such provisions restrict the transfer of the lease or the property leased thereunder;

(v) in the case of clause (c) above, restrictions contained in security agreements, mortgages or leases securing Indebtedness of a Restricted Subsidiary solely to the extent such restrictions restrict the transfer of the property subject to such security agreements or mortgages;

(vi) any restriction with respect to a Restricted Subsidiary imposed pursuant to an agreement entered into for the sale or disposition of all or substantially all the Capital Stock or assets of such Restricted Subsidiary pending the closing of such sale or disposition; and

(vii) any restriction imposed by applicable law.

SECTION 4.06. Limitation on Sales of Assets and Subsidiary Stock. (a) The Company shall not, and shall not permit any Restricted Subsidiary to, directly or indirectly, consummate any Asset Disposition unless (i) the Company or such Restricted Subsidiary receives consideration at the time of such Asset Disposition at least equal to the fair market value (including as to the value of all non-cash consideration), as determined in good faith by the Board of Directors, of the shares and assets subject to such Asset Disposition and at least 75% of the consideration thereof received by the Company or such Restricted Subsidiary is in the form of cash or cash equivalents and (ii) an amount equal to 100% of the Net Available Cash from such Asset Disposition is applied by the Company (or such Restricted

Subsidiary, as the case may be) at the Company's option to either (A) prepay, repay, redeem or purchase Senior Indebtedness or Indebtedness (other than any Disqualified Stock) of a Wholly Owned Subsidiary (in each case other than Indebtedness owed to the Company or an Affiliate of the Company) or (B) acquire Additional Assets, in each case, within one year from the later of the date of such Asset Disposition or the receipt of such Net Available Cash; provided, however, that in connection with any prepayment, repayment or purchase of such Indebtedness, the Company or such Restricted Subsidiary shall permanently retire such Indebtedness and shall cause the related loan commitment (if any) to be permanently reduced in an amount equal to the principal amount so prepaid, repaid or purchased. To the extent of the balance of such Net Available Cash after application in accordance with clauses (A) and (B), the Company shall make an offer to the holders of the Securities (and to holders of other Senior Subordinated Indebtedness designated by the Company) to purchase Securities (and such other Senior Subordinated Indebtedness) pursuant to and subject to the conditions contained in this Indenture. Notwithstanding the foregoing provisions of this paragraph, the Company and the Restricted Subsidiaries shall not be required to apply any Net Available Cash in accordance with this paragraph except to the extent that the aggregate Net Available Cash from all Asset Dispositions which are not applied in accordance with this paragraph exceeds $10 million. Pending application of Net Available Cash pursuant to this covenant, such Net Available Cash shall be invested in Permitted Investments.

For the purposes of this Section 4.06, the following are deemed to be cash or cash equivalents: (x) the assumption of Indebtedness of the Company or any Restricted Subsidiary (other than Indebtedness Incurred in connection with or in anticipation of such Asset Disposition) and the release of the Company or such Restricted Subsidiary from all liability on such Indebtedness in connection with such Asset Disposition, (y) securities received by the Company or any Restricted Subsidiary from the transferee that are promptly converted

by the Company or such Restricted Subsidiary into cash and (z) Temporary Cash Investments.

(b) In the event of an Asset Disposition that requires the purchase of Securities (and other Senior Subordinated Indebtedness) pursuant to Section 4.06(a), the Company shall be required to purchase Securities tendered pursuant to an offer by the Company for the Securities (and other Senior Subordinated Indebtedness) (the "Offer") at a purchase price of 100% of their principal amount (without premium) plus accrued but unpaid interest (or, in respect of such other Senior Subordinated Indebtedness, such lesser price, if any, as may be provided for by the terms of such Senior Subordinated Indebtedness) in accordance with the procedures (including prorationing in the event of over- subscription) set forth in Section 4.06(c). The Company shall not be required to make an Offer to purchase Securities (and other Senior Subordinated Indebtedness) pursuant to this Section 4.06 if the Net Available Cash available therefor is less than $10 million (which lesser amount shall be carried forward for purposes of determining whether such an Offer is required with respect to the Net Available Cash from any subsequent Asset Disposition).

(c) (1) Promptly, and in any event within 10 days after the Company becomes obligated to make an Offer, the Company shall be obligated to deliver to the Trustee and send, by first-class mail to each Holder, a written notice stating that the Holder may elect to have his Securities purchased by the Company either in whole or in part (subject to prorating as hereinafter described in the event the Offer is oversubscribed) in integral multiples of $1,000 of principal amount, at the applicable purchase price. The notice shall specify a purchase date not less than 30 days nor more than 60 days after the date of such notice (the "Purchase Date") and shall contain such information concerning the business of the Company which the Company in good faith believes will

enable such Holders to make an informed decision (which at a minimum will include (i) the most recently filed Annual Report on Form 10-K (including audited consolidated financial statements) of the Company, the most recent subsequently filed Quarterly Report on Form

10-Q and any Current Report on Form 8-K of the Company filed subsequent to such Quarterly Report, other than Current Reports describing Asset Dispositions otherwise described in the offering materials (or corresponding successor reports), (ii) a description of material developments in the Company's business subsequent to the date of the latest of such Reports, and (iii) if material, appropriate pro forma financial information) and all instructions and materials necessary to tender Securities pursuant to the Offer, together with the information contained in clause (3).

(2) Not later than the date upon which written notice of an Offer is delivered to the Trustee as provided below, the Company shall deliver to the Trustee an Officers' Certificate as to (i) the amount of the Offer (the "Offer Amount"), (ii) the allocation of the Net Available Cash from the Asset Dispositions pursuant to which such Offer is being made and (iii) the compliance of such allocation with the provisions of Section 4.06(a). On such date, the Company shall also irrevocably deposit with the Trustee or with a paying agent (or, if the Company is acting as its own paying agent, segregate and hold in trust) in Temporary Cash Investments, maturing on the last day prior to the Purchase Date or on the Purchase Date if funds are immediately available by open of business, an amount equal to the Offer Amount to be held for payment in accordance with the provisions of this Section. Upon the expiration of the period for which the Offer remains open (the "Offer Period"), the Company shall deliver to the Trustee for cancelation the Securities or portions thereof which have been properly tendered to and are to be accepted by the Company. The Trustee shall, on the Purchase Date, mail or deliver payment to each tendering Holder in the amount of the purchase price. In the event that the aggregate purchase price of the Securities delivered by the Company to the Trustee is less than the Offer Amount applicable to the Securities, the Trustee shall deliver the excess to the Company immediately after the expiration of the Offer Period for application in accordance with this Section.

(3) Holders electing to have a Security purchased shall be required to surrender the Security, with an appropriate

form duly completed, to the Company at the address specified in the notice at least three Business Days prior to the Purchase Date. Holders shall be entitled to withdraw their election if the Trustee or the Company receives not later than one Business Day prior to the Purchase Date, a telex, facsimile transmission or letter setting forth the name of the Holder, the principal amount of the Security which was delivered for purchase by the Holder and a statement that such Holder is withdrawing his election to have such Security purchased. If at the expiration of the Offer Period the aggregate principal amount of Securities (and any other Senior Subordinated Indebtedness included in the Offer) surrendered by holders thereof exceeds the Offer Amount, the Company shall select the Securities and the other Senior Subordinated Indebtedness to be purchased on a pro rata basis (with such adjustments as may be deemed appropriate by the Company so that only Securities and the other Senior Subordinated Indebtedness in denominations of $1,000, or integral multiples thereof, shall be purchased). Holders whose Securities are purchased only in part shall be issued new Securities and the other Senior Subordinated Indebtedness equal in principal amount to the unpurchased portion of the Securities surrendered.

(4) At the time the Company delivers Securities to the Trustee which are to be accepted for purchase, the Company shall also deliver an Officers' Certificate stating that such Securities are to be accepted by the Company pursuant to and in accordance with the terms of this Section. A Security shall be deemed to have been accepted for purchase at the time the Trustee, directly or through an agent, mails or delivers payment therefor to the surrendering Holder.

(d) The Company shall comply, to the extent applicable, with the requirements of Section 14(e) of the Exchange Act and any other securities laws or regulations in connection with the repurchase of Securities pursuant to this Section. To the extent that the provisions of any securities laws or regulations conflict with provisions of this Section, the Company shall comply with the applicable securities laws and regulations and shall not be deemed to

have breached its obligations under this Section by virtue thereof.

SECTION 4.07. Limitation on Affiliate Transactions. (a) The Company shall not, and shall not permit any Restricted Subsidiary to, enter into or permit to exist any transaction (including, without limitation, the purchase, sale, lease or exchange of any property, employee compensation arrangements or the rendering of any service) or enter into any agreement, loan, advance or Guarantee with any Affiliate (other than a Joint Venture Affiliate) of the Company (an "Affiliate Transaction") unless the terms thereof (i) are no less favorable to the Company or such Restricted Subsidiary than those that could be obtained at the time of such transaction in arm's-length dealings with a Person who is not such an Affiliate, (ii) if such Affiliate Transaction (or series of related Affiliate Transactions) involves an amount in excess of $2 million, (1) are set forth in writing and (2) have been approved by a majority of the members of the Board of Directors having no personal stake in such Affiliate Transaction (or series of related Affiliate Transactions) and (iii) if such Affiliate Transaction involves an amount in excess of $10 million, have been determined by a nationally recognized investment banking firm to be fair, from a financial standpoint, to the Company and its Restricted Subsidiaries.

(b) The provisions of Section 4.07(a) shall not prohibit (i) any Restricted Payment permitted to be paid pursuant to Section 4.04, (ii) any issuance of securities, or other payments, awards or grants in cash, securities or otherwise pursuant to, or the funding of, employment arrangements, stock options and stock ownership plans approved by the Board of Directors, (iii) the grant of stock options or similar rights to employees and directors of the Company pursuant to plans approved by the Board of Directors, (iv) loans or advances to employees in the ordinary course of business in accordance with the past practices of the Company or its Restricted Subsidiaries, but in any event not to exceed $700,000 in the aggregate outstanding at any one time, (v) the payment of reasonable fees to directors of the Company and its Restricted

Subsidiaries who are not employees of the Company or its Restricted Subsidiaries, (vi) any Affiliate Transaction between the Company and a Wholly Owned Subsidiary or between Wholly Owned Subsidiaries and (vii) any Tax Sharing Agreement; provided, however, that the aggregate amount payable by the Company pursuant thereto shall not exceed the amount of taxes that the Company would have been liable for on a stand-alone basis.

SECTION 4.08. Limitation on the Sale or Issuance of Capital Stock of Restricted Subsidiaries. The Company shall not sell or otherwise dispose of any Capital Stock of a Restricted Subsidiary, and shall not permit any Restricted Subsidiary, directly or indirectly, to issue or sell or otherwise dispose of any of its Capital Stock except (i) to the Company or a Wholly Owned Subsidiary, (ii) if, immediately after giving effect to such issuance, sale or other disposition, neither the Company nor any of its Subsidiaries own any Capital Stock of such Restricted Subsidiary or (iii) if, immediately after giving effect to such issuance, sale or other disposition, such Restricted Subsidiary would no longer constitute a Restricted Subsidiary and any Investment in such Person remaining after giving effect thereto would have been permitted to be made under the covenant described in Section 4.04 if made on the date of such issuance, sale or other disposition.

SECTION 4.09. Change of Control. (a) Upon the occurrence of a Change of Control, each Holder shall have the right to require that the Company repurchase such Holder's Securities at a purchase price in cash equal to 101% of the principal amount thereof plus accrued and unpaid interest, if any, to the date of purchase (subject to the right of holders of record on the relevant record date to receive interest on the relevant interest payment date), in accordance with the terms contemplated in Section 4.09(b). In the event that at the time of such Change of Control the terms of the Senior Indebtedness of the Company restrict or prohibit the repurchase of Securities pursuant to this Section, then prior to the mailing of the notice to Holders provided for in Section 4.09(b) below but in any event within 30 days following any Change of Control, the Company

shall (i) repay in full all such Senior Indebtedness or offer to repay in full all such Senior Indebtedness and repay such Senior Indebtedness of each lender who has accepted such offer or (ii) obtain the requisite consent under the agreements governing such Senior Indebtedness to permit the repurchase of the Securities as provided for in Section 4.09(b).

(b) Within 30 days following any Change of Control, the Company shall mail a notice to each Holder with a copy to the Trustee stating:

(1) that a Change of Control has occurred and that such Holder has the right to require the Company to purchase such Holder's Securities at a purchase price in cash equal to 101% of the principal amount thereof plus accrued and unpaid interest, if any, to the date of purchase (subject to the right of Holders of record on the relevant record date to receive interest on the relevant interest payment date);

(2) the circumstances and relevant facts regarding such Change of Control (including information with respect to pro forma historical income, cash flow and capitalization, each after giving effect to such Change of Control);

(3) the repurchase date (which, except as otherwise required by law, shall be no earlier than 30 days nor later than 60 days from the date such notice is mailed); and

(4) the instructions determined by the Company, consistent with this Section, that a Holder must follow in order to have its Securities purchased.

(c) Holders electing to have a Security purchased will be required to surrender the Security, with an appropriate form duly completed, to the Company at the address specified in the notice at least three Business Days prior to the purchase date. Holders will be entitled to withdraw their election if the Trustee or the Company receives not

later than one Business Day prior to the purchase date, a telegram, telex, facsimile transmission or letter setting forth the name of the Holder, the principal amount of the Security which was delivered for purchase by the Holder and a statement that such Holder is withdrawing his election to have such Security purchased.

(d) On the purchase date, all Securities purchased by the Company under this Section shall be delivered by the Trustee for cancelation, and the Company shall pay the purchase price plus accrued and unpaid interest, if any, to the Holders entitled thereto.

(e) The Company shall comply, to the extent applicable, with the requirements of Section 14(e) of the Exchange Act and any other securities laws or regulations in connection with the repurchase of Securities pursuant to this Section. To the extent that the provisions of any securities laws or regulations conflict with provisions of this Section, the Company shall comply with the applicable securities laws and regulations and shall not be deemed to have breached its obligations under this Section by virtue thereof.

SECTION 4.10. Future Guarantors. In the event that, after the Issue Date, any Restricted Subsidiary Incurs any Indebtedness pursuant to clause (1), (2) or (8) of Section 4.03(b), the Company shall cause such Restricted Subsidiary to Guarantee the Securities pursuant to a Subsidiary Guaranty on the terms and conditions set forth in the Indenture and shall cause all Indebtedness of such Restricted Subsidiary owing to the Company or any other Subsidiary of the Company and not previously discharged to be converted into Capital Stock of such Restricted Subsidiary (other than Disqualified Stock).

SECTION 4.11. Existence. Subject to Article 5, the Company will do or cause to be done all things necessary to preserve and keep in full force and effect its existence, rights (charter and statutory) and franchises; provided, however, that the Company shall not be required to preserve any such right or franchise if the Board of Directors shall

determine that the preservation thereof is no longer desirable in the conduct of the business of the Company and that the loss thereof is not disadvantageous in any material respect to the Holders.

SECTION 4.12. Compliance Certificate. The Company shall deliver to the Trustee within 120 days after the end of each fiscal year of the Company an Officers' Certificate stating that in the course of the performance by the signers of their duties as Officers of the Company they would normally have knowledge of any Default and whether or not the signers know of any Default that occurred during such period. If they do, the certificate shall describe the Default, its status and what action the Company is taking or proposes to take with respect thereto. The Company also shall comply with TIA ss. 314(a)(4).

SECTION 4.13. Further Instruments and Acts. Upon request of the Trustee, the Company will execute and deliver such further instruments and do such further acts as may be reasonably necessary or proper to carry out more effectively the purpose of this Indenture.

ARTICLE 5

Successor Company

SECTION 5.01. When Company May Merge or Transfer Assets. (a) The Company shall not consolidate with or merge with or into, or convey, transfer or lease, in one transaction or a series of transactions, all or substantially all its assets to, any Person, unless:

(i) the resulting, surviving or transferee Person (the "Successor Company") shall be a Person organized and existing under the laws of the United States of America, any State thereof or the District of Columbia and the Successor Company (if not the Company) shall expressly assume, by an indenture supplemental hereto, executed and delivered to the Trustee, in form

satisfactory to the Trustee, all the obligations of the Company under the Securities and this Indenture;

(ii) immediately after giving effect to such transaction (and treating any Indebtedness which becomes an obligation of the Successor Company or any Subsidiary as a result of such transaction as having been Incurred by the Successor Company or such Subsidiary at the time of such transaction), no Default shall have occurred and be continuing;

(iii) immediately after giving effect to such transaction, the Successor Company would be able to Incur an additional $1.00 of Indebtedness pursuant to Section 4.03(a);

(iv) immediately after giving effect to such transaction, the Successor Company shall have Consolidated Net Worth in an amount that is not less than the Consolidated Net Worth of the Company immediately prior to such transaction; and

(v) the Company shall have delivered to the Trustee an Officers' Certificate and an Opinion of Counsel, each stating that such consolidation, merger or transfer and such supplemental indenture (if any) comply with this Indenture;

provided, however, that clauses (iii) and (iv) shall not apply to a merger or consolidation involving only the Company and one or more Wholly Owned Subsidiaries.

The Successor Company shall be the successor to the Company and shall succeed to, and be substituted for, and may exercise every right and power of, the Company under this Indenture, but the predecessor Company in the case of a conveyance, transfer or lease shall not be released from the obligation to pay the principal of and interest on the Securities.

(b) The Company shall not permit any Subsidiary Guarantor to consolidate with or merge with or into, or

convey, transfer or lease, in one transaction or series of transactions, all or substantially all of its assets to any Person unless: (i) the resulting, surviving or transferee Person (if not such Subsidiary) shall be a Person organized and existing under the laws of the jurisdiction under which such Subsidiary was organized or under the laws of the United States of America, or any State hereof or the District of Columbia, and such Person shall expressly assume, by executing a Guaranty Agreement, all the obligations of such Subsidiary, if any, under its Subsidiary Guaranty; (ii) immediately after giving effect to such transaction or transactions on a pro forma basis (and treating any Indebtedness which becomes an obligation of the resulting, surviving or transferee Person as a result of such transaction as having been issued by such Person at the time of such transaction), no Default shall have occurred and be continuing; and (iii) the Company delivers to the Trustee an Officers' Certificate and an Opinion of Counsel, each stating that such consolidation, merger or transfer and such amendment to this Indenture, if any, complies with this Indenture. The provisions of clauses (i) and (ii) above shall not apply to any one or more transactions which constitute an Asset Disposition if the Company has complied with the applicable provisions of Section 4.06.

ARTICLE 6

Defaults and Remedies

SECTION 6.01. Events of Default. An "Event of Default" occurs if:

(1) the Company defaults in any payment of interest on any Security when the same becomes due and payable, whether or not such payment shall be prohibited by Article 10, and such default continues for a period of 30 days;

(2) the Company (i) defaults in the payment of the principal of any Security when the same becomes due and

payable at its Stated Maturity, upon redemption, upon declaration or otherwise, whether or not such payment shall be prohibited by Article 10, or (ii) fails to redeem or purchase Securities when required pursuant to this Indenture or the Securities, whether or not such redemption or purchase shall be prohibited by Article 10;

(3) the Company fails to comply with Section 5.01;

(4) the Company fails to comply with Section 4.02, 4.03, 4.04, 4.05, 4.06, 4.07, 4.08, 4.09 or 4.10 (other than a failure to purchase Securities when required under Section 4.06 or 4.09) and such failure continues for 30 days after the notice specified below;

(5) the Company fails to comply with any of its agreements in the Securities or this Indenture (other than those referred to in clause (1), (2), (3) or (4) above) and such failure continues for 60 days after the notice specified below;

(6) Indebtedness of the Company or any Significant Subsidiary is not paid within any applicable grace period after final maturity or is accelerated by the holders thereof because of a default and the total amount of such Indebtedness unpaid or accelerated exceeds $5.0 million, or its foreign currency equivalent at the time;

(7) the Company or any Significant Subsidiary pursuant to or within the meaning of any Bankruptcy Law:

(A) commences a voluntary case;

(B) consents to the entry of an order for relief against it in an involuntary case;

(C) consents to the appointment of a Custodian of it or for any substantial part of its property; or

(D) makes a general assignment for the benefit of its creditors;

or takes any comparable action under any foreign laws relating to insolvency;

(8) a court of competent jurisdiction enters an order or decree under any Bankruptcy Law that:

(A) is for relief against the Company or any Significant Subsidiary in an involuntary case;

(B) appoints a Custodian of the Company or any Significant Subsidiary or for any substantial part of its property; or

(C) orders the winding up or liquidation of the Company or any Significant Subsidiary;

or any similar relief is granted under any foreign laws and the order or decree remains unstayed and in effect for 60 days;

(9) any judgment or decree for the payment of money in excess of $5.0 million or its foreign currency equivalent at the time is entered against the Company or any Significant Subsidiary, remains outstanding for a period of 60 days following the entry of such judgment or decree and is not discharged, waived or the execution thereof stayed within 10 days after the notice specified below; or

(10) a Subsidiary Guaranty ceases to be in full force and effect (other than in accordance with the terms of such Subsidiary Guaranty) or a Subsidiary Guarantor denies or disaffirms its obligations under its Subsidiary Guaranty.

The foregoing will constitute Events of Default whatever the reason for any such Event of Default and whether it is voluntary or involuntary or is effected by operation of law or pursuant to any judgment, decree or

order of any court or any order, rule or regulation of any administrative or governmental body.

The term “Bankruptcy Law” means Title 11, United States Code, or any similar Federal or state law for the relief of debtors. The term “Custodian” means any receiver, trustee, assignee, liquidator, custodian or similar official under any Bankruptcy Law.

A Default under clauses (4), (5), or (9) is not an Event of Default until the Trustee or the holders of at least 25% in principal amount of the outstanding Securities notify the Company of the Default and the Company does not cure such Default within the time specified after receipt of such notice. Such notice must specify the Default, demand that it be remedied and state that such notice is a “Notice of Default”.

The Company shall deliver to the Trustee, within 30 days after the occurrence thereof, written notice in the form of an Officers’ Certificate of any Event of Default under clause (6) or (10) and any event which with the giving of notice or the lapse of time would become an Event of Default under clause (4), (5) or (9), its status and what action the Company is taking or proposes to take with respect thereto.

SECTION 6.02. Acceleration. If an Event of Default (other than an Event of Default specified in Section 6.01(7) or (8) with respect to the Company) occurs and is continuing, the Trustee by notice to the Company, or the Holders of at least 25% in principal amount of the outstanding Securities by notice to the Company and the Trustee, may declare the principal of and accrued but unpaid interest on all the Securities to be due and payable. Upon such a declaration, such principal and interest shall be due and payable immediately; provided, however, that if upon such declaration there are any amounts

outstanding under the Credit Agreement and the amounts thereunder have not been accelerated, such principal and interest shall be due and payable upon the earlier of the time such amounts are accelerated or five Business Days after receipt by the

Company and the Representative under the Credit Agreement of such declaration. If an Event of Default specified in Section 6.01(7) or (8) with respect to the Company occurs, the principal of and interest on all the Securities shall ipso facto become and be immediately due and payable without any declaration or other act on the part of the Trustee or any Securityholders. The Holders of a majority in principal amount of the outstanding Securities by notice to the Trustee may rescind an acceleration and its consequences if the rescission would not conflict with any judgment or decree and if all existing Events of Default have been cured or waived except nonpayment of principal or interest that has become due solely because of acceleration. No such rescission shall affect any subsequent Default or impair any right consequent thereto.

SECTION 6.03. Other Remedies. If an Event of Default occurs and is continuing, the Trustee may pursue any available remedy to collect the payment of principal of or interest on the Securities or to enforce the performance of any provision of the Securities or this Indenture.

The Trustee may maintain a proceeding even if it does not possess any of the Securities or does not produce any of them in the proceeding. A delay or omission by the Trustee or any Securityholder in exercising any right or remedy accruing upon an Event of Default shall not impair the right or remedy or constitute a waiver of or acquiescence in the Event of Default. No remedy is exclusive of any other remedy. All available remedies are cumulative.

SECTION 6.04. Waiver of Past Defaults. The Holders of a majority in principal amount of the outstanding Securities by notice to the Trustee may waive an existing Default and its consequences except (i) a Default in the payment of the principal of or interest on a Security or (ii) a Default in respect of a provision that under Section 9.02 cannot be amended without the consent of each Securityholder affected. When a Default is waived, it is deemed cured, but no such waiver shall extend to any subsequent or other Default or impair any consequent right.

SECTION 6.05. Control by Majority. The Holders of a majority in principal amount of the outstanding Securities may direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or of exercising any trust or power conferred on the Trustee. However, the Trustee may refuse to follow any direction that conflicts with law or this Indenture or, subject to Section 7.01, that the Trustee determines is unduly prejudicial to the rights of other Securityholders or would involve the Trustee in personal liability; provided, however, that the Trustee may take any other action deemed proper by the Trustee that is not inconsistent with such direction. Prior to taking any action hereunder, the Trustee shall be entitled to indemnification reasonably satisfactory to it in its sole discretion against all losses and expenses caused by taking or not taking such action.

SECTION 6.06. Limitation on Suits. Except to enforce the right to receive payment of principal, premium (if any) or interest when due, no Securityholder may pursue any remedy with respect to this Indenture or the Securities unless:

(1) the Holder gives to the Trustee written notice stating that an Event of Default is continuing;

(2) the Holders of at least 25% in principal amount of the outstanding Securities make a written request to the Trustee to pursue the remedy;

(3) such Holder or Holders offer to the Trustee reasonable security or indemnity against any loss, liability or expense;

(4) the Trustee does not comply with the request within 60 days after receipt of the request and the offer of security or indemnity; and

(5) the Holders of a majority in principal amount of the outstanding Securities do not give the Trustee a direction inconsistent with the request during such 60-day period.

A Securityholder may not use this Indenture to prejudice the rights of another Securityholder or to obtain a preference or priority over another Securityholder.

SECTION 6.07. Rights of Holders to Receive Payment. Notwithstanding any other provision of this Indenture, the right of any Holder to receive payment of principal of and interest on the Securities held by such Holder, on or after the respective due dates expressed in the Securities, or to bring suit for the enforcement of any such payment on or after such respective dates, shall not be impaired or affected without the consent of such Holder.

SECTION 6.08. Collection Suit by Trustee. If an Event of Default specified in Section 6.01(1) or (2) occurs and is continuing, the Trustee may recover judgment in its own name and as trustee of an express trust against the Company for the whole amount then due and owing (together with interest on any unpaid interest to the extent lawful) and the amounts provided for in Section 7.07.

SECTION 6.09. Trustee May File Proofs of Claim. The Trustee may file such proofs of claim and other papers or documents as may be necessary or advisable in order to have the claims of the Trustee and the Securityholders allowed in any judicial proceedings relative to the Company, its creditors or its property and, unless prohibited by law or applicable regulations, may vote on behalf of the Holders in any election of a trustee in bankruptcy or other Person performing similar functions, and any Custodian in any such judicial proceeding is hereby authorized by each Holder to make payments to the Trustee and, in the event that the Trustee shall consent to the making of such payments directly to the Holders, to pay to the Trustee any amount due it for the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and its counsel, and any other amounts due the Trustee under Section 7.07.

SECTION 6.10. Priorities. If the Trustee collects any money or property pursuant to this Article 6, it shall pay out the money or property in the following order:

FIRST: to the Trustee for amounts due under Section 7.07;

SECOND: to holders of Senior Indebtedness of the Company to the extent required by Article 10;

THIRD: to Securityholders for amounts due and unpaid on the Securities for principal and interest, ratably, without preference or priority of any kind, according to the amounts due and payable on the Securities for principal and interest, respectively; and

FOURTH: to the Company.

The Trustee may fix a record date and payment date for any payment to Securityholders pursuant to this Section. At least 15 days before such record date, the Company shall mail to each Securityholder and the Trustee a notice that states the record date, the payment date and amount to be paid.

SECTION 6.11. Undertaking for Costs. In any suit for the enforcement of any right or remedy under this Indenture or in any suit against the Trustee for any action taken or omitted by it as Trustee, a court in its discretion may require the filing by any party litigant in the suit of an undertaking to pay the costs of the suit, and the court in its discretion may assess reasonable costs, including reasonable attorneys' fees, against any party litigant in the suit, having due regard to the merits and good faith of the claims or defenses made by the party litigant. This Section does not apply to a suit by the Trustee, a suit by a Holder pursuant to Section 6.07 or a suit by Holders of more than 10% in principal amount of the outstanding Securities.

SECTION 6.12. Waiver of Stay or Extension Laws. The Company (to the extent it may lawfully do so) shall not at any time insist upon, or plead, or in any manner whatsoever

claim or take the benefit or advantage of, any stay or extension law or usury law wherever enacted, now or at any time hereafter in force, which may affect the covenants or the performance of this Indenture; and the Company (to the extent that it may lawfully do so) hereby expressly waives all benefit or advantage of any such law, and shall not hinder, delay or impede the execution of any power herein granted to the Trustee, but shall suffer and permit the execution of every such power as though no such law had been enacted.

ARTICLE 7

Trustee

SECTION 7.01. Duties of Trustee. (a) If an Event of Default has occurred and is continuing, the Trustee shall exercise the rights and powers vested in it by this Indenture and use the same degree of care and skill in their exercise as a prudent Person would exercise or use under the circumstances in the conduct of such Person's own affairs.

(b) Except during the continuance of an Event of Default:

(1) the Trustee undertakes to perform such duties and only such duties as are specifically set forth in this Indenture and no implied covenants or obligations shall be read into this Indenture against the Trustee; and

(2) in the absence of bad faith on its part, the Trustee may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon certificates or opinions furnished to the Trustee and conforming to the requirements of this Indenture. However, the Trustee shall examine the certificates and opinions to determine whether or not they conform to the requirements of this Indenture.

(c) The Trustee may not be relieved from liability for its own negligent action, its own negligent failure to act or its own wilful misconduct, except that:

(1) this paragraph does not limit the effect of paragraph (b) of this Section;

(2) the Trustee shall not be liable for any error of judgment made in good faith by a Trust Officer unless it is proved that the Trustee was negligent in ascertaining the pertinent facts; and

(3) the Trustee shall not be liable with respect to any action it takes or omits to take in good faith in accordance with a direction received by it pursuant to Section 6.05.

(d) Every provision of this Indenture that in any way relates to the Trustee is subject to paragraphs (a), (b) and (c) of this Section.

(e) The Trustee shall not be liable for interest on any money received by it except as the Trustee may agree in writing with the Company.

(f) Money held in trust by the Trustee need not be segregated from other funds except to the extent required by law.

(g) No provision of this Indenture shall require the Trustee to expend or risk its own funds or otherwise incur financial liability in the performance of any of its duties hereunder or in the exercise of any of its rights or powers, if it shall have reasonable grounds to believe that repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it.

(h) Every provision of this Indenture relating to the conduct or affecting the liability of or affording protection to the Trustee shall be subject to the provisions of this Section and to the provisions of the TIA.

SECTION 7.02. Rights of Trustee. (a) The Trustee may rely on any document believed by it to be genuine and to have been signed or presented by the proper person. The Trustee need not investigate any fact or matter stated in the document.

(b) Before the Trustee acts or refrains from acting, it may require an Officers' Certificate or an Opinion of Counsel. The Trustee shall not be liable for any action it takes or omits to take in good faith in reliance on the Officers' Certificate or Opinion of Counsel.

(c) The Trustee may act through agents and shall not be responsible for the misconduct or negligence of any agent appointed with due care.

(d) The Trustee shall not be liable for any action it takes or omits to take in good faith which it believes to be authorized or within its rights or powers; provided, however, that the Trustee's conduct does not constitute wilful misconduct or negligence.

(e) The Trustee may consult with counsel, and the advice or opinion of counsel with respect to legal matters relating to this Indenture and the Securities shall be full and complete authorization and protection from liability in respect to any action taken, omitted or suffered by it hereunder in good faith and in accordance with the advice or opinion of such counsel.

SECTION 7.03. Individual Rights of Trustee. The Trustee in its individual or any other capacity may become the owner or pledgee of Securities and may otherwise deal with the Company or its Affiliates with the same rights it would have if it were not Trustee. Any Paying Agent, Registrar, co-registrar or co-paying agent may do the same with like rights. However, the Trustee must comply with Sections 7.10 and 7.11.

SECTION 7.04. Trustee's Disclaimer. The Trustee shall not be responsible for and makes no representation as to the validity or adequacy of this Indenture or the Securities,

it shall not be accountable for the Company's use of the proceeds from the Securities, and it shall not be responsible for any statement of the Company in the Indenture or in any document issued in connection with the sale of the Securities or in the Securities other than the Trustee's certificate of authentication.

SECTION 7.05. Notice of Defaults. If a Default occurs and is continuing and if it is known to the Trustee, the Trustee shall mail to each Securityholder notice of the Default within 90 days after it occurs. Except in the case of a Default in payment of principal of or interest on any Security (including payments pursuant to the mandatory redemption provisions of such Security, if any), the Trustee may withhold the notice if and so long as a committee of its Trust Officers in good faith determines that withholding the notice is in the interests of Securityholders.

SECTION 7.06. Reports by Trustee to Holders. As promptly as practicable after each February 1 beginning with the February 1 following the date of this Indenture, and in any event prior to March 1 in each year, the Trustee shall mail to each Securityholder a brief report dated as of February 1 that complies with TIA ss. 313(a). The Trustee also shall comply with TIA ss. 313(b).

A copy of each report at the time of its mailing to Securityholders shall be filed with the SEC and each stock exchange (if any) on which the Securities are listed. The Company agrees to notify promptly the Trustee whenever the Securities become listed on any stock exchange and of any delisting thereof.

SECTION 7.07. Compensation and Indemnity. The Company shall pay to the Trustee from time to time reasonable compensation for its services. The Trustee's compensation shall not be limited by any law on compensation of a trustee of an express trust. The Company shall reimburse the Trustee upon request for all reasonable out-of-pocket expenses incurred or made by it, including costs of collection, in addition to the compensation for its services. Such expenses shall include the reasonable

compensation and expenses, disbursements and advances of the Trustee's agents, counsel, accountants and experts. The Company shall indemnify the Trustee against any and all loss, liability or expense (including reasonable attorneys' fees) incurred by it in connection with the administration of this trust and the performance of its duties hereunder. The Trustee shall notify the Company promptly of any claim for which it may seek indemnity. Failure by the Trustee to so notify the Company shall not relieve the Company of its obligations hereunder. The Company shall defend the claim and the Trustee may have separate counsel and the Company shall pay the reasonable fees and expenses of such counsel. The Company need not reimburse any expense or indemnify against any loss, liability or expense incurred by the Trustee through the Trustee's own wilful misconduct, negligence or bad faith.

To secure the Company's payment obligations in this Section, the Trustee shall have a lien prior to the Securities on all money or property held or collected by the Trustee other than money or property held in trust to pay principal of and interest on particular Securities.

The Company's payment obligations pursuant to this Section shall survive the discharge of this Indenture. When the Trustee incurs expenses after the occurrence of a Default specified in Section 6.01(7) or (8) with respect to the Company, the expenses are intended to constitute expenses of administration under the Bankruptcy Law.

SECTION 7.08. Replacement of Trustee. The Trustee may resign at any time by so notifying the Company. The Holders of a majority in principal amount of the outstanding Securities may remove the Trustee by so notifying the Trustee and may appoint a successor Trustee. The Company shall remove the Trustee if:

(1) the Trustee fails to comply with Section 7.10;

(2) the Trustee is adjudged bankrupt or insolvent;

(3) a receiver or other public officer takes charge of the Trustee or its property;

(4) the Trustee otherwise becomes incapable of acting; or

(5) the Trustee increases its fees by more than 15% in any twelve month period.

If the Trustee resigns, is removed by the Company or by the Holders of a majority in principal amount of the outstanding Securities and such Holders do not reasonably promptly appoint a successor Trustee, or if a vacancy exists in the office of Trustee for any reason (the Trustee in such event being referred to herein as the retiring Trustee), the Company shall promptly appoint a successor Trustee.

A successor Trustee shall deliver a written acceptance of its appointment to the retiring Trustee and to the Company. Thereupon the resignation or removal of the retiring Trustee shall become effective, and the successor Trustee shall have all the rights, powers and duties of the Trustee under this Indenture. The successor Trustee shall mail a notice of its succession to Securityholders. The retiring Trustee shall promptly transfer all property held by it as Trustee to the successor Trustee, subject to the lien provided for in Section 7.07.

If a successor Trustee does not take office within 60 days after the retiring Trustee resigns or is removed, the retiring Trustee or the Holders of 10% in principal amount of the outstanding Securities may petition any court of competent jurisdiction for the appointment of a successor Trustee.

If the Trustee fails to comply with Section 7.10, any Securityholder may petition any court of competent jurisdiction for the removal of the Trustee and the appointment of a successor Trustee.

Notwithstanding the replacement of the Trustee pursuant to this Section, the Company's obligations under

Section 7.07 shall continue for the benefit of the retiring Trustee.

SECTION 7.09. Successor Trustee by Merger. If the Trustee consolidates with, merges or converts into, or transfers all or substantially all its corporate trust business or assets to, another corporation or banking association, the resulting, surviving or transferee corporation without any further act shall be the successor Trustee.

In case at the time such successor or successors by merger, conversion or consolidation to the Trustee shall succeed to the trusts created by this Indenture any of the Securities shall have been authenticated but not delivered, any such successor to the Trustee may adopt the certificate of authentication of any predecessor trustee, and deliver such Securities so authenticated; and in case at that time any of the Securities shall not have been authenticated, any successor to the Trustee may authenticate such Securities either in the name of any predecessor hereunder or in the name of the successor to the Trustee; and in all such cases such certificates shall have the full force which it is anywhere in the Securities or in this Indenture provided that the certificate of the Trustee shall have.

SECTION 7.10. Eligibility; Disqualification. The Trustee shall at all times satisfy the requirements of TIA ss. 310(a). The Trustee shall have a combined capital and surplus of at least $50,000,000 as set forth in its most recent published annual report of condition. The Trustee shall comply with TIA ss. 310(b); provided, however, that there shall be excluded from the operation of TIA ss. 310(b)(1) any indenture or indentures under which other securities or certificates of interest or participation in other securities of the Company are outstanding if the requirements for such exclusion set forth in TIA ss.310(b)(1) are met.

SECTION 7.11. Preferential Collection of Claims Against Company. The Trustee shall comply with TIA ss. 311(a), excluding any creditor relationship listed in TIA

ss. 311(b). A Trustee who has resigned or been removed shall be subject to TIA ss. 311(a) to the extent indicated.

ARTICLE 8

Discharge of Indenture; Defeasance

SECTION 8.01. Discharge of Liability on Securities; Defeasance. (a) When (i) the Company delivers to the Trustee all outstanding Securities (other than Securities replaced pursuant to Section 2.07) for cancelation or (ii) all outstanding Securities have become due and payable, whether at maturity or as a result of the mailing of a notice of redemption pursuant to Article 3 hereof and the Company irrevocably deposits with the Trustee funds sufficient to pay at maturity or upon redemption all outstanding Securities, including interest thereon to maturity or such redemption date (other than Securities replaced pursuant to Section 2.07), and if in either case the Company pays all other sums payable hereunder by the Company, then this Indenture shall, subject to Sections 8.01(c), cease to be of further effect. The Trustee shall acknowledge satisfaction and discharge of this Indenture on demand of the Company accompanied by an Officers' Certificate and an Opinion of Counsel and at the cost and expense of the Company.

(b) Subject to Sections 8.01(c) and 8.02, the Company at any time may terminate (i) all its obligations under the Securities and this Indenture ("legal defeasance option") or (ii) its obligations under Sections 4.02, 4.03, 4.04, 4.05, 4.06, 4.07, 4.08, 4.09 and 4.10 and the operation of Sections 6.01(4), 6.01(6), 6.01(7), 6.01(8) and 6.01(9) (but, in the case of Sections 6.01(7) and (8), with respect only to Significant Subsidiaries) and the limitations contained in Sections 5.01(a)(iii) and (iv) ("covenant defeasance option"). The Company may exercise its legal defeasance option notwithstanding its prior exercise of its covenant defeasance option.

If the Company exercises its legal defeasance option, payment of the Securities may not be accelerated

because of an Event of Default with respect thereto. If the Company exercises its covenant defeasance option, payment of the Securities may not be accelerated because of an Event of Default specified in Sections 6.01(4), 6.01(6), 6.01(7), 6.01(8) and 6.01(9) (but, in the case of Sections 6.01(7) and (8), with respect only to Significant Subsidiaries) or because of the failure of the Company to comply with Section 5.01(a)(iii) or (iv). If the Company exercises its legal defeasance option or its covenant defeasance option, each Subsidiary Guarantor, if any, shall be released from all its obligations with respect to its Subsidiary Guaranty.

Upon satisfaction of the conditions set forth herein and upon request of the Company, the Trustee shall acknowledge in writing the discharge of those obligations that the Company terminates.

(c) Notwithstanding clauses (a) and (b) above, the Company's obligations in Sections 2.03, 2.04, 2.05, 2.06, 2.07, 2.08, 7.07 and 7.08 and in this Article 8 shall survive until the Securities have been paid in full. Thereafter, the Company's obligations in Sections 7.07, 8.04 and 8.05 shall survive.

SECTION 8.02. Conditions to Defeasance. The Company may exercise its legal defeasance option or its covenant defeasance option only if:

(1) the Company irrevocably deposits in trust with the Trustee money or U.S. Government Obligations for the payment of principal of and interest on the Securities to maturity or redemption, as the case may be;

(2) the Company delivers to the Trustee a certificate from a nationally recognized firm of independent accountants expressing their opinion that the payments of principal and interest when due and without reinvestment on the deposited U.S. Government Obligations plus any deposited money without investment will provide cash at such times and in such amounts as will be sufficient to pay principal and interest when due on

all the Securities to maturity or redemption, as the case may be;

(3) 123 days pass after the deposit is made and during the 123-dayperiod no Default specified in Sections 6.01(7) or (8) with respect to the Company occurs which is continuing at the end of the period;

(4) the deposit does not constitute a default under any other agreement binding on the Company and is not prohibited by Article 10;

(5) the Company delivers to the Trustee an Opinion of Counsel to the effect that the trust resulting from the deposit does not constitute, or is qualified as, a regulated investment company under the Investment Company Act of 1940;

(6) in the case of the legal defeasance option, the Company shall have delivered to the Trustee an Opinion of Counsel stating that (i) the Company has received from, or there has been published by, the Internal Revenue Service a ruling, or (ii) since the date of this Indenture there has been a change in the applicable Federal income tax law, in either case to the effect that, and based thereon such Opinion of Counsel shall confirm that, the Securityholders will not recognize income, gain or loss for Federal income tax purposes as a result of such defeasance and will be subject to Federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such defeasance had not occurred;

(7) in the case of the covenant defeasance option, the Company shall have delivered to the Trustee an Opinion of Counsel to the effect that the Securityholders will not recognize income, gain or loss for Federal income tax purposes as a result of such covenant defeasance and will be subject to Federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such covenant defeasance had not occurred; and

(8) the Company delivers to the Trustee an Officers' Certificate and an Opinion of Counsel, each stating that all conditions precedent to the defeasance and discharge of the Securities as contemplated by this Article 8 have been complied with.

Before or after a deposit, the Company may make arrangements satisfactory to the Trustee for the redemption of Securities at a future date in accordance with Article 3.

SECTION 8.03. Application of Trust Money. The Trustee shall hold in trust money or U.S. Government Obligations deposited with it pursuant to this Article 8. It shall apply the deposited money and the money from U.S. Government Obligations through the Paying Agent and in accordance with this Indenture to the payment of principal of and interest on the Securities. Money and securities so held in trust are not subject to Article 10.

SECTION 8.04. Repayment to Company. The Trustee and the Paying Agent shall promptly turn over to the Company upon request any excess money or securities held by them at any time.

Subject to any applicable abandoned property law, the Trustee and the Paying Agent shall pay to the Company upon request any money held by them for the payment of principal or interest that remains unclaimed for two years, and, thereafter, Securityholders entitled to the money must look to the Company for payment as general creditors.

SECTION 8.05. Indemnity for Government Obligations. The Company shall pay and shall indemnify the Trustee against any tax, fee or other charge imposed on or assessed against deposited U.S. Government Obligations or the principal and interest received on such U.S. Government Obligations.

SECTION 8.06. Reinstatement. If the Trustee or Paying Agent is unable to apply any money or U.S. Government Obligations in accordance with this Article 8 by reason of

any legal proceeding or by reason of any order or judgment of any court or governmental authority enjoining, restraining or otherwise prohibiting such application, the Company's obligations under this Indenture and the Securities shall be revived and reinstated as though no deposit had occurred pursuant to this Article 8 until such time as the Trustee or Paying Agent is permitted to apply all such money or U.S. Government Obligations in accordance with this Article 8; provided, however, that, if the Company has made any payment of interest on or principal of any Securities because of the reinstatement of its obligations, the Company shall be subrogated to the rights of the Holders of such Securities to receive such payment from the money or U.S. Government Obligations held by the Trustee or Paying Agent.

ARTICLE 9

Amendments

SECTION 9.01. Without Consent of Holders. The Company and the Trustee may amend this Indenture or the Securities without notice to or consent of any Securityholder:

(1) to cure any ambiguity, omission, defect or inconsistency;

(2) to comply with Article 5;

(3) to provide for uncertificated Securities in addition to or in place of certificated Securities; provided, however, that the uncertificated Securities are issued in registered form for purposes of Section 163(f) of the Code or in a manner such that the uncertificated Securities are described in Section 163(f)(2)(B) of the Code;

(4) to make any change in Article 10 that would limit or terminate the benefits available to any holder of Senior Indebtedness (or Representatives therefor) under Article 10;

(5) to add Guarantees with respect to the Securities, including any Subsidiary Guaranties, or to secure the Securities;

(6) to add to the covenants of the Company for the benefit of the Holders or to surrender any right or power herein conferred upon the Company;

(7) to comply with any requirements of the SEC in connection with qualifying, or maintaining the qualification of, this Indenture under the TIA; or

(8) to make any change that does not adversely affect the rights of any Securityholder.

An amendment under this Section may not make any change that adversely affects the rights under Article 10 or the definitions relating thereto of any holder of Senior Indebtedness then outstanding unless the holders of such Senior Indebtedness (or any group or representative thereof authorized to give a consent) consent to such change.

After an amendment under this Section becomes effective, the Company shall mail to Securityholders a notice briefly describing such amendment. The failure to give such notice to all Securityholders, or any defect therein, shall not impair or affect the validity of an amendment under this Section.

SECTION 9.02. With Consent of Holders. The Company and the Trustee may amend this Indenture or the Securities without notice to any Securityholder but with the written consent of the Holders of at least a majority in principal amount of the Securities then outstanding (including consents obtained in connection with a tender offer or exchange for the Securities). However, without the consent of each Securityholder affected thereby, an amendment may not:

(1) reduce the principal amount of Securities whose Holders must consent to an amendment;

(2) reduce the rate of or extend the time for payment of interest on any Security;

(3) reduce the principal of or extend the Stated Maturity of any Security;

(4) reduce the amount payable upon the redemption of any Security or change the time at which any Security may be redeemed in accordance with Article 3;

(5) make any Security payable in money other than that stated in the Security;

(6) make any change in Article 10 that adversely affects the rights of any Securityholder under Article 10; or

(7) make any change in Section 6.04 or 6.07 or the second sentence of this Section.

In addition, without the consent of holders of at least 75% of the outstanding Securities, no amendment may release a Subsidiary Guarantor from its Subsidiary Guaranty or make any change in any Subsidiary Guaranty that would adversely affect the Securityholders.

It shall not be necessary for the consent of the Holders under this Section to approve the particular form of any proposed amendment, but it shall be sufficient if such consent approves the substance thereof.

An amendment under this Section may not make any change that adversely affects the rights under Article 10 of any holder of Senior Indebtedness then outstanding unless the holders of such Senior Indebtedness (or any group or representative thereof authorized to give a consent) consent to such change.

After an amendment under this Section becomes effective, the Company shall mail to Securityholders a notice briefly describing such amendment. The failure to give such notice to all Securityholders, or any defect

therein, shall not impair or affect the validity of an amendment under this Section.

SECTION 9.03. Compliance with Trust Indenture Act. Every amendment to this Indenture or the Securities shall comply with the TIA as then in effect.

SECTION 9.04. Revocation and Effect of Consents and Waivers. A consent to an amendment or a waiver by a Holder of a Security shall bind the Holder and every subsequent Holder of that Security or portion of the Security that evidences the same debt as the consenting Holder's Security, even if notation of the consent or waiver is not made on the Security. However, any such Holder or subsequent Holder may revoke the consent or waiver as to such Holder's Security or portion of the Security if the Trustee receives the notice of revocation before the date the amendment or waiver becomes effective. After an amendment or waiver becomes effective, it shall bind every Securityholder. An amendment or waiver becomes effective upon the execution of such amendment or waiver by the Trustee.

The Company may, but shall not be obligated to, fix a record date for the purpose of determining the Securityholders entitled to give their consent or take any other action described above or required or permitted to be taken pursuant to this Indenture. If a record date is fixed, then notwithstanding the immediately preceding paragraph, those Persons who were Securityholders at such record date (or their duly designated proxies), and only those Persons, shall be entitled to give such consent or to revoke any consent previously given or to take any such action, whether or not such Persons continue to be Holders after such record date. No such consent shall be valid or effective for more than 120 days after such record date.

SECTION 9.05. Notation on or Exchange of Securities. If an amendment changes the terms of a Security, the Trustee may require the Holder of the Security to deliver it to the Trustee. The Trustee may place an appropriate notation on the Security regarding the changed terms and return it to the Holder. Alternatively, if the Company or

the Trustee so determines, the Company in exchange for the Security shall issue and the Trustee shall authenticate a new Security that reflects the changed terms. Failure to make the appropriate notation or to issue a new Security shall not affect the validity of such amendment.

SECTION 9.06. Trustee To Sign Amendments. The Trustee shall sign any amendment authorized pursuant to this Article 9 if the amendment does not adversely affect the rights, duties, liabilities or immunities of the Trustee. If it does, the Trustee may but need not sign it. In signing such amendment the Trustee shall be entitled to receive indemnity reasonably satisfactory to it and to receive, and (subject to Section 7.01) shall be fully protected in relying upon, an Officers' Certificate and an Opinion of Counsel stating that such amendment is authorized or permitted by this Indenture.

ARTICLE 10

Subordination

SECTION 10.01. Agreement To Subordinate. The Company agrees, and each Securityholder by accepting a Security agrees, that the Indebtedness evidenced by the Securities is subordinated in right of payment, to the extent and in the manner provided in this Article 10, to the prior payment of all Senior Indebtedness of the Company and that the subordination is for the benefit of and enforceable by the holders of such Senior Indebtedness. The Securities shall in all respects rank pari passu with all other Senior Subordinated Indebtedness of the Company and only Indebtedness of the Company which is Senior Indebtedness shall rank senior to the Securities in accordance with the provisions set forth herein. All provisions of this Article 10 shall be subject to Section 10.12.

SECTION 10.02. Liquidation, Dissolution, Bankruptcy. Upon any payment or distribution of the assets of the Company to creditors upon a total or partial liquidation

or a total or partial dissolution of the Company or in a bankruptcy, reorganization, insolvency, receivership or similar proceeding relating to the Company or its property:

(1) holders of Senior Indebtedness of the Company shall be entitled to receive payment in full of such Senior Indebtedness before Securityholders shall be entitled to receive any payment of principal of or interest on the Securities; and

(2) until such Senior Indebtedness is paid in full, any payment or distribution to which Securityholders would be entitled but for this Article 10 shall be made to holders of such Senior Indebtedness, except that Securityholders may receive shares of stock and any debt securities that are subordinated to such Senior Indebtedness to at least the same extent as the Securities.

SECTION 10.03. Default on Senior Indebtedness. The Company may not pay the principal of or interest on the Securities or make any deposit pursuant to Section 8.01 and may not repurchase, redeem or otherwise retire any Securities (collectively, "pay the Securities") if (i) any Senior Indebtedness is not paid when due or (ii) any other default on Senior Indebtedness occurs and the maturity of such Senior Indebtedness is accelerated in accordance with its terms unless, in either case, (x) the default has been cured or waived and any such acceleration has been rescinded or (y) such Senior Indebtedness has been paid in full; provided, however, that the Company may pay the Securities without regard to the foregoing if the Company and the Trustee receive written notice approving such payment from the Representative of such Senior Indebtedness. During the continuance of any default (other than a default described in clause (i) or (ii) of the preceding sentence) with respect to any Designated Senior Indebtedness pursuant to which the maturity thereof may be accelerated immediately without further notice (except such notice as may be required to effect such acceleration) or the expiration of any applicable grace periods, the Company shall not pay the Securities for a period (a "Payment Blockage Period")

commencing upon the receipt by the Company and the Trustee of written notice (a "Blockage Notice") of such default from the Representative of such Designated Senior Indebtedness specifying an election to effect a Payment Blockage Period and ending 179 days thereafter (or earlier if such Payment Blockage Period is terminated (i) by written notice to the Trustee and the Company from the Person or Persons who gave such Blockage Notice, (ii) because the default giving rise to such Blockage Notice is no longer continuing or (iii) because such Designated Senior Indebtedness has been repaid in full). Notwithstanding the provisions described in the immediately preceding sentence (but subject to the provisions contained in the first sentence of this Section), unless the holders of such Designated Senior Indebtedness or the Representative of such holders shall have accelerated the maturity of such Designated Senior Indebtedness, the Company may resume payments on the Securities after termination of such Payment Blockage Period. Not more than one Blockage Notice may be given in any consecutive 360-day period, irrespective of the number of defaults with respect to Designated Senior Indebtedness during such period; provided, however, that if any Blockage Notice within such 360-day period is given by or on behalf of any holders of Designated Senior Indebtedness (other than the Bank Indebtedness), the Representative of the Bank Indebtedness may give one other Blockage Notice within such period; provided further, however, that in no event may the total number of days during which any Payment Blockage Period or Periods is in effect exceed 179 days in the aggregate during any 360-consecutive-day period. For purposes of this Section, no default or event of default which existed or was continuing on the date of the commencement of any Payment Blockage Period with respect to the Designated Senior Indebtedness initiating such Payment Blockage Period shall be, or be made, the basis of the commencement of a subsequent Payment Blockage Period by the Representative of such Designated Senior Indebtedness, whether or not within a period of 360 consecutive days, unless such default or event of default shall have been cured or waived for a period of not less than 90 consecutive days.

SECTION 10.04. Acceleration of Payment of Securities. If payment of the Securities is accelerated because of an Event of Default, the Company or the Trustee shall promptly notify the holders of the Senior Indebtedness (or their Representatives) of the acceleration.

SECTION 10.05. When Distribution Must Be Paid Over. If a distribution is made to Securityholders that because of this Article 10 should not have been made to them, the Securityholders who receive the distribution shall hold it in trust for holders of Senior Indebtedness of the Company and pay it over to them as their interests may appear.

SECTION 10.06. Subrogation. After all Senior Indebtedness of the Company is paid in full and until the Securities are paid in full, Securityholders shall be subrogated to the rights of holders of such Senior Indebtedness to receive distributions applicable to such Senior Indebtedness. A distribution made under this Article 10 to holders of such Senior Indebtedness which otherwise would have been made to Securityholders is not, as between the Company and Securityholders, a payment by the Company on such Senior Indebtedness.

SECTION 10.07. Relative Rights. This Article 10 defines the relative rights of Securityholders and holders of Senior Indebtedness of the Company. Nothing in this Indenture shall:

(1) impair, as between the Company and Securityholders, the obligation of the Company, which is absolute and unconditional, to pay principal of and interest on the Securities in accordance with their terms; or

(2) prevent the Trustee or any Securityholder from exercising its available remedies upon a Default, subject to the rights of holders of Senior Indebtedness of the Company to receive distributions otherwise payable to Securityholders.

SECTION 10.08. Subordination May Not Be Impaired by Company. No right of any holder of Senior Indebtedness of the Company to enforce the subordination of the Indebtedness evidenced by the Securities shall be impaired by any act or failure to act by the Company or by its failure to

comply with this Indenture.

SECTION 10.09. Rights of Trustee and Paying Agent. Notwithstanding Section 10.03, the Trustee or Paying Agent may continue to make payments on the Securities and shall not be charged with knowledge of the existence of facts that would prohibit the making of any such payments unless, not less than two Business Days prior to the date of such payment, a Trust Officer of the Trustee receives notice satisfactory to it that payments may not be made under this Article 10. The Company, the Registrar or co-registrar, the Paying Agent, a Representative or a holder of Senior Indebtedness may give the notice; provided, however, that, if an issue of Senior Indebtedness of the Company has a Representative, only the Representative may give the notice.

The Trustee in its individual or any other capacity may hold Senior Indebtedness of the Company with the same rights it would have if it were not Trustee. The Registrar and co-registrar and the Paying Agent may do the same with like rights. The Trustee shall be entitled to all the rights set forth in this Article 10 with respect to any Senior Indebtedness of the Company which may at any time be held by it, to the same extent as any other holder of such Senior Indebtedness; and nothing in Article 7 shall deprive the Trustee of any of its rights as such holder. Nothing in this Article 10 shall apply to claims of, or payments to, the Trustee under or pursuant to Section 7.07.

SECTION 10.10. Distribution or Notice to Representative. Whenever a distribution is to be made or a notice given to holders of Senior Indebtedness of the Company, the distribution may be made and the notice given to their Representative (if any).

SECTION 10.11. Article 10 Not To Prevent Events of Default or Limit Right To Accelerate. The failure to

make a payment pursuant to the Securities by reason of any provision in this Article 10 shall not be construed as preventing the occurrence of a Default. Nothing in this Article 10 shall have any effect on the right of the Securityholders or the Trustee to accelerate the maturity of the Securities.

SECTION 10.12. Trust Moneys Not Subordinated. Notwithstanding anything contained herein to the contrary, payments from money or the proceeds of U.S. Government Obligations held in trust under Article 8 by the Trustee for the payment of principal of and interest on the Securities shall not be subordinated to the prior payment of any Senior Indebtedness or subject to the restrictions set forth in this Article 10, and none of the Securityholders shall be obligated to pay over any such amount to the Company or any holder of Senior Indebtedness of the Company or any other creditor of the Company.

SECTION 10.13. Trustee Entitled To Rely. Upon any payment or distribution pursuant to this Article 10, the Trustee and the Securityholders shall be entitled to rely (i) upon any order or decree of a court of competent jurisdiction in which any proceedings of the nature referred to in Section 10.02 are pending, (ii) upon a certificate of the liquidating trustee or agent or other Person making such payment or distribution to the Trustee or to the Securityholders or (iii) upon the Representatives for the holders of Senior Indebtedness of the Company for the purpose of ascertaining the Persons entitled to participate in such payment or distribution, the holders of such Senior Indebtedness and other Indebtedness of the Company, the amount thereof or payable thereon, the amount or amounts paid or distributed thereon and all other facts pertinent thereto or to this Article 10. In the event that the Trustee determines, in good faith, that evidence is required with respect to the right of any Person as a holder of Senior Indebtedness of the Company to participate in any payment or distribution pursuant to this Article 10, the Trustee may request such Person to furnish evidence to the reasonable satisfaction of the Trustee as to the amount of such Senior Indebtedness held by such Person, the extent to

which such Person is entitled to participate in such payment or distribution and other facts pertinent to the rights of such Person under this Article 10, and, if such evidence is not furnished, the Trustee may defer any payment to such Person pending judicial determination as to the right of such Person to receive such payment. The provisions of Sections 7.01 and 7.02 shall be applicable to all actions or omissions of actions by the Trustee pursuant to this Article 10.

SECTION 10.14. Trustee To Effectuate Subordination. Each Securityholder by accepting a Security authorizes and directs the Trustee on his behalf to take such action as may be necessary or appropriate to acknowledge or effectuate the subordination between the Securityholders and the holders of Senior Indebtedness of the Company as provided in this Article 10 and appoints the Trustee as attorney-in-fact for any and all such purposes.

SECTION 10.15. Trustee Not Fiduciary for Holders of Senior Indebtedness. The Trustee shall not be deemed to owe any fiduciary duty to the holders of Senior Indebtedness and shall not be liable to any such holders if it shall mistakenly pay over or distribute to Securityholders or the Company or any other Person, money or assets to which any holders of Senior Indebtedness of the Company shall be entitled by virtue of this Article 10 or otherwise.

SECTION 10.16. Reliance by Holders of Senior Indebtedness on Subordination Provisions. Each Securityholder by accepting a Security acknowledges and agrees that the foregoing subordination provisions are, and are intended to be, an inducement and a consideration to each holder of any Senior Indebtedness of the Company, whether such Senior Indebtedness was created or acquired before or after the issuance of the Securities, to acquire and continue to hold, or to continue to hold, such Senior Indebtedness and such holder of such Senior Indebtedness shall be deemed conclusively to have relied on such subordination provisions in acquiring and continuing to hold, or in continuing to hold, such Senior Indebtedness.

ARTICLE 11

Subsidiary Guaranties

SECTION 11.01. Guaranties. Each Subsidiary Guarantor hereby unconditionally and irrevocably guarantees, jointly and severally, to each Holder and to the Trustee and its successors and assigns (a) the full and punctual payment of principal of and interest on the Securities when due, whether at maturity, by acceleration, by redemption or otherwise, and all other monetary obligations of the Company under this Indenture and the Securities and (b) the full and punctual performance within applicable grace periods of all other obligations of the Company under this Indenture and the Securities (all the foregoing being hereinafter collectively called the “Obligations”). Each Subsidiary Guarantor further agrees that the Obligations may be extended or renewed,

in whole or in part, without notice or further assent from such Subsidiary Guarantor and that such Subsidiary Guarantor will remain bound under this Article 11 notwithstanding any extension or renewal of any Obligation.

Each Subsidiary Guarantor waives presentation to, demand of, payment from and protest to the Company of any of the Obligations and also waives notice of protest for nonpayment. Each Subsidiary Guarantor waives notice of any default under the Securities or the Obligations. The obligations of each Subsidiary Guarantor hereunder shall not be affected by (a) the failure of any Holder or the Trustee to assert any claim or demand or to enforce any right or remedy against the Company or any other Person under this Indenture, the Securities or any other agreement or otherwise; (b) any extension or renewal of any thereof; (c) any rescission, waiver, amendment or modification of any of the terms or provisions of this Indenture, the Securities or any other agreement; (d) the release of any security held by any Holder or the Trustee for the Obligations or any of them; (e) the failure of any Holder or the Trustee to exercise any right or remedy against any other guarantor of the Obligations; or (f) any change in the ownership of such Subsidiary Guarantor (except as provided in Section 11.06).

Each Subsidiary Guarantor further agrees that its Subsidiary Guaranty herein constitutes a guarantee of payment, performance and compliance when due (and not a guarantee of collection) and waives any right to require that any resort be had by any Holder or the Trustee to any security held for payment of the Obligations.

Each Subsidiary Guaranty is, to the extent and in the manner set forth in Article 12, subordinated and subject in right of payment to the prior payment in full of the principal of and premium, if any, and interest on all Senior Indebtedness of the Subsidiary Guarantor giving such Subsidiary Guaranty and each Subsidiary Guaranty is made subject to such provisions of this Indenture.

Except as expressly set forth in Sections 8.01(b), 11.02 and 11.06, the obligations of each Subsidiary Guarantor hereunder shall not be subject to any reduction, limitation, impairment or termination for any reason, including any claim of waiver, release, surrender, alteration or compromise, and shall not be subject to any defense of setoff, counterclaim, recoupment or termination whatsoever or by reason of the invalidity, illegality or unenforceability of the Obligations or otherwise. Without limiting the generality of the foregoing, the obligations of each Subsidiary Guarantor herein shall not be discharged or impaired or otherwise affected by the failure of any Holder or the Trustee to assert any claim or demand or to enforce any remedy under this Indenture, the Securities or any other agreement, by any waiver or modification of any thereof, by any default, failure or delay, willful or otherwise, in the performance of the obligations, or by any other act or thing or omission or delay to do any other act or thing which may or might in any manner or to any extent vary the risk of such Subsidiary Guarantor or would otherwise operate as a discharge of such Subsidiary Guarantor as a matter of law or equity.

Each Subsidiary Guarantor further agrees that its Subsidiary Guarantee herein shall continue to be effective or be reinstated, as the case may be, if at any time payment, or any part thereof, of principal of or interest on

any Obligation is rescinded or must otherwise be restored by any Holder or the Trustee upon the bankruptcy or reorganization of the Company or otherwise.

In furtherance of the foregoing and not in limitation of any other right which any Holder or the Trustee has at law or in equity against any Subsidiary Guarantor by virtue hereof, upon the failure of the Company to pay the principal of or interest on any Obligation when and as the same shall become due, whether at maturity, by acceleration, by redemption or otherwise, or to perform or comply with any other Obligation, each Subsidiary Guarantor hereby promises to and will, upon receipt of written demand by the Trustee, forthwith pay, or cause to be paid, in cash, to the Holders or the Trustee an amount equal to the sum of (i) the unpaid amount of such Obligations, (ii) accrued and unpaid interest on such Obligations (but only to the extent not prohibited by law) and (iii) all other monetary Obligations of the Company to the Holders and the Trustee.

Each Subsidiary Guarantor agrees that it shall not be entitled to any right of subrogation in respect of any Obligations guaranteed hereby until payment in full of all Obligations and all obligations to which the Obligations are subordinated as provided in Article 12. Each Subsidiary Guarantor further agrees that, as between it, on the one hand, and the Holders and the Trustee, on the other hand, (x) the maturity of the Obligations Guaranteed hereby may be accelerated as provided in Article 6 for the purposes of such Subsidiary Guarantor's Subsidiary Guaranty herein, notwithstanding any stay, injunction or other prohibition preventing such acceleration in respect of the Obligations guaranteed hereby, and (y) in the event of any declaration of acceleration of such obligations as provided in Article 6, such Obligations (whether or not due and payable) shall forthwith become due and payable by such Subsidiary Guarantor for the purposes of this Section.

Each Subsidiary Guarantor also agrees to pay any and all costs and expenses (including reasonable attorneys' fees) incurred by the Trustee or any Holder in enforcing any rights under this Section.

SECTION 11.02. Limitation on Liability. Any term or provision of this Indenture to the contrary notwithstanding, the maximum, aggregate amount of the Obligations guaranteed hereunder by any Subsidiary Guarantor shall not exceed the maximum amount that can be hereby guaranteed without rendering this Indenture, as it relates to such Subsidiary Guarantor, voidable under applicable law relating to fraudulent conveyance or fraudulent transfer or similar laws affecting the rights of creditors generally.

SECTION 11.03. Successors and Assigns. This Article 11 shall be binding upon each Subsidiary Guarantor and its successors and assigns and shall enure to the benefit of the successors and assigns of the Trustee and the Holders and, in the event of any transfer or assignment of rights by any Holder or the Trustee, the rights and privileges conferred upon that party in this Indenture and in the Securities shall automatically extend to and be vested in such transferee or assignee, all subject to the terms and conditions of this Indenture.

SECTION 11.04. No Waiver. Neither a failure nor a delay on the part of either the Trustee or the Holders in exercising any right, power or privilege under this Article 11 shall operate as a waiver thereof, nor shall a single or partial exercise thereof preclude any other or further exercise of any right, power or privilege. The rights, remedies and benefits of the Trustee and the Holders herein expressly specified are cumulative and not exclusive of any other rights, remedies or benefits which either may have under this Article 11 at law, in equity, by statute or otherwise.

SECTION 11.05. Modification. No modification, amendment or waiver of any provision of this Article 11, nor the consent to any departure by any Subsidiary Guarantor therefrom, shall in any event be effective unless the same shall be in writing and signed by the Trustee, and then such waiver or consent shall be effective only in the specific instance and for the purpose for which given. No notice to or demand on any Subsidiary Guarantor in any case shall entitle such Subsidiary Guarantor to any other or further

notice or demand in the same, similar or other circumstances.

SECTION 11.06. Release of Subsidiary Guarantor. Upon the sale (including any sale pursuant to any exercise of remedies by a holder of Senior Indebtedness) or other disposition (including by way of consolidation or merger) of a Subsidiary Guarantor or the sale or disposition of all or substantially all the assets of such Subsidiary Guarantor (in each case other than to the Company or an Affiliate of the Company), such Subsidiary Guarantor shall be deemed released from all obligations under this Article 11 without any further action required on the part of the Trustee or any Holder. At the request of the Company, the Trustee shall execute and deliver an appropriate instrument evidencing such release.

ARTICLE 12

Subordination of Subsidiary Guaranties

SECTION 12.01. Agreement To Subordinate. Each Subsidiary Guarantor agrees, and each Securityholder by accepting a Security agrees, that the Obligations of such Subsidiary Guarantor are subordinated in right of payment, to the extent and in the manner provided in this Article 12, to the prior payment of all Senior Indebtedness of such Subsidiary Guarantor and that the subordination is for the benefit of and enforceable by the holders of such Senior Indebtedness. The Obligations of a Subsidiary Guarantor shall in all respects rank pari passu with all other Senior Subordinated Indebtedness of such Subsidiary Guarantor and only Senior Indebtedness of such Subsidiary Guarantor (including such Subsidiary Guarantor's Guarantee of Senior Indebtedness of the Company) shall rank senior to the Obligations of such Subsidiary Guarantor in accordance with the provisions set forth herein.

SECTION 12.02. Liquidation, Dissolution, Bankruptcy. Upon any payment or distribution of the assets of any Subsidiary Guarantor to creditors upon a total or

partial liquidation or a total or partial dissolution of such Subsidiary Guarantor or in a bankruptcy, reorganization, insolvency, receivership or similar proceeding relating to such Subsidiary Guarantor or its property:

(1) holders of Senior Indebtedness of such Subsidiary Guarantor shall be entitled to receive payment in full of such Senior Indebtedness in cash or cash equivalents before Securityholders shall be entitled to receive any payment pursuant to any Obligations of such Subsidiary Guarantor; and

(2) until the Senior Indebtedness of any Subsidiary Guarantor is paid in full in cash or cash equivalents, any payment or distribution to which Securityholders would be entitled but for this Article 12 shall be made to holders of such Senior Indebtedness as their interests may appear, except that Securityholders may receive shares of stock and any debt securities of such Subsidiary Guarantor that are subordinated to Senior Indebtedness, and to any debt securities received by holders of Senior Indebtedness, of such Subsidiary Guarantor to at least the same extent as the Obligations of such Subsidiary Guarantor are subordinated to Senior Indebtedness of such Subsidiary Guarantor.

SECTION 12.03. Default on Senior Indebtedness of Subsidiary Guarantor. No Subsidiary Guarantor may make any payment pursuant to any of its Obligations or repurchase, redeem or otherwise retire or defease any Securities or other Obligations (collectively, "pay its Subsidiary Guaranty") if (i) any Senior Indebtedness of the Company is not paid when due or (ii) any other default on Senior Indebtedness of the Company occurs and the maturity of such Senior Indebtedness is accelerated in accordance with its terms unless, in either case, (x) the default has been cured or waived and any such acceleration has been rescinded or (y) such Senior Indebtedness has been paid in full; provided, however, that any Subsidiary Guarantor may pay its Subsidiary Guaranty without regard to the foregoing if such

Subsidiary Guarantor and the Trustee receive written notice approving such payment from the Representatives of such Senior Indebtedness. No Subsidiary Guarantor may pay its Subsidiary Guaranty during the continuance of any Payment Blockage Period after receipt by the Company and the Trustee of a Payment Notice under Section 10.03. Notwithstanding the provisions described in the immediately preceding sentence (but subject to the provisions contained in the first sentence of this Section), unless the holders of Senior Indebtedness giving such Payment Notice or the Representative of such holders shall have accelerated the maturity of such Senior Indebtedness, any Subsidiary Guarantor may resume payments pursuant to its Subsidiary Guaranty after termination of such Payment Blockage Period.

SECTION 12.04. Demand for Payment. If a demand for payment is made on a Subsidiary Guarantor pursuant to Article 11, the Trustee shall promptly notify the Company and the Company shall promptly notify the holders of the Senior Indebtedness (or their Representatives) of such demand.

SECTION 12.05. When Distribution Must Be Paid Over. If a distribution is made to Securityholders that because of this Article 12 should not have been made to them, the Securityholders who receive the distribution shall hold it in trust for holders of the relevant Senior Indebtedness and pay it

over to them or their Representatives as their interests may appear.

SECTION 12.06. Subrogation. After all Senior Indebtedness of a Subsidiary Guarantor is paid in full and until the Securities are paid in full, Securityholders shall be subrogated to the rights of holders of such Senior Indebtedness to receive distributions applicable to Senior Indebtedness. A distribution made under this Article 12 to holders of such Senior Indebtedness which otherwise would have been made to Securityholders is not, as between the relevant Subsidiary Guarantor and Securityholders, a payment by such Subsidiary Guarantor on such Senior Indebtedness.

SECTION 12.07. Relative Rights. This Article 12 defines the relative rights of Securityholders and holders of Senior Indebtedness of a Subsidiary Guarantor. Nothing in this Indenture shall:

(1) impair, as between a Subsidiary Guarantor and Securityholders, the obligation of such Subsidiary Guarantor, which is absolute and unconditional, to pay the Obligations to the extent set forth in Article 11 or the relevant Subsidiary Guaranty; or

(2) prevent the Trustee or any Securityholder from exercising its available remedies upon a default by such Subsidiary Guarantor under the Obligations, subject to the rights of holders of Senior Indebtedness of such Subsidiary Guarantor to receive distributions otherwise payable to Securityholders.

SECTION 12.08. Subordination May Not Be Impaired by Subsidiary Guarantor. No right of any holder of Senior Indebtedness of any Subsidiary Guarantor to enforce the subordination of the Obligations of such Subsidiary Guarantor shall be impaired by any act or failure to act by such Subsidiary Guarantor or by its failure to comply with this Indenture.

SECTION 12.09. Rights of Trustee and Paying Agent. Notwithstanding Section 12.03, the Trustee or Paying Agent may continue to receive payments with respect to any Subsidiary Guaranty and shall not be charged with knowledge of the existence of facts that would prohibit receiving any such payments unless, not less than two Business Days prior to the date of such payment, a Trust Officer of the Trustee receives written notice satisfactory to it that payments may not be received under this Article 12. The Company, the relevant Subsidiary Guarantor, the Registrar or co-registrar, the Paying Agent, a Representative or a holder of Senior Indebtedness of any Subsidiary Guarantor may give the notice; provided, however, that, if an issue of Senior Indebtedness of any Subsidiary Guarantor has a Representative, only the Representative may give the notice.

The Trustee in its individual or any other capacity may hold Senior Indebtedness with the same rights it would have if it were not the Trustee. The Registrar and co-registrar and the Paying Agent may do the same with like rights. The Trustee shall be entitled to all the rights set forth in this Article 12 with respect to any Senior Indebtedness of any Subsidiary Guarantor which may at any time be held by it, to the same extent as any other holder of Senior Indebtedness; and nothing in Article 7 shall deprive the Trustee of any of its rights as such holder. Nothing in this Article 12 shall apply to claims of, or payments to, the Trustee under or pursuant to Section 7.07.

SECTION 12.10. Distribution or Notice to Representative. Whenever a distribution is to be made or a notice given to holders of Senior Indebtedness of any Subsidiary Guarantor, the distribution may be made and the notice given to their Representative (if any).

SECTION 12.11. Article 12 Not To Prevent Defaults Under a Subsidiary Guaranty or Limit Right To Demand Payment. The failure to make a payment pursuant to a Subsidiary Guaranty by reason of any provision in this Article 12 shall not be construed as preventing the occurrence of a default under such Subsidiary Guaranty. Nothing in this Article 12 shall have any effect on the right of the Securityholders or the Trustee to make a demand for payment on any Subsidiary Guarantor pursuant to Article 11.

SECTION 12.12. Trustee Entitled To Rely. Upon any payment or distribution pursuant to this Article 12, the Trustee and the Securityholders shall be entitled to rely (i) upon any order or decree of a court of competent jurisdiction in which any proceedings of the nature referred to in Section 12.02 are pending, (ii) upon a certificate of the liquidating trustee or agent or other Person making such payment or distribution to the Trustee or to the Securityholders or (iii) upon the Representatives for the holders of Senior Indebtedness of any Subsidiary Guarantor for the purpose of ascertaining the Persons entitled to participate in such payment or distribution, the holders of such Senior

Indebtedness and other indebtedness of such Subsidiary Guarantor, the amount thereof or payable thereon, the amount or amounts paid or distributed thereon and all other facts pertinent thereto or to this Article 12. In the event that the Trustee determines, in good faith, that evidence is required with respect to the right of any Person as a holder of Senior Indebtedness of any Subsidiary Guarantor to participate in any payment or distribution pursuant to this Article 12, the Trustee may request such Person to furnish evidence to the reasonable satisfaction of the Trustee as to the amount of Senior Indebtedness of such Subsidiary Guarantor held by such Person, the extent to which such Person is entitled to participate in such payment or distribution and other facts pertinent to the rights of such Person under this Article 12, and, if such evidence is not furnished, the Trustee may defer any payment to such Person pending judicial determination as to the right of such Person to receive such payment. The provisions of Sections 7.01 and 7.02 shall be applicable to all actions or omissions of actions by the Trustee pursuant to this Article 12.

SECTION 12.13. Trustee To Effectuate Subordination. Each Securityholder by accepting a Security authorizes and directs the Trustee on his behalf to take such action as may be necessary or appropriate to acknowledge or effectuate the subordination between the Securityholders and the holders of Senior Indebtedness of any Subsidiary Guarantor as provided in this Article 12 and appoints the Trustee as attorney-in-fact for any and all such purposes.

SECTION 12.14. Trustee Not Fiduciary for Holders of Senior Indebtedness of Subsidiary Guarantor. The Trustee shall not be deemed to owe any fiduciary duty to the holders of Senior Indebtedness of any Subsidiary Guarantor and shall not be liable to any such holders if it shall mistakenly pay

over or distribute to Securityholders or the Company or any other Person, money or assets to which any holders of such Senior Indebtedness shall be entitled by virtue of this Article 12 or otherwise.

SECTION 12.15. Reliance by Holders of Senior Indebtedness on Subordination Provisions. Each Securityholder by accepting a Security acknowledges and agrees that the foregoing subordination provisions are, and are intended to be, an inducement and a consideration to each holder of any Senior Indebtedness of any Subsidiary Guarantor, whether such Senior Indebtedness was created or acquired before or after the issuance of the Securities, to acquire and continue to hold, or to continue to hold, such Senior Indebtedness and such holder of Senior Indebtedness shall be deemed conclusively to have relied on such subordination provisions in acquiring and continuing to hold, or in continuing to hold, such Senior Indebtedness.

ARTICLE 13

Miscellaneous

SECTION 13.01. Trust Indenture Act Controls. If any provision of this Indenture limits, qualifies or conflicts with another provision which is required to be included in this Indenture by the TIA, the required provision shall control.

SECTION 13.02. Notices. Any notice or communication shall be in writing and delivered in person or mailed by first-class mail addressed as follows:

if to the Company or any Subsidiary Guarantor:

Roller Bearing Company of America, Inc.
60 Round Hill Road
P.O. Box 430
Fairfield, Connecticut 06430-0430
Facsimile No.: (203) 255-3862

Attention of President

if to the Trustee:

United States Trust Company of New York
114 West 47th Street
New York, New York 10036

Attention of Corporate Trust Department

The Company or the Trustee by notice to the other may designate additional or different addresses for subsequent notices or communications.

Any notice or communication mailed to a Securityholder shall be mailed to the Securityholder at the Securityholder’s address as it appears on the registration books of the Registrar and shall be sufficiently given if so mailed within the time prescribed.

Failure to mail a notice or communication to a Securityholder or any defect in it shall not affect its sufficiency with respect to other Securityholders. If a notice or communication is mailed in the manner provided above, it is duly given, whether or not the addressee receives it.

SECTION 13.03. Communication by Holders with Other Holders. Securityholders may communicate pursuant to TIA ss. 312(b) with other Securityholders with respect to their rights under this Indenture or the Securities. The Company, the Trustee, the Registrar and anyone else shall have the protection of TIA ss. 312(c).

SECTION 13.04. Certificate and Opinion as to Conditions Precedent. Upon any request or application by the Company to the Trustee to take or refrain from taking any action under this Indenture, the Company shall furnish to the Trustee:

(1) an Officers’ Certificate in form and substance reasonably satisfactory to the Trustee stating that, in the opinion of the signers, all conditions precedent,

if any, provided for in this Indenture relating to the proposed action have been complied with; and

(2) an Opinion of Counsel in form and substance reasonably satisfactory to the Trustee stating that, in the opinion of such counsel, all such conditions precedent have been complied with.

SECTION 13.05. Statements Required in Certificate or Opinion. Each certificate or opinion with respect to compliance with a covenant or condition provided for in this Indenture shall include:

(1) a statement that the individual making such certificate or opinion has read such covenant or condition;

(2) a brief statement as to the nature and scope of the examination or investigation upon which the statements or opinions contained in such certificate or opinion are based;

(3) a statement that, in the opinion of such individual, he has made such examination or investigation as is necessary to enable him to express an informed opinion as to whether or not such covenant or condition has been complied with; and

(4) a statement as to whether or not, in the opinion of such individual, such covenant or condition has been complied with.

SECTION 13.06. When Securities Disregarded. In determining whether the Holders of the required principal amount of Securities have concurred in any direction, waiver or consent, Securities owned by the Company or by any Person directly or indirectly controlling or controlled by or under direct or indirect common control with the Company shall be disregarded and deemed not to be outstanding, except that, for the purpose of determining whether the Trustee shall be protected in relying on any such direction, waiver or consent, only Securities which the Trustee knows are so

owned shall be so disregarded. Also, subject to the foregoing, only Securities outstanding at the time shall be considered in any such determination.

SECTION 13.07. Rules by Trustee, Paying Agent and Registrar. The Trustee may make reasonable rules for action by or a meeting of Securityholders. The Registrar and the Paying Agent may make reasonable rules for their functions.

SECTION 13.08. Legal Holidays. A “Legal Holiday” is a Saturday, a Sunday or a day on which banking institutions are not required to be open in the State of New York. If a payment date is a Legal Holiday, payment shall be made on the next succeeding day that is not a Legal Holiday, and no interest shall accrue for the intervening period. If a regular record date is a Legal Holiday, the record date shall not be affected.

SECTION 13.09. Governing Law. This Indenture and the Securities shall be governed by, and construed in accordance with, the laws of the State of New York but without giving effect to applicable principles of conflicts of law to the extent that the application of the laws of another jurisdiction would be required thereby.

SECTION 13.10. No Recourse Against Others. A director, officer, employee or stockholder, as such, of the Company shall not have any liability for any obligations of the Company under the Securities or this Indenture or for any claim based on, in respect of or by reason of such obligations or their creation. By accepting a Security, each Securityholder shall waive and release all such liability. The waiver and release shall be part of the consideration for the issue of the Securities.

SECTION 13.11. Successors. All agreements of the Company in this Indenture and the Securities shall bind its successors. All agreements of the Trustee in this Indenture shall bind its successors.

SECTION 13.12. Multiple Originals. The parties may sign any number of copies of this Indenture. Each

signed copy shall be an original, but all of them together represent the same agreement. One signed copy is enough to prove this Indenture.

SECTION 13.13. Table of Contents; Headings. The table of contents, cross-reference sheet and headings of the Articles and Sections of this Indenture have been inserted for convenience of reference only, are not intended to be considered a part hereof and shall not modify or restrict any of the terms or provisions hereof.

IN WITNESS WHEREOF, the parties have caused this Indenture to be duly executed as of the date first written above.

ROLLER BEARING COMPANY OF AMERICA, INC.,

By _____
Name:
Title:

INDUSTRIAL TECTONICS BEARINGS CORPORATION,

By _____
Name:
Title:

RBC LINEAR PRECISION PRODUCTS, INC.,

By _____
Name:
Title:

RBC NICE BEARINGS, INC.,

By _____
Name:
Title:

UNITED STATES TRUST COMPANY OF
NEW YORK,

By _____
Name:
Title:

EXHIBIT A

[FORM OF FACE OF EXCHANGE SECURITY OR
PRIVATE EXCHANGE SECURITY]

*
**
$

CUSIP No. No.

9-5/8% Senior Subordinated Notes Due 2007

ROLLER BEARING COMPANY OF AMERICA, INC., a Delaware corporation, promises to pay to, or registered assigns, the principal sum of Dollars on June 15, 2007.

Interest Payment Dates: June 15 and December 15
Record Dates: June 1 and December 1

* If the Security is to be issued in global form add the Global Securities Legend from Exhibit 1 to Appendix A and the Attachment from such Exhibit 1 captioned "[TO BE ATTACHED TO GLOBAL SECURITIES]—SCHEDULE OF INCREASES OR DECREASES IN GLOBAL SECURITY".

** If the Security is a Private Exchange Security issued in a Private Exchange to an Initial Purchaser holding an unsold portion of its initial allotment, add the Restricted Securities Legend from Exhibit 1 to Appendix A and replace the Assignment Form included in this Exhibit A with the Assignment Form included in such Exhibit 1.

Additional provisions of this Security are set forth on the other side of this Security.

Dated:

ROLLER BEARING COMPANY
OF
AMERICA, INC.

by

President

Secretary

TRUSTEE'S CERTIFICATE OF
AUTHENTICATION

UNITED STATES TRUST
COMPANY OF NEW YORK,

as Trustee, certifies that
this is one of
the Securities referred
to in the Indenture.

[Seal]

by _____
Authorized Signatory

[FORM OF REVERSE SIDE OF EXCHANGE SECURITY
OR PRIVATE EXCHANGE SECURITY]

9-5/8% Senior Subordinated Note Due 2007

1. Interest

Roller Bearing Company of America, Inc., a Delaware corporation (such corporation, and its successors and assigns under the Indenture hereinafter referred to, being herein called the "Company"), promises to pay interest on the principal amount of this Security at the rate per annum shown above; provided, however, that if a Registration Default (as defined in the Registration Rights Agreement) occurs, additional interest will accrue on this Security at a rate of 0.50% per annum from and including the date on which any such Registration Default shall occur to but excluding the date on which all Registration Defaults have been cured. The Company will pay interest semiannually on June 15 and December 15 of each year, commencing on December 15, 1997. Interest on the Securities will accrue from the most recent date to which interest has been paid or, if no interest has been paid, from June 23, 1997. Interest will be computed on the basis of a 360-day year of twelve 30-day months. The Company shall pay interest on overdue principal at the rate borne by the Securities plus 1% per annum, and it shall pay interest on overdue installments of interest at the same rate to the extent lawful.

2. Method of Payment

The Company will pay interest on the Securities (except defaulted interest) to the Persons who are registered holders of Securities at the close of business on the June 1 or December 1 next preceding the interest payment date even if Securities are canceled after the record date and on or before the interest payment date. Holders must surrender Securities to a Paying Agent to collect principal payments. The Company will pay principal and interest in

money of the United States that at the time of payment is legal tender for payment of public and private debts. Payments in respect of the Securities (including principal, premium and interest) will be made by wire transfer of immediately available funds to the accounts specified by the holders thereof or, if no U.S. dollar account maintained by the payee with a bank in the United States is designated by any holder to the Trustee or the Paying Agent at least 30 days prior to the relevant due date for payment (or such other date as the Trustee may accept in its discretion), by mailing a check to the registered address of such holder.

3. Paying Agent and Registrar

Initially, United States Trust Company of New York, a New York trust company ("Trustee"), will act as Paying Agent and Registrar. The Company may appoint and change any Paying Agent, Registrar or co-registrar without notice. The Company or any of its domestically incorporated Wholly Owned Subsidiaries may act as Paying Agent, Registrar or co-registrar.

4. Indenture

The Company issued the Securities under an Indenture dated as of June 15, 1997 ("Indenture"), among the Company, the Subsidiary Guarantors and the Trustee. The terms of the Securities include those stated in the Indenture and those made part of the Indenture by reference to the Trust Indenture Act of 1939 (15 U.S.C. ss.ss. 77aaa-77bbbb) as in effect on the date of the Indenture (the "Act"). Terms defined in the Indenture and not defined herein have the meanings ascribed thereto in the Indenture. The Securities are subject to all such terms, and Securityholders are referred to the Indenture and the Act for a statement of those terms.

The Securities are general unsecured obligations of the Company limited to $110,000,000 aggregate principal amount (subject to Section 2.07 of the Indenture). The Indenture contains certain covenants which, among other things, limit (a) the incurrence of additional indebtedness

by the Company and certain of its subsidiaries, (b) the payment of Restricted Payments (c) certain transactions with affiliates, (d) sales of assets, including capital stock of subsidiaries, (e) sales and issuances of capital stock by certain subsidiaries and (f) certain consolidations and mergers. The Indenture also will prohibit certain restrictions on distributions from subsidiaries. In addition, the Company may be obligated, under certain circumstances, to offer to repurchase Securities at a purchase price equal to 101% of the principal amount thereof, plus accrued and unpaid interest to the date of repurchase.

5. Optional Redemption

Except as set forth in the following paragraph, the Securities may not be redeemed prior to June 15, 2002. On and after that date, the Company may redeem the Securities in whole at any time or in part from time to time at the following redemption prices (expressed in percentages of principal amount), plus accrued interest to the redemption date (subject to the right of Holders of record on the relevant record date to receive interest due on the related interest payment date):

if redeemed during the 12-month period beginning June 15 of the years set forth below:	**Percentage**
2002	104.8125%
2003	103.2083
2004	101.6041
2005 and thereafter	100.0000

In addition, at any time and from time to time prior to June 15, 2000, the Company may redeem in the aggregate up to $36.0 million principal amount of the Securities with the proceeds of one or more Public Equity Offerings following which there is a Public Market (provided that a portion

of the net cash proceeds thereof equal to the amount required to redeem any such Securities is contributed to the equity capital of the Company), at a redemption price (expressed as a percentage of principal amount) of 109.625% plus accrued interest to the redemption date (subject to the

right of Holders of record on the relevant record date to receive interest due on the relevant interest payment date); provided, however, that at least $74.0 million aggregate principal amount of the Securities must remain outstanding after each such redemption.

6. Notice of Redemption

Notice of redemption will be mailed by first-class mail at least 30 days but not more than 60 days before the redemption date to each Holder of Securities to be redeemed at his registered address. Securities in denominations larger than $1,000 may be redeemed in part but only in whole multiples of $1,000. If money sufficient to pay the redemption price of and accrued interest on all Securities (or portions thereof) to be redeemed on the redemption date is deposited with the Paying Agent on or before the redemption date and certain other conditions are satisfied, on and after such date interest ceases to accrue on such Securities (or such portions thereof) called for redemption.

7. Put Provisions

Upon a Change of Control, any Holder of Securities will have the right to cause the Company to repurchase all or any part of the Securities of such Holder at a repurchase price equal to 101% of the principal amount of the Securities to be repurchased plus accrued interest to the date of repurchase (subject to the right of holders of record on the relevant record date to receive interest due on the related interest payment date) as provided in, and subject to the terms of, the Indenture.

8. Subordination

The Securities are subordinated to Senior Indebtedness, as defined in the Indenture. To the extent provided in the Indenture, Senior Indebtedness must be paid before the Securities may be paid. The Company agrees, and each Securityholder by accepting a Security agrees, to the subordination provisions contained in the Indenture and authorizes the Trustee to give it effect and appoints the Trustee as attorney-in-fact for such purpose.

9. Guarantees

The Company’s obligations with respect to the Securities are guaranteed, to the extent provided in the Indenture, by the Subsidiary Guarantors.

10. Denominations; Transfer; Exchange

The Securities are in registered form without coupons in denominations of $1,000 and whole multiples of $1,000. A Holder may transfer or exchange Securities in accordance with the Indenture. The Registrar may require a Holder, among other things, to furnish appropriate endorsements or transfer documents and to pay any taxes and fees required by law or permitted by the Indenture. The Registrar need not register the transfer of or exchange any Securities selected for redemption (except, in the case of a Security to be redeemed in part, the portion of the Security not to be redeemed) or any Securities for a period of 15 days before a selection of Securities to be redeemed or 15 days before an interest payment date.

11. Persons Deemed Owners

The registered Holder of this Security may be treated as the owner of it for all purposes.

12. Unclaimed Money

If money for the payment of principal or interest remains unclaimed for two years, the Trustee or Paying Agent shall pay the money back to the Company at its request unless an abandoned property law designates another Person. After any such payment, Holders entitled to the money must look only to the Company and not to the Trustee for payment.

13. Discharge and Defeasance

Subject to certain conditions, the Company at any time may terminate some or all of its obligations under the Securities and the Indenture if the Company deposits with the Trustee money or U.S. Government Obligations for the payment of principal and interest on the Securities to redemption or maturity, as the case may be.

14. Amendment, Waiver

Subject to certain exceptions set forth in the Indenture, (i) the Indenture or the Securities may be amended with the written consent of the Holders of at least a majority (or, in certain cases, 75%) in principal amount outstanding of the Securities and (ii) any default or noncompliance with any provision may be waived with the written consent of the Holders of a majority in principal amount outstanding of the Securities. Subject to certain exceptions set forth in the Indenture, without the consent of any Securityholder, the Company and the Trustee may amend the Indenture or the Securities to cure any ambiguity, omission, defect or inconsistency, or to comply with Article 5 of the Indenture, or to provide for uncertificated Securities in addition to or in place of certificated Securities, or to add guarantees with respect to the Securities or to secure the Securities, or to add additional covenants or surrender rights and

powers conferred on the Company, or to comply with any request of the SEC in connection with qualifying the Indenture under the Act, or to make any change that does not adversely affect the rights of any Securityholder.

15. Defaults and Remedies

Under the Indenture, Events of Default include (i) default for 30 days in payment of interest on the Securities; (ii) default in payment of principal on the Securities at maturity, upon redemption pursuant to paragraph 5 of the Securities, upon acceleration or otherwise, or failure by the Company to redeem or purchase Securities when required; (iii) failure by the Company to comply with other agreements in the Indenture or the Securities, in certain cases subject to notice and lapse of time; (iv) certain accelerations (including failure to pay within any grace period after final maturity) of other Indebtedness of the Company if the amount accelerated (or so unpaid) exceeds $5 million; (v) certain events of bankruptcy or insolvency with respect to the Company and the Significant Subsidiaries; (vi) certain judgments or decrees for the payment of money in excess of $5 million; and (vii) certain events with respect to the guarantees of the Company's obligations under the Securities by the Subsidiary Guarantors. If an Event of Default occurs and is continuing, the Trustee or the Holders of at least 25% in principal amount of the Securities may declare all the Securities to be due and payable immediately or, in certain circumstances, after giving notice to the Representative under the Credit Agreement. Certain events of bankruptcy or insolvency are Events of Default which will result in the Securities being due and payable immediately upon the occurrence of such Events of Default.

Securityholders may not enforce the Indenture or the Securities except as provided in the Indenture. The Trustee may refuse to enforce the Indenture or the Securities unless it receives reasonable indemnity or security. Subject to certain limitations, Holders of a majority in principal amount of the Securities may direct the Trustee in its exercise of any trust or power. The Trustee may withhold from Securityholders notice of any continuing Default (except a Default in payment of principal or interest) if it determines that withholding notice is in the interest of the Holders.

16. Trustee Dealings with the Company

Subject to certain limitations imposed by the Act, the Trustee under the Indenture, in its individual or any other capacity, may become the owner or pledgee of Securities and may otherwise deal with and collect obligations owed to it by the Company or its Affiliates (including the Subsidiary Guarantors) and may otherwise deal with the Company or its Affiliates (including the Subsidiary Guarantors) with the same rights it would have if it were not Trustee.

17. No Recourse Against Others

Any past, present or future director, officer, employee or stockholder, as such, of the Company, any Subsidiary Guarantor or the Trustee shall not have any liability for any obligations of the Company or any Subsidiary Guarantor under the Securities or the Indenture or for any claim based on, in respect of or by reason of such obligations or their creation. By accepting a Security, each Securityholder waives and releases all such liability. The waiver and release are part of the consideration for the issue of the Securities.

18. Authentication

This Security shall not be valid until an authorized signatory of the Trustee (or an authenticating agent) manually signs the certificate of authentication on the other side of this Security.

19. Abbreviations

Customary abbreviations may be used in the name of a Securityholder or an assignee, such as TEN COM (=tenants in common), TEN ENT (=tenants by the entireties), JT TEN (=joint tenants with rights of survivorship and not as tenants in common), CUST (=custodian), and U/G/M/A (=Uniform Gift to Minors Act).

20. CUSIP Numbers

Pursuant to a recommendation promulgated by the Committee on Uniform Security Identification Procedures the Company has caused CUSIP numbers to be printed on the Securities and has directed the Trustee to use CUSIP numbers in notices of redemption as a convenience to Securityholders. No representation is made as to the accuracy of such numbers either as printed on the Securities or as contained in any notice of redemption and reliance may be placed only on the other identification numbers placed thereon.

21. Holders' Compliance with Registration Rights Agreement.

Each Holder of a Security, by acceptance hereof, acknowledges and agrees to the provisions of the Registration Rights Agreement, including, without limitation, the obligations of the Holders with respect to a registration and the indemnification of the Company to the extent provided therein.

22. Governing Law.

THIS SECURITY SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK BUT WITHOUT GIVING EFFECT TO APPLICABLE PRINCIPLES OF CONFLICTS OF LAW TO THE EXTENT THAT THE APPLICATION OF THE LAWS OF ANOTHER JURISDICTION WOULD BE REQUIRED THEREBY.

The Company will furnish to any Securityholder upon written request and without charge to the Securityholder a copy of the Indenture which has in it the text of this Security in larger type. Requests may be made to:

Roller Bearing Company of America, Inc.
60 Round Hill Road
P.O. Box 430
Fairfield, Connecticut 06430-0430

Attention of: Secretary

ASSIGNMENT FORM

To assign this Security, fill in the form below:

I or we assign and transfer this Security to

(Print or type assignee's name, address and zip code)
(Insert assignee's soc. sec. or tax I.D. No.)

and irrevocably appoint agent to transfer this Security on the books of the Company. The agent may substitute another to act for him.

Date: _____ Your Signature: _____

Sign exactly as your name appears on the other side of this Security.

OPTION OF HOLDER TO ELECT PURCHASE

If you want to elect to have this Security purchased by the Company pursuant to Section 4.06 or 4.09 of the Indenture, check the box:

If you want to elect to have only part of this Security purchased by the Company pursuant to Section 4.06 or 4.09 of the Indenture, state the amount in principal amount: $

Date: _____ Your Signature: _____

(Sign exactly as your name appears on the other side of this Security.)

Signature Guarantee: _____
(Signature must be guaranteed)

RULE 144A/REGULATION S APPENDIX

FOR OFFERINGS TO QUALIFIED INSTITUTIONAL BUYERS PURSUANT TO RULE 144A AND TO CERTAIN PERSONS IN OFFSHORE TRANSACTIONS IN RELIANCE ON REGULATION S.

PROVISIONS RELATING TO INITIAL SECURITIES,
PRIVATE EXCHANGE SECURITIES
AND EXCHANGE SECURITIES

1. Definitions

1.1 Definitions

For the purposes of this Appendix the following terms shall have the meanings indicated below:

"Depositary" means The Depository Trust Company, its nominees and their respective successors.

"Exchange Securities" means the 9-5/8% Senior Subordinated Notes Due 2007 to be issued pursuant to this Indenture in connection with a Registered Exchange Offer pursuant to the Registration Rights Agreement.

"Initial Purchaser" means Credit Suisse First Boston Corporation.

"Initial Securities" means the 9-5/8% Senior Subordinated Notes Due 2007, issued under this Indenture on or about the date hereof.

"Private Exchange" means the offer by the Company, pursuant to the Registration Rights Agreement, to the Initial Purchaser to issue and deliver to the Initial Purchaser, in exchange for the Initial Securities held by the Initial Purchaser as part of its initial distribution, a like aggregate principal amount of Private Exchange Securities.

"Private Exchange Securities" means the 9-5/8% Senior Subordinated Notes Due 2007 to be issued pursuant to this Indenture to the Initial Purchasers in a Private Exchange.

"Purchase Agreement" means the Purchase Agreement dated June 17, 1997, among the Company, the Subsidiary Guarantors and the Initial Purchaser.

"QIB" means a "qualified institutional buyer" as defined in Rule 144A.

"Registered Exchange Offer" means the offer by the Company, pursuant to the Registration Rights Agreement, to certain Holders of Initial Securities, to issue and deliver to such Holders, in exchange for the Initial Securities, a like aggregate principal amount of Exchange Securities registered under the Securities Act.

"Registration Rights Agreement" means the Registration Rights Agreement dated June 17, 1997, among the Company, the Subsidiary Guarantors and the Initial Purchaser.

"Securities" means the Initial Securities, the Exchange Securities and the Private Exchange Securities, treated as a single class.
"Securities Act" means the Securities Act of 1933.

"Securities Custodian" means the custodian with respect to a Global Security (as appointed by the Depositary), or any successor person thereto and shall initially be the Trustee.

"Shelf Registration Statement" means the registration statement issued by the Company, in connection with the offer and sale of Initial Securities or Private Exchange Securities, pursuant to the Registration Rights Agreement.

"Transfer Restricted Securities" means Securities that bear or are required to bear the legend set forth in Section 2.3(b) hereto.

1.2 Other Definitions

Term	Defined in Section:
"Agent Members"	2.1(b)
"Global Security"	2.1(a)
"Regulation S"	2.1(a)
"Rule 144A"	2.1(a)

2. The Securities.

2.1 Form and Dating.

The Initial Securities are being offered and sold by the Company pursuant to the Purchase Agreement.

(a) Global Securities. Initial Securities offered and sold to a QIB in reliance on Rule 144A under the Securities Act ("Rule 144A") or in reliance on Regulation S under the Securities Act ("Regulation S"), in each case as provided in the Purchase Agreement, shall be issued initially in the form of one or more permanent global Securities in definitive, fully registered form without interest coupons with the global securities legend and restricted securities legend set forth in Exhibit 1 hereto (each, a Global Security"), which shall be deposited on behalf of the purchasers of the Initial Securities represented thereby with the Trustee, at its New York office, as custodian for the Depositary (or with such other custodian as the Depositary may direct), and registered in the name of the Depositary or a nominee of the Depositary, duly executed by the Company and authenticated by the Trustee as hereinafter provided. The aggregate principal amount of the Global Securities may from time to time be increased or decreased by adjustments made on the records of the Trustee and the Depositary or its nominee as hereinafter provided.

(b) Book-Entry Provisions. This Section 2.1(b) shall apply only to a Global Security deposited with or on behalf of the Depositary.

The Company shall execute and the Trustee shall, in accordance with this Section 2.1(b), authenticate and deliver initially one or more Global Securities that (a) shall be registered in the name of the Depositary for such Global Security or Global Securities or the nominee of such Depositary and (b) shall be delivered by the Trustee to such Depositary or pursuant to such Depositary's instructions or held by the Trustee as custodian for the Depositary.

Members of, or participants in, the Depositary ("Agent Members") shall have no rights under this Indenture with respect to any Global Security held on their behalf by the Depositary or by the Trustee as the custodian of the Depositary or under such Global Security, and the Depositary may be treated by the Company, the Trustee and any agent of the Company or the Trustee as the absolute owner of such Global Security for all purposes whatsoever. Notwithstanding the foregoing, nothing herein shall prevent the Company, the Trustee or any agent of the Company or the Trustee from giving effect to any written certification, proxy or other authorization furnished by the Depositary or impair, as between the Depositary and its Agent Members, the operation of customary practices of such Depositary governing the exercise of the rights of a holder of a beneficial interest in any Global Security.

2.2 Authentication. The Trustee shall authenticate and deliver: (1) Initial Securities for original issue in an aggregate principal amount of $110,000,000 and (2) Exchange Securities or Private Exchange Securities for issue only in a Registered Exchange Offer or a Private Exchange, respectively, pursuant to the Registration Rights Agreement, for a like principal amount of Initial Securities, in each case upon a written order of the Company signed by two Officers or by an Officer and either an Assistant Treasurer or an Assistant Secretary of the Company. Such order shall specify the amount of the Securities to be authenticated and the date on which the original issue of Securities is to be authenticated and whether the Securities are to be Initial Securities, Exchange Securities or Private Exchange Securities. The aggregate principal amount of Securities outstanding at any time may not exceed $110,000,000 except as provided in Section 2.07 of this Indenture.

2.3 Transfer and Exchange. (a) Transfer and Exchange of Global Securities. (i) The transfer and exchange of Global Securities or beneficial interests therein shall be effected through the Depositary, in accordance with this Indenture (including applicable restrictions on transfer set forth herein, if any) and the procedures of the Depositary therefor. A transferor of a beneficial interest in a Global Security shall deliver to the Registrar a written order given in accordance with the Depositary's procedures containing information regarding the participant account of the Depositary to be credited with a beneficial interest in the Global Security. The Registrar shall, in accordance with such instructions, instruct the Depositary to credit to the account of the Person specified in such instructions a beneficial interest in the Global Security and to debit the account of the Person making the transfer the beneficial interest in the Global Security being transferred.

(ii) Notwithstanding any other provisions of this Rule 144A/Regulation S Appendix (other than the provisions set forth in Section 2.4), a Global Security may not be transferred as a whole except by the Depositary to a nominee of the Depositary or by a nominee of the Depositary to the Depositary or another nominee of the Depositary or by the Depositary or any such nominee to a successor Depositary or a nominee of such successor Depositary.

(iii) In the event that a Global Security is exchanged for Securities in definitive registered form pursuant to Section 2.4 or Section 2.09 of the Indenture prior to the consummation of a Registered Exchange Offer or the effectiveness of a Shelf Registration Statement with respect to such Securities, such Securities may be exchanged only in accordance with such procedures as are substantially consistent with the provisions of this Section 2.3 (including the certification requirements set forth on the reverse of the Initial Securities intended to ensure that such transfers comply with Rule 144A or Regulation S, as the case may be) and such other procedures as may from time to time be adopted by the Company.

(b) Legends.

(i) Except as permitted by the following paragraphs (ii), (iii) and (iv), each Security certificate evidencing the Global Securities (and all Securities issued in exchange therefor or in substitution thereof) shall bear a legend in substantially the following form:

> "THIS SECURITY (OR ITS PREDECESSOR) WAS ORIGINALLY ISSUED IN A TRANSACTION EXEMPT FROM REGISTRATION UNDER THE UNITED STATES SECURITIES ACT OF 1933 (THE "SECURITIES ACT"), AND THIS SECURITY MAY NOT BE OFFERED, SOLD, OR OTHERWISE TRANSFERRED IN THE ABSENCE OF SUCH REGISTRATION OR AN APPLICABLE EXEMPTION THEREFROM. EACH PURCHASER OF THIS SECURITY IS HEREBY NOTIFIED THAT THE SELLER OF THIS SECURITY MAY BE RELYING ON THE EXEMPTION FROM THE PROVISIONS OF SECTION 5 OF THE SECURITIES ACT PROVIDED BY RULE 144A THEREUNDER. THE HOLDER OF THIS SECURITY AGREES FOR THE BENEFIT OF THE COMPANY THAT (A) THIS SECURITY MAY BE OFFERED, RESOLD, PLEDGED OR OTHERWISE TRANSFERRED ONLY (i) TO A PERSON WHOM THE SELLER REASONABLY BELIEVES IS A QIB (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT) IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A, (ii) IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 904 UNDER THE SECURITIES ACT, (iii) PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT PROVIDED BY RULE 144 THEREUNDER (IF AVAILABLE), (iv) TO THE COMPANY OR (v) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT, IN EACH OF CASES (i) THROUGH (v) IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES, AND (B) THE HOLDER WILL, AND EACH SUBSEQUENT HOLDER IS REQUIRED TO, NOTIFY ANY PURCHASER OF THIS SECURITY FROM IT OF THE RESALE RESTRICTIONS REFERRED TO IN (A)ABOVE.
>
> BY ITS ACQUISITION HEREOF, THE HOLDER REPRESENTS THAT (A) IT IS A "QUALIFIED INSTITUTIONAL BUYER" (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT) OR (B) IT IS NOT A U.S. PERSON AND IS ACQUIRING THIS

SECURITY IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH REGULATION S.

(ii) Upon any sale or transfer of a Transfer Restricted Security represented by a Global Security pursuant to Rule 144 under the Securities Act, the Registrar shall permit the Holder thereof to exchange such Transfer Restricted Security for a certificated Security that does not bear the legend set forth above and rescind any restriction on the transfer of such Transfer Restricted Security, if the Holder certifies in writing to the Registrar that its request for such exchange was made in reliance on Rule 144 (such certification to be in the form set forth on the reverse of the Security).

(iii) After a transfer of any Initial Securities or Private Exchange Securities during the period of the effectiveness of a Shelf Registration Statement with respect to such Initial Securities or Private Exchange Securities, as the case may be, all requirements pertaining to legends on such Initial Security or such Private Exchange Security will cease to apply, the requirements requiring any such Initial Security or such Private Exchange Security issued to certain Holders to be issued in global form will cease to apply, and a certificated Initial Security or Private Exchange Security without legends will be available to the transferee of the Holder of such Initial Securities or Private Exchange Securities upon exchange of such transferring Holder's certificated Initial Security or Private Exchange Security or directions to transfer such Holder's interest in the Global Security, as applicable.

(iv) Upon the consummation of a Registered Exchange Offer with respect to the Initial Securities pursuant to which Holders of such Initial Securities are offered Exchange Securities in exchange for their Initial Securities, all requirements pertaining to such Initial Securities that Initial Securities issued to certain Holders be issued in global form will cease to apply and certificated Initial Securities with the Restricted Securities Legend set forth in Exhibit 1 hereto will be available to Holders of such Initial Securities that do not exchange their Initial Securities, and Exchange Securities in certificated or global form (without the legends set forth above) will be available to Holders that

exchange such Initial Securities in such Registered Exchange Offer.

(v) Upon the consummation of a Private Exchange with respect to the Initial Securities pursuant to which Holders of such Initial Securities are offered Private Exchange Securities in exchange for their Initial Securities, all requirements pertaining to such Initial Securities that Initial Securities issued to certain Holders be issued in global form will still apply, and Private Exchange Securities in global form with the Restricted Securities Legend set forth in Exhibit 1 hereto will be available to Holders that exchange such Initial Securities in such Private Exchange.

(e) Cancelation or Adjustment of Global Security. At such time as all beneficial interests in a Global Security have either been exchanged for certificated Securities, redeemed, repurchased or canceled, such Global Security shall be returned to the Depositary for cancelation or retained and canceled by the Trustee. At any time prior to such cancelation, if any beneficial interest in a Global Security is exchanged for certificated Securities, redeemed, repurchased or canceled, the principal amount of Securities represented by such Global Security shall be reduced and an adjustment shall be made on the books and records of the Trustee (if it is then the Securities Custodian for such Global Security) with respect to such Global Security, by the Trustee or the Securities Custodian, to reflect such reduction.

(f) Obligations with Respect to Transfers and Exchanges of Securities.

(i) To permit registrations of transfers and exchanges, the Company shall execute and the Trustee shall authenticate certificated Securities and Global Securities at the Registrar's or co-registrar's request.

(ii) No service charge shall be made for any registration of transfer or exchange, but the Company may require payment of a sum sufficient to cover any transfer tax, assessments or similar governmental charge payable in connection therewith (other than any such transfer taxes, assessments or similar governmental charge payable upon

exchange or transfer pursuant to Sections 3.06, 4.09 and 9.05 of the Indenture).

(iii) The Registrar or co-registrar shall not be required to register the transfer of or exchange of (a) any certificated Security selected for redemption in whole or in part pursuant to Article 3 of this Indenture, except the unredeemed portion of any certificated Security being redeemed in part, or (b) any Security for a period beginning 15 Business Days before the mailing of a notice of an offer to repurchase or redeem Securities or 15 Business Days before an interest payment date.

(iv) Prior to the due presentation for registration of transfer of any Security, the Company, the Subsidiary Guarantors, the Trustee, the Paying Agent, the Registrar or any co-registrar may deem and treat the person in whose name a Security is registered as the absolute owner of such Security for the purpose of receiving payment of principal of and interest on such Security and for all other purposes whatsoever, whether or not such Security is overdue, and none of the Company, the Subsidiary Guarantors, the Trustee, the Paying Agent, the Registrar or any co-registrar shall be affected by notice to the contrary.

(v) All Securities issued upon any transfer or exchange pursuant to the terms of this Indenture shall evidence the same debt and shall be entitled to the same benefits under this Indenture as the Securities surrendered upon such transfer or exchange.

(g) No Obligation of the Trustee.

(i) The Trustee shall have no responsibility or obligation to any beneficial owner of a Global Security, a member of or a participant in the Depositary or other Person with respect to the accuracy of the records of the Depositary or its nominee or of any participant or member thereof with respect to any ownership interest in the Securities or with respect to the delivery to any participant, member, beneficial owner or other Person (other than the Depositary) of any notice (including any notice of redemption) or the payment of any amount under or with respect to such Securities. All notices and communications to be given to the Holders and all

payments to be made to Holders under the Securities shall be given or made only to or upon the order of the registered Holders (which shall be the Depositary or its nominee in the case of a Global Security). The rights of beneficial owners in any Global Security shall be exercised only through the Depositary subject

to the applicable rules and procedures of the Depositary. The Trustee may rely and shall be fully protected in relying upon information furnished by the Depositary with respect to its members, participants and any beneficial owners.

(ii) The Trustee shall have no obligation or duty to monitor, determine or inquire as to compliance with any restrictions on transfer imposed under this Indenture or under applicable law with respect to any transfer of any interest in any Security (including any transfers between or among Depositary participants, members or beneficial owners in any Global Security) other than to require delivery of such certificates and other documentation or evidence as are expressly required by, and to do so if and when expressly required by, the terms of this Indenture, and to examine the same to determine substantial compliance as to form with the express requirements hereof.

2.4 Certificated Securities.

(a) A Global Security deposited with the Depositary or with the Trustee as custodian for the Depositary pursuant to Section 2.1 shall be transferred to the beneficial owners thereof in the form of certificated Securities in an aggregate principal amount equal to the principal amount of such Global Security, in exchange for such Global Security, only if such transfer complies with Section 2.3 and (i) the Depositary notifies the Company that it is unwilling or unable to continue as Depositary for such Global Security or if at any time such Depositary ceases to be a "clearing agency" registered under the Exchange Act and a successor depositary is not appointed by the Company within 90 days, or (ii) an Event of Default has occurred and is continuing or (iii) the Company, in its sole discretion, notifies the Trustee in writing that it elects to cause the issuance of certificated Securities under this Indenture.

(b) Any Global Security that is transferable to the beneficial owners thereof pursuant to this Section shall be surrendered by the Depositary to the Trustee located in the Borough of Manhattan, The City of New York, to be so transferred, in whole or from time to time in part, without charge, and the Trustee shall authenticate and deliver, upon such transfer of each portion of such Global Security, an equal aggregate principal amount of certificated Initial Securities of authorized denominations. Any portion of a Global Security transferred pursuant to this Section shall be executed, authenticated and delivered only in denominations of $1,000 principal amount and any integral multiple thereof and registered in such names as the Depositary shall direct. Any certificated Initial Security delivered in exchange for an interest in the Global Security shall, except as otherwise provided by Section 2.3(b), bear the Restricted Securities Legend set forth in Exhibit 1 hereto.

(c) In the event of the occurrence of any of the events specified in Section 2.4(a), the Company will promptly make available to the Trustee a reasonable supply of certificated Securities in definitive, fully registered form without interest coupons.

2.5 Proxies.

Subject to the provisions of Section 2.4(b), the registered Holder of a Global Security may grant proxies and otherwise authorize any Person, including Agent Members and Persons that may hold interests through Agent Members, to take any action which a Holder is entitled to take under this Indenture or the Securities.

EXHIBIT 1
to
RULE 144A/REGULATION S APPENDIX

[FORM OF FACE OF INITIAL SECURITY]

[Global Securities Legend]

UNLESS THIS CERTIFICATE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY, A NEW YORK CORPORATION ("DTC"), NEW YORK, NEW YORK, TO THE COMPANY OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY CERTIFICATE ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO CEDE & CO., OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC) ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

TRANSFERS OF THIS GLOBAL SECURITY SHALL BE LIMITED TO TRANSFERS IN WHOLE, BUT NOT IN PART, TO NOMINEES OF DTC OR TO A SUCCESSOR THEREOF OR SUCH SUCCESSOR'S NOMINEE AND TRANSFERS OF PORTIONS OF THIS GLOBAL SECURITY SHALL BE LIMITED TO TRANSFERS MADE IN ACCORDANCE WITH THE RESTRICTIONS SET FORTH IN THE INDENTURE REFERRED TO ON THE REVERSE HEREOF.

[Restricted Securities Legend]

THIS SECURITY (OR ITS PREDECESSOR) WAS ORIGINALLY ISSUED IN A TRANSACTION EXEMPT FROM REGISTRATION UNDER THE UNITED STATES SECURITIES ACT OF 1933 (THE "SECURITIES ACT"), AND THIS SECURITY MAY NOT BE OFFERED, SOLD OR OTHERWISE TRANSFERRED IN THE ABSENCE OF SUCH REGISTRATION OR AN APPLICABLE EXEMPTION THEREFROM. EACH PURCHASER OF THIS SECURITY IS HEREBY NOTIFIED THAT THE SELLER OF THIS SECURITY MAY BE RELYING ON THE EXEMPTION FROM THE PROVISIONS OF SECTION 5 OF THE SECURITIES ACT PROVIDED BY RULE 144A THEREUNDER.

THE HOLDER OF THIS SECURITY AGREES FOR THE BENEFIT OF THE COMPANY THAT (A) THIS SECURITY MAY BE OFFERED, RESOLD, PLEDGED OR OTHERWISE TRANSFERRED ONLY (i) TO A PERSON WHOM

THE SELLER REASONABLY BELIEVES IS A QIB (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT) IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A, (ii) IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 904 UNDER THE SECURITIES ACT, (iii) PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT PROVIDED BY RULE 144 THEREUNDER (IF AVAILABLE), (iv) TO THE COMPANY OR (v) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT, IN EACH OF CASES (i) THROUGH (v) IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES, AND (B) THE HOLDER WILL, AND EACH SUBSEQUENT HOLDER IS REQUIRED TO, NOTIFY ANY PURCHASER OF THIS SECURITY FROM IT OF THE RESALE RESTRICTIONS REFERRED TO IN (A) ABOVE.

BY ITS ACQUISITION HEREOF, THE HOLDER REPRESENTS THAT (A) IT IS A "QUALIFIED INSTITUTIONAL BUYER" (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT) OR (B) IT IS NOT A U.S. PERSON AND IS ACQUIRING THIS SECURITY IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH REGULATION S.

CUSIP No.
$

9-5/8% Senior Subordinated Notes Due 2007

ROLLER BEARING COMPANY OF AMERICA, INC., a Delaware corporation, promises to pay to, or registered assigns, the principal sum of Dollars on June 15, 2007.

Interest Payment Dates: June 15 and December 15
Record Dates: June 1 and December 1

Additional provisions of this Security are set forth on the other side of this Security.

Dated:

ROLLER BEARING COMPANY
OF
AMERICA, INC.

by

_____
President

_____
Secretary

TRUSTEE'S CERTIFICATE OF
AUTHENTICATION

UNITED STATES TRUST
COMPANY OF NEW YORK,

as Trustee, certifies that
this is one of
the Securities referred
to in the Indenture.

[Seal]

by _____
Authorized Signatory

[FORM OF REVERSE SIDE OF INITIAL SECURITY]
9-5/8% Senior Subordinated Note Due 2007

1. Interest

Roller Bearing Company of America, Inc., a Delaware corporation (such corporation, and its successors and assigns under the Indenture hereinafter referred to, being herein called the "Company"), promises to pay interest on the principal amount of this Security at the rate per annum shown above; provided, however, that if a Registration Default (as defined in the Registration Rights Agreement) occurs, additional interest will accrue on this Security at a rate of 0.50% per annum from and including the date on which any such Registration Default shall occur to but excluding the date on which all Registration Defaults have been cured. The Company will pay interest semiannually on June 15 and December 15 of each year, commencing on December 15, 1997. Interest on the Securities will accrue from the most recent date to which interest has been paid or, if no interest has been paid, from June 23, 1997. Interest will be computed on the basis of a 360-day year of twelve 30-day months. The Company shall pay interest on overdue principal at the rate borne by the Securities plus 1% per annum, and it shall pay interest on overdue installments of interest at the same rate to the extent lawful.

2. Method of Payment

The Company will pay interest on the Securities (except defaulted interest) to the Persons who are registered holders of Securities at the close of business on the June 1 or December 1 next preceding the interest payment date even if Securities are canceled after the record date and on or before the interest payment date. Holders must surrender Securities to a Paying Agent to collect principal payments. The Company will pay principal and interest in

money of the United States that at the time of payment is legal tender for payment of public and private debts. Payments in respect of the Securities represented by a Global Security (including principal, premium and interest) will be made by wire transfer of immediately available funds to the accounts specified by The Depository Trust Company. The Company will make all payments in respect of a certificated Security (including principal, premium and interest) by mailing a check to the registered address of each Holder thereof; provided, however, that payments on a certificated Security will be made by wire transfer to a U.S. dollar account maintained by the payee with a bank in the United States if such Holder elects payment by wire transfer by giving written notice to the Trustee or the Paying Agent to such effect designating such account no later than 30 days immediately preceding the relevant due date for payment (or such other date as the Trustee may accept in its discretion).

3. Paying Agent and Registrar

Initially, United States Trust Company of New York, a New York trust company ("Trustee"), will act as Paying Agent and Registrar. The Company may appoint and change any Paying Agent, Registrar or co-registrar without notice. The Company or any of its domestically incorporated Wholly Owned Subsidiaries may act as Paying Agent, Registrar or co-registrar.

4. Indenture

The Company issued the Securities under an Indenture dated as of June 15, 1997 ("Indenture"), among the Company, the Subsidiary Guarantors and the Trustee. The terms of the Securities include those stated in the Indenture and those made part of the Indenture by reference to the Trust Indenture Act of 1939 (15 U.S.C. ss.ss. 77aaa-77bbbb) as in effect on the date of the Indenture (the "Act"). Terms defined in the Indenture and not defined herein have the meanings ascribed thereto in the Indenture. The Securities are subject to all such terms, and

Securityholders are referred to the Indenture and the Act for a statement of those terms.

The Securities are general unsecured obligations of the Company limited to $110,000,000 aggregate principal amount (subject to Section 2.07 of the Indenture). The Indenture contains certain covenants which, among other things, limit (a) the incurrence of additional indebtedness by the Company and certain of its subsidiaries, (b) the payment of Restricted Payments (c) certain transactions with affiliates, (d) sales of assets, including capital stock of subsidiaries, (e) sales and issuances of capital stock by certain subsidiaries and (f) certain consolidations and mergers. The Indenture also will prohibit certain restrictions on distributions from subsidiaries. In addition, the Company may be obligated, under certain circumstances, to offer to repurchase Securities at a purchase price equal to 101% of the principal amount thereof, plus accrued and unpaid interest to the date of repurchase.

5. Optional Redemption

Except as set forth in the following paragraph, the Securities may not be redeemed prior to June 15, 2002. On and after that date, the Company may redeem the Securities in whole at any time or in part from time to time at the following redemption prices (expressed in percentages of principal amount), plus accrued interest to the

redemption date (subject to the right of Holders of record on the relevant record date to receive interest due on the related interest payment date):

if redeemed during the 12-month
period beginning June 15 of the
years set forth below:

	Percentage
2002	104.8125%
2003	103.2083
2004	101.6041
2005 and thereafter	100.0000

In addition, at any time and from time to time prior to June 15, 2000, the Company may redeem in the aggregate up to $36.0 million principal amount of the Securities with the proceeds of one or more Public Equity Offerings following which there is a Public Market (provided that a portion of the net cash proceeds thereof equal to the amount required to redeem any such Securities is contributed to the equity capital of the Company), at a redemption price (expressed as a percentage of principal amount) of 109.625% plus accrued interest to the redemption date (subject to the right of Holders of record on the relevant record date to receive interest due on the relevant interest payment date); provided, however, that at least $74.0 million aggregate principal amount of the Securities must remain outstanding after each such redemption.

6. Notice of Redemption

Notice of redemption will be mailed by first-class mail at least 30 days but not more than 60 days before the redemption date to each Holder of Securities to be redeemed at his registered address. Securities in denominations larger than $1,000 may be redeemed in part but only in whole multiples of $1,000. If money sufficient to pay the redemption price of and accrued interest on all Securities (or portions thereof) to be redeemed on the redemption date is deposited with the Paying Agent on or before the redemption date and certain other conditions are satisfied,

on and after such date interest ceases to accrue on such Securities (or such portions thereof) called for redemption.

7. Put Provisions

Upon a Change of Control, any Holder of Securities will have the right to cause the Company to repurchase all or any part of the Securities of such Holder at a repurchase price equal to 101% of the principal amount of the Securities to be repurchased plus accrued interest to the date of repurchase (subject to the right of holders of record on the relevant record date to receive interest due on the related interest payment date) as provided in, and subject to the terms of, the Indenture.

8. Subordination

The Securities are subordinated to Senior Indebtedness, as defined in the Indenture. To the extent provided in the Indenture, Senior Indebtedness must be paid before the Securities may be paid. The Company agrees, and each Securityholder by accepting a Security agrees, to the subordination provisions contained in the Indenture and authorizes the Trustee to give it effect and appoints the Trustee as attorney-in-fact for such purpose.

9. Guarantees

The Company’s obligations with respect to the Securities are guaranteed, to the extent provided in the Indenture, by the Subsidiary Guarantors.

10. Denominations; Transfer; Exchange

The Securities are in registered form without coupons in denominations of $1,000 and whole multiples of $1,000. A Holder may transfer or exchange Securities in accordance with the Indenture. The Registrar may require a Holder, among other things, to furnish appropriate endorsements or transfer documents and to pay any taxes and fees

required by law or permitted by the Indenture. The Registrar need not register the transfer of or exchange any Securities selected for redemption (except, in the case of a Security to be redeemed in part, the portion of the Security not to be redeemed) or any Securities for a period of 15 days before a selection of Securities to be redeemed or 15 days before an interest payment date.

11. Persons Deemed Owners

The registered Holder of this Security may be treated as the owner of it for all purposes.

12. Unclaimed Money

If money for the payment of principal or interest remains unclaimed for two years, the Trustee or Paying Agent shall pay the money back to the Company at its request unless an abandoned property law designates another Person. After any such payment, Holders entitled to the money must look only to the Company and not to the Trustee for payment.

13. Discharge and Defeasance

Subject to certain conditions, the Company at any time may terminate some or all of its obligations under the Securities and the Indenture if the Company deposits with the Trustee money or U.S. Government Obligations for the payment of principal and interest on the Securities to redemption or maturity, as the case may be.

14. Amendment, Waiver

Subject to certain exceptions set forth in the Indenture, (i) the Indenture or the Securities may be amended with the written consent of the Holders of at least a majority (or, in certain cases, 75%) in principal amount outstanding of the Securities and (ii) any default or noncompliance with any provision may be waived with the

written consent of the Holders of a majority in principal amount outstanding of the Securities. Subject to certain exceptions set forth in the Indenture, without the consent of any Securityholder, the Company and the Trustee may amend the Indenture or the Securities to cure any ambiguity, omission, defect or inconsistency, or to comply with Article 5 of the Indenture, or to provide for uncertificated Securities in addition to or in place of certificated Securities, or to add guarantees with respect to the Securities or to secure the Securities, or to add additional covenants or surrender rights and powers conferred on the Company, or to comply with any request of the SEC in connection with qualifying the Indenture under the Act, or to make any change that does not adversely affect the rights of any Securityholder.

15. Defaults and Remedies

Under the Indenture, Events of Default include (i) default for 30 days in payment of interest on the Securities; (ii) default in payment of principal on the Securities at maturity, upon redemption pursuant to paragraph 5 of the Securities, upon acceleration or otherwise, or failure by the Company to redeem or purchase Securities when required; (iii) failure by the Company to comply with other agreements in the Indenture or the Securities, in certain cases subject to notice and lapse of time; (iv) certain accelerations (including failure to pay within any grace period after final maturity) of other Indebtedness of the Company if the amount accelerated (or so unpaid) exceeds $5 million; (v) certain events of bankruptcy or insolvency with respect to the Company and the Significant Subsidiaries; (vi) certain judgments or decrees for the payment of money in excess of $5 million; and (vii) certain events with respect to the guarantees of the Company's obligations under the Securities by the Subsidiary Guarantors. If an Event of Default occurs and is continuing, the Trustee or the Holders of at least 25% in principal amount of the Securities may declare all the Securities to be due and payable immediately or, in certain circumstances, after giving notice to the Representative under the Credit Agreement. Certain events of bankruptcy or

insolvency are Events of Default which will result in the Securities being due and payable immediately upon the occurrence of such Events of Default.

Securityholders may not enforce the Indenture or the Securities except as provided in the Indenture. The Trustee may refuse to enforce the Indenture or the Securities unless it receives reasonable indemnity or security. Subject to certain limitations, Holders of a majority in principal amount of the Securities may direct the Trustee in its exercise of any trust or power. The Trustee may withhold from Securityholders notice of any continuing Default (except a Default in payment of principal or interest) if it determines that withholding notice is in the interest of the Holders.

16. Trustee Dealings with the Company

Subject to certain limitations imposed by the Act, the Trustee under the Indenture, in its individual or any other capacity, may become the owner or pledgee of Securities and may otherwise deal with and collect obligations owed to it by the Company or its Affiliates (including the Subsidiary Guarantors) and may otherwise deal with the Company or its Affiliates (including the Subsidiary Guarantors) with the same rights it would have if it were not Trustee.

17. No Recourse Against Others

Any past, present or future director, officer, employee or stockholder, as such, of the Company, any Subsidiary Guarantor or the Trustee shall not have any liability for any obligations of the Company or any Subsidiary Guarantor under the Securities or the Indenture or for any claim based on, in respect of or by reason of such obligations or their creation. By accepting a Security, each Securityholder waives and releases all such liability. The waiver and release are part of the consideration for the issue of the Securities.

18. Authentication

This Security shall not be valid until an authorized signatory of the Trustee (or an authenticating agent) manually signs the certificate of authentication on the other side of this Security.

19. Abbreviations

Customary abbreviations may be used in the name of a Securityholder or an assignee, such as TEN COM (=tenants in common), TEN ENT (=tenants by the entireties), JT TEN (=joint tenants with rights of survivorship and not as tenants in common), CUST (=custodian), and U/G/M/A (=Uniform Gift to Minors Act).

20. CUSIP Numbers

Pursuant to a recommendation promulgated by the Committee on Uniform Security Identification Procedures the Company has caused CUSIP numbers to be printed on the Securities and has directed the Trustee to use CUSIP numbers in notices of redemption as a convenience to Securityholders. No representation is made as to the accuracy of such numbers either as printed on the Securities or as contained in any notice of redemption and reliance may be placed only on the other identification numbers placed thereon.

21. Holders' Compliance with Registration Rights Agreement.

Each Holder of a Security, by acceptance hereof, acknowledges and agrees to the provisions of the Registration Rights Agreement, including, without limitation, the obligations of the Holders with respect to a registration and the indemnification of the Company to the extent provided therein.

22. Governing Law.

THIS SECURITY SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK BUT WITHOUT GIVING EFFECT TO APPLICABLE PRINCIPLES OF CONFLICTS OF LAW TO THE EXTENT THAT THE APPLICATION OF THE LAWS OF ANOTHER JURISDICTION WOULD BE REQUIRED THEREBY.

The Company will furnish to any Securityholder upon written request and without charge to the Securityholder a copy of the Indenture which has in it the text of this Security in larger type. Requests may be made to:

Roller Bearing Company of America, Inc.
60 Round Hill Road
P.O. Box 430
Fairfield, Connecticut 06430-0430

Attention of: Secretary

ASSIGNMENT FORM

To assign this Security, fill in the form below:

I or we assign and transfer this Security to

(Print or type assignee's name, address and zip code)
(Insert assignee's soc. sec. or tax I.D. No.)

and irrevocably appoint agent to transfer this Security on the books of the Company. The agent may substitute another to act for him.

Date: _____ Your Signature: _____

Sign exactly as your name appears on the other side of this Security.

In connection with any transfer of any of the Securities evidenced by this certificate occurring prior to the expiration of the period referred to in Rule 144(k) under the Securities Act after the later of the date of original issuance of such Securities and the last date, if any, on which such Securities were owned by the Company or any Affiliate of the Company, the undersigned confirms that such Securities are being transferred in accordance with its terms:

CHECK ONE BOX BELOW

(1)	o	to the Company; or
(2)	o	pursuant to an effective registration statement under the Securities Act of 1933; or
(3)	o	inside the United States to a "qualified institutional buyer" (as defined in Rule 144A under the Securities Act of 1933) that purchases for its own account or for the account of a qualified institutional buyer to whom notice is given that such transfer is being made in reliance on Rule 144A, in each case pursuant to and in compliance with Rule 144A under the Securities Act of 1933; or
(4)	o	outside the United States in an offshore transaction within the meaning of Regulation S under the Securities Act in compliance with Rule 904 under the Securities Act of 1933; or
(5)	o	pursuant to another available exemption from registration provided by Rule 144 under the Securities Act of 1933.

Unless one of the boxes is checked, the Trustee will refuse to register any of the Securities evidenced by this certificate in the name of any person other than the registered holder thereof; provided, however, that if box (4) or (5) is checked, the Trustee may require, prior to registering any such transfer of the Securities, such legal opinions, certifications and other information as the Company has reasonably requested to confirm that such transfer is being made pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act of 1933, such as the exemption provided by Rule 144 under such Act.

_____
Signature

Signature Guarantee:

_____
Signature must be guaranteed

Signature

TO BE COMPLETED BY PURCHASER IF (3) ABOVE IS CHECKED.

The undersigned represents and warrants that it is purchasing this Security for its own account or an account with respect to which it exercises sole investment discretion and that it and any such account is a "qualified institutional buyer" within the meaning of Rule 144A under the Securities Act of 1933, and is aware that the sale to it is being made in reliance on Rule 144A and acknowledges that it has received such information regarding the Company as the undersigned has requested pursuant to Rule 144A or has

determined not to request such information and that it is aware that the transferor is relying upon the undersigned's foregoing representations in order to claim the exemption from registration provided by Rule 144A.

Dated: _____

_____

NOTICE: To be executed by
an executive officer

[TO BE ATTACHED TO GLOBAL SECURITIES]

SCHEDULE OF INCREASES OR DECREASES IN GLOBAL SECURITY

The following increases or decreases in this Global Security have been made:

Date of Exchange	Amount of decrease in Principal Amount of this Global Security	Amount of increase in Principal Amount of this Global Security	Principal amount of this Global Security following such decrease or increase)	Signature of authorized officer of Trustee or Securities Custodian

OPTION OF HOLDER TO ELECT PURCHASE

If you want to elect to have this Security purchased by the Company pursuant to Section 4.06 or 4.09 of the Indenture, check the box: o

If you want to elect to have only part of this Security purchased by the Company pursuant to Section 4.06 or 4.09 of the Indenture, state the amount in principal amount: $

Date: _____ Your Signature: _____

(Sign exactly as your name appears on the other side of this Security.)

Signature Guarantee: _____

(Signature must be guaranteed)

Exhibit 10.2

ROLLER BEARING HOLDING COMPANY, INC.

STOCK OPTION PLAN

1. Purpose. The Roller Bearing Holding Company, Inc. Stock Option Plan (the "Plan") is intended to provide incentives which will attract and retain highly competent persons as officers and employees of Roller Bearing Holding Company, Inc. and its designated subsidiaries (the "Company"), as well as independent contractors providing consulting or advisory services to the Company, by providing them opportunities to acquire shares of Class A voting stock of the Company ("Common Shares") pursuant to Options, as described herein.

2. Administration.

(a) The Plan will be administered by the Board of Directors of the Company (the "Board") unless and until the Board delegates, or is required to delegate, administration to a Committee, as provided in Sections 2(b) or 2(c) below. The Board is authorized, subject to the provisions of the Plan, to establish such rules and regulations as it deems necessary or appropriate for the proper administration of the Plan and to make such determinations and interpretations and to take such action in connection with the Plan and any Options granted hereunder as it deems necessary or advisable. All determinations and interpretations made by the Board shall be binding and conclusive on all participants and their legal representatives. No member of the Board, and no employee of the Company shall be liable for any act or failure to act hereunder, by any other member or employee or by any agent to whom duties in connection with the administration of this Plan have been delegated or, except in circumstances involving his bad faith, gross negligence or fraud, for any act or failure to act by the member or employee.

(b) The Board may delegate all or any portion of administration of the Plan to a committee composed of not fewer than two (2) members of the Board (the "Committee"). If administration is delegated to a Committee, the Committee shall have, in connection with the administration of the Plan, the powers theretofore possessed by the Board (and references in this Plan to the Board shall thereafter be to the Committee, as applicable), subject, however, to such resolutions, not inconsistent with the provisions of the Plan, as may be adopted from time to time by the Board. The Board may terminate all or any portion of the Committee's authority under the Plan at any time and revest in the Board all or any portion of the administration of the Plan.

(c) The Board shall be required to delegate administration of the Plan to a Committee, all of whose members shall be "nonemployee directors," effective on and after the date of the first registration of an equity security of the Company under Section 12 of the Securities Exchange Act of 1934 (the "Exchange Act"). Any "nonemployee director" shall otherwise comply with the requirements of Rule 16b-3 of the Exchange Act as in effect at the relevant time and, to the extent necessary, Internal Revenue Code Section 162(m).

3. Participants. Participants will consist of such officers and employees of the Company, and independent contractors providing consulting or advisory services to the Company (including members of the Board), as the Board, in its sole discretion, determines to be significantly responsible for the success and future growth and profitability of the Company and whom the Board may designate from time to time to receive Options under the Plan. Designation as a participant in any year shall not require the Board to designate such person to receive an Option in any other year or, once designated, to receive the same type or amount of Options as granted to the participant, or any other participant, in any year. The Board shall consider such factors as it deems pertinent in selecting participants and in determining the type and amount of their respective Options.

4. Shares Reserved under the Plan. Subject to adjustments as provided in Section 6, there is hereby reserved for issuance under the Plan an aggregate of 3,365,596 Common Shares, which may be authorized but unissued shares or shares held by the Company in its treasury. Any shares subject to any form of Option hereunder may thereafter be subject to new Options under this Plan if there is a lapse, expiration or termination of any such Options granted prior to issuance of the shares, or if shares are issued under Options and thereafter are reacquired by the Company pursuant to rights reserved by the Company upon issuance thereof.

5. Options. Options will consist of awards from the Company that will enable the holder to purchase a specific number of Common Shares, at set terms and at a fixed purchase price. Options may be "incentive stock options" within the meaning of Section 422 of the Internal Revenue Code ("Incentive Stock Options") or Options that do not constitute Incentive Stock Options ("Nonqualified Stock Options," and together with Incentive Stock Options, "Options"). The Board will have the authority to grant to any participant one or more Incentive Stock Options, Nonqualified Stock Options, or both types of Options. Each Option shall be evidenced by a written option agreement in such form and shall be subject to such terms and conditions as the Board may approve from time to time, including without limitation the following:

(a) Exercise Price. Each Option granted hereunder shall have such per-share exercise price as the Board may determine at the date of grant; provided, however, that the per-share exercise price for Options shall not be less than 100% of the Fair Market Value of the Common Shares on the date the option is granted, as reasonably determined by the Board.

(b) Payment of Exercise Price. The option exercise price may be paid by check or, in the discretion of the Board, by the delivery (or certification of ownership) of Common Shares of the Company then owned by the participant; provided, however, that payment of the exercise price by delivery of Common Shares of the Company then owned by the participant may be made only if such payment does not result in a charge to earnings for financial accounting purposes as determined by the Board. In the discretion of the Board, if Common Shares are readily tradeable on a national securities exchange or other market system at the time of option exercise, payment may also be made by delivering a properly executed exercise notice to the Company together with a copy of irrevocable instructions to a broker to deliver promptly to the Company the amount of sale or loan proceeds to pay the exercise price. To facilitate the foregoing, the Company may enter into agreements for coordinated procedures with one or more brokerage firms.

(c) Exercise Period. Options granted under the Plan shall be exercisable at such times and subject to such terms and conditions as shall be determined by the Board; provided, however, that Options shall not be exercisable more than 10 years after the date they are granted. All Options shall

terminate at such earlier times and upon such conditions or circumstances as the Board shall in its sole discretion set forth in such option at the date of grant, including but not limited to limitations on exercisability following termination of the participant's employment or consulting relationship.

(d) Limitations on Incentive Stock Options. Incentive Stock Options may be granted only to participants who are employees of the Company or one of its subsidiaries (within the meaning of Section 424(f) of the Internal Revenue Code) at the date of grant. The aggregate Fair Market Value (determined as of the time the option is granted) of the Common Shares with respect to which Incentive Stock Options are exercisable for the first time by a participant during any calendar year (under all option plans of the Company) shall not exceed $100,000. Incentive Stock Options may not be granted to any participant who, at the time of grant, owns stock possessing (after the application of the attribution rules of Section 424(d) of the Code) more than 10% of the total combined voting power of all classes of stock of the Company, unless the option price is fixed at not less than 110% of the Fair Market Value of the Common Shares on the date of grant and the exercise of such option is prohibited by its terms after the expiration of five years from the date of grant of such option.

(e) Redesignation as Nonqualified Stock Options. Options designated as Incentive Stock Options that fail to meet the requirements of Section 422 of the Internal Revenue Code shall be redesignated as nonqualified options for Federal income tax purposes automatically without further action by the Board on the date of such failure to continue to meet the requirements of Section 422 of the Code.

(f) Limitation of Rights in Shares. The recipient of an Option shall not be deemed for any purpose to be a shareholder of the Company with respect to any of the

shares subject thereto except to the extent that the Option shall have been exercised and, in addition, a certificate shall have been issued and delivered to the participant.

6. Adjustment Provisions.

(a) If the Company shall at any time change the number of issued Common Shares without new consideration to the Company by stock dividend, stock split, recapitalization, reorganization, exchange of shares, liquidation, combination or other change in corporate structure affecting the Common Shares, the total number of shares available for Options under this Plan shall be appropriately adjusted and the number of shares covered by each outstanding Option and the exercise price thereunder shall be adjusted so that the net value of such Option shall not be changed, all of the foregoing, including the appropriations of any such adjustment to be as determined by the Board, in its discretion. It is specifically understood that the provisions of this subsection (a) are intended to apply solely to capital events that are independent of, and unrelated to, any transaction involving the direct or indirect sale or issuance of securities of the Company for value (and irrespective of the adequacy of the consideration so paid).

(b) In the case of any sale of assets, merger, consolidation, combination or other corporate reorganization or restructuring of the Company with or into another corporation which results in the outstanding Common Shares being converted into or exchanged for different securities, cash or other property, or any combination thereof (an "Acquisition"), subject to the provisions of this Plan and any limitation applicable to the Option, any participant to whom an Option has been granted shall have the right thereafter and during the term of the Option, to receive upon exercise thereof the Acquisition Consideration (as defined below) receivable upon the Acquisition by a holder of the number of Common Shares that might have been obtained upon exercise of the Option or portion thereof, as the case may be, immediately prior to the Acquisition. The term "Acquisition Consideration" shall mean the kind and amount of securities, cash or other property or any combination thereof receivable in respect of one Common Share upon consummation of an Acquisition.

(c) Notwithstanding any other provision of this Plan, the Board may authorize the issuance, continuation or assumption of Options or provide for other equitable adjustments after changes in the Common Shares resulting from any other merger, consolidation, sale of assets, acquisition of property or stock, recapitalization, reorganization or similar occurrence upon such terms and conditions as it may deem equitable and appropriate.

(d) In the event that another corporation or business entity is being acquired by the Company, and the Company assumes outstanding employee stock options and/or the obligation to make future grants of options to employees of the acquired entity, the aggregate

number of Common Shares available for Options under this Plan shall be increased accordingly.

7. Nontransferability.

(a) Each Option granted under the Plan to a participant shall not be transferable by him otherwise than by will or the laws of descent and distribution, and shall be exercisable, during the participant's lifetime, only by him. In the event of the death of a participant while the participant is rendering employment, consulting or advisory services to the Company, each Option theretofore granted to him shall be exercisable during such period after his death as the Board shall in its discretion set forth in such option at the date of grant (but not beyond the stated duration of the option) and then only:

(i) By the executor or administrator of the estate of the deceased participant or the person or persons to whom the deceased participant's rights under the Option shall pass by will or the laws of descent and distribution; and

(ii) To the extent that the deceased participant was entitled to do so at the date of his death.

(b) Notwithstanding Section 7(a), in the discretion of the Board, Options granted hereunder may be transferred to members of the participant's immediate family (which for purposes of this Plan shall be limited to the participant's children, grandchildren and spouse), or to one or more trusts for the benefit of such family members, or to partnerships or limited liability companies in which such family members and/or trusts are the only partners or members, but only if the Option expressly so provides.

8. Other Provisions. Options granted under the Plan may also be subject to such other provisions (whether or not applicable to any other Options awarded under the Plan to the participant or to any other participant) as the Board determines appropriate, including without limitation, provisions for the installment purchase of Common Shares, provisions to assist the participant in financing the acquisition of Common Shares, provisions for the forfeiture of, or restrictions on resale or other disposition of, Common Shares acquired under any form of Option, provisions for the deferral of option gains, provisions for the acceleration of exercisability or vesting of Options in the event of a change of control of the Company, provisions for the payment of the value of Options to participants in the event of a change of control of the Company, provisions for the forfeiture of the Options, or provisions to comply with Federal and state securities laws, or understandings or conditions as to the participant's employment in addition to those specifically provided for under the Plan.

9. Fair Market Value. For purposes of this Plan and any Options awarded hereunder, the Fair Market Value of Common Shares shall be the mean between the highest and lowest sale prices for the Company's Common Shares as reported on the Nasdaq National Market (or such other consolidated transaction reporting system on which such Common Shares are primarily traded) on the date of calculation (or on the next preceding trading date if Common Shares were not traded on the date of calculation); provided, however, that if the Company's Common Shares are not at any time readily tradeable on a national securities exchange or other market system, Fair Market Value shall mean the amount determined in good faith by the Board as the fair market value of the Common Shares of the Company.

10. Withholding. All payments or distributions made pursuant to the Plan shall be net of any amounts required to be withheld pursuant to applicable federal, state and local income and/or employment tax withholding requirements. If the Company proposes or is required to distribute Common Shares pursuant to the exercise of Options, it may require the recipient to remit to it an amount sufficient to satisfy such tax withholding requirements prior to the delivery of any certificates for such Common Shares. The Board may, in its discretion and subject to such rules as it may adopt, permit an optionee to pay all or a portion of the federal, state and local withholding taxes arising in connection with the exercise of an Option, by electing to have the Company withhold Common Shares having a Fair Market Value equal to the amount of taxes required to be withheld.

11. Tenure. A participant's right, if any, to continue to serve the Company as an officer, employee, consultant, advisor, or otherwise, shall not be enlarged or otherwise affected by his designation as a participant under the Plan, nor shall this Plan in any way interfere with the right of the Company, subject to the terms of any separate agreement to the contrary, at any time to terminate such employment, consulting or advisory relationship, or to increase or decrease the compensation of the participant from the rate in existence at the time of the grant of an Option.

12. Duration, Amendment and Termination. No Option shall be granted after December 31, 2008; provided, however, that the terms and conditions applicable to any Option granted prior to such date may thereafter be amended or modified by mutual agreement between the Company and the participant or such other persons as may then have an interest therein. Also, by mutual agreement between the Company and a participant hereunder, under this Plan or under any other present or future plan of the Company, Options may be granted to such participant in substitution and exchange for, and in cancellation of, any Options previously granted such participant under this Plan, or any other present or future plan of the Company. The Board may amend the Plan from time to time or terminate the Plan at any time, subject to any requirement of stockholder approval required by applicable law, rule or regulation. However, no action authorized by this Section 12 shall reduce the amount of any outstanding Option or change the terms or conditions thereof without the participant's consent.

13. Governing Law. This Plan and actions taken in connection herewith shall be governed and construed in accordance with the laws of the State of Delaware (regardless of the law that might otherwise govern under applicable Delaware principles of conflict of laws).

14. Approval. The Plan was adopted by the Board on February 18, 1998 and the shareholders of the Company on February 18, 1998.

ROLLER BEARING HOLDING COMPANY, INC.

NON-QUALIFIED STOCK OPTION

THIS OPTION is granted this day of , 199 , by Roller Bearing Holding Company, Inc. a corporation ("RBC") to (the "Employee");

WHEREAS, the Board of Directors of RBC is of the opinion that the interests of RBC and its subsidiaries (collectively, the "Company") will be advanced by encouraging and enabling those officers and key employees of the Company, as well as independent contractors providing consulting or advisory services to the Company, upon whose judgment, initiative and efforts the Company is largely dependent for the successful conduct of the business of the Company to acquire or increase their proprietary interest in the Company, thus providing them with a more direct stake in its welfare and assuring a closer identification of their interests with those of the Company; and

WHEREAS, the Board believes that the acquisition of such an interest in the Company will stimulate the efforts of such officers, key employees and independent contractors;

NOW, THEREFORE, in consideration of the premises and of the services required under Section 2 in order to receive benefits hereunder, the Company hereby grants this option to the Employee on the terms hereinafter expressed:

1. Option Grant. The Company hereby grants to the Employee a non- qualified stock option to purchase a total of shares (the "Option Shares") of

class A voting stock of RBC ("Common Shares") at the option price of $514 per Common Share. This option is not intended to qualify as an incentive stock option within the meaning of Section 422 of the Internal Revenue Code of 1986, as amended.

2. Time of Exercise. This option may be exercised (in the manner provided in Section 3 hereof) in whole or in part, from time to time after the date hereof, subject to the following limitations:

(a) This option may be exercised (to the extent not previously exercised) to the maximum cumulative extent set forth below, i.e. depending upon the date of such exercise:

Date of Exercise	Permitted Exercise (Stated as a Percentage of the Total Option Shares)
[From and after the date hereof]	%
[From and after]	%
[From and after hereof]	%
[From and after hereof]	%

Notwithstanding the foregoing, this option may not be exercised for fractional Common Shares and this option may not be exercised for less than Common Shares at a time unless it is for the balance of the Option Shares available hereunder.

(b) Notwithstanding Section 2(a) hereof, in the event of the Employee's termination of employment with the Company due to "Permanent Disability" (as defined below) or death, this option shall immediately become exercisable (to the extent not previously exercised) to the extent of 100% of the total Option Shares.

(c) This option shall terminate as to any then unexercised options (and shall then forever lapse) on the tenth anniversary of the date hereof, or, if earlier, upon the first to occur of any of the following:

(i) the effective date of the termination of the Employee'semployment by the Company for "cause," which for purposes of this option shall have the same meaning as set forth in any separate employment agreement between the Employer and the Company or, in the absence of any such separate employment agreement, "cause" means termination because of

(1) any act of fraud, embezzlement, theft or commission of a crime involving moral turpitude by the Employee;

(2) any breach by the Employee of any material covenant, condition, or agreement in any employment agreement entered into with the Company;

(3) any good faith finding by the Company that the Employee repeatedly failed to perform the Employee's required duties; provided that the Company shall have provided the Employee with notice of such failure to perform and shall have afforded the Employee a reasonable opportunity to cure (it being understood that compliance with the notice or cure provisions set forth in any written employment agreement with the Employee shall constitute reasonable actions on behalf of the Company); or

(4) any chemical dependency by the Employee (other than in connection with medicines prescribed for the Employee).

(ii) 90 days following the termination of the Employee's employment by the Company for any reason other than death, Permanent Disability or "cause" (and, in any such case, then only to the extent the Employee could have exercised this option on the date of such termination); or

(iii) one year following the termination of the Employee's employment due to death or Permanent Disability.

(d) For purposes of this option, the Employee's employment will be deemed to have been terminated due to Permanent Disability if such termination is due to Employee's inability to perform his or her stated duties with the Company, as confirmed by a physician acceptable to the Company specializing in the area of medicine that is the subject of such disability, by reason of illness, accident or other incapacity, for a period of more than 90 consecutive days or 180 days during any consecutive 360 day period.

(e) This option shall not be affected by leaves of absence approved in writing by the CEO of the Company or by any change of employment status so long as the Employee continues to be an employee of the Company. Nothing in this option shall confer on the Employee any right to continue in the employ of the Company or to interfere with the right of the Company, subject to the terms of any separate employment contract, if any, to the contrary, to terminate Employee's employment at any time.

3. Exercise of Option.

(a) This option may be exercised only by appropriate notice in writing delivered to the Secretary of RBC at its corporate headquarters in Fairfield, Connecticut, and accompanied by:

(i) The full purchase price of the Option Shares purchased payable by a certified or cashier's check made payable to the order of the Company;

(ii) An executed Stock Transfer Restriction Agreement (the "Stock Restriction Agreement") between the Company and the Employee or his successor in interest, whether determined by will or the laws of descent and distribution or otherwise, in the form attached hereto as Exhibit A, as the same may be modified from time to time, in RBC's discretion; and

(iii) Such other documents or representations (including without limitation representations as to the intention of the Employee or his successor, or other purchaser under Section 6, to acquire the Option Shares for investment) as the Company may reasonably request in order to comply with securities, tax or other laws then applicable to the exercise of the option.

(b) Payment of the option exercise price hereunder may, in the sole discretion of the Company, be made by delivering (or certifying as to ownership) certificates for Common Shares which have been held by Employee for at least six

months (or such longer period as RBC may deem necessary in order to avoid a charge to earnings for financial reporting purposes) which are equal in value (based on their Fair Market Value on the date of surrender) to such purchase price or the portion thereof so paid). In addition, in the event Option Shares are registered under the Securities Exchange Act of 1934, payment of the option exercise price hereunder may, in the sole discretion of RBC, also be made by delivering a properly executed exercise notice to RBC together with a copy of irrevocable instructions to a broker to promptly deliver to RBC the necessary amount of sale or loan proceeds to pay the exercise price. To facilitate the foregoing, RBC may enter into agreements for coordinated procedures with one or more brokerage firms.

(c) The exercise of this option is conditioned upon the Employee making arrangements satisfactory to the Company relating to any required withholding taxes attributable to such exercise. The Company may, in its sole discretion and subject to such rules and procedures as it may adopt, permit the Employee to satisfy any tax withholding obligation, in whole or in part, by electing to have the Company withhold Option Shares received in connection with the exercise of this option having a Fair Market Value equal to the amount required to be withheld.

4. Change of Control.

(a) In the event of a Change of Control, the Board may, in its sole discretion by providing at least 30-days prior written notice to the Employee (i) elect to cancel this option, unless theretofore (or concurrently with such Change of Control) exercised, on the effective date of the Change of Control, and/or (ii) accelerate the

exercisability of this option with respect to all or any portion of the Option Shares that were not theretofore exercisable by operation of Section 2 above, and/or (iii) require, in lieu of the exercise of this option, that the Employee be provided with a cash payment as set forth in Section 4(c) hereof.

(b) For purposes of this option, a "Change of Control" shall occur:

(i) upon the consummation of a sale, lease, exchange or other transfer or disposition by the Company of all or substantially all of the assets of the Company on a consolidated basis; provided, however, that the mortgage, pledge or hypothecation of all or substantially all of the assets of the Company on a consolidated basis, in connection with a bona fide financing shall not constitute a Change of Control; or

(ii) when any "person," other than any shareholder having Voting Control as of June 23, 1997, (as such term is used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934 but excluding any Company sponsored employee benefit plan) becomes the "beneficial owner" (as defined in Rule 13d-3 of the Securities Exchange Act of 1934 as in effect on date hereof), directly or indirectly, of Voting Control. For the purposes hereof "Voting Control" means owning more than 50% of the "voting power" of those of RBC's (or, for purposes of (iii) below of a corporation with which RBC shall have merged or consolidated) securities that have the right to elect the Board of Directors of RBC or such other corporation and otherwise direct the governance of RBC or such other corporation; or

(iii) upon the consummation of a merger or consolidation in which any person (other than any shareholder having voting control as of June 23, 1997) will beneficially own immediately after the effective time of the merger or consolidation Voting Control of the surviving or new corporation; or

(c) Pursuant to Section 4(a)(iii) hereof, in the event of a Change of Control, the Company may, at its option, elect to pay in cash an amount equal to the excess, if any, of (i) the Fair Market Value of each Option Share on the date of exercise over (ii) the exercise price as provided herein, multiplied by the number of Option Shares for which the option is exercised, less any required withholding taxes. In the event of such election, the Company will make a payment to the Employee, his estate, the person to whom the option passes by will or by the laws of descent or distribution or the Employee's legal representative or guardian, upon the effective date of the Change of Control and the Company shall have no further liability of any kind to Employee.

5. Transferability of Option.

(a) Except as provided in Sections 5(b), this option is not transferable by the Employee otherwise than by will or the laws of descent and distribution, and is exercisable, during the Employee's lifetime, only by him or her.

(b) Subject to the prior written consent of the Company, this option may transferred, in whole or in part, only under the circumstances, and subject to the terms and conditions, set forth in Section 2.5 of the Stock Restriction Agreement.

6. Death of Employee. If the Employee dies while in the employ of the

Company, this option may be exercised in whole or in part and from time to time, in the manner described in Section 3 hereof, by his estate or the person to whom the option passes by will or the laws of descent and distribution, but only to the extent that the Employee could have exercised it on the date of his death, and only within a period of (a) twelve months next succeeding the Employee's termination of employment due to death, or (b) ten years from the date hereof, whichever period is shorter.

7. Delivery of Certificates. If at any time during the term of this option the Company shall be advised by its counsel that Option Shares deliverable upon exercise of this option are required to be registered under the Federal Securities Act of 1933, as amended, or under applicable state securities laws, or that delivery of the Option Shares must be accompanied or preceded by a prospectus meeting the requirements of the Act or of any applicable state securities laws, delivery of Option Shares by the Company may be deferred until registration is effected or a prospectus is available or until an appropriate exemption from registration is secured. The Employee shall have no interest in the Option Shares covered by this option unless and until certificates for the Option Shares are issued following the exercise of this option.

8. Adjustment Provisions.

(a) If RBC shall at any time change the number of issued Common Shares without new consideration to RBC by stock dividend, stock split, recapitalization, reorganization, exchange of shares, liquidation, combination or other change in corporate structure affecting the Common Shares, the total number of shares available for options under this option shall be appropriately adjusted and the exercise price hereunder shall

be adjusted so that the net value of such option shall not be changed, all of the foregoing, including the appropriations of any such adjustment to be as determined by the Board, in its sole discretion. It is specifically understood that the provisions of this subsection (a) are intended to apply solely to capital events that are independent of, and unrelated to, any transaction involving the direct or indirect sale or issuance of securities of RBC for value (and irrespective of the adequacy of the consideration so paid).

(b) In the case of any sale of assets, merger, consolidation, combination or other corporate reorganization or restructuring of the Company with or into another corporation which results in the outstanding Common Shares being converted into or exchanged for different securities, cash or other property, or any combination thereof (an "Acquisition"), subject to the provisions of this option, the Employee shall have the right thereafter and during the term of the option, to receive upon exercise thereof the Acquisition Consideration (as defined below) receivable upon the Acquisition by a holder of the number of Common Shares that might have been obtained upon exercise of the option or portion thereof, as the case may be, immediately prior to the Acquisition. The term "Acquisition Consideration" shall mean the kind and amount of securities, cash or other property or any combination thereof receivable in respect of one Option Share upon consummation of an Acquisition.

9. Applicable Plan. This option is granted under and is subject to the terms and conditions of the Roller Bearing Holding Company, Inc. Stock Option Plan (the "Plan") attached hereto as Exhibit B. Any capitalized terms not defined herein shall be subject to the definitions set forth in the Plan.

IN WITNESS WHEREOF, the Company has caused this option to be executed on the date first above written.

ROLLER BEARING HOLDING COMPANY, INC.

By: _____
Its: President

ACCEPTED:

_____
Employee

_____, 199 ___

Exhibit 10.3

FORM OF STOCK TRANSFER RESTRICTION AGREEMENT

Stock Transfer Restriction Agreement, dated this day of , 1998 by and among Roller Bearing Holding Company, Inc., a Delaware corporation ("Holdings"), (the "Initial Party"), Dr. Michael J. Hartnett ("Hartnett") and the Persons who by operation of Section 2.5 hereof become a party hereto (collectively with the Initial Party, the "Stockholders" and individually a "Stockholder").

WHEREAS, the Initial Party is the owner of [shares (the "Shares") of Class A Voting Common Stock of Holdings, par value $.01 per share ("Class A Common Stock" and collectively with any other common stock of any class or series issued by Holdings, the "Common Stock") and warrants to purchase shares of Class A Common Stock at $100.00 per share (the "Warrants")];

WHEREAS, Holdings, Hartnett and the Stockholders desire to set forth their agreement regarding certain matters relating to the Stockholders' ownership of the [Shares and the Warrants], as well as (i) any shares of capital stock or Derivative Securities that may be issued by Holdings and owned by any of the Stockholders and (ii) any shares of Common Stock that may be issued by Holdings to any of the Stockholders upon conversion, exchange or exercise of any [Warrants or other] Derivative Securities, in each case whether currently owned or hereinafter acquired, being collectively the "Securities").

NOW, THEREFORE, in consideration of the premises and the mutual covenants and agreements hereinafter set forth and other good and valuable consideration, the receipt and

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sufficiency of which are hereby acknowledged, and intending to be legally bound hereby, the parties hereto agree as follows:

1. DEFINITIONS

As used herein, the following terms shall have the meanings indicated:

1.1 "Affiliate" shall mean a Person controlled by, in control of, or under common control with, another Person. For purposes of this definition, "control" (including the correlative terms "controlled by", "in control of" and "under common control with"), with respect to any Person, shall mean possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such Person, whether through the ownership of voting securities or by contract or otherwise.

1.2 "Derivative Securities" shall mean options, warrants (including the Warrants) and other rights to subscribe for, and securities convertible into or exchangeable or exercisable for, shares of Common Stock.

1.3 "Fair Market Value" shall mean as to any property on any date, the fair market value of such property on such date (without regard to any liabilities to which such property may be subject) as determined in good faith by the Board of Directors of Holdings, which determination shall, absent manifest error and except as otherwise set forth in Section 2.3, be binding on the Stockholders.

1.4 "Initial Public Offering" shall mean the first underwritten public offering of equity securities of Holdings pursuant to an effective registration statement under the Securities Act of 1933, as amended (the "Act"), for which Holdings received not less than $25

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million in gross proceeds and following which there is a public market for the securities so offered.

1.5 "Outstanding Shares" shall mean, at any given time, the sum of (i) all outstanding shares of Common Stock and (ii) the aggregate number of shares of Common Stock issuable upon the exercise, conversion or exchange, as applicable, of outstanding Derivative Securities. Whenever in this Agreement reference is made to ownership of Outstanding Shares, such phrase shall mean ownership of the applicable underlying Common Stock and Derivative Securities in respect thereof.

1.6 "Permitted Transferee" shall mean, with respect to any Person, (a) if such Person is an individual, (i) a member of the Immediate Family of such Person, or (ii) a trust or other similar legal entity for the primary benefit of such Person and/or one or more members of his Immediate Family, or (iii) a partnership, limited partnership, limited liability company, corporation or other entity in which such Person and members of his Immediate Family possess 100% of the outstanding voting securities, (b) if such Person is a partnership or limited liability company, the general partners, limited partners or members thereof to whom securities of Holdings are Transferred on a pro rata basis in accordance with the terms of the underlying partnership agreement or limited liability company agreement and (c) if such Person is a corporation, any wholly owned subsidiary of such corporation or parent of such corporation that wholly owns such corporation. For purposes of this definition, "Immediate Family", with respect to any individual, shall mean his brothers, sisters, spouse, children (including adopted children), parents, parents-in-law, grandchildren, great grandchildren and other lineal descendants and spouses of any of the foregoing.

1.7 "Person" shall mean any natural person, corporation, organization, partnership, association, joint-stock company, limited liability company, joint venture, trust or government, or any agency or political subdivision of any government.

1.8 "Transfer" shall mean any direct or indirect, voluntary or involuntary, sale assignment, gift, encumbrance or other direct or indirect transfer (whether outright or conditional) of any Securities or any interest therein.

1.9 Defined Terms

The following terms are defined elsewhere in this Agreement in the Sections and on the pages indicated:

Defined Term	Section	Page
Act	1.4	3
Affiliate	1.1	2
Board	2.3(c)(i)	9
Cause	2.3(b)(ii)	8
Class A Common Stock	Recitations	1
Common Stock	Recitations	1
Compelled Sale	2.4(a)	12
Compelled Sale Notice	2.4(b)	12
Compelled Sale Purchaser	2.4(a)	11
controlled by	1.1	2
Credit Restriction	2.3(c)(ii)	10
Derivative Securities	1.2	2
Fair Market Value	1.3	2
Hartnett	Introduction	1
Holdings	Introduction	1
Immediate Family	1.6(c)	4
in control of	1.1	2
Initial Party	Introduction	1
Initial Public Offering	1.4	3
Joinder Agreement	2.5(b)	14
Objecting Party	2.3(a)	6
Outstanding Shares	1.5	3
Permitted Transferee	1.6	3
Person	1.7	4

Defined Term	Section	Page
Proposed Transferors	2.4(a)	11
Repurchase Offer Notice	2.3(a)	6
Securities	Recitations	1
Shares	Recitations	1
Stockholder	Introduction	1
Stockholders	Introduction	1
Transfer	1.8	4
under common control with	1.1	2
Warrants	Recitations	1

2. TRANSFER RESTRICTIONS

2.1 Legends. None of the Securities, including shares of Common Stock underlying the Warrants, has been (or will have been at the time of issuance) registered under the Act. Certificates representing the Shares, the Warrants, and upon exercise of the Warrants, the shares of Common Stock issuable at such time, shall bear the following legend:

> The securities represented by this certificate have not been registered under the Securities Act of 1933, as amended ("Act"), and may not be offered or sold except pursuant to (i) an effective registration statement under the Act or (ii) an exemption from registration under such Act (which, if requested by the issuer, shall be accompanied by an opinion of counsel to such effect reasonably satisfactory to the issuer).

2.2 Restrictions on Transfer of Securities. Except as otherwise provided for in this Article 2, no Stockholder shall Transfer any Securities without the prior written consent of Holdings.

2.3 Purchase on Death or Termination of Employment. Upon the death of the Initial Party or the termination of the employment of the Initial Party by Holdings or any subsidiary of Holdings (provided that the Initial Party is not, following such employment termination, an employee of Holdings or any subsidiary of Holdings) for any reason whatsoever, Holdings shall have the right (but not the obligation), exercisable upon notice given not more than one hundred and twenty (120) days following the date of such death or

termination of employment, to repurchase all, but not less than all, of the Securities (whether owned by the Initial Party or any Permitted Transferee of the Initial Party) at the Fair Market Value therefor as of the last day of the fiscal quarter immediately preceding such date of termination or death.

(a) If Holdings elects to exercise its rights to repurchase Securities under this Section 2.3, it shall deliver to each Stockholder (or the administrator of the estate of any deceased Stockholder) a notice of its election to so exercise (the "Repurchase Offer Notice"), which notice shall set forth Holdings' determination of the Fair Market Value of the Securities. If, within five (5) business days following delivery of the Repurchase Offer Notice, the Initial Party (or the administrator of the Initial Party's estate, the "Objecting Party") delivers a notice to Holdings disputing Holdings' determination of Fair

Market Value, Holdings and the Objecting Party shall endeavor in good faith to agree upon a mutually acceptable determination of Fair Market Value of the Securities. Failure by the Objecting Party to object within such five (5) business day period shall be deemed to be acceptance of Holdings' determination of Fair Market Value and a waiver of any right to object thereto. If, within ten (10) days following delivery of a notice disputing Holdings' determination of Fair Market Value, Holdings and the Objecting Party are not able to agree upon the Fair Market Value of the Securities, Holdings shall retain a nationally recognized accounting, investment banking or other firm, reasonably acceptable to the Objecting Party, experienced in the valuation of assets similar to the Securities, to value the Securities. The determination of such expert shall be binding upon Holdings and the Stockholders and the expenses of retaining such expert shall be borne equally by Holdings and the Objecting Party, provided,

however, that, within ten (10) days following delivery of the determination of such expert to Holdings, Holdings shall have the right to withdraw its offer to repurchase the Securities and elect not to exercise its rights under this Section 2.3. If Holdings' offer to repurchase the Securities is not withdrawn as provided above, the closing of the repurchase by Holdings of the Securities shall take place on the date specified in the Repurchase Offer Notice, which date shall not be earlier than ten (10), or later than ninety (90), days following delivery of the Repurchase Offer Notice, provided, however, that, if the Objecting Party shall have objected to Holdings' determination of Fair Market Value of the Securities, the closing of the repurchase of the Securities shall take place on a date specified by Holdings that shall be not less than ten (10), nor more than sixty (60), days following the final determination of such Fair Market Value, and provided further, however, that, if the closing of the repurchase of Securities shall be deferred by operation of Section 2.3(c) hereof, the closing of the repurchase of Securities shall take place on a date specified by Holdings that shall be not less than ten (10), nor more than sixty (60), days following the date such deferral terminates.

(b) (i) Payment for the Securities repurchased by Holdings pursuant to this Section 2.3 shall be as follows:

(A) If the event giving rise to Holdings' right torepurchase under this Section 2.3 shall be a termination of the Initial Party's employment for Cause, payments shall be made in five equal annual payments on the first through the fifth anniversaries of the date of the closing of such repurchase (or such shorter period as Holdings may choose and set forth in the Repurchase Offer Notice) with interest thereon as set forth in Section 2.3(d) hereof; or

(B) If the event giving rise to Holdings' right torepurchase under this Section 2.3 shall be anything other than a termination of the Initial Party's employment for Cause, payments shall be made in three equal annual payments on the first, second and third anniversaries of the date of the closing of such repurchase (or such shorter period as Holdings may choose and setforth in the Repurchase Offer Notice) with interest thereon as set forth in Section 2.3(d) hereof;

provided, however, that Holdings shall have the right to prepay any such amounts, in whole or in part, at any time without penalty or premium.

(ii) As used herein "Cause" shall mean:

(A) any act of fraud, embezzlement, theft or commission of a crime involving moral turpitude by the Initial Party;

(B) any breach by the Initial Party of any material covenant, condition, or agreement in any employment agreement entered into with Holdings or any subsidiary of Holdings;

(C) any good faith finding by Holdings (or the subsidiary of Holdings that employed the Initial Party) that the Initial Party repeatedly failed to perform the Initial Party's required duties; provided that Holdings (or such employing subsidiary) shall have provided the Initial Party with notice of such failure to performand have afforded the Initial Party a reasonable opportunity to cure (it being understood that compliance with the notice or cure provisions set forth in any written employment agreement with the Initial Party shall

constitute reasonable actions on behalf of Holdings (or such employing subsidiary)); or

(D) any chemical dependency by the Initial Party (other than in connection with medicines prescribed for the Initial Party).

(c) (i) Holdings' obligation to close the repurchase of, or make any payments (including any payments of interest) for, the Securities repurchased pursuant to this Section 2.3 shall be qualified, as hereinafter provided, in the event of the existence of a Credit Restriction. In the event of a Credit Restriction, Holdings may, at its option, defer (without penalty or premium) the closing of the repurchase of the Securities or all or any portion of any payments otherwise due, until such time as such closing or payment, in the opinion of the Board of Directors of Holdings (the "Board") is no longer subject to such Credit Restriction. The obligation to close the repurchase of, or make payments for, the Securities repurchased pursuant to this Section 2.3 shall be tolled during any period of deferral provided for above, and such repurchase shall be closed or such payments shall (re)commence following such deferral on the same schedule as provided in Section 2.3(b) hereof (but with all time frames for payments extended for the period of deferral, i.e. with no acceleration of payments in respect of payments that were due during such period of deferral); provided that interest on the purchase price for the Securities repurchased (or to be repurchased if the closing of the repurchase is deferred by reason of the Credit Restriction) pursuant to this Section 2.3 shall accrue during such period of deferral at the rate set forth in Section 2.3(d) hereof and shall be paid as set forth in said Section 2.3(d). If the closing of the repurchase was deferred by

reason of the Credit Restriction, interest shall accrue, as aforesaid, beginning on the 91st day following delivery of the Repurchase Offer Notice.

(ii) As used herein, a "Credit Restriction" shall be deemed to exist if any provision of any agreement with lenders to Holdings or holders of debt securities of Holdings (or lenders to, or holders of debt securities of, any subsidiary of Holdings), (A) restricts or limits Holdings' right to effect such repurchase or make any such payment, (B) restricts or limits the right of Holdings' subsidiaries to transfer (by way of dividend or otherwise) to Holdings the funds necessary to make such repurchase or payment, or (C) provides that the closing of such repurchase or making of any such payment would (x) restrict the right of Holdings or any of its subsidiaries to borrow any funds under such agreements, (y) result in a default thereunder or (z) otherwise result in an adverse affect on Holdings or any of its subsidiaries under such agreements, in each case as reasonably determined by the Board, whose determination shall be binding on the parties hereto.

(d) Interest on the unpaid portion of the purchase price for the Securities repurchased pursuant to this Section 2.3 shall accrue at a variable rate constituting the prime rate published by Holding's primary bank lender (from time to time) from the date of the closing of such repurchase until payment therefor is made. Each payment by Holdings pursuant to this Section 2.3 shall include all accrued and unpaid interest to the date of such payment on the then unpaid portion of the purchase price for the Securities repurchased pursuant to this Section 2.3. Interest accrued during any period of deferral (pursuant to (c) above) shall be paid as follows:

(i) If the closing of the repurchase is deferred, such accrued interest shall be added to the purchase price for the Securities otherwise established hereunder, and shall be paid, together withaccrued interest thereon, as set forth in Section 2.3(b) hereof;

(ii) If the closing of the repurchase had previously taken place, but payments under Section 2.3(b) hereof are deferred, such accruedinterest shall effectively be capitalized over the remaining term of repayment set forth in Section 2.3(b) hereof, to be repaid, together with interest thereon, in the same fashion as the then balance of the original principal amount. (e) Notwithstanding anything else in this Agreement to the contrary,

Holdings shall have the right to assign, in whole or in part, to any other party its right to repurchase Securities under this Section 2.3.

2.4 Right to Compel Sale.

(a) If Hartnett and his Permitted Transferees (the "Proposed Transferors"), wish to sell all, and not less than all, of the Common Stock or Derivative Securities then owned by the Proposed Transferors on such date, to any bona fide independent third party other than an Affiliate or a Permitted Transferee of such Proposed Transferors (the "Compelled Sale Purchaser"), and if such Compelled Sale Purchaser requires, as a condition to acquiring such Common Stock or Derivative Securities upon terms acceptable to the Proposed Transferors, that the Stockholders sell to such Compelled Sale Purchaser all, and not less than all, of the Securities, then each Stockholder shall be obligated to join and fully cooperate in the sale together with the concurrent sale by the Proposed Transferors (a

"Compelled Sale") of all of its respective Securities to the Compelled Sale Purchaser, subject to the following:

(i) The terms and conditions applicable to the sale of the Securities shall be identical to those applicable to the sale of the securities by the Proposed Transferors, including, without limitation,the amount and nature of consideration and the same representations, indemnities and the like required of the Proposed Transferors.

(ii) Notwithstanding the foregoing, any liability of any Stockholder in connection with such sale shall be (A) several and not joint and several, (B) shall be limited to the proceeds actuallyreceived by such Stockholder, and, (C) in any event except for any liability occasioned by the specific wrongdoing of any Person, the liability of the Proposed Transferors and the Stockholders shall be further limited to damages occasioned by the breach of the representations and warranties made by them (which, in the case of the Stockholders, shall only include representations and warranties as to their ownership of the Securities being sold and other matters specifically applicable to them and their Securities) and damages arising under any indemnity or escrow provisions that are limited to their proportion of the aggregate proceeds received by all of them.

(b) The Proposed Transferors shall notify each Stockholder in writing of a Compelled Sale (a "Compelled Sale Notice"), which Compelled Sale Notice shall set forth all of the material terms and conditions of the Compelled Sale, including, without limitation, the proposed amount and nature of consideration and all other material terms and conditions, including the date of the proposed Transfer and all applicable representations, indemnities and other contract provisions. Each Stockholder shall execute and deliver to the Proposed

Transferors within five (5) business days after delivery to such Stockholder for such execution, all documents required to be executed by such Stockholder in order to consummate such Compelled Sale, subject to the limitations on liability contained in Section 2.4(a)(ii) hereof. Further, and in any event, each Stockholder hereby appoints the Secretary of Holdings as its attorney-in-fact to execute any and all documents and instruments and take all actions reasonably necessary to Transfer the Securities owned by such Stockholder in order to effect the terms of this Section 2.4, which power of attorney may only be exercised if the Compelled Sale complies with all of the terms of this Section 2.4. It is understood and agreed that the appointment of the Secretary of Holdings as the attorney-in-fact of each Stockholder for the purposes set forth above is coupled with an interest and is irrevocable.

(c) Upon consummation of the sale of the Securities to the Compelled Sale Purchaser pursuant to the Compelled Sale, the Compelled Sale Purchaser shall (i) notify each Stockholder of such completion and shall furnish such evidence of said sale (including time of completion) and of the terms thereof as any of the Stockholders may reasonably request, and (ii) remit to each Proposed Transferor and each Stockholder the consideration for the total sales price of Common Stock and Derivative Securities of such party sold pursuant thereto, against delivery by such party of such evidences of ownership of such party's Common Stock and Derivative Securities as may be requested by the Compelled Sale Purchaser, and the compliance by such party with any other conditions to closing generally applicable to all Proposed Transferors and Stockholders.

(d) If any Compelled Sale Offer is withdrawn, or terminated for any reason, prior to consummation, the Proposed Transferors shall, without prejudice to their (or any

other Proposed Transferor's) rights hereunder to deliver a subsequent Compelled Sale Notice, return to each Stockholder all documentation which such Stockholder had previously delivered to the Proposed Transferor in connection with such Compelled Sale Offer.

2.5 Transfers to Permitted Transferees. (a) Notwithstanding anything contained in this Article 2 to the contrary, each Stockholder may Transfer any or all Common Stock or Derivative Securities owned by such Person to Permitted Transferees of the Initial Party.

(b) Any Transfer to a Permitted Transferee pursuant to Section 2.6(a) hereof, shall be conditioned in each such case upon any such Transferee first entering into a joinder agreement (a "Joinder Agreement"), in the form attached hereto as Exhibit A, pursuant to which such Transferee, and the Common Stock or Derivative Securities acquired, shall become subject to the terms and conditions of this Agreement, including those contained in Section 2.5(c) hereof.

(c) Upon any Transfer by a Stockholder and the execution of a Joinder Agreement, each Transferee, and the Securities acquired by it, shall be subject to all of the limitations and obligations set forth in this Article 2, and, except as set forth in clause (ii) below, shall obtain the benefits and rights of a Stockholder hereunder, with respect to the Securities so acquired, pursuant to this Article 2.

(d) In the event that a Stockholder Transfers any of its Securities hereunder, until notice thereof shall have been delivered by such Stockholder to Holdings and Hartnett (i) any notices to be given to such Transferees shall be deemed given if delivered to the Transferor Stockholder, (ii) a notice from any such Transferee shall be deemed delivered only if delivered by such Transferor Stockholder, (iii) Holdings and Hartnett shall be permitted to

rely upon any notice given by such Transferor Stockholder as containing the intentions of its Transferees, and (iv) where applicable, such Transferees shall share any rights contained in this Agreement as they shall deem appropriate, and as reflected by any notices provided by such Transferor Stockholder. If the Initial Party Transfers all of its Securities it may designate, by written notice to Holdings and all other stockholders, a successor Person to give and accept notices, on behalf of all Transferees of the Initial Party, as set forth herein.

2.6 Termination on Initial Public Offering. The restrictions on Transfer of Common Stock and Derivative Securities and the other rights, restrictions and obligations contained in this Article 2 shall terminate and be of no further force and effect following an Initial Public Offering.

2.7 Transfers Not in Compliance Void. Any purported Transfer of Securities owned by a Stockholder that is not in compliance with this Agreement shall be null and void and of no force and effect whatsoever. Accordingly, such Transfer shall not be reflected on the books of Holdings and Holdings will not recognize any such proposed transferee as the holder of any such Securities. 3. TERMINATION; AMENDMENT

3.1 Termination; Amendment.

(a) This Agreement may be terminated and the terms hereof amended at any time only by the execution of a written instrument signed on behalf of Holdings, Hartnett and either (i) the Initial Party or (ii) the Holders of not less than 67% of the aggregate Outstanding Shares held by the Stockholders.

(b) In the event of the termination of this Agreement, this Agreement shall forthwith become void and have no effect, without any liability on the part of any party hereto or any of their directors, officers, partners or stockholders.

4. MISCELLANEOUS

4.1 Notices.

Any notice, request, instruction, or other communication to be given hereunder by any party to another shall be in writing and shall be deemed to have given if delivered by hand or sent by telecopier (transmission confirmed), certified or registered mail (return receipt requested), postage prepaid, or by overnight express service, addressed to the respective party or parties: (i) if to a Stockholder or successor thereto, at the address for such party in the books and records of Holdings, (ii) if to Holdings at the following address:

Roller Bearing Holding Company, Inc.
60 Round Hill Road
P.O. Box 430
Fairfield, Connecticut 06430-0430
Telecopier: 203-256-0775

Attention: Chief Executive Officer

with a copy (which shall not constitute notice) to:

McDermott, Will & Emery
50 Rockefeller Plaza
New York, New York 10020
Telecopier: 212-547-5444
Attention: C. David Goldman, Esq.

and (iii) if to Hartnett:

Dr. Michael J. Hartnett
c/o Roller Bearing Company of America, Inc.
60 Round Hill Road
P.O. Box 430
Fairfield, Connecticut 06430-0430
Telecopier: 203-256-0775

with a copy (which shall not constitute notice) to:

McDermott, Will & Emery
50 Rockefeller Plaza
New York, New York 10020
Telecopier: 212-547-5444
Attention: C. David Goldman, Esq.

or to such other address or addresses as any party may designate to the others by like notice as set forth above. Any notice given hereunder shall be deemed given and received on the date of hand delivery or transmission by telecopier, three days after mailing by certified or registered mail or one day after delivery to an overnight express service for next day delivery, as the case may be.

4.2 Entire Agreement. This Agreement contains the entire agreement between the parties hereto with respect to the subject matter contemplated hereby.

4.3 Captions. The captions of the various Articles and Sections of this Agreement have been inserted only for convenience of reference and shall not be deemed to modify, explain, enlarge or restrict any provision of this Agreement or affect the construction hereof.

4.4 No Third Party Beneficiary. Nothing expressed or implied in this Agreement is intended, or shall be construed, to confer upon or give any person other than the parties hereto and their respective heirs, personal representatives, legal representatives, and successors, any rights or remedies under or by reason of this Agreement.

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

4.6 Governing Law; Submission to Jurisdiction. (a) THIS AGREEMENT SHALL BE DEEMED TO BE A CONTRACT MADE UNDER THE LAWS OF THE STATE OF NEW YORK AND FOR ALL PURPOSES SHALL BE CONSTRUED IN ACCORDANCE WITH THE LAWS OF SAID STATE WITHOUT GIVING EFFECT TO THE RULES OF SAID STATE GOVERNING THE CONFLICTS OF LAWS.

(b) The parties hereto hereby agree that any action, proceeding or claim against it arising out of, or relating in any way to, this Agreement may be brought and enforced in the courts of the State of New York or of the United States of America for the Southern District of New York, and irrevocably submits to such jurisdiction for such purpose. The parties hereto hereby irrevocably waive any objection to such jurisdiction or inconvenient forum. Any such process or summons to be served upon any of the parties hereto (at the option of the party bringing such action, proceeding or claim) may be served by transmitting a copy thereof, by registered or certified mail, return receipt requested, postage prepaid, addressed to it at the address set forth in Section 4.1 hereof. Such mailing shall be deemed personal service and shall be legal and binding upon the party so served in any action, proceeding or claim. Nothing herein shall affect the right of any party hereto to serve process

in any other manner permitted by law or to commence legal proceedings or otherwise proceed against any other party in any other jurisdiction.

4.7 Assignment. Except as otherwise set forth in this Agreement, neither this Agreement nor any of the rights, interests or obligations hereunder shall be assigned by any of the parties hereto (whether by operation of law or otherwise) without the prior written consent of the other parties. Subject to the preceding sentence, this Agreement will be binding upon, inure to the benefit of and be enforceable by the parties and their respective successors and assigns.

4.8 Counterparts. This Agreement may be executed in two or more counterparts, each of which shall be considered one and the same agreement and shall become effective when a counterpart has been signed by each of the parties and delivered to the other party, it being understood that all parties need not sign the same counterpart.

IN WITNESS WHEREOF, the parties hereto have executed this Stockholders' Agreement as of the date set forth above.

ROLLER BEARING HOLDING COMPANY, INC.

By: _____
Name:

Title:

_____
Dr. Michael J. Hartnett

_____

ROLLER BEARING HOLDING COMPANY, INC.

AMENDED AND RESTATED 2001 STOCK OPTION PLAN

1. Purpose. The Roller Bearing Holding Company, Inc. Amended and Restated 2001 Stock Option Plan (the "Plan") is intended to provide incentives which will attract and retain highly competent persons as officers and management-level employees of Roller Bearing Holding Company, Inc. and its subsidiaries (the "Company"), as well as independent contractors providing consulting or advisory services to the Company, by providing them opportunities to acquire shares of Class A Common Stock of the Company ("Common Shares") pursuant to Options, as described herein.

2. Administration.

(a) Subject to its express terms, the Plan will be administered by the Board of Directors of the Company (the "Board") unless and until the Board delegates, or is required to delegate, administration pursuant to the terms of the Plan. The Board is authorized, subject to the provisions of the Plan, to establish such rules and regulations as it deems necessary or appropriate for the proper administration of the Plan and to make such determinations and interpretations and to take such action in connection with the Plan and any Options granted hereunder as it deems necessary or advisable. All determinations and interpretations made by the Board shall be binding and conclusive on all participants and their legal representatives. No member of the Board, and no employee of the Company shall be liable for any act or failure to act hereunder, by any other member or employee or by any agent to whom duties in connection with the administration of this Plan have been delegated or, except in circumstances involving his bad faith, gross negligence or fraud, for any act or failure to act by the member or employee.

(b) The Board may delegate all or any portion of its administration of the Plan to a committee composed of not fewer than two (2) members of the Board (the "Committee"). If administration is delegated to a Committee, the Committee shall have, in connection with the administration of the Plan, the powers theretofore possessed by the Board (and references in this Plan to the Board shall thereafter be to the Committee, as applicable), subject, however, to such resolutions, not inconsistent with the provisions of the Plan, as may be adopted from time to time by the Board. The Board may terminate all or any portion of the Committee's authority under the Plan at any time and revest in the Board all or any portion of the administration of the Plan.

3. Participants. Participants will consist of such officers and management-level employees of the Company, and independent contractors providing consulting or advisory services to the Company (including members of the Board), as the Chief Executive Officer of the Company (the "CEO"), in his sole discretion, determines to be significantly responsible for the success and future growth and profitability of the Company and whom the CEO may designate from time to time to receive Options under the Plan (including, without limitation, the CEO himself). Designation as a participant in any year shall not require the CEO to designate such person to receive an Option in any other year or, once designated, to receive the same type or

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amount of Options as granted to the participant, or any other participant, in any year. The CEO shall consider such factors as he deems pertinent in selecting participants and in determining the type and amount of their respective Options.

4. Shares Reserved under the Plan. Subject to adjustments as provided in Section 6, there is hereby reserved for issuance under the Plan an aggregate of 403,421 Common Shares, which may be authorized but unissued shares or shares held by the Company in its treasury. Any shares subject to any form of Option hereunder may thereafter be subject to new Options under this Plan if there is a lapse, expiration or termination of any such Options granted prior to issuance of the shares, or if shares are issued under Options and thereafter are reacquired by the Company pursuant to rights reserved by the Company upon issuance thereof.

5. Options. Options will consist of awards from the Company that will enable the holder to purchase a specific number of Common Shares, at set terms and at a fixed purchase price. Options may be "incentive stock options" within the meaning of Section 422 of the Internal Revenue Code ("Incentive Stock Options") or Options that do not constitute Incentive Stock Options ("Nonqualified Stock Options," and together with Incentive Stock Options, "Options"). The CEO will have the authority to grant to any participant one or more Incentive Stock Options, Nonqualified Stock Options, or both types of Options. Each Option shall be evidenced by a written option agreement in such form and shall be subject to such terms and conditions as the CEO may approve from time to time, including without limitation the following:

(a) Exercise Price. Each Option granted hereunder shall have such per-share exercise price as the CEO may determine at the date of grant; provided, however, that the per share exercise price for the Options shall not be less than 100% of the Fair Market Value of the Common Shares on the date the option is granted, as reasonably determined by the Board, except that Options to acquire 1200 shares of Common Stock at a price per share of $8.00 may be granted to each of Richard R. Crowell, Kurt B. Larsen, Robert Anderson and William P. Killian.

(b) Payment of Exercise Price. The option exercise price may be paid by check or, in the discretion of the Board, by the delivery (or certification of ownership) of Common Shares of the Company then owned by the participant; provided, however, that payment of the exercise price by delivery of Common Shares of the Company then owned by the participant may be made only if such payment does not result in a charge to earnings for financial accounting purposes as determined by the Board. In the discretion of the Board, if Common Shares are readily tradeable on a national securities exchange or other market system at the time of option exercise, payment may also be made by delivering a properly executed exercise notice to the Company together with a copy of irrevocable instructions to a broker to deliver promptly to the Company the amount of sale or loan proceeds to pay the exercise price. To facilitate the foregoing, the Company may enter into agreements for coordinated procedures with one or more brokerage firms.

(c) Exercise Period. Options granted under the Plan shall be exercisable at such times and subject to such terms and conditions as shall be determined by the CEO; provided, however, that Options shall not be exercisable more than 10 years after the date they

are granted. All Options shall terminate at such earlier times and upon such conditions or circumstances as the CEO shall in his sole discretion set forth in such option at the date of grant, including but not limited to limitations on exercisability following termination of the participant's employment or consulting relationship.

(d) **Limitations on Incentive Stock Options.** Incentive Stock Options may be granted only to participants who are employees of the Company or one of its subsidiaries (within the meaning of Section 424(f) of the Internal Revenue Code) at the date of grant. The aggregate Fair Market Value (determined as of the time the option is granted) of the Common Shares with respect to which Incentive Stock Options are exercisable for the first time by a participant during any calendar year (under all option plans of the Company) shall not exceed $100,000. Incentive Stock Options may not be granted to any participant who, at the time of grant, owns stock possessing (after the application of the attribution rules of Section 424(d) of the Code) more than 10% of the total combined voting power of all classes of stock of the Company, unless the option price is fixed at not less than 110% of the Fair Market Value of the Common Shares on the date of grant and the exercise of such option is prohibited by its terms after the expiration of five years from the date of grant of such option.

(e) **Redesignation as Nonqualified Stock Options**. Options designated as Incentive Stock Options that fail to meet the requirements of Section 422 of the Internal Revenue Code shall be redesignated as nonqualified options for Federal income tax purposes automatically without further action by the Board or the CEO on the date of such failure to continue to meet the requirements of Section 422 of the Code.

(f) **Limitation of Rights in Shares.** The recipient of an Option shall not be deemed for any purpose to be a shareholder of the Company with respect to any of the shares subject thereto except to the extent that the Option shall have been exercised and, in addition, a certificate shall have been issued and delivered to the participant.

6. **Adjustment Provisions**.

(a) If the Company shall at any time change the number of issued Common Shares without new consideration to the Company by stock dividend, stock split, recapitalization, reorganization, exchange of shares, liquidation, combination or other change in corporate structure affecting the Common Shares, the total number of shares available for Options under this Plan shall be appropriately adjusted and the number of shares covered by each outstanding Option and the exercise price thereunder shall be adjusted so that the net value of such Option shall not be changed, all of the foregoing, including the appropriations of any such adjustment to be as determined by the Board, in its discretion. It is specifically understood that the provisions of this subsection (a) are intended to apply solely to capital events that are independent of, and unrelated to, any transaction involving the direct or indirect sale or issuance of securities of the Company for value (and irrespective of the adequacy of the consideration so paid).

(b) In the case of any sale of assets, merger, consolidation, combination or other corporate reorganization or restructuring of the Company with or into another corporation

which results in the outstanding Common Shares being converted into or exchanged for different securities, cash or other property, or any combination thereof (an "Acquisition"), subject to the provisions of this Plan and any limitation applicable to the Option, any participant to whom an Option has been granted shall have the right thereafter and during the term of the Option, to receive upon exercise thereof the Acquisition Consideration (as defined below) receivable upon the Acquisition by a holder of the number of Common Shares that might have been obtained upon exercise of the Option or portion thereof, as the case may be, immediately prior to the Acquisition. The term "Acquisition Consideration" shall mean the kind and amount of securities, cash or other property or any combination thereof receivable in respect of one Common Share upon consummation of an Acquisition.

(c) Notwithstanding any other provision of this Plan, the Board may authorize the issuance, continuation or assumption of Options or provide for other equitable adjustments after changes in the Common Shares resulting from any other merger, consolidation, sale of assets, acquisition of property or stock, recapitalization, reorganization or similar occurrence upon such terms and conditions as it may deem equitable and appropriate.

(d) In the event that another corporation or business entity is being acquired by the Company, and the Company assumes outstanding employee stock options and/or the obligation to make future grants of options to employees of the acquired entity, the aggregate number of Common Shares available for Options under this Plan shall be increased accordingly.

7. **Nontransferability**.

(a) Each Option granted under the Plan to a participant shall not be transferable by him otherwise than by will or the laws of descent and distribution, and shall be exercisable, during the participant's lifetime, only by him. In the event of the death of a participant while the participant is rendering employment, consulting or advisory services to the Company, each Option theretofore granted to him shall be exercisable during such period after his death as the Board shall in its discretion set forth in such option at the date of grant (but not beyond the stated duration of the option) and then only:

(i) By the executor or administrator of the estate of the deceased participant or the person or persons to whom the deceased participant's rights under the Option shall pass by will or the laws of descent and distribution; and

(ii) To the extent that the deceased participant was entitled to do so at the date of his death.

(b) Notwithstanding Section 7(a), Nonqualified Stock Options granted hereunder may be transferred to members of the participant's immediate family (which for purposes of this Plan shall be limited to the participant's children, grandchildren and spouse), or to one or more trusts for the benefit of such family members, or to partnerships or limited liability companies in which such family members and/or trusts are the only partners or members, but only if the Option expressly so provides, or as otherwise approved by the CEO or the Board in their discretion.

8. **Other Provisions.** Options granted under the Plan may also be subject to such other provisions (whether or not applicable to any other Options awarded under the Plan to the participant or to any other participant) as the Board or the CEO determines appropriate, including without

limitation, provisions for the installment purchase of Common Shares, provisions to assist the participant in financing the acquisition of Common Shares, provisions for the forfeiture of, or restrictions on resale or other disposition of, Common Shares acquired under any form of Option, provisions for the deferral of option gains, provisions for the acceleration of exercisability or vesting of Options in the event of a change of control of the Company, provisions for the payment of the value of Options to participants in the event of a change of control of the Company, provisions for the forfeiture of the Options, or provisions to comply with Federal and state securities laws, or understandings or conditions as to the participant's employment in addition to those specifically provided for under the Plan.

9. Fair Market Value. For purposes of this Plan and any Options awarded hereunder, the Fair Market Value of Common Shares shall be the mean between the highest and lowest sale prices for the Company's Common Shares as reported on the Nasdaq National Market (or such other consolidated transaction reporting system on which such Common Shares are primarily traded) on the date of calculation (or on the next preceding trading date if Common Shares were not traded on the date of calculation); provided, however, that if the Company's Common Shares are not at any time readily tradeable on a national securities exchange or other market system, Fair Market Value shall mean the amount determined in good faith by the Board as the fair market value of the Common Shares of the Company.

10. Withholding. All payments or distributions made pursuant to the Plan shall be net of any amounts required to be withheld pursuant to applicable federal, state and local income and/or employment tax withholding requirements. If the Company proposes or is required to distribute Common Shares pursuant to the exercise of Options, it may require the recipient to remit to it an amount sufficient to satisfy such tax withholding requirements prior to the delivery of any certificates for such Common Shares. The Board may, in its discretion and subject to such rules as it may adopt, permit an optionee to pay all or a portion of the federal, state and local withholding taxes arising in connection with the exercise of an Option, by electing to have the Company withhold Common Shares having a Fair Market Value that is not in excess of the amount of taxes required to be withheld.

11. Tenure. A participant's right, if any, to continue to serve the Company as an officer, employee, consultant, advisor, or otherwise, shall not be enlarged or otherwise affected by his designation as a participant under the Plan, nor shall this Plan in any way interfere with the right of the Company, subject to the terms of any separate agreement to the contrary, at any time to terminate such employment, consulting or advisory relationship, or to increase or decrease the compensation of the participant from the rate in existence at the time of the grant of an Option.

12. Duration, Amendment and Termination. No Option shall be granted after July 31, 2011; provided, however, that the terms and conditions applicable to any Option granted prior to such date may thereafter be amended or modified by mutual agreement between the Company and the participant or such other persons as may then have an interest therein.

Also, by mutual agreement between the Company and a participant hereunder, under this Plan or under any other present or future plan of the Company, Options may be granted to such participant in substitution and exchange for, and in cancellation of, any Options previously granted such participant under this Plan, or any other present or future plan of the Company. The Board may amend the Plan from time to time or terminate the Plan at any time, subject to any requirement of stockholder approval required by applicable law, rule or regulation. However, no action authorized by this Section 12 shall reduce the amount of any outstanding Option or change the terms or conditions thereof without the participant's consent.

13. Governing Law. This Plan and actions taken in connection herewith shall be governed and construed in accordance with the laws of the State of Delaware (regardless of the law that might otherwise govern under applicable Delaware principles of conflict of laws).

14. Approval. The Plan was adopted by the Board on October 24, 2003.

EXHIBIT 10.5

FORM OF RBC 2005 LONG-TERM EQUITY INCENTIVE PLAN

1. Purpose.

This plan shall be known as the RBC 2005 Long-Term Equity Incentive Plan (the "Plan"). The purpose of the Plan shall be to promote the long-term growth and profitability of RBC Bearings Incorporated (the "Company") and its Subsidiaries by (i) providing certain directors, officers and employees of, and certain other individuals who perform services for, or to whom an offer of employment has been extended by, the Company and its Subsidiaries with incentives to maximize stockholder value and otherwise contribute to the success of the Company and (ii) enabling the Company to attract, retain and reward the best available persons for positions of responsibility. Grants ("Grants") of incentive or non-qualified stock options, stock appreciation rights ("SARs"), either alone or in tandem with options, restricted stock, performance awards or any combination of the foregoing may be made under the Plan. This Plan supercedes any prior plans, and any Grant hereunder supercedes any prior written agreement pursuant to which such Grant is made.

2. Definitions.

(a) "Award Agreement" means any written agreement between the Company and any person pursuant to which the Company makes any Grant under the Plan.

(b) "Board of Directors" and "Board" mean the board of directors of the Company.

(c) "Cause" means, unless otherwise defined in any Award Agreement, the occurrence of one or more of the following events:

(i) conviction of a felony or any crime or offense lesser than a felony involving the property of the Company or a Subsidiary or commission of an act involving fraud or dishonesty; or, in the case of any of the foregoing, a plea of *nolo contendere* with respect thereto;

(ii) conduct that has caused demonstrable and serious injury to the Company or a Subsidiary, reputational, monetary or otherwise;

(iii) willful refusal to perform or substantial disregard of duties properly assigned, as determined by the Company;

(iv) willful misrepresentation or material non-disclosure to the Board;

(v) engaging willfully in misconduct in connection with the performance of any of one's duties, including, without limitation, the misappropriation of funds or securing or

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attempting to secure personally any profit in connection with any transaction entered into on behalf of the Company or its Subsidiaries or affiliates;

(vi) willful breach of duty of loyalty to the Company or, if applicable, a Subsidiary or any other active disloyalty to the Company or, if applicable, any Subsidiary, including, without limitation, willfully aiding a competitor or, without duplication of clause (vii), improperly disclosing confidential information;

(vii) willful breach of any confidentiality or non-disclosure agreement with the Company or any Subsidiary; or

(viii) material violation of any code or standard of behavior generally applicable to employees (or executive employees, in the case of an executive of the Company or any Subsidiary) of the Company or any Subsidiary.

(d) "Change in Control" means, unless otherwise defined in any Award Agreement,

(i) if any "person" or "group" as those terms are used in Sections 13(d) and 14(d) of the Exchange Act or any successors thereto, is or becomes the "beneficial owner" (as defined in Rule 13d-3 under the Exchange Act or any successor thereto), directly or indirectly, of securities of the Company representing 50% or more of the combined voting power of the Company's then outstanding securities, provided, that the acquisition of additional securities by any person or group that owns 50% or more of the voting power prior to such acquisition of additional securities shall not be a Change of Control; or

(ii) during any twelve-month period, individuals who at the beginning of such period constitute the Board and any new directors whose election by the Board or nomination for election by the Company's stockholders was approved by at least a majority of the directors then still in office who either were directors at the beginning of the period or whose election was previously so approved, cease for any reason to constitute a majority thereof; or

(iii) the stockholders of the Company approve a merger or consolidation of the Company with any other corporation, other than a merger or consolidation (A) which would result in all or a portion of the voting securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity) more than 50% of the combined voting power of the voting securities of the Company or such surviving entity outstanding immediately after such merger or consolidation or (B) by which the corporate existence of the Company is not affected and following which the Company's chief executive officer and directors retain their positions with the Company (and constitute at least a majority of the Board); or

(iv) the stockholders of the Company approve an agreement for the sale or disposition by the Company of all or substantially all the Company's assets.

(e) "Code" means the Internal Revenue Code of 1986, as amended.

(f) "Committee" means the Compensation Committee of the Board, which shall consist solely of two or more outside directors.

(g) "Common Stock" means the common stock, par value $ per share, of the Company, and any other shares into which such stock may be changed by reason of a recapitalization, reorganization, merger, consolidation or any other change in the corporate structure or capital stock of the Company.

(h) "Disability" means a disability that would entitle an eligible participant to payment of monthly disability payments under any Company disability plan or as otherwise determined by the Committee; provided that in any instance where a grant to a participant is treated as "deferred compensation" within the meaning of Section 409A of the Code, "Retirement" shall be interpreted consistently with the meaning of Section 409A(a)(2)(A)(i) of the Code and guidance issued thereunder.

(i) "Exchange Act" means the Securities Exchange Act of 1934, as amended.

(j) "Fair Market Value" of a share of Common Stock of the Company means, as of the date in question, the officially-quoted closing selling price of the stock (or if no selling price is quoted, the bid price) on the principal securities exchange or market on which the Common Stock is then listed for trading (including, for this purpose, the New York Stock Exchange or the Nasdaq National Market) (the "Market") for the applicable trading day or, if the Common Stock is not then listed or quoted in the Market, the Fair Market Value shall be the fair value of the Common Stock determined in good faith by the Board using any reasonable method; provided, however, that when shares received upon exercise of an option are immediately sold in the open market, the net sale price received may be used to determine the Fair Market Value of any shares used to pay the exercise price or applicable withholding taxes and to compute the withholding taxes.

(k) "Incentive Stock Option" means an option conforming to the requirements of Section 422 of the Code and/or any successor thereto.

(l) "Initial Public Offering" means an underwritten initial public offering and sale of any shares of Common Stock pursuant to an effective registration statement under the Securities Act.

(m) "Non-Employee Director" has the meaning given to such term in Rule 16b-3 under the Exchange Act and/or any successor thereto.

(n) "Non-qualified Stock Option" means any stock option other than an Incentive Stock Option.

(o) "Other Securities" mean securities of the Company other than Common Stock, which may include, without limitation, debentures, unbundled stock units or components thereof, preferred stock, warrants and securities convertible into or exchangeable for Common Stock or other property.

(p) "Retirement" means retirement as defined under any Company pension plan or retirement program or termination of one's employment on retirement with the approval of the Committee; provided that in any instance where a grant to a participant is treated as "deferred compensation" within the meaning of Section 409A of the Code, "Disability" shall be interpreted consistently with the meaning of Section 409A of the Code and guidance issued thereunder..

(q) "Subsidiary" means a corporation or other entity of which outstanding shares or ownership interests representing 50% or more of the combined voting power of such corporation or other entity entitled to elect the management thereof, or such lesser percentage as may be approved by the Committee, are owned directly or indirectly by the Company.

3. Administration.

The Plan shall be administered by the Committee; provided that the Board may, in its discretion, at any time and from time to time, resolve to administer the Plan, in which case the term "Committee" shall be deemed to mean the Board for all purposes herein. Subject to the provisions of the Plan, the Committee shall be authorized to (i) select persons to participate in the Plan, (ii) determine the form and substance of Grants made under the Plan to each participant, and the conditions and restrictions, if any, subject to which such Grants will be made, (iii) certify that the conditions and restrictions applicable to any Grant have been met, (iv) modify the terms of Grants made under the Plan in accordance with the provisions of Sections 16 and 17 hereof, (v) interpret the Plan and Grants made thereunder, (vi) make any adjustments necessary or desirable in connection with Grants made under the Plan to eligible participants located outside the United States and (vii) adopt, amend, or rescind such rules and regulations, and make such other determinations, for carrying out the Plan as it may deem appropriate. Decisions of the Committee on all matters relating to the Plan shall be in the Committee's sole discretion and shall be conclusive and binding on all parties. The validity, construction, and effect of the Plan and any rules and regulations relating to the Plan shall be determined in accordance with applicable federal and state laws and rules and regulations promulgated pursuant thereto. No member of the Committee and no officer of the Company shall be liable for any action taken or omitted to be taken by such member, by any other member of the Committee or by any officer of the Company in connection with the performance of duties under the Plan, except for such person's own willful misconduct or as expressly provided by statute.

The expenses of the Plan shall be borne by the Company. The Company shall not be required to establish any special or separate fund or make any other segregation of assets to assume the obligations pursuant to any Grant made under the Plan, and rights to any payment in connection with such Grants shall be no greater than the rights of the Company's general creditors.

4. Shares Available for the Plan.

Subject to adjustments as provided in Section 15, an aggregate of shares of Common Stock, which represents the number of shares equal to six percent (6%) of the number of shares of Common Stock outstanding immediately following the consummation of the Company's Initial Public Offering (the "Shares"), may be issued pursuant to the Plan. Such Shares may be in whole or in part authorized and unissued or held by the Company as

treasury shares. If any Grant under the Plan expires or terminates unexercised, becomes unexercisable or is forfeited as to any Shares, or is tendered or withheld as to any Shares in payment of the exercise price of the Grant or taxes payable with respect to the Grant or the vesting or exercise thereof, then such unpurchased, forfeited, tendered or withheld Shares may thereafter be available for further Grants under the Plan as the Committee shall determine.

Without limiting the generality of the foregoing provisions of this Section 4 or the generality of the provisions of Sections 3, 6 or 17 or any other section of this Plan, the Committee may, at any time or from time to time, and on such terms and conditions (that are consistent with and not in contravention of the other provisions of this Plan) as the Committee may, in its sole discretion, determine, enter into agreements (or take other actions with respect to the Grants) for new Grants containing terms (including exercise prices) more (or less) favorable than the outstanding Grants.

5. Participation.

Participation in the Plan shall be limited to those directors (including Non-Employee Directors), officers (including non-employee officers) and employees of, and other individuals performing services for, or to whom an offer of employment has been extended by, the Company and its Subsidiaries selected by the Committee (including participants located outside the United States). Nothing in the Plan or in any Grant thereunder shall confer any right on a participant to continue in the employ as a director or officer of, or in any other capacity or in the performance of services for, the Company or shall interfere in any way with the right of the Company to terminate the employment or performance of services or to reduce the compensation or responsibilities of a participant at any time. By accepting any Grant under the Plan, each participant and each person claiming under or through him or her shall be conclusively deemed to have indicated his or her acceptance and ratification of, and consent to, any action taken under the Plan by the Company, the Board or the Committee.

Incentive Stock Options or Non-qualified Stock Options, SARs alone or in tandem with options, restricted stock awards, performance awards or any combination thereof may be granted to such persons and for such number of Shares as the Committee shall determine (such individuals to whom Grants are made being sometimes herein called "optionees" or "grantees," as the case may be). Determinations made by the Committee under the Plan need not be uniform and may be made selectively among eligible individuals under the Plan, whether or not such individuals are similarly situated. A Grant of any type made hereunder in any one year to an eligible participant shall neither guarantee nor preclude a further Grant of that or any other type to such participant in that year or subsequent years.

6. Incentive and Non-qualified Options and SARs.

The Committee may from time to time grant to eligible participants Incentive Stock Options, Non-qualified Stock Options, or any combination thereof; provided that the Committee may grant Incentive Stock Options only to eligible employees of the Company or its subsidiaries (as defined for this purpose in Section 424(f) of the Code or any successor thereto). In any one calendar year, the Committee shall not grant to any one participant options or SARs to purchase or receive the economic equivalent of a number of shares of Common Stock in excess of 10% of the total number

of Shares authorized under the Plan pursuant to Section 4. The options granted shall take such form as the Committee shall determine, subject to the following terms and conditions.

It is the Company's intent that Non-qualified Stock Options granted under the Plan not be classified as Incentive Stock Options, that Incentive Stock Options be consistent with and contain or be deemed to contain all provisions required under Section 422 of the Code or any successor thereto, that neither any Non-qualified Stock Option nor any Incentive Stock Option be treated as a payment of deferred compensation for the purposes of Section 409A of the Code and any successor thereto, and that any ambiguities in construction be interpreted in order to effectuate such intent. If an Incentive Stock Option granted under the Plan does not qualify as such for any reason, then to the extent of such non-qualification, the stock option represented thereby shall be regarded as a Non-qualified Stock Option duly granted under the Plan, provided that such stock option otherwise meets the Plan's requirements for Non-qualified Stock Options.

(a) Price. The price per Share deliverable upon the exercise of each option ("exercise price") shall not be less than 100% of the Fair Market Value of a share of Common Stock as of the date of Grant of the option, and in the case of the Grant of any Incentive Stock Option to an employee who, at the time of the Grant, owns more than 10% of the total combined voting power of all classes of stock of the Company or any of its Subsidiaries, the

exercise price may not be less than 110% of the Fair Market Value of a share of Common Stock as of the date of Grant of the option, in each case unless otherwise permitted by Section 422 of the Code or any successor thereto.

(b) Payment. Options may be exercised, in whole or in part, upon payment of the exercise price of the Shares to be acquired. Unless otherwise determined by the Committee, payment shall be made (i) in cash (including check, bank draft, money order or wire transfer of immediately available funds), (ii) by delivery of outstanding shares of Common Stock with a Fair Market Value on the date of exercise equal to the aggregate exercise price payable with respect to the options' exercise, (iii) by simultaneous sale through a broker reasonably acceptable to the Committee of Shares acquired on exercise, as permitted under Regulation T of the Federal Reserve Board, (iv) by authorizing the Company to withhold from issuance a number of Shares issuable upon exercise of the options which, when multiplied by the Fair Market Value of a share of Common Stock on the date of exercise, is equal to the aggregate exercise price payable with respect to the options so exercised or (v) by any combination of the foregoing.

In the event a grantee elects to pay the exercise price payable with respect to an option pursuant to clause (ii) above, (A) only a whole number of share(s) of Common Stock (and not fractional shares of Common Stock) may be tendered in payment, (B) such grantee must present evidence acceptable to the Company that he or she has owned any such shares of Common Stock tendered in payment of the exercise price (and that such tendered shares of Common Stock have not been subject to any substantial risk of forfeiture) for at least six months prior to the date of exercise, and (C) Common Stock must be delivered to the Company. Delivery for this purpose may, at the election of the grantee, be made either by (A) physical delivery of the certificate(s) for all such shares of Common Stock tendered in payment of the price, accompanied by duly executed instruments of transfer in a form acceptable to the Company, or (B) direction to the grantee's broker to transfer, by book entry, of such shares of Common Stock from a brokerage account of the grantee to a brokerage account specified by the Company. When payment of the exercise price is made by delivery of

Common Stock, the difference, if any, between the aggregate exercise price payable with respect to the option being exercised and the Fair Market Value of the shares of Common Stock tendered in payment (plus any applicable taxes) shall be paid in cash. No grantee may tender shares of Common Stock having a Fair Market Value exceeding the aggregate exercise price payable with respect to the option being exercised (plus any applicable taxes).

In the event a grantee elects to pay the exercise price payable with respect to an option pursuant to clause (iv) above, only a whole number of Shares (and not fractional Shares) may be withheld in payment. When payment of the exercise price is made by withholding of Shares, the difference, if any, between the aggregate exercise price payable with respect to the option being exercised and the Fair Market Value of the Shares withheld in payment (plus any applicable taxes) shall be paid in cash. No grantee may authorize the withholding of Shares having a Fair Market Value exceeding the aggregate exercise price payable with respect to the option being exercised (plus any applicable taxes). Any withheld Shares shall no longer be issuable under such option.

(c) Terms of Options; Vesting. The term during which each option may be exercised shall be determined by the Committee, but if required by the Code and except as otherwise provided herein, no option shall be exercisable in whole or in part more than ten years from the date it is granted, and no Incentive Stock Option granted to an employee who at the time of the Grant owns more than 10% of the total combined voting power of all classes of stock of the Company or any of its Subsidiaries shall be exercisable more than five years from the date it is granted. All rights to purchase Shares pursuant to an option shall, unless sooner terminated, expire at the date designated by the Committee. The Committee shall determine the date on which each option shall become exercisable and may provide that an option shall become exercisable in installments. The Shares constituting each installment may be purchased in whole or in part at any time after such installment becomes exercisable, subject to such minimum exercise requirements as may be designated by the Committee. Prior to the exercise of an option and delivery of the Shares represented thereby, the optionee shall have no rights as a stockholder with respect to any Shares covered by such outstanding option (including any dividend or voting rights).

(d) Limitations on Grants. If required by the Code, the aggregate Fair Market Value (determined as of the Grant date) of Shares for which an Incentive Stock Option is exercisable for the first time during any calendar year under all equity incentive plans of the Company and its Subsidiaries (as defined in Section 422 of the Code or any successor thereto) may not exceed $100,000.

(e) Termination; Forfeiture.

(i) Death or Disability. Unless otherwise provided in any Award Agreement, if a participant ceases to be a director, officer or employee of, or to perform other services for, the Company and any Subsidiary due to death or Disability, (A) all of the participant's options and SARs that were exercisable on the date of death or Disability shall remain exercisable for, and shall otherwise terminate at the end of, a period of one year after the date of death or Disability, but in no event after the expiration date of the options and SARs and (B) all of the participant's options and SARs that were not exercisable on the date of death or Disability shall be forfeited immediately upon such death or Disability; provided, however, that the Committee may

determine to additionally vest such options and SARs, in whole or in part, in its discretion. Notwithstanding the foregoing, if the Disability giving rise to the termination of employment is not within the meaning of Section 22(e)(3) of the Code or any successor thereto, Incentive Stock Options not exercised by such participant within one year after the date of termination of employment will cease to qualify as Incentive Stock Options and will be treated as Non-qualified Stock Options under the Plan if required to be so treated under the Code.

(ii) Retirement. Unless otherwise provided in any Award Agreement, if a participant ceases to be a director, officer or employee of, or to perform other services for, the Company and any Subsidiary upon the occurrence of his or her Retirement, (A) all of the participant's options and SARs that were exercisable on the date of Retirement shall remain exercisable for, and shall otherwise terminate at the end of, a period of 90 days after the date of Retirement, but in no event after the expiration date of the options or SARs; provided that the participant does not engage in Competition during such 90-day period unless he or she receives written consent to do so from the Board or the Committee, and (B) all of the participant's options and SARs that were not exercisable on the date of Retirement shall be forfeited immediately upon such Retirement; provided, however, that such options and SARs, may become fully vested and exercisable in the discretion of the Committee. Notwithstanding the foregoing, Incentive Stock Options not exercised by such participant within 90 days after Retirement will cease to qualify as Incentive Stock Options and will be treated as Non-qualified Stock Options under the Plan if required to be so treated under the Code.

(iii) Discharge for Cause. Unless determined by the Committee, if a participant ceases to be a director, officer or employee of, or to perform other services for, the Company or a Subsidiary due to Cause, or if a participant does not become a director, officer or employee of, or does not begin performing other services for, the Company or a Subsidiary for any reason, all of the participant's options and SARs shall expire and be forfeited immediately upon such cessation or non-commencement, whether or not then exercisable.

(iv) Other Termination. If a participant ceases to be a director, officer or employee of, or to otherwise perform services for, the Company or a Subsidiary for any reason other than death, Disability, Retirement or Cause, (A) all of the participant's options and SARs that were exercisable on the date of such cessation shall remain exercisable for, and shall otherwise terminate at the end of, a period of 30 days after the date of such cessation, but in no event after the expiration date of the options or SARs; provided that the participant does not engage in Competition during such 30-day period unless he or she receives written consent to do so from the Board or the Committee, and (B) all of the participant's options and SARs that were not exercisable on the date of such cessation shall be forfeited immediately upon such cessation.

(v) Change of Control. If there is a Change in Control of the Company or similar event, the Committee may, in its discretion, provide for the vesting of a participant's options and SARs on such terms and conditions as it deems appropriate in such participant's Award Agreement.

7. Stock Appreciation Rights.

Provided that the Company's stock is traded on an established securities market, the Committee shall have the authority to grant SARs under this Plan, subject to such terms and conditions specified in this paragraph 7 and any additional terms and conditions as the Committee may specify.

No SAR may be issued unless (a) the exercise price of the SAR may never be less than the Fair Market Value of the underlying Shares on the date of grant and (b) the SAR does not include any feature for the deferral of compensation income other than the deferral of recognition of income until the exercise of the SAR.

No SAR may be exercised unless the Fair Market Value of a share of Common Stock of the Company on the date of exercise exceeds the exercise price of the SAR. Prior to the exercise of the SAR and delivery of the Shares represented thereby, the participant shall have no rights as a stockholder with respect to Shares covered by such outstanding SAR (including any dividend or voting rights).

Upon the exercise of an SAR, the participant shall be entitled to a distribution in an amount equal to the difference between the Fair Market Value of a share of Common Stock on the date of exercise and the exercise price of the SAR, multiplied by the number of Shares as to which the SAR is exercised. Such distribution shall be made in Shares having a Fair Market Value equal to such amount.

All SARs will be exercised automatically on the last day prior to the expiration date of the SAR so long as the Fair Market Value of a share of Common Stock on that date exceeds the exercise price of the SAR or any related option, as applicable.

The provisions of Subsections 6(c) shall apply to all SARs except to the extent that the Award Agreement pursuant to which such Grant is made expressly provides otherwise.

It is the Company's intent that no SAR shall be treated as a payment of deferred compensation for purposes of Section 409A of the Code and that any ambiguities in construction be interpreted in order to effectuate such intent.

8. Restricted Stock.

The Committee may at any time and from time to time grant Shares of restricted stock under the Plan to such participants and in such amounts as it determines. Each Grant of restricted stock shall specify the applicable restrictions on such Shares, the duration of such restrictions, and the time or times at which such restrictions shall lapse with respect to all or a specified number of Shares that are part of the Grant.

The participant will be required to pay the Company the aggregate par value of any Shares of restricted stock (or such larger amount as the Board may determine to constitute capital under Section 154 of the Delaware General Corporation Law, as amended, or any successor thereto) within 15 days of the date of Grant, unless such Shares of restricted stock are treasury shares. Unless

otherwise determined by the Committee, certificates representing Shares of restricted stock granted under the Plan will be held in escrow by the Company on the participant's behalf during any period of restriction thereon and will bear an appropriate legend specifying the applicable restrictions thereon, and the participant will be required to execute a blank stock power therefor. Except as otherwise provided by the Committee, during such period of restriction the participant shall have all of the rights of a holder of Common Stock, including but not limited to the rights to receive dividends and to vote, and any stock or other securities received as a distribution with respect to such participant's restricted stock shall be subject to the same restrictions as then in effect for the restricted stock.

Unless otherwise provided in any Award Agreement, at such time as a participant ceases to be a director, officer or employee of, or to otherwise perform services for, the Company and its Subsidiaries due to death, Disability or Retirement during any period of restriction, all Shares of restricted stock granted to such participant on which the restrictions have not lapsed shall be immediately forfeited to the Company. If there is a Change in Control of the Company or similar event, the Committee may, in its discretion, provide for the lapsing of restrictions on a participant's Shares of restricted stock on such terms and conditions as it deems appropriate in such participant's Award Agreement. At such time as a participant ceases to be, or in the event a participant does not become, a director, officer or employee of, or otherwise perform services for, the Company or its Subsidiaries for any other reason, all Shares of restricted stock granted to such participant on which the restrictions have not lapsed shall be immediately forfeited to the Company. The provisions of Subsections 6(c) and (e) shall apply to Restricted Stock except to the extent that the Award Agreement in relation thereto expressly provides otherwise.

It is the Company's intent that Restricted Stock shall not be treated as a payment of deferred compensation for purposes of Section 409A of the Code and that any ambiguities in construction be interpreted in order to effectuate such intent.

9. Performance Awards.

Performance awards may be granted to participants at any time and from time to time as determined by the Committee. The Committee shall have complete discretion in determining the size and composition of performance awards granted to a participant. The period over which performance is to be measured (a "performance cycle") shall commence on the date specified by the Committee and shall end on the last day of a fiscal year specified by the Committee. A performance award shall be paid no later than the fifteenth day of the third month following the completion of a performance cycle (or following the elapsed portion of the performance cycle, in the circumstances described in the last paragraph of this Section 9). Performance awards may include (i) specific dollar-value target awards (ii) performance units, the value of each such unit being determined by the Committee at the time of issuance, and/or (iii) performance Shares, the value of each such Share being equal to the Fair Market Value of a share of Common Stock. In any one calendar year, the Committee shall not grant to any one participant performance awards in excess of 10% of the total number of Shares authorized under the Plan pursuant to Section 4.

The value of each performance award may be fixed or it may be permitted to fluctuate based on a performance factor (e.g., return on equity) selected by the Committee. It is the

Company's intent that no performance award be treated as the payment of deferred compensation for purposes of Section 409A of the Code and that any ambiguities in construction be interpreted in order to effectuate such intent.

The Committee shall establish performance goals and objectives for each performance cycle on the basis of such criteria and objectives as the Committee may select from time to time, including, without limitation, the performance of the participant, the Company, one or more of its Subsidiaries or divisions or any combination of the foregoing. During any performance cycle, the Committee shall have the authority to adjust the performance goals and objectives for such cycle for such reasons as it deems equitable.

The Committee shall determine the portion of each performance award that is earned by a participant on the basis of the Company's performance over the performance cycle in relation to the performance goals for such cycle. The earned portion of a performance award may be paid out in Shares, cash, Other Securities, or any combination thereof, as the Committee may determine.

A participant must be a director, officer or employee of, or otherwise perform services for, the Company or its Subsidiaries at the end of the performance cycle in order to be entitled to payment of a performance award issued in respect of such cycle; provided, however, that except as otherwise determined by the Committee, if a participant ceases to be a director, officer or employee of, or to otherwise perform services for, the Company and its Subsidiaries upon his or her death, Retirement, or Disability prior to the end of the performance cycle, the Committee may provide in a Grant that the participant may earn a proportionate portion of the performance award based upon the elapsed portion of the performance cycle and the Company's performance over that portion of such cycle.

10. Withholding Taxes.

(a) Participant Election. Unless otherwise determined by the Committee, a participant may elect to deliver shares of Common Stock (or have the Company withhold shares acquired upon exercise of an option or SAR or deliverable upon grant or vesting of restricted stock, as the case may be) to satisfy, in whole or in part, the amount the Company is required to withhold for taxes in connection with the exercise of an option or SAR or the delivery of restricted stock upon grant or vesting, as the case may be. Such election must be made on or before the date the amount of tax to be withheld is determined. Once made, the election shall be irrevocable. The fair market value of the shares to be withheld or delivered will be the Fair Market Value as of the date the amount of tax to be withheld is determined. In the event a participant elects to deliver or have the Company withhold shares of Common Stock pursuant to this Section 10(a), such delivery or withholding must be made subject to the conditions and pursuant to the procedures set forth in Section 6(b) with respect to the delivery or withholding of Common Stock in payment of the exercise price of options.

(b) Company Requirement. The Company may require, as a condition to any Grant or exercise under the Plan or to the delivery of certificates for Shares issued hereunder, that the grantee make provision for the payment to the Company, either pursuant to Section 10(a) or this Section 10(b), of federal, state or local taxes of any kind required by law to be withheld with respect

to any Grant or delivery of Shares. The Company, to the extent permitted or required by law, shall have the right to deduct from any payment of any kind (including salary or bonus) otherwise due to a grantee, an amount equal to any federal, state or local taxes of any kind required by law to be withheld with respect to any grant or delivery of Shares under the Plan.

11. Written Agreement.

Each employee to whom a Grant is made under the Plan shall enter into an Award Agreement with the Company that shall contain such provisions consistent with the provisions of the Plan, as may be approved by the Committee.

12. Transferability.

Unless the Committee determines otherwise, no option, SAR, performance award or restricted stock granted under the Plan shall be transferable by a participant other than by will or the laws of descent and distribution; provided that, in the case of Shares of restricted stock granted under the Plan, such Shares of restricted stock shall be freely transferable following the time at which such restrictions shall have lapsed with respect to such Shares. Unless the Committee determines otherwise, an option, SAR or performance award may be exercised only by the optionee or grantee thereof; by his or her executor or administrator, the executor or administrator of the estate of any of the foregoing, or any person to whom the option, SAR or performance award is transferred by will or the laws of descent and distribution; or by his or her guardian or legal representative; or the guardian or legal representative of any of the foregoing; provided that Incentive Stock Options may be exercised by any guardian or legal representative only if permitted by the Code and any regulations thereunder. All provisions of this Plan and any Award Agreement referred to in Section 11 shall in any event continue to apply to any option, SAR, performance award or restricted stock granted under the Plan and transferred as permitted by this Section 12, and any transferee of any such option, SAR, performance award or restricted stock shall be bound by all provisions of this Plan and any agreement referred to in Section 11 as and to the same extent as the applicable original grantee.

13. Listing, Registration and Qualification.

If the Committee determines that the listing, registration or qualification upon any securities exchange or under any law of Shares subject to any option, SAR, performance award or restricted stock Grant is necessary or desirable as a condition of, or in connection with, the granting of same or the issue or purchase of Shares thereunder, no such option or SAR may be exercised in whole or in part, no such performance award may be paid out, and no Shares may be issued, unless such listing, registration or qualification is effected free of any conditions not acceptable to the Committee.

14. Transfer of Employee.

The transfer of an employee from the Company to a Subsidiary, from a Subsidiary to the Company, or from one Subsidiary to another shall not be considered a termination of employment; nor shall it be considered a termination of employment if an employee is placed on

military or sick leave or such other leave of absence which is considered by the Committee as continuing intact the employment relationship.

15. Adjustments.

In the event of a reorganization, recapitalization, spin-off or other extraordinary distribution, stock split, stock dividend, combination of shares, merger, consolidation, distribution of assets, spin-off or other extraordinary distribution, or any other change in the corporate structure or shares of the Company, the Committee shall make such adjustment as it deems appropriate in the number and kind of Shares or other property available for issuance under the Plan (including, without limitation, the total number of Shares available for issuance under the Plan pursuant to Section 4), in the number and kind of options, SARs, Shares or other property covered by Grants previously made under the Plan, and in the exercise price of outstanding options and SARs. Any such adjustment shall be final, conclusive and binding for all purposes of the Plan. In the event of any merger, consolidation or other reorganization in which the Company is not the surviving or continuing corporation or in which a Change in Control is to occur, all of the Company's obligations regarding options, SARs, performance awards, and restricted stock that were granted hereunder and that are outstanding on the date of such event shall, on such terms as may be approved by the Committee prior to such event, be (a) assumed by the surviving or continuing corporation; or (b) canceled in exchange for cash, securities of the acquiror or other property; provided that, in the case of clause (b), (i) such merger, consolidation, other reorganization or Change in Control constitutes a "change in ownership or control" of the Company or a "change in the ownership of a substantial portion" of the Company's assets within the meaning of Section 409A(a)(2)(A)(v) of the Code and the guidance issued thereunder or (ii) the payment of cash, securities or other property is not treated as a payment of "deferred compensation" under Section 409A of the Code.

Without limitation of the foregoing, in connection with any transaction described in of the last sentence of the preceding paragraph, the Committee may, in its discretion, (i) cancel any or all outstanding options under the Plan in consideration for payment to the holders thereof of an amount

equal to the portion of the consideration that would have been payable to such holders pursuant to such transaction if their options had been fully exercised immediately prior to such transaction, less the aggregate exercise price that would have been payable therefor, or (ii) if the amount that would have been payable to the option holders pursuant to such transaction if their options had been fully exercised immediately prior thereto would be equal to or less than the aggregate exercise price that would have been payable therefor, cancel any or all such options for no consideration or payment of any kind. Payment of any amount payable pursuant to the preceding sentence may be made in cash or, in the event that the consideration to be received in such transaction includes securities or other property, in cash, securities of the acquiror or other property in the Committee's discretion.

16. Amendment and Termination of the Plan.

Except as otherwise provided in an Award Agreement, the Board of Directors, without approval of the stockholders, may amend or terminate the Plan, except that no amendment shall become effective without prior approval of the stockholders of the Company if stockholder approval would be required by applicable law or regulations, including if required for continued

compliance with the performance-based compensation exception of Section 162(m) of the Code or any successor thereto, under the provisions of Section 409A of the Code or any successor thereto, under the provisions of Section 422 of the Code or any successor thereto, or by any listing requirement of the principal stock exchange on which the Common Stock is then listed.

17. Amendment or Substitution of Grants under the Plan.

The terms of any outstanding Grant under the Plan may be amended from time to time by the Committee in its discretion in any manner that it deems appropriate including, but not limited to, acceleration of the date of exercise of any Grant and/or payments thereunder or of the date of lapse of restrictions on Shares (but, in the case of a Grant that is or would be treated as "deferred compensation" for purposes of Section 409A of the Code, only to the extent permitted by guidance issued under Section 409A of the Code); provided that, except as otherwise provided in Section 16 or in an Award Agreement, no such amendment shall adversely affect in a material manner any right of a participant under the Grant without his or her written consent, and further provided that the Committee shall not reduce the exercise price of any options or SARs awarded under the Plan. The Committee may, in its discretion, permit holders of Grants under the Plan to surrender outstanding Grants in order to exercise or realize rights under other Grants, or in exchange for new Grants, or require holders of Grants to surrender outstanding Grants as a condition precedent to the receipt of new Grants under the Plan, but only if such surrender, exercise, realization, exchange or Grant (a) is not treated as a payment of, and does not cause a Grant to be treated as, deferred compensation for the purposes of Section 409A of the Code or (b) is permitted under guidance issued pursuant to Section 409A of the Code.

18. Commencement Date; Termination Date.

The date of commencement of the Plan shall be , 2005, subject to approval by the shareholders of the Company. If required by the Code, the Plan will also be subject to reapproval by the shareholders of the Company prior to , 2010.

Unless previously terminated upon the adoption of a resolution of the Board terminating the Plan, the Plan shall terminate at the close of business on , 2015. Subject to the provisions of an Award Agreement, which may be more restrictive, no termination of the Plan shall materially and adversely affect any of the rights or obligations of any person, without his or her written consent, under any Grant of options or other incentives theretofore granted under the Plan.

19. Severability.

Whenever possible, each provision of the Plan shall be interpreted in such manner as to be effective and valid under applicable law, but if any provision of the Plan is held to be prohibited by or invalid under applicable law, such provision shall be ineffective only to the extent of such prohibition or invalidity, without invalidating the remainder of the Plan.

20. Governing Law.

The Plan shall be governed by the corporate laws of the State of Delaware, without giving effect to any choice of law provisions that might otherwise refer construction or interpretation of the Plan to the substantive law of another jurisdiction.

21. Compliance Amendments.

Except as otherwise provided in an Award Agreement, notwithstanding any of the foregoing provisions of the Plan, and in addition to the powers of amendment set forth in Sections 16 and 17 hereof, the provisions hereof and the provisions of any award made hereunder may be amended unilaterally by the Company from time to time to the extent necessary (and only to the extent necessary) to prevent the implementation, application or existence (as the case may be) of any such provision from (i) requiring the inclusion of any compensation deferred pursuant to the provisions of the Plan (or an award thereunder) in a participant's gross income pursuant to Section 409A of the Code, and the regulations issued thereunder from time to time and/or (ii) inadvertently causing any award hereunder to be treated as providing for the deferral of compensation pursuant to such Code section and regulations.

AGREEMENT OF LEASE

BETWEEN

ROBEAR WEST TRENTON ASSOCIATES, L.P.

AS LANDLORD

AND

ROLLER BEARING COMPANY OF AMERICA, INC.

AS TENANT

LEASE

LEASE made this 10 day of February, 1999 by and between **ROBEAR WEST TRENTON ASSOCIATES, L.P.,** a Pennsylvania limited partnership (hereinafter called "**Landlord**"), and **ROLLER BEARING COMPANY OF AMERICA, INC.** a Delaware corporation (hereinafter called "**Tenant**").

FUNDAMENTAL LEASE PROVISIONS

1. "Term": ten (10) years commencing on the Commencement Date and ending on the day immediately preceding the tenth (10^{th}) anniversary of the Commencement Date (the "**Expiration Date**").

2. "Demised Premises": 93,015 rentable square feet ("**Tenant's GLA**"), comprised of 79,108 square feet of industrial space and 13,907 square feet of office space, in the building located at the corner of Silvia Street and Sullivan Way (the "**Building**"), located in the Township of Ewing, County of Mercer, State of New Jersey, which Demised Premises are shown cross-hatched on the Plan attached hereto as **Exhibit "A"** (the "**Site Plan**"). The Building and the land on which the Building is located are hereinafter referred to as the "**Property**". The square footage of the Demised Premises shall, for all purposes under this Lease, be deemed to be the square footage set forth above, subject to adjustment in accordance with Section 37 of this Lease.

3. "Landlord's GLA": the rentable square footage of the Building, which is currently 156,192 square feet. The rentable square footage of the Building shall, for all purposes under this Lease, be deemed to be the square footage set forth above.

4. "Tenant's Fraction": Currently 59.55%, which is Tenant's GLA divided by Landlord's GLA. Tenant's Fraction shall be reduced proportionately upon Landlord's recapture of the First Recapture Space and the Second Recapture Space (each, as hereinafter defined) in accordance with Section 37 of the Lease.

5. "Expense Stop": N/A

6. "Commencement Date": the date that Landlord acquires fee simple title to the Property, which is currently estimated to be February , 1999. Upon determination of the Commencement Date, Landlord and Tenant shall execute a Commencement Date Memorandum in the form attached hereto as **Exhibit "D."**

7. "Notice Addresses":

Landlord: c/o Preferred Real Estate Investments, Inc.
555 North Lane
Suite 6101
Conshohocken, PA 19428
Attention: Michael G. O'Neill

Tenant: Roller Bearing Company of America, Inc.
Sullivan Way, P. O. Box 77430
West Trenton, NJ 08628
Attn: Mr. George Sabochik

With a copy to:

Roller Bearing Company of America, Inc.
60 Round Hill Road
PO Box 430
Fairfield, CT 06430-0430
Attn: Mr. Michael Gostomski

8. "Tenant's Contact": N/A

9. "Permitted Use": Manufacturing, including the manufacturing of roller bearings and other similar products, together with general office use and other uses incidental thereto and no other use.

10. "Annual Base Rent":

Year/Period	Annual rent	Monthly Installment	Rent/Sq. Ft.
Lease Years 1-5*	$ 328,342.95	$ 27,361.91	$ 3.53
Lease Years 6-10*	$ 372,060.00	$ 31,005.00	$ 4.00

- Such Annual Base Rents are subject to adjustment in accordance with Section 37 of the Lease.

11. "Security Deposit": NONE.

12. "Property Manager":

Equivest Management, Inc.
215 South Broad Street, Suite 600
Philadelphia, PA 19107
Attn: Phil Rosen

13. "Tenant's Broker": N/A

List of Exhibits

Exhibit "A"	-	Site Plan
Exhibit "B"	-	(Intentionally Omitted)
Exhibit "B-1"	-	(Intentionally Omitted)
Exhibit "C"	-	Rules and Regulations
Exhibit "D"	-	Commencement Date Agreement

WITNESSETH, THAT:

1. DEMISED PREMISES. Landlord, for the Term and subject to the provisions and conditions hereof, leases to Tenant and Tenant accepts from Landlord, the Demised Premises.

2. TERM. Tenant shall use and occupy the Demised Premises for the Term, unless sooner terminated as herein provided. The first lease year of the Term shall commence on the Commencement Date and shall end on (i) the day immediately preceding the first anniversary of the Commencement Date, if the Commencement Date is the first day of the month, or (ii) the last day of the month in which the first anniversary of the Commencement Date occurs, if the Commencement Date is any day other than the first day of a calendar month. Each lease year after the first lease year shall be a consecutive twelve (12) month period commencing on the first day of the calendar month immediately following the preceding lease year, except that the last lease year shall be the period from the first day of Tenant's partial lease year occurring at the end of the Term until the Expiration Date.

3. MINIMUM RENT.

(a) During the Term of this Lease, Tenant shall pay to Landlord the Annual Base Rent in the amount set forth in Section 10 of the Fundamental Lease Provisions (subject to adjustment in accordance with Section 37 hereof). Such Base Rent shall be payable in equal monthly installments in advance on the first day of each calendar month.

(b) The term "rent" as used in this Lease shall mean the Annual Base Rent, Taxes, Operating Expenses and any other additional rent or other sums payable by Tenant to Landlord under this Lease, all of which shall be deemed rent for purposes of Landlord's rights and remedies with respect thereto.

(c) The first installment of rent shall be payable on the Commencement Date. If the Term begins on a day other than the first day of a month, rent from such day until the first day of the following month shall be prorated at the rate of one-thirtieth of the monthly rental for each day of such partial month, and the installment of rent paid on the Commencement Date shall be applied to the rent due for the first full calendar month of the Term hereof. If the Term begins on any day other than the first day of a month, any rent paid by Tenant to General Sullivan Group under the Existing Lease (as hereinafter defined) attributable to the period from the Commencement Date through the last day of the month in which the Commencement Date occurs shall be applied against the first rents payable hereunder

(d) All rent and other sums due to Landlord hereunder shall be payable to Landlord's Property Manager at the address specified in Section 12 of the Fundamental Lease Provisions, or to such other party or at such other address as Landlord may designate from time to time, by written notice to Tenant, without demand and without deduction, set-off or counterclaim (except to the extent demand or notice shall be expressly provided for herein).

(e) If Landlord, at any time or times, shall accept said rent or any other sum due to it hereunder after the same shall become due and payable, such acceptance shall not excuse delay upon subsequent occasions, or constitute or be construed as, a waiver of any of Landlord's rights hereunder.

4. TAXES AND OPERATING COSTS:

(a) Definitions. As used herein, the following terms shall be defined as hereinafter set forth.

(i) **"Taxes"** shall mean all real estate taxes and assessments, general and special, ordinary or extraordinary, foreseen or unforeseen, imposed upon the Property or with respect to the ownership thereof. If, due to a future change in the method of taxation, any franchise, income, profit or other tax, however designated, shall be levied or imposed in substitution in whole or in part for (or in lieu of) any tax which would otherwise be included within the term "Taxes" as defined herein, then the same shall be included in the term "Taxes."

(ii) (A) **"Operating Expenses"** shall mean, except as hereinafter limited, Landlord's actual out-of-pocket expenses in respect of the operation, maintenance and management of the Property and shall include, without limitation: (1) wages and salaries (and taxes imposed upon employers) with respect to those employed by Landlord for rendering service in the normal operation, cleaning, maintenance, repair and replacement of the Property; (2) costs for the operation, maintenance, repair and replacement of the Property, including payments to contractors; (3) the cost of steam, electricity, water and sewer and other utilities (except for electricity, which is separately charged by Landlord as herein provided) chargeable to the operation and maintenance of the Property; (4) cost of insurance for the Property including fire and extended coverage, elevator, boiler, sprinkler leakage, water damage, public liability and property damage, environmental, plate glass, and rent protection, but excluding any charge for increased premiums due to acts or omissions of other occupants of the Building or because of extra risk; (5) supplies; (6) legal and accounting expenses directly related to the operation and management of the Property; (7) Taxes; (8) reasonable management expense; and (9) all other costs and expenses incurred by or on behalf of Landlord in connection with the repair, replacement, operation, maintenance, securing, insuring and policing the Property.

The term **"Operating Expenses"** shall not include: (1) the cost of any repair or replacement item which, by standard accounting practice, should be capitalized, except that any capital expenses shall be amortized by Landlord over the useful life of such expense and only the annual amortized portion of such expense together with an interest factor equal to the Prime Rate of interest as published from time to time in The Wall Street Journal plus two percent (2%) shall be included in annual Operating Expenses; (2) any charge for depreciation, interest on encumbrances or ground rents paid or incurred by Landlord; (3) any charge for Landlord's income tax, excess profit taxes, franchise taxes or similar taxes on Landlord's business; (4) commissions; (5) costs actually reimbursed by insurance proceeds; (6) cost of excess insurance premiums attributable to the acts of other tenants in the Building; (7) fees and expenses paid to Landlord or an affiliate of Landlord for services to the extent that such fees and expenses are above a reasonably competitive rate; and (8) legal fees incurred in connection with the negotiation and preparation of tenant leases and enforcement of tenant leases.

(B) In determining Operating Expenses for any year, if less than ninety-five percent (95%) of the Building rentable area shall have been occupied by tenants at any time during such year, Operating Expenses shall be deemed for such year to be an amount equal to the like expenses which Landlord reasonably determines would normally be incurred had such occupancy been ninety-five percent (95%) throughout such year.

(b) Payment of Operating Expenses.

(i) For and with respect to each calendar year of the Term (including any renewals or extensions thereof), there shall accrue, as additional rent, an amount equal to the product obtained by multiplying Tenant's Fraction by the amount of the Operating Expenses for such year (appropriately prorated for any partial calendar year included within the beginning and end of the Term).

(ii) Landlord shall furnish to Tenant as soon as reasonably possible after the beginning of each calendar year of the Term;

(A) A statement (the **"Expense Statement"**) setting forth (1) Operating Expenses for the previous calendar year, and (2) Tenant's Fraction of the Operating Expenses for the previous calendar year; and

(B) A statement of Landlord's good faith estimate of Operating Expenses, and the amount of Tenant's Fraction thereof (the **"Estimated Share"**), for the current calendar year.

(iii) Within fifteen (15) days after Tenant receives the Expense Statement, Tenant shall pay to Landlord the difference, if positive, between the Tenant's Fraction of Operating Expenses for such previous year and the actual payments made by Tenant during such calendar year, or if the actual payments exceed Tenant's Fraction of Operating Expenses for such previous year, Tenant shall receive a credit against the next payments of Operating Expenses falling due. Unless Tenant shall give notice to Landlord within ninety (90) days after any Expense Statement is furnished that Tenant disputes said statement, specifying in detail the basis for such dispute, each Expense Statement furnished to Tenant by Landlord under this Section shall be conclusively binding upon Tenant as to the Operating Expenses due from Tenant for the period represented thereby; provided, however, that additional amounts due may be required to be paid by any supplemental statement furnished by Landlord, subject to Tenant's right to contest within the time periods prescribed by this subparagraph. Pending resolution of any dispute, Tenant shall pay the additional rent in accordance with the Expense Statement furnished by Landlord. Tenant shall have the right, within such ninety (90) day period following the delivery of such Expense Statement, to audit and/or review the books and records of Landlord through a reputable certified public accounting firm at Tenant's sole cost and expense, provided, however, that Landlord may condition such audit or review upon Tenant and such accounting firm signing a confidentiality agreement in form and substance satisfactory to Landlord. Such audit shall be conducted at the office of Landlord's Property Manager or such other office where the books and records relating to the Building are available during business hours. If, as a result of such audit or review, it is determined that there is an error in any Expense Statement relating to Operating Expenses, the Expense Statement shall be adjusted accordingly and (i) any overpayments by Tenant during the preceding calendar year shall be credited against the next payment(s) of Operating Expenses falling due, and (ii) any deficiency shall be paid by Tenant together with the next payment of Operating Expenses falling due.

(iv) Together with the next installment of Base Rent due after delivery of the foregoing statements to Tenant, Tenant shall pay to Landlord, on account of its share of Operating Expenses, the difference between (A) one-twelfth (1/12) of the new Estimated Share multiplied by the number of full or partial calendar months elapsed during the current calendar year up to and including the month payment is made less (B) the sum of the Operating

Expenses previously paid to Landlord by Tenant on account of such period, plus any amounts due from Tenant to Landlord on account of Operating Expenses for prior periods of time.

(v) On the first day of each month up to the time Tenant shall receive a new and statement of Tenant's Estimated Share, Tenant shall pay to Landlord, on account of its share of Operating Expenses, one-twelfth of the then current Estimated Share. Any payment due from Tenant to Landlord on account of Operating Expenses not yet determined as of the expiration of the Term shall be made within twenty (20) days after submission to Tenant of the applicable Expense Statement, subject to Tenant's right to contest within the time periods prescribed by subparagraph (iii) above.

(c) Notwithstanding anything herein to the contrary, Tenant shall be responsible for 100% of all repair and replacement costs (as opposed to general maintenance) incurred by Landlord with respect to Tenant's parking area as delineated on Exhibit A-1 attached hereto and made a part hereof.

5. UTILITIES SEPARATELY CHARGED TO DEMISED PREMISES. Tenant shall be responsible for all utilities (including gas and electric) which are consumed within the Demised Premises. Landlord agrees to install a submeter to measure Tenant's electricity consumption in all or a portion of the Demised Premises. Tenant shall pay for its consumption of electricity (i) based on its metered usage with respect to the portion of the Demised Premises covered by such submeter, and (ii) with respect to the balance of the Demised Premises, based on Tenant's pro-rata share as determined by Landlord in Landlord's reasonable judgment. With respect to utilities other than electric, if a separate meter is installed, Tenant shall pay for the consumption of such utilities based on its metered usage. If no meter is installed, Tenant shall pay a pro-rata share of any utility charges covering the Demised Premises and other areas of the Building, which pro-rata share shall be based on the percentage which the Tenant's GLA bears to the square footage of the areas of the Building serviced by such utility. Tenant shall pay utility bills within ten (10) days after the receipt. Landlord shall have the right, to be exercised by written notice to Tenant, to direct Tenant to contract directly with the utility provider supplying electricity and/or gas service to the Building, in which event Tenant shall pay all charges therefor directly to the utility provider. Landlord shall at all times have the exclusive right to select the provider or providers of utility service to the Demised Premises and the Property, and Landlord shall have the right of access to the Demised Premises from time to time to install or remove utility facilities.

6. SECURITY DEPOSIT. INTENTIONALLY OMITTED.

7. SERVICES. Landlord agrees that it shall:

(a) Provide passenger elevator service to the Demised Premises during all days with one (1) elevator subject to call at all times. Notwithstanding the foregoing, no elevator service will be provided if the Building does not have a passenger elevator or if the Demised Premises is located on the first floor of the Building.

(b) Provide water for drinking, lavatory and toilet purposes drawn through fixtures installed by Landlord; and

(c) Furnish the Demised Premises with electric for heating, hot and chilled water, and air conditioning (which air conditioning shall be with respect to the office portion of the Demised Premises only). Tenant acknowledges that Tenant shall be responsible for

supplying and maintaining, at its sole cost and expense, any and all additional heating, ventilating and air conditioning equipment required by Tenant which is not in the Demised Premises as of the date hereof.

(d) Operate, maintain and repair the Building (other than individual tenant spaces) and the roof, structure and common areas thereof, in good order and repair and in accordance with all laws.

It is understood that Landlord does not warrant that any of the services referred to in this Section 7 will be free from interruption from causes beyond the reasonable control of Landlord. No interruption of service shall ever be deemed an eviction or disturbance of Tenant's use and possession of the Demised Premises or any part thereof or permit Tenant to abate rent or otherwise relieve Tenant from performance of Tenant's obligations under this Lease.

8. CARE OF DEMISED PREMISES. Tenant agrees, on behalf of itself, its employees and agents that it shall:

(a) Comply at all times with any and all federal, state and local statutes, regulations, ordinances, and other requirements of any of the constituted public authorities relating to its use and occupancy of the Demised Premises.

(b) Give Landlord access to the Demised Premises at all reasonable times, without charge or diminution of rent, to enable Landlord (i) upon reasonable notice (except in the event of emergency), to examine the same and to make such repairs, additions and alterations as Landlord may be permitted to make hereunder or as Landlord may deem advisable for the preservation of the integrity, safety and good order of the Building or any part thereof; and (ii) upon reasonable notice, to show the Demised Premises to prospective mortgagees and purchasers (including, without limitation, their respective appraisers, engineers and inspectors) and, during the six (6) months prior to expiration of the Term, to prospective tenants. Landlord agrees that it shall not unreasonably interfere with the conduct of Tenant's business operations in the Demised Premises in exercising Landlord's rights under this subparagraph;

(c) Maintain, repair and replace the interior of the Demised Premises in good order and repair as and when needed, including, without limitation, any heating, ventilating and air conditioning systems installed by Tenant servicing the Demised Premises, and replace all glass broken by Tenant, its agents, employees or invitees with glass of the same quality as that broken, except for glass broken by fire and extended coverage-type risks, and commit no waste in the Demised Premises;

(d) Upon the expiration or earlier termination of this Lease, remove Tenant's goods and effects and those of any other person claiming under Tenant, and quit and deliver up the Demised Premises to Landlord peaceably and quietly in as good order and condition as existed at the inception of the Term, reasonable use and wear thereof, damage from fire and extended coverage type risks, and repairs which are Landlord's obligation excepted. Goods and effects not removed by Tenant at the termination of this Lease, however terminated, shall be considered abandoned and Landlord may dispose of and/or store the same as it deems expedient, the cost thereof to be charged to Tenant;

(e) Not place signs on the exterior of the Demised Premises except on doors and then only of a type and with lettering and text approved by Landlord. Notwithstanding the

foregoing, Tenant shall be entitled to maintain its existing signs at the Demised Premises, which right shall include the right to replace such signage with similar signage approved by Landlord, which approval shall not be unreasonably withheld.

(f) Not overload, damage or deface the Demised Premises or do any act which might make void or voidable any insurance on the Demised Premises or the Building or which may render an increased or extra premium payable for insurance (and without prejudice to any right or remedy of Landlord regarding this subparagraph, Landlord shall have the right to collect from Tenant, upon demand, any such increase or extra premium). Tenant shall maintain at its own sole cost adequate insurance coverage for all of its equipment, furniture, supplies and fixtures and provide Landlord with certificates evidencing such coverage;

(g) Not make any alteration of or addition to the Demised Premises which impairs the structural integrity of the Building or adversely affects any heating, ventilating, air conditioning, electric, sanitary, elevator or other systems serving the Demised Premises or any other portion of the Building, in each case without the prior written approval of Landlord;

(h) Not install any equipment of any kind whatsoever which might necessitate any changes, replacements or additions to any of the heating, ventilating, air-conditioning, electric, sanitary, elevator or other systems serving the Demised Premises or any other portion of the Building, or to any of the services required of Landlord under this Lease, without the prior written approval of Landlord, and in the event such consent is granted, such replacements, changes or additions shall be paid for by Tenant at Tenant's sole cost and expense. At the expiration or earlier termination of this Lease, Tenant shall pay Landlord's cost of restoring such systems to their condition prior to such replacements, changes or additions; and

(i) Observe the rules and regulations annexed hereto as **Exhibit "C,"** as Landlord may from time to time amend the same, for the general safety, comfort and convenience of Landlord, occupants and tenants of the Building.

9. SUBLETTING AND ASSIGNING. Tenant shall not assign, mortgage or encumber this Lease or sublet all or any portion of the Demised Premises, whether voluntarily or by operation of law, without first obtaining Landlord's prior written consent thereto, which consent shall not be unreasonably be withheld. A transfer or sale by Tenant of a majority of the voting shares, partnership interests or other controlling interests in Tenant shall constitute an assignment of this Lease by Tenant and shall require Landlord's prior written consent, which consent shall not be unreasonably withheld. If such consent is given, it will not release Tenant from its obligations hereunder and will not be deemed a consent to any further subletting or assignment. If Landlord consents to any such subletting or assignment, it shall nevertheless be a condition to the effectiveness thereof that a fully executed copy of the sublease or assignment, in form and substance satisfactory to Landlord, be furnished to Landlord and that any assignee assume in writing all obligations of Tenant hereunder. If Landlord consents to any assignment or subletting, Tenant shall pay to Landlord, as additional rent hereunder, 100% of any subrents, other sums or other economic consideration received by Tenant on account of such assignment or subletting (after deducting Tenant's reasonable costs incurred in connection with such assignment or subletting) which exceed the monthly rent payable by Tenant hereunder. The acceptance of rental from any other person shall not be deemed a waiver by Landlord of any provision hereunder.

10. CONDITION TO LEASE. Tenant acknowledges that as of the date hereof, Landlord has not yet acquired fee simple title to the Property and that this Lease, and all of the

terms, provisions and obligations set forth herein, are expressly conditioned upon Landlord acquiring fee simple title to the Property.

11. FIRE OR CASUALTY. In case of damage to the Demised Premises or the Building by fire or other casualty, Tenant shall give immediate notice thereof to Landlord. Landlord shall thereupon cause the damage to be repaired with reasonable speed, subject to delays, which may arise by reason of adjustment of loss under insurance policies and for delays beyond the reasonable control of Landlord. To the extent and for the time that the Demised Premises or portions thereof are thereby rendered untenantable, the rent shall proportionately abate. Provided that there are sufficient insurance proceeds available to fully repair such damage, Landlord agrees to repair such damage unless any mortgagee, having the right to do so, shall direct that the insurance proceeds are to be applied to reduce the mortgage debt rather than to the repair of such damage (provided, however, that, Landlord agrees to request that the mortgagee apply such insurance proceeds to the repair of such damage and to use reasonable efforts to cause such insurance proceeds to be so applied, unless such mortgagee shall have succeeded to Landlord's interest in the Property by foreclosure or otherwise, in which event this parenthetical shall not apply). Landlord shall provide written notice to Tenant within sixty (60) days after Landlord is notified of the casualty as to whether the damage will be repaired in accordance with the foregoing provisions. If Landlord is not required to repair such damage hereunder and Landlord's notice provides that Landlord will not repair the damage, then either Landlord or Tenant shall have the right to terminate this Lease exercisable by written notice to the other party within thirty (30) days thereafter. In such event the Lease shall terminate as of the date specified in Landlord's or Tenant's notice (which shall not be more than ninety (90) days thereafter), and the rent (taking into account any abatement as aforesaid) shall be adjusted to the termination date. e. If Landlord is required to repair or rebuild the Demised Premises (specifically excluding, however, Tenant's furniture, trade fixtures, equipment and personal property, which shall be Tenant's responsibility) or elects to repair or rebuild in accordance with the last sentence of this Section, and such restoration is not completed within two hundred seventy days following the date of the casualty (subject, however, to delays caused by force majeure), then (unless such casualty shall have been caused by Tenant's gross negligence or willful misconduct, in which event Tenant shall not have any right to terminate pursuant to this sentence) Tenant shall have the right to terminate this Lease by providing written notice thereof to Landlord within thirty (30) days after the expiration of such twelve month period. Thereafter, Tenant shall promptly vacate the Demised Premises. Notwithstanding the foregoing, in the event that any casualty shall occur during the final forty-five (45) months of the Term or any renewal thereof and the cost of repairing said damage exceeds $250,000, then Landlord shall have the right to condition its obligation to repair, such damage (subject, nevertheless, to the conditions set forth in the third sentence of this Section 11) on: (i) Tenant waiving its right to terminate the Lease pursuant to Section 38 hereof, and (ii) Tenant extending the term of this Lease so that the remaining term shall be at least five (5) years under the same terms and conditions set forth herein, except that the rental rate for the extended portion of the term shall be the "fair market rent" as determined in accordance with Section 36 hereof. Tenant shall provide Landlord with written notice as to whether Tenant agrees to waive its right to terminate and to extend the term as aforesaid within 30 days after receipt of Landlord's notice. If Tenant elects not to waive its right to terminate and to extend

the term as aforesaid or fails to so advise Landlord within such thirty (30) day period (in which event Tenant shall be deemed to have elected not to waive its right to terminate and extend the term), then Landlord shall have the right, at its election by providing written notice to Tenant, to terminate this Lease (regardless of whether or not Landlord intends to rebuild) or to continue to recognize the Lease, in which latter event Landlord shall be required to repair or rebuild in accordance with the foregoing provisions of this Section.

12. LIABILITY. Tenant agrees that Landlord and its building manager and their officers, employees and agents shall not be liable to Tenant, and Tenant hereby releases said parties, for any personal injury or damage to or loss of personal property in the Demised Premises from any cause whatsoever unless such damage, loss or injury is the result of (i) the negligence or willful misconduct of Landlord, its building manager, or their officers, employees or agents or (ii) the failure by Landlord to fully perform its obligations under this Lease, provided, however, that Landlord and its building manager and their officers or employees shall not be liable to Tenant for any such damage or loss whether or not the result of their negligence or Landlord's failure to perform its obligations hereunder to the extent Tenant would be covered by insurance that Tenant is required to carry hereunder. Tenant shall and does hereby indemnify and hold Landlord harmless of and from all loss or liability incurred by Landlord (including, without limitation, reasonable attorney's fees) in connection with any failure of Tenant to fully perform its obligations under this Lease and in connection with any personal injury or damage of any type or nature occurring in or resulting out of Tenant's use of the Demised Premises, unless due to Landlord's negligence or willful misconduct or its failure to perform its obligations under this lease. Landlord shall and does hereby indemnify and hold Tenant harmless of and from all loss or liability incurred by Tenant (including without limitation, reasonable attorneys' fees) in connection with (i) the negligence or willful misconduct of Landlord or (ii) Landlord's failure to perform its obligations under this lease.

13. EMINENT DOMAIN. If (i) the whole or a substantial part of the Building or the Property shall be taken or condemned for a public or quasi-public use under any statute or by right of eminent domain or private purchase in lieu thereof by any competent authority, or (ii) the whole or a substantial part of the Demised Premises shall be taken or condemned for a public or quasi-public use under an statute or by right of eminent domain or private purchase in lieu thereof by any competent authority and the balance of the Demised Premises shall no longer be suitable for Tenant's use, then this Lease shall terminate effective as of the date that the right to possession shall vest in the condemning authority (as set forth in the original notice of condemnation from the condemning authority) and neither party shall have any further rights liabilities or obligations hereunder accruing from and after the effective date of termination. Tenant shall have no claim against Landlord and shall not have any claim or right to any portion of the amount that may be awarded as damages or paid as a result of any such condemnation or purchase; and all right of the Tenant to damages therefore are hereby assigned by Tenant to Landlord. The foregoing shall not, however, deprive Tenant of any separate award for moving expenses or for any other award which would not reduce the award payable to Landlord.

14. INSOLVENCY. (a) The appointment of a receiver or trustee to take possession of all or a portion of the assets of Tenant, or (b) an assignment by Tenant for the benefit of creditors, or (c) the institution by or against Tenant of any proceedings for bankruptcy or reorganization under any state or federal law (unless in the case of involuntary proceedings, the same shall be dismissed within thirty (30) days after institution), or (d) any execution issued against Tenant which is not stayed or discharged within fifteen (15) days after issuance of any execution sale of the assets of Tenant, shall constitute a breach of this Lease by Tenant. Landlord in the event of such a breach, shall have, without need of further notice, the rights enumerated in Section 15 herein.

15. DEFAULT.

(a) If Tenant shall fail to pay rent or any other sum payable to Landlord hereunder when due and such failure continues for five (5) days after written notice from Landlord (provided that Landlord shall not be required to provide written notice more than two times during any twelve month period), or if Tenant shall fail to perform or observe any of the other covenants, terms or conditions contained in this Lease and such failure continues for fifteen (15) days after written notice from Landlord (or such longer period as is reasonably

required to correct any such non-monetary default, provided Tenant promptly commences and diligently continues to effectuate a cure), or if any of the events specified in Section 14 occur, then and in any of said cases (notwithstanding any former breach of covenant or waiver thereof in a former instance), Landlord, in addition to all other rights and remedies available to it by law or equity or by any other provisions hereof, may at any time thereafter:

(i) upon three (3) days notice to Tenant, declare to be immediately due and payable, a sum equal to the Accelerated Rent Component (as hereinafter defined), and Tenant shall remain liable to Landlord as hereinafter provided; and/or

(ii) whether or not Landlord has elected to recover the Accelerated Rent Component, terminate this Lease on at least five (5) days notice to Tenant and, on the date specified in said notice, this Lease and the Term hereby demised and all rights of Tenant hereunder shall expire and terminate and Tenant shall thereupon quit and surrender possession of the Demised Premises to Landlord in the condition elsewhere herein required and Tenant shall remain liable to Landlord as hereinafter provided.

(b) For purposes herein, the Accelerated Rent Component shall mean the aggregate of:

(i) all rent and other charges, payments, costs and expenses due from Tenant to Landlord and in arrears at the time of the election of Landlord to recover the Accelerated Rent Component;

(ii) the Annual Base Rent reserved for the then entire unexpired balance of the Term (provided, however, that for purposes of this Section, the Annual Base Rent reserved for the balance of the term shall be calculated as if Tenant had elected to terminate the Lease pursuant to Section 38 hereof effective as of the date which is the later of (A) nine (9) months after the date of default, and (B) the first day of the eighth (8^{th}) lease year, and the applicable Early Termination Fee shall be deemed to be the Annual Base Rent payable for the period commencing on the effective date of termination through the Expiration Date), plus all other charges, payments, costs and expenses herein agreed to be paid by Tenant up to the end of the Term which shall be capable of precise determination at the time of Landlord's election to recover the Accelerated Rent Component; and

(iii) Landlord's good faith estimate of all charges, payments, costs and expenses herein agreed to be paid by Tenant up to the end of the Term which shall not be capable of precise determination as aforesaid (and for such purposes no estimate of any component of the additional rent

to accrue pursuant to the provisions of Section 4 and Section 5 hereof shall be less than the amount which would be due if each such component continued at the highest monthly rate or amount in effect during the twelve (12) months immediately preceding the default).

(c) In any case in which this Lease shall have been terminated, or in any case in which Landlord shall have elected to recover the Accelerated Rent Component and any portion of such sum shall remain unpaid, Landlord may without further notice, enter upon and repossess the Demised Premises, by force, summary proceedings, ejectment or otherwise, and may dispossess Tenant and remove Tenant and all other persons and property from the Demised Premises and may have, hold and enjoy the Demised Premises and the rents and profits therefrom. Landlord may, in its own name, as agent for Tenant, if this Lease has not been terminated, or in its own behalf, if this Lease has been terminated, relet the Demised Premises or any part thereof for such term or terms (which may be greater or less than the

period which would otherwise have constituted the balance of the Term) and on such terms (which may include concessions of free rent) as Landlord in its sole discretion may determine. Landlord may, in connection with any such reletting, cause the Demised Premises to be decorated, altered, divided, consolidated with other space or otherwise changed or prepared for reletting. No reletting shall be deemed a surrender and acceptance of the Demised Premises.

(d) In the event Landlord shall, after default or breach by Tenant, recover the Accelerated Rent Component from Tenant and Landlord subsequently relets the Demised Premises, and it shall be determined that a credit is due Tenant because there are net proceeds of reletting (after deducting Landlord's costs of reletting pursuant to subparagraph (c) as aforesaid), then Landlord shall refund such excess proceeds to Tenant on a monthly basis, without interest (which refund shall in no event exceed the amount of the Accelerated Rent Component paid to Landlord by Tenant) promptly after such determination.

(e) Landlord agrees to use reasonable efforts to relet the Demised Premises subsequent to any termination of the Lease or retaking of possession by Landlord pursuant to the provisions of this Section; provided, however, that the foregoing shall not require Landlord to lease the Demised Premises over other unoccupied space on the Property.

(f) As an additional and cumulative remedy of Landlord in the event of termination of this Lease by Landlord following any breach or default by Tenant, Landlord, at its option, shall be entitled to recover damages for such breach in an amount equal to the Accelerated Rent Component (determined from and after the date of Landlord's election under this subsection (f)) less the fair rental value of the Demised Premises for the remainder of the term of this Lease (taken without regard to the early termination) and such damages shall be payable by Tenant upon demand. Nothing contained in this Lease shall limit or prejudice the right of Landlord to prove and obtain as damages incident to a termination of this Lease, in any bankruptcy reorganization or other court proceedings, the maximum amount allowed by any statute or rule of law in effect with such damages are to be proved.

(g) Tenant hereby waives all errors and defects of a procedural nature in any proceedings brought against it by Landlord under this Lease. Tenant further waives the right to any notices to quit as may be specified by applicable law, and agrees that five (5) days notice shall be sufficient in any case where a longer period may be statutorily specified.

(h) If rent or any other sum due from Tenant to Landlord shall be overdue for more than five (5) days after the due date therefor, it shall thereafter bear interest at the rate of twelve percent (12%) per annum (or, if lower, the highest legal rate) until paid.

16. SUBORDINATION. This Lease is and shall be subject and subordinate to all the terms and conditions of all underlying mortgages and to all ground or underlying leases of the entire Building which may now or hereafter encumber the Building and/or the Property and to all renewals, modifications, consolidations, replacements and extensions thereof., provided that the holder of any such mortgage shall have provided to Tenant a nondisturbance agreement which shall provide, inter alia, that (a) Tenant's rights under this Lease shall not be extinguished by any foreclosure or other enforcement proceedings so long as Tenant is not in default under this Lease (b) subject to the foregoing, the Tenant's rights under this Lease are subordinate to the rights of the holder of such mortgagee, and (c) Tenant shall attorn to the holder of such mortgage. Tenant shall execute, within five (5) days after request, any certificate that Landlord may reasonably require acknowledging such subordination provided the same incorporates the foregoing provisions. If Landlord has attached to this Lease, or

subsequently delivers to Tenant, a form of subordination agreement (which includes the foregoing provisions) required by Landlord's lender, Tenant shall execute and return the same to Landlord within five (5) days after receipt thereof by Tenant.

17. NOTICES. All bills, statements, notices or communications which Landlord may desire or be required to give to Tenant shall be deemed sufficiently given or rendered if in writing and either delivered to an officer of Tenant or sent by registered, certified mail or a nationally recognized overnight delivery service addressed to Tenant at the Building, or to such other place designated by Tenant in writing to Landlord, and the time of the giving of such notice or communication. Any notice by Tenant to Landlord must be served by registered or certified mail or a nationally recognized overnight delivery service, addressed to Landlord at Landlord's notice address set forth in Section 7 of the Fundamental Lease Provisions, and copies of the same shall also be sent to the Property Manager. All notices and demands shall be deemed given or served upon the date of receipt, if delivered personally, or three (3) business days after the date deposited with the United States Postal Service, or one (1) business day delivered after the date delivered to the overnight delivery service.

18. HOLDING-OVER. Should Tenant continue to occupy the Demised Premises after the expiration of the Term, including any renewal or renewals thereof, or after a forfeiture incurred, such tenancy shall (without limitation of any of Landlord's rights or remedies therefor) be one at sufferance at a minimum monthly rental equal to twice the rent payable for the last month of the Term.

19. MISCELLANEOUS.

(a) Tenant represents and warrants that it has not employed any broker or agent as its representative in the negotiation for or the obtaining of this Lease other than Tenant's Broker set forth in Section 13 of the Fundamental Lease Provisions, and Tenant agrees to indemnify and hold Landlord harmless from any and all cost or liability for compensation claimed by any broker or agent with whom it has dealt.

(b) The word "Tenant" as used in this Lease shall be construed to mean tenants in all cases where there is more than one tenant, and the necessary grammatical changes required to make the provisions hereof apply to corporations, partnerships or individuals, men or women, shall in all cases be assumed as though in each case fully expressed. This Lease shall not inure to the benefit of any assignee, heir, legal representative, transferee or successor of Tenant except upon the express written consent or election of Landlord. Subject to the foregoing limitation, each provision hereof shall extend to and shall, as the case may require, bind and inure to the benefit of Tenant and its heirs, legal representatives, successors and assigns.

(c) The term "Landlord" as used in this Lease means the fee owner of the Building or, if different, the party holding and exercising the right, as against all others (except tenants of the Building) to possession of the entire Building. In the event of the voluntary transfer of such ownership or right to a successor-in-interest of Landlord, Landlord shall be freed and relieved of all liability and obligation hereunder which shall thereafter accrue (and, as to any unapplied portion of Tenant's security deposit, Landlord shall be relieved of all liability therefor upon transfer of such portion to its successor in interest) and Tenant shall look solely to such successor in interest for the performance of the covenants and obligations of the Landlord hereunder (either in terms of ownership or possessory rights). The successor in interest shall not (i) be liable for any previous act or omission of a prior landlord; (ii) be subject to any rental

offsets or defenses against a prior landlord; (iii) be bound by any payment by Tenant of rent in advance in excess of one (1) month's rent; or (iv) be liable for any security not actually received by it. Subject to the foregoing, the provisions hereof shall be binding upon and inure to the benefit of the successors and assigns of Landlord. Notwithstanding anything to the contrary contained in this Lease, it is expressly understood and agreed by Tenant that none of Landlord's covenants, undertakings or agreements are made or intended as personal covenants, undertakings or agreements by Landlord or its partners, shareholders or trustees, or any of their respective partners, shareholders or trustees, and any liability for damage or breach or nonperformance by Landlord, or for Landlord's negligence, shall be collectible only out of Landlord's interest in the Building (or to the extent of any sales proceeds received by Landlord on account of the sale of the Property so long as such breach by Landlord accrued prior to the date of the transfer of Landlord's interest in the Property and Tenant shall have provided written notice thereof to Landlord prior to the transfer of Landlord's interest in the Property, time being of the essence) and no personal liability is assumed by, nor at any time may be asserted against, Landlord or its partners, shareholders or trustees or any of its or their partners, shareholders, trustees, officers, agents, employees, legal representatives, successors or assigns, if any; all such liability, if any, being expressly waived and released by Tenant.

(d) Time is of the essence of this Lease and all of its provisions

(e) If Landlord is delayed or prevented from performing any of its obligations under this Lease by reason of causes beyond Landlord's control, the period of such delay or prevention shall be deemed added to the time herein provided for the performance of any such obligation by Landlord.

20. CONDITION OF DEMISED PREMISES. Tenant acknowledges that Tenant is currently occupying the Demised Premises and accepts the Demised Premises in its "AS IS" condition. Landlord shall not be obligated to make any improvements to the Demised Premises to prepare the same for Tenant's occupancy. Landlord represents that, to Landlord's actual knowledge: (a) except as disclosed in that certain Phase I Environmental Site Assessment dated September, 1998 prepared by RT Environmental Services, Inc. for Tenant's affiliate, Preferred Real Estate Investments, Inc. (the "Environmental Report"), Landlord is not aware of the presence or release of hazardous materials or substances in, at or under the Property in violation of any Environmental Statute, (b) the Property is not in violation of any applicable laws or ordinances, and (c) the Building does not contain any structural defects. Notwithstanding the foregoing, Landlord shall have no liability hereunder on account of any conditions or violations caused by Tenant or as to which Tenant has actual knowledge as of the date hereof. Tenant expressly acknowledges that Tenant is aware that the Property is the subject of ongoing environmental remediation pursuant to a remediation agreement between General Sullivan Group, Inc. and the New Jersey Department of Environmental Protection, as more fully described in the Environmental Report. Except as expressly set forth herein, Landlord makes no representations or warranties as to the condition of the Demised Premises.

21. WAIVER OF SUBROGATION. Each party hereto hereby waives any and every claim which arises or which may arise in its favor against the other party hereto during the Term, including any extension or renewal thereof, for any and all loss of, or damage to, any of its property located within or upon or constituting a part of the Building, to the extent that such loss or damage is covered under an insurance policy or policies and to the extent such policy or policies contain provisions permitting such waivers of claims. Each party agrees to request its insurers to issue policies containing such provisions and if any extra premium is payable

therefor, the party which would benefit from the provision shall have the option to pay such additional premium in order to obtain such benefit.

22. RENT TAX. If, during the Term, including any renewal or extension thereof, any tax is imposed upon the privilege of renting or occupying the Demised Premises or upon the amount of rentals collected therefor, Tenant will pay each month, as additional rent, a sum equal to such tax or charge that is imposed for such month, but nothing herein shall be taken to require Tenant to pay any income, estate, inheritance or franchise tax imposed upon Landlord.

23. PRIOR AGREEMENT, AMENDMENTS. Neither party hereto has made any representations or promises except as contained herein or in some further writing signed by the party making such representation or promise. No other agreement hereinafter made shall be effective to change, modify, discharge or effect an abandonment of this Lease, in whole or in part, unless such agreement is in writing and signed by the party against whom enforcement of the change, modification, discharge or abandonment is sought. Tenant agrees to execute any amendment to this Lease required by a mortgagee of the Building, which amendment does not materially adversely affect Tenant's rights or obligation hereunder.

24. CAPTIONS. The captions of the paragraphs in this Lease are inserted and included solely for convenience and shall not be considered or given any effect in construing the provisions hereof.

25. MECHANIC'S LIEN. Tenant shall, within ten (10) days after notice from Landlord, discharge any mechanic's lien for materials or labor claimed to have been furnished to the Demised Premises on Tenant's behalf (except for work contracted for by Landlord) and shall indemnify and hold harmless Landlord from any loss incurred in connection therewith.

26. RIGHT TO CURE. Landlord may (but shall not be obligated), on five (5) days notice to Tenant (except that no notice need be given in case of emergency) cure on behalf of Tenant any default hereunder by Tenant, and the cost of such cure (including any attorney's fees incurred) shall be deemed additional rent payable upon demand. If Landlord shall, following the giving of written notice and the expiration of a reasonable period for cure, fail to perform any one or more of its obligations under this Lease, Tenant may (but shall not be obligated), on five (5) days additional notice (except that no additional notice need be given in the event of emergency) to Landlord, take all reasonable action as may be necessary to correct or cure the failure of performance by Landlord, and Tenant's reasonable out-of-pocket expenditures in so doing shall be payable from Landlord to Tenant.

27. INSURANCE. Tenant shall at all times during the Term, including any renewal or extension thereof, maintain in full force and effect with respect to the Demised Premises and Tenant's use thereof, (i) comprehensive public liability insurance, covering injury to person and property in amounts at least equal to Five Million Dollars ($5,000,000) per occurrence and annual aggregate limit for bodily injury and One Million Dollars ($1,000,000) per occurrence and annual aggregate limit for property damage, with increases in such limits as Landlord may from time to time reasonably request ("Liability Insurance"), and (ii) all-risk or fire and extended coverage insurance upon Tenant's personal property and leasehold improvements in the Demised Premises for the full replacement value of such personal property and leasehold improvements. Such Liability Insurance policies shall name Landlord and at Landlord's request any mortgagee of all or any portion of the Property as additional insureds. Tenant shall lodge with Landlord duplicate originals or certificates of such Liability Insurance at or prior to the Commencement Date, together with evidence of paid-up premiums, and shall lodge with

Landlord renewals thereof at least fifteen (15) days prior to expiration. All such policies or certificates shall provide that such Liability Insurance coverage may not be cancelled or materially amended unless Landlord and any mortgagee designated by Landlord as aforesaid are given at least thirty (30) days prior written notice of the same.

28. ESTOPPEL STATEMENT. Tenant shall from time to time, within five (5) days after request by Landlord, execute, acknowledge and deliver to Landlord a statement certifying that this Lease is unmodified and in full force and effect (or that the same is in full force and effect as modified, listing any instruments or modifications), the dates to which rent and other charges have been paid, and whether or not, to the best of Tenant's knowledge, Landlord is in default or whether Tenant has any claims or demands against Landlord (and, if so, the default, claim and/or demand shall be specified), and such other information reasonably requested by Landlord.

29. ENVIRONMENTAL MATTERS.

(a) Tenant shall conduct, and cause to be conducted, all operations and activity at the Demised Premises in compliance with, and shall in all other respects applicable to the Demised Premises comply with, all applicable present and future federal, state, municipal and other governmental statutes, ordinances, regulations, orders, directives and other requirements, and all present and future requirements of common law, concerning the environment (hereinafter collectively called "Environmental Statutes") including, without limitation, (i) those relating to the generation, use, handling, treatment, storage, transportation, release, emission, disposal, remediation or presence of any material, substance, liquid, effluent or product, including, without limitation, hazardous substances, hazardous waste or hazardous materials, (ii) those concerning conditions at, below or above the surface of the ground and (iii) those concerning conditions in, at or outside the Building.

(b) Tenant, in a timely manner, shall obtain and maintain in full force and effect all permits, licenses and approvals, and shall make and file all notifications and registrations as required by Environmental Statutes. Tenant shall at all times comply with the terms and conditions of any such permits, licenses, approvals, notifications and registrations.

(c) Tenant shall provide to Landlord copies of the following, forthwith after each shall have been submitted, prepared or received by Tenant or any occupant of the Demised Premises: (i) all applications and associated materials submitted to any governmental agency relating to any Environmental Statute; (ii) all notifications, registrations, reports and other documents, and supporting information, prepared, submitted or maintained in connection with any Environmental Statute; (iii) all permits, licenses, approvals, and amendments or modifications thereof, obtained under any Environmental Statute; and (v) any correspondence, notice of violation, summons, order, complaint, or other document received by Tenant or any occupant of the Demised Premises pertaining to compliance with or liability under any Environmental Statute.

(d) Tenant shall not cause or suffer or permit to occur in, on or under the Demised Premises any generation, use, manufacturing, refining, transportation, emission, release, treatment, storage, disposal, presence or handling of hazardous substances, hazardous wastes or hazardous materials (as such terms are now or hereafter defined under any Environmental Statute) or any other material, substance, liquid, effluent or product now or hereafter regulated by any Environmental Statute (all of the foregoing herein collectively called "Hazardous Substances"), except that materials (other than asbestos or polychlorinated biphenyls), that are or contain hazardous substances may be used, generated, handled or stored on the Demised Premises, provided such is incident to and reasonably necessary for the operation of Tenant's business within the Demised Premises and is in compliance with all Environmental Statutes and all other applicable governmental requirements. Should any release of any hazardous substance occur at the Demised Premises in violation of any Environmental Statute, Tenant shall immediately contain, remove and dispose of, such hazardous substances and any material that was contaminated by the release and to remedy and mitigate all threats to human health or the environment relating to such release as required by all applicable Environmental Statutes. When conducting any such measures the Tenant shall comply with all Environmental Statutes.

(e) Tenant hereby agrees to indemnify and to hold harmless Landlord of, from and against any and all expense, loss or liability suffered by Landlord by reason of Tenant's breach of any of the provisions of this Section, including, but not limited to, (i) any and all expenses that Landlord may incur in complying with any Environmental Statutes, (ii) any and all costs that Landlord may incur in studying, assessing, containing, removing, remedying, mitigating, or otherwise responding to, the release of any hazardous substance or waste at or from the Demised Premises, (iii) any and all costs for which Landlord may be liable to any governmental agency for studying, assessing, containing, removing, remedying, mitigating, or otherwise responding to, the release of a hazardous substance or waste at or from the Demised Premises, (iv) any and all fines or penalties assessed, or threatened to be assessed, upon Landlord by reason of a failure of Tenant to comply with any obligations, covenants or conditions set forth in this Article, and (v) any and all legal fees and costs incurred by Landlord in connection with any of the foregoing, which indemnity shall survive the expiration or earlier termination of this Lease.

Notwithstanding the foregoing, Tenant's indemnification obligations under this Section shall not apply in respect of any release of Hazardous Substances or violation of Environmental Statutes caused by parties other than Tenant, its agents, employees, invitees or licensees.

(f) Landlord hereby agrees to indemnify and hold harmless Tenant of from and against any and all expense, loss or liability suffered by Tenant on account of any release of Hazardous Substances or violation of Environmental Statutes caused by Landlord, its agents, or employees Notwithstanding the foregoing, Landlord's indemnification obligations under this Section shall not apply in respect of any release of Hazardous Substances or violation of Environmental Statutes caused by other parties (including, without limitation, other tenants of the Building) other than Landlord, its agents or employees.

30. DELIVERY FOR EXAMINATION. DELIVERY OF THE LEASE TO TENANT SHALL NOT BIND LANDLORD IN ANY MANNER, AND NO LEASE OR OBLIGATIONS OF LANDLORD SHALL ARISE UNTIL THIS INSTRUMENT IS SIGNED BY BOTH LANDLORD AND TENANT.

31. SECURITY INTEREST. INTENTIONALLY OMITTED.

32. FINANCIAL STATEMENTS. If requested by Landlord's lender (but no more than twice during any twelve month period) Tenant shall provide to Landlord's lender within five days of written notice from Landlord a copy of Tenant's and Guarantor's (if any) complete annual financial statements for the most recently completed fiscal year.

33. QUIET ENJOYMENT. Tenant, upon paying the rent, and observing and keeping all covenants, agreements and conditions of this Lease on its part to be kept, shall quietly have and enjoy the Demised Premises during the term of this Lease without hindrance or molestation by anyone claiming by or through Landlord, subject, however, to the exceptions, reservations and conditions of this Lease.

34. SEVERABILITY. If any provision contained in this Lease shall, to any extent, be invalid or unenforceable, the remainder of this Lease (and the application of such provision to the persons or circumstances, if any, other than those as to which it is invalid or unenforceable) shall not be affected thereby, and each and every provision of this Lease shall be valid and enforceable to the fullest extent permitted by law.

35. GOVERNING LAW. This Lease shall be governed by and construed in accordance with the laws of the State in which the Property is located.

36. RENEWAL OPTIONS. Tenant shall have the option to extend the Term for one (1) extension period (the "Extension Period") of five (5) years, upon the following terms and conditions:

(a) The Extension Period shall be for a five (5) year period commencing on the day immediately following the expiration date of the initial Term of this Lease and expiring at midnight on the day immediately preceding the fifth (5^{th}) anniversary thereof.

(b) Tenant must exercise the Extension Period, if at all, upon at least nine (9) months' written notice to Landlord prior to the expiration date of the initial Term of this Lease, time being of the essence.

(c) The Extension Period shall be on the same terms and conditions contained in this Lease, except that (i) the Annual Base Rent shall be the "Fair Market Rent" (as hereinafter defined) of the Demised Premises for the Extension Period, and (ii) Tenant shall receive no inducements, allowances or periods of rent abatement with respect to such Extension Period, and (iii) the provisions of Section 38 shall no longer apply.

(d) As used herein, the term "Fair Market Rent" shall mean and equal the product of (i) the rentable area then included in the Demised Premises and (ii) the market rental (expressed in dollars per square foot) for comparable space, and for a comparable term, in the Building and in other comparable buildings in the West Trenton, New Jersey market as determined by Landlord in Landlord's reasonable judgment (subject to subparagraphs (i) – (iii) below, taking into account the size and location of the Demised Premises in the Building.

(i) At Tenant's request, such request to be given in writing and no later than twelve (12) months prior to the Expiration Date, Landlord shall confer with Tenant as to Landlord's proposed "Fair Market Rent" for the Demised Premises and shall in any event, within fifteen (15) days thereafter, notify Tenant in writing ("Landlord's Notice") of such proposed rental rate. Tenant shall thereupon have the following options: (i) to accept such proposed "Fair Market" rental rate and exercise its renewal option not later than the date set forth in

subparagraph (b) above, (ii) to decline to exercise its renewal option, or (iii) to notify Landlord in writing that Tenant objects to the proposed rental rate, which notification must be given within fifteen (15) days after Tenant's receipt of Landlord's Notice. If Tenant objects to Landlord's proposed "Fair Market Rent" in accordance with clause (iii) above, Landlord and Tenant shall attempt to negotiate a mutually acceptable rental rate within ten (10) days following notification by Tenant, and if such negotiations have not been concluded within such ten (10) day period, either party may require determination of the Fair Market Rent for the Extension Period by giving written notice to the other no later than five days after the expiration of such 10-day period, which notice shall designate a real estate broker selected by the initiating party experienced in office and warehouse leasing in the West Trenton, New Jersey area. Within five (5) business days after receipt of such notice, the other party to this Lease shall select a real estate broker meeting the aforesaid requirements and give written notice of such selection to the initiating party. If the two real estate brokers fail to agree upon the Fair Market Rent within ten days after selection of the second broker, the two brokers shall select a third broker experienced in office and warehouse leasing in West Trenton, New Jersey. Each of the three brokers shall determine the Fair Market Rent within ten (10) days after the appointment of the third broker. The Fair Market Rent applicable to the Extension Term shall equal the arithmetic average of such three determinations; provided, however, that if one broker's determination deviates more than five percent (5%) from the median of the three determinations, the Fair Market Rent shall be an amount equal to the average of the other two determinations. The determination of Fair Market Rent shall be final, binding and conclusive on Landlord and Tenant. Upon receipt of any such determination, Tenant shall have the right, but shall not be obligated, for a period of ten (10) days, to exercise the Extension Period at the Fair Market Rent so determined. If Tenant does not

so exercise its right within such ten (10) day period, then, notwithstanding anything herein to the contrary, such right shall be extinguished absolutely and Tenant shall have no further right to extend the Term pursuant to this Section 36.

(ii) Landlord shall pay the costs and fees of Landlord's broker in connection with any determination hereunder, and Tenant shall pay the costs of Tenant's broker in connection with such determination. The costs and fees of any third-party broker selected pursuant to subparagraph (I) above shall be paid one-half by Landlord and one-half by Tenant.

(iii) Tenant acknowledges that time is of the essence with respect to the provisions of this Section 36. By way of example and not by limitation, if Tenant fails to timely (a) request Landlord's determination of the Fair Market Rent, (b) object to Landlord's determination of Fair Market Rent, or (c) require a determination of Fair Market Rent, each within the time periods set forth above, then the Fair Market Rent for the Extension Period shall be determined by Landlord in accordance with the first sentence of subparagraph (d) above.

(e) Except for the Extension Period set forth above, there shall be no further privilege of renewal.

37. LANDLORD'S RECAPTURE.

(a) Provided that Tenant is not in default of its obligations hereunder, on or prior to the expiration of the first lease year Landlord shall recapture that portion of the Demised Premises consisting of approximately 2,500 square feet and designated as the "First Recapture Space" on Exhibit "A" attached hereto. Landlord shall notify Tenant in writing at least thirty (30)

days prior to the date upon which Landlord intends to recapture the First Recapture Space (the "First Recapture Date"). Effective as of the First Recapture Date, this Lease and Tenant's right to possession shall terminate with respect to the First Recapture Space only, and Tenant shall vacate the First Recapture Space on or before the First Recapture Date. If Tenant fails to vacate the First Recapture Space on or before the First Recapture Date, Tenant shall be deemed a holdover tenant with respect to the First Recapture Space and be subject to the provisions of Section 18 hereof with respect thereto. Upon the later of (i) the First Recapture Date, or (ii) the date that Tenant vacates the First Recapture Space, the Annual Base Rent, Tenant's GLA and Tenant's Fraction shall be proportionately reduced.

(b) provided that Tenant is not in default, on or prior to the expiration of the second lease year Landlord shall recapture that portion of the Demised Premises consisting of approximately 2,500 square feet and designated as the "Second Recapture Space" on Exhibit "A" attached hereto. Landlord shall notify Tenant in writing at lease thirty (30) days prior to the date upon which Landlord intends to recapture the Second Recapture Space (the "Second Recapture Date"). Effective as of the Second Recapture Date, this Lease and Tenant's right to possession shall terminate with respect to the Second Recapture Space only, and Tenant shall vacate the Second Recapture Space on or before the Second Recapture Date. If Tenant fails to vacate the Second Recapture Space on or before the Second Recapture Date, Tenant shall be deemed a holdover tenant with respect to the Second Recapture Space and be subject to the provisions of Section 18 hereof with respect thereto. Upon the later of (i) the Second Recapture Date, or (ii) the date that Tenant vacates the Second Recapture Space, the Annual Base Rent, Tenant's GLA and Tenant's Fraction shall be proportionately reduced.

38. EARLY TERMINATION. Tenant shall have the right to terminate this Lease at any time after the expiration of the seventh (7^{th}) lease year of the Term and prior to the expiration of the initial term (but not during any Extension Period) provided: (a) Tenant shall have delivered written notice ("Tenant's Termination Notice") to Landlord not more than 270 days and not less than 180 days prior to the effective date of termination (the "Early Termination Date"), time being of the essence, and (b) Tenant shall have (i) paid to Landlord by cash or certified check, at the time Tenant delivers Tenant's Termination Notice, a termination fee (the "Termination Fee") equal to the product obtained by multiplying (A) two-thirds (2/3) by (B) the Annual Base Rent which otherwise would have been payable by Tenant during the balance of the Term subsequent to the Early Termination Date (at the rental rate set forth in Section 10 of the Fundamental Lease Provisions), or (ii) delivered to Landlord, at the time Tenant delivers Tenant's Termination Notice, an unconditional and irrevocable letter of credit in the amount of the Termination Fee, which letter of credit shall be in all respects satisfactory to Landlord, in its reasonable judgment. In the event that Tenant pays the Termination Fee to Landlord by cash or certified check, Landlord shall deposit the Termination Fee in an interest-bearing account and on the Early Termination Date, provided that tenant is not in default beyond the expiration of all applicable notice and cure periods hereunder, Landlord shall pay to Tenant all interest earned thereon from the date of deposit through the Early Termination Date By way of example, the Early Termination Date is the first day of the eighth (8^{th}) lease year (i.e., with 36 months remaining on the initial lease term), the Early Termination Fee shall equal twenty-four (24) months' Base Rent. If the Early Termination Date is the first day of the ninth (9^{th}) lease year (i.e., with 24 months remaining on the initial lease term), the Early Termination Fee shall equal sixteen (16) months' Base Rent. Tenant acknowledges that the Early Termination Fee is separate and independent consideration for Tenant's' right to terminate the Lease in accordance with the provisions of this Section 38 and, as such, will not be applied against the rent payable by Tenant hereunder for the period from and after the date of Tenant's Termination Notice through the Early Termination Date. This Lease shall terminate on the Early Termination

Date and neither party shall have any further rights, liabilities or obligations hereunder (provided, however, that nothing herein shall relieve any party from performing any outstanding obligations which accrued prior to the Early Termination Date).

39. TENANT INDUCEMENT. As an inducement for Tenant to enter into this Lease, provided that the Commencement Date shall have occurred and Tenant shall have commenced paying rent hereunder, Landlord shall pay to Tenant on the Commencement Date a one-time payment equal to the sum of One Hundred Thousand Dollars ($100,000.00) (the "Tenant Inducement Payment"). Notwithstanding the foregoing, in the event that Tenant shall default in the performance of any its obligations hereunder during the first lease year and such default shall result in the termination of the Lease pursuant to Section 15 hereof, the Tenant Inducement Payment shall be recoverable by Landlord and, in such event, the same shall become immediately due and payable to Landlord as additional rent hereunder.

40. TERMINATION OF EXISTING LEASE. Effective as of the Commencement Date, that certain Lease (the "Existing Lease") dated July 11, 1995 by and between General Sullivan Group, Inc. (to be assigned to Landlord at closing) and Tenant is hereby terminated and shall be of no further force and effect.

IN WITNESS WHEREOF, the parties hereto have executed this Lease or caused this Lease to be executed by their duly authorized representatives the day and year first above written.

LANDLORD:

ROBEAR WEST TRENTON ASSOCIATES, L.P.

BY: ROBEAR ASSOCIATES, INC.

BY: _____

DATE: / /

TENANT:

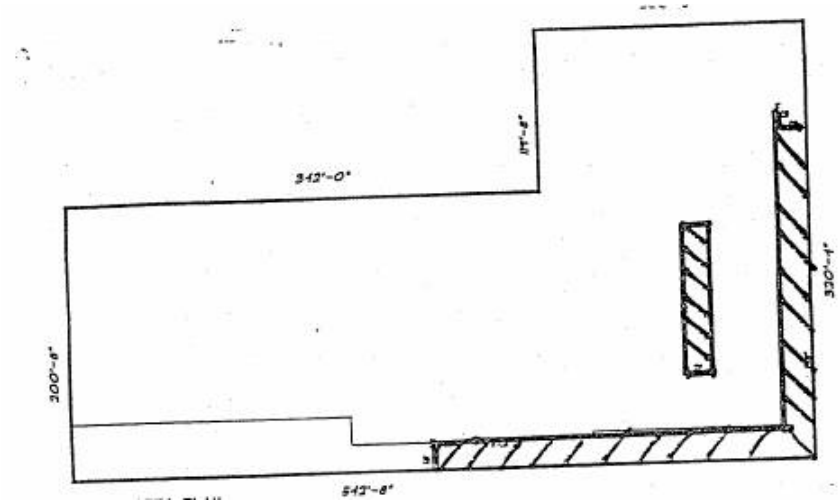
ROLLER BEARING COMPANY OF AMERICA, INC.

BY: /s/ [ILLEGIBLE]

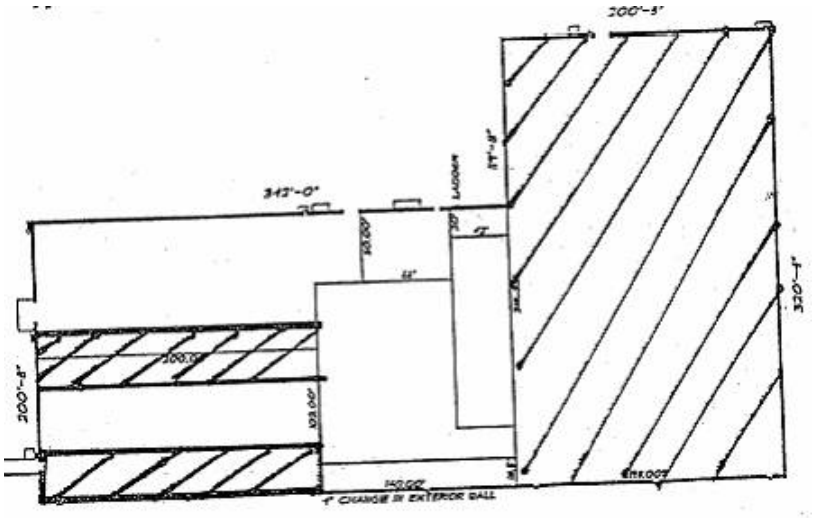
DATE: 2/10/99

EXHIBIT "A"

DEMISED PREMISES



LEASE AREA PLAN ROLLER BEARING SECOND FLOOR GENERAL SULLIVAN GROUP WEST TRENTON, NEW JERSEY



LEASE AREA PLAN ROLLER BEARING GROUND FLOOR GENERAL SULLIVAN GROUP WEST TRENTON, NEW JERSEY

EXHIBIT “B”

INTENTIONALLY OMITTED

EXHIBIT “C”

BUILDING RULES AND REGULATIONS

1. The sidewalks, entryways, passages, corridors, stairways and elevators shall not be obstructed by any of the tenants, their employees or agents, or used by them for purposes other than ingress or egress to and from their respective suites. All safes or other heavy articles shall be carried up or into the leased premises only at such times and in such manner as shall be prescribed by the Landlord and the Landlord shall in all cases have the right to specify a maximum weight and proper position or location of any such safe or other heavy article. The Tenant shall pay any damage done to the Building by taking in or removing any safe or from overloading any floor in any way. The Tenant shall pay for the cost of repairing or restoring any part of the Building, which shall be defaced or injured by a tenant, its agents or employees.

2. Each Tenant will refer all contractors, contractor’s representatives and installation technicians rendering any service on or to the leased premises for the tenant to Landlord for Landlord’s approval and supervision before performance of any contractual service. This provision shall apply to all work performed in the Building, including installation of telephones, telegraph equipment, electrical devices and attachments and installations of any nature affecting floors, walls, woodwork, trim, windows, ceilings, equipment or any other physical portion of the Building.

3. No, sign, advertisement or notice shall be inscribed, painted or affixed on any part of the inside or outside of the Building unless of such color, size and style and in such place upon or in the Building as shall first be designated by Landlord; there shall be no obligation or duty on Landlord to allow any sign, advertisement or notice to be inscribed, painted or affixed on any part of the inside or outside of the Building except as specified in a tenant’s lease. Signs on or adjacent to doors shall be in color, size and style approved by Landlord, the cost to be paid by the tenants. Landlord will provide a directory in a conspicuous place, with the names of tenants, Landlord will make any necessary revision in this within a reasonable time after notice from the tenant of an error or of a change making revision necessary. No furniture shall be placed in front of the Building or in any lobby or corridor without written consent of Landlord.

4. No tenant shall do or permit anything to be done in its leased premises, or bring to keep anything therein, which will in any way increase the rate of fire insurance on the Building, or on property kept therein, or obstruct or interfere with the rights of other tenants, or in any way injure or annoy them, or conflict with the laws relating to fire prevention and safety, or with any regulations of the fire department, or with any rules or ordinances of any Board of Health or other governing bodies having jurisdiction over the Building.

5. The janitor of the Building may at all times keep a pass-key, and he and other agents of the Landlord shall at all times, be allowed admittance to the leased premises for purposes permitted in Tenant’s lease.

6. No additional locks shall be placed upon any doors without the written consent of the Landlord. All necessary keys shall be furnished by the Landlord, and the same shall be surrendered upon the termination of this Lease, and the Tenant shall then give the Landlord or his agents explanation of the combination of all locks upon the doors of vaults.

7. The water closets and other water fixtures shall not be used for any purpose other than those for which they were constructed, and any damage resulting to them from misuse or abuse by a tenant or its agents, employees or invitees, shall be borne by the Tenant.

8. No person shall disturb the occupants of the Building by the use of any musical instruments; the making or transmittal of noises which are audible outside the leased premises, or any unreasonable use. No dogs or other animals or pets of any kind will be allowed in the Building.

9. No bicycles or similar vehicles will be allowed in the Building.

10. Nothing shall be thrown out the windows of the Building or down the stairways or other passages.

11. Tenants shall not be permitted to use or to keep in the Building any kerosene, camphene, burning fluid or other illuminating materials.

12. If any tenant desires telegraphic, telephonic or other electric connections, Landlord or its agents will direct the electricians as to what and how the wires may be introduced, and without such directions no boring or cutting for wires will be permitted.

13. If a tenant desires shades, they must be of such shape, color, materials and make as shall be prescribed by Landlord. No outside awning shall be permitted.

14. No portion of the Building shall be used for the purposes of lodging rooms or for any immoral or unlawful purposes.

15. No tenant shall store anything outside the Building or in any common areas in the Building.

Exhibit "D"

COMMENCEMENT DATE AGREEMENT

THIS AGREEMENT, made as of this 10 day of February, 1999, between **ROBEAR ASSOCIATES, L.P.** (herein called "**Landlord**") and **ROLLER BEARING COMPANY OF AMERICA, INC.** (herein collectively called "**Tenant**").

W I T N E S S E T H:

WHEREAS, by that certain lease dated , 1998 (herein called the "**Lease**"), Landlord leased to Tenant certain premises **(**the **"Premises")** located in the Township of , County, Pennsylvania; and

WHEREAS, Tenant is in possession of the Premises and the term of the Lease has commenced; and

WHEREAS, Landlord and Tenant agreed to enter into an agreement setting forth certain information in respect of the Premises and the Lease;

NOW, THEREFORE, Landlord and Tenant agree as follows:

The term of the Lease commenced on, and the Commencement Date (as such term is defined in the Lease) was, , 19 and the term of the Lease shall expire on , unless the Tenant exercises the option referred to in Paragraph 2 below.

The Tenant has the right to extend the term of the Lease for one (1) five-year period, as described and on the terms set forth in Section 2 of the Lease. If Tenant properly exercises such option, such option term shall commence on , and shall expire on , .

Landlord has measured the size of the Premises and has determined that the same contains square feet. Accordingly, the minimum rent payable during the term is as follows, and Tenant's proportionate share for the purpose of determining Tenant's share of operating expenses, real estate taxes and any other item for which Tenant is responsible to reimburse Landlord for a pro rata share is %:

Year/Period	Annual Rent	Monthly Installment	Rent/Sq.Ft.

Exhibit 10.7

FIRST AMENDMENT TO OFFICE LEASE

THIS FIRST AMENDMENT TO OFFICE LEASE dated this 26th day of July 2004 by and between **ROBEAR WEST TRENTON ASSOCIATES, L.P. (**hereinafter called **"Landlord")** and **ROLLER BEARING COMPANY OF AMERICA, INC.** (hereinafter called **"Tenant"**).

BACKGROUND

A. Landlord and Tenant are the parties to a certain Office Lease dated January 10, 1999 (the **"Lease"**) pursuant to which Landlord leases to Tenant and Tenant leases from Landlord approximately 93,015 rentable square feet (the **"Demised Premises"**) at the building located at the corner of Silvia Street and Sullivan Way, in the Township of Ewing, County of Mercer, State of New Jersey (the **"Building"**).

B. Tenant desires to Tenant now desires to terminate the Lease only as it relates to a portion of the original Demised Premises consisting of approximately 7,300 rentable square feet of floor area described as the **"Surrender Space"** on **Exhibit "A-1"** attached hereto and made a part hereof (the **"Surrender Space"**) so that the Demised Premises shall thereafter consist of approximately 85,715 rentable square feet of floor area described as the **"Reconfigured Premises"** on **Exhibit "A-1"** (the **"Reconfigured Premises"**), and Landlord desires to terminate the Lease only as it relates to the Surrender Space upon the terms and conditions set forth herein.

C. Landlord and Tenant desire to reduce the Demised Premises as set forth in the terms provided herein.

NOW, THEREFORE, in consideration of the Reconfigured Premises herein continued and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Landlord and Tenant, intending to be legally bound hereby agree as follows:

1. CAPITALIZED TERMS. Except otherwise defined herein, capitalized terms used herein shall have the same meanings assigned to such terms under the Lease.

2. SURRENDER SPACE. Upon the terms and conditions set forth herein, Landlord and Tenant hereby terminate the Lease only as it relates to the Surrender Space effective as of the date that the Landlord has re-leased the Surrender Space and Landlord is collecting the Annual Base Rent on such space (the "Surrender Space Termination Date"). In furtherance of the foregoing:

A. On the Surrender Space Termination Date: (i) this Lease shall terminate as it relates only to the Surrender Space as if the Surrender Space Termination Date was the date originally stipulated for the expiration of the Term as it relates to the Surrender Space; (ii) Tenant shall surrender vacant possession of the Surrender Space in broom-clean condition; and (iii) except for those provisions which survive the expiration or earlier termination of the Lease, the Lease shall be of no further force and effect as it relates to the Surrender Space; provided, however, that nothing

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herein shall relieve Tenant of any obligations which accrue hereunder prior to the Surrender Space Termination Date.

B. Effective on the Surrender Space Termination Date: (i) the description of the **"Demised Premises"** set forth on **Exhibit "A"** attached to the Lease is hereby amended and replaced with the description of the **"Reconfigured Premises"** set forth on **Exhibit "A-1"** attached hereto; (ii) the first sentence of Section 2 of the Fundamental Lease Provisions) of the Lease is hereby amended by replacing "Ninety-Three Thousand Fifteen rentable square feet (93,015 rsf)" with Eighty-Five Thousand Seven Hundred Fifteen rentable square feet (85,715 rsf)"; (iii) Section 4 of the Fundamental Lease Provisions) of the Lease is hereby amended by replacing "Fifty-Nine and Fifty-Five hundredths percent (59.55%)" with "Fifty-Four and Eight-Eight hundredths percent (54.88%)"; and (iv) Tenant's obligation to pay Annual Base Rent shall be adjusted to reflect the reduced rentable square footage of the Reconfigured Premises (which is more specifically set forth in Section 3 hereinbelow) and all other figures and provisions in the Lease affected by the reduction of such square footage shall be adjusted and amended accordingly.

C. In the event Tenant shall hold possession of the Surrender Space after the Surrender Space Termination Date (time being of the essence), then Landlord shall have any and all rights and remedies as set forth in the Lease including, but not limited to, those rights and remedies set forth in Section 18 of the Lease. Further, in the event Tenant shall hold possession of the Surrender Space after the Surrender Space Termination Date (time being of the essence), Tenant hereby agrees to indemnify and hold Landlord harmless from and against any and all claims, damages (including actual and consequential damages) and expenses (including reasonable attorneys' fees) resulting from a failure to deliver the Surrender Space to a new tenant or occupant for said space in accordance with the terms and conditions of a lease with said new tenant or occupant including, but not limited to, any damages incurred by Landlord resulting from the termination of the lease with said new tenant or occupant.

3. ANNUAL BASE RENT. Commencing on the day following the Surrender Space Termination Date, Section 10 of the Fundamental Lease Provisions of the Lease is hereby amended and replaced with the following:

PERIOD	ANNUAL BASE RENT	MONTHLY INSTALLMENT	$/RSF NNN
03/01/04 – 02/28/05	$ 342,860.00	$ 28,571.00	$ 4.00
03/01/05 – 02/28/06	$ 342,860.00	$ 28,571.00	$ 4.00
03/01/06 – 02/28/07	$ 342,860.00	$ 28,571.00	$ 4.00
03/01/07 – 02/29/08	$ 342,860.00	$ 28,571.00	$ 4.00
03/01/08 – 02/28/09	$ 342,860.00	$ 28,571.00	$ 4.00

4. TENANT IMPROVEMENTS.

A. Except for the Scope of Work attached hereto as **Exhibit "B"** (**"Landlord's Work"**), Landlord shall have no obligation to perform any improvements to either the Reconfigured Premises or to the Surrender Space. Notwithstanding anything to the contrary set forth in the Lease (as amended hereby), with the exception only of the Landlord's Work as specifically described herein, Landlord

shall have no obligation to construct any buildings, improvements or alterations, or to extend or provide any services on or to the Reconfigured Premises or to or for the benefit of Tenant, or to make any repairs or replacements to the Reconfigured Premises; and Landlord makes no warranty concerning the Reconfigured Premises or the Landlord's Work, including without limitation any warranties of merchantability, habitability, fitness or any other condition thereof for any particular purpose.

B. All work described in this Scope of Work shall be furnished, installed and shall be performed by Landlord, utilizing a general contractor selected by Landlord.

C. In the event Tenant requests that Landlord perform any work to the Reconfigured Premises other than as specifically set forth herein, said work shall be considered a "Tenant Change Order" and Tenant shall pay any increase in the cost of constructing the Landlord's Work (including, without limitation, additional architect's fees) resulting from such Tenant Change Order. In constructing the Landlord's Work, Landlord reserves the right to: (i) make substitutions of material of equivalent grade and quality when and if any specified material shall not be readily and reasonably available, and (ii) make changes necessitated by conditions met during the course of construction; provided, however, that Tenant's approval of any substantial change shall first be obtained, which approval shall not be unreasonably withheld, conditioned or delayed. Tenant Change Orders shall not be permitted without the prior written approval of Landlord, which approval shall not be unreasonably withheld, conditioned or delayed by Landlord so long as the Tenant Change Order does not delay the construction of the Landlord's Work. If Landlord approves any Tenant Change Order then, notwithstanding anything to the contrary contained herein, Tenant shall pay any increase in the cost of constructing the Landlord's Work resulting from such Tenant Change Order within thirty (30) days after receipt of Landlord's invoice therefor. As a condition to Landlord's approval of any Tenant Change Order, Landlord may require that, prior to Landlord's commencement of any work related to such Tenant Change Order, Tenant shall pay to Landlord one hundred percent (100%) of the amount estimated by Landlord to become due to Landlord with respect to such Tenant Change Order, which prepaid amount shall be applied against the last of the costs incurred by Landlord with respect to such Tenant Change Order.

5. OTHER MODIFICATIONS. Except as expressly amended hereby, the Lease shall remain in full force and effect unmodified. Tenant expressly acknowledges that the provisions of Section 15 of the Lease (relating to Default) remains in full force and effect.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK.]

IN WITNESS WHEREOF, the parties hereto have executed this Amendment on the date set forth above.

LANDLORD:

ROBEAR WEST TRENTON ASSOCIATES, L.P.
a Pennsylvania Limited Partnership

WITNESS:

By: **ROBEAR, INC.**
its General Partner

/s/ [ILLEGIBLE]

By: /s/ Alan S. Werther
Name: ALAN S. WERTHER
Title: VICE PRESIDENT

ATTEST:

TENANT:

ROLER BEARING COMPANY OF AMERICA, INC.

/s/ [ILLEGIBLE]

By: /s/ Robert W. Crawford
Name: Robert W. Crawford
Title: Director

EXHIBIT "A"

SURRENDER SPACE

RECONFIGURED PREMISES

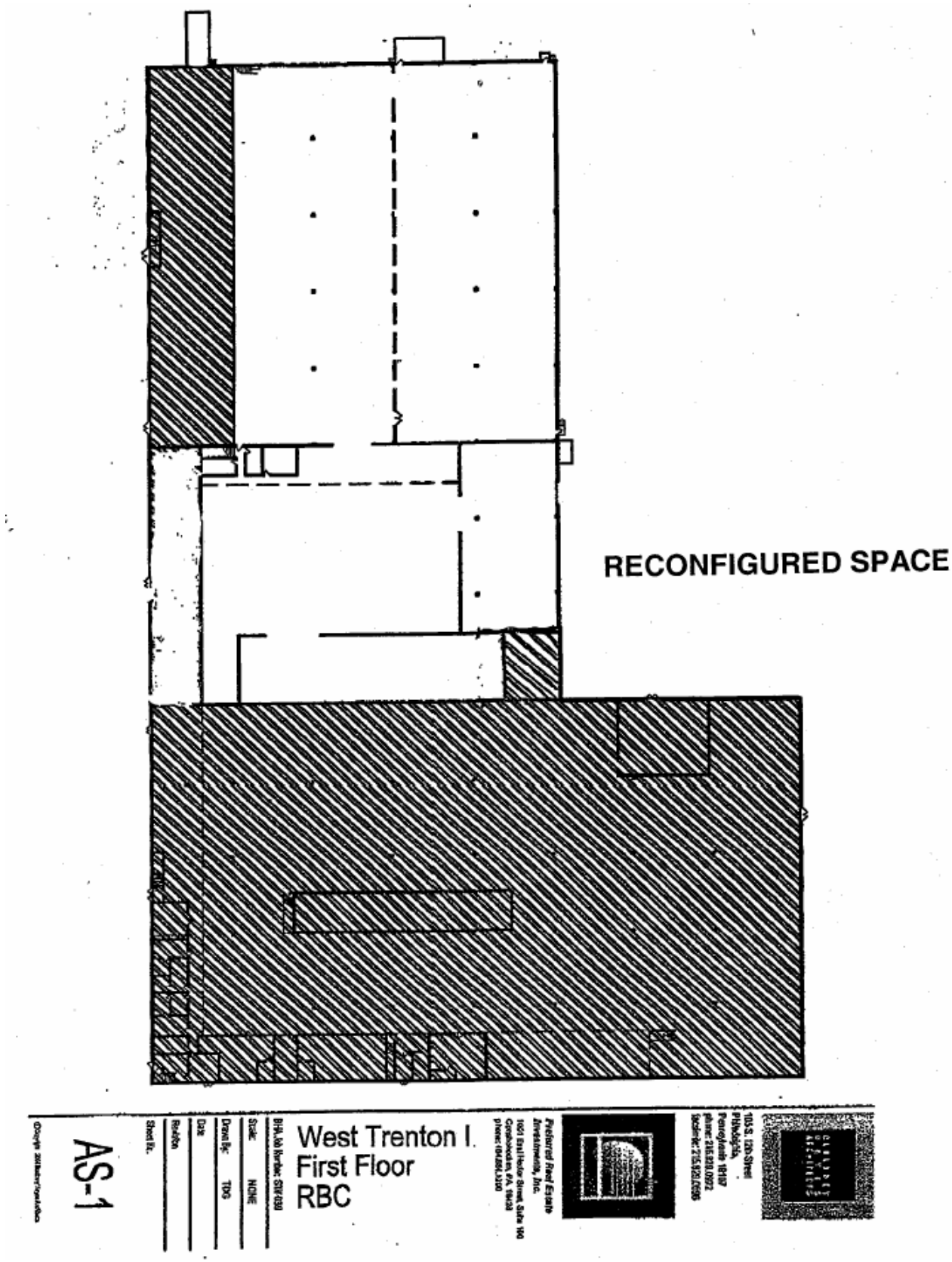

Exhibit "A-1"

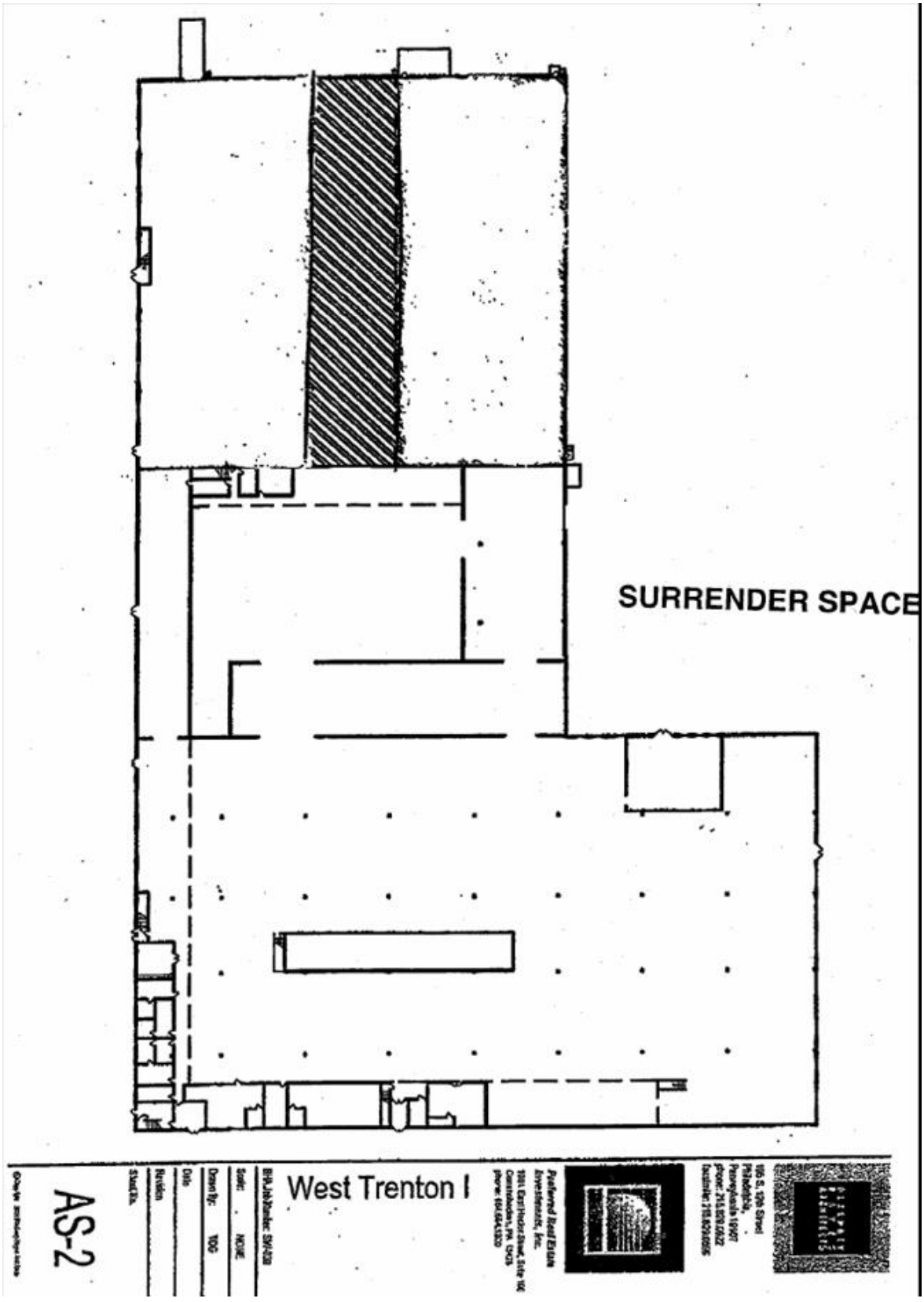

Exhibit "A-1"

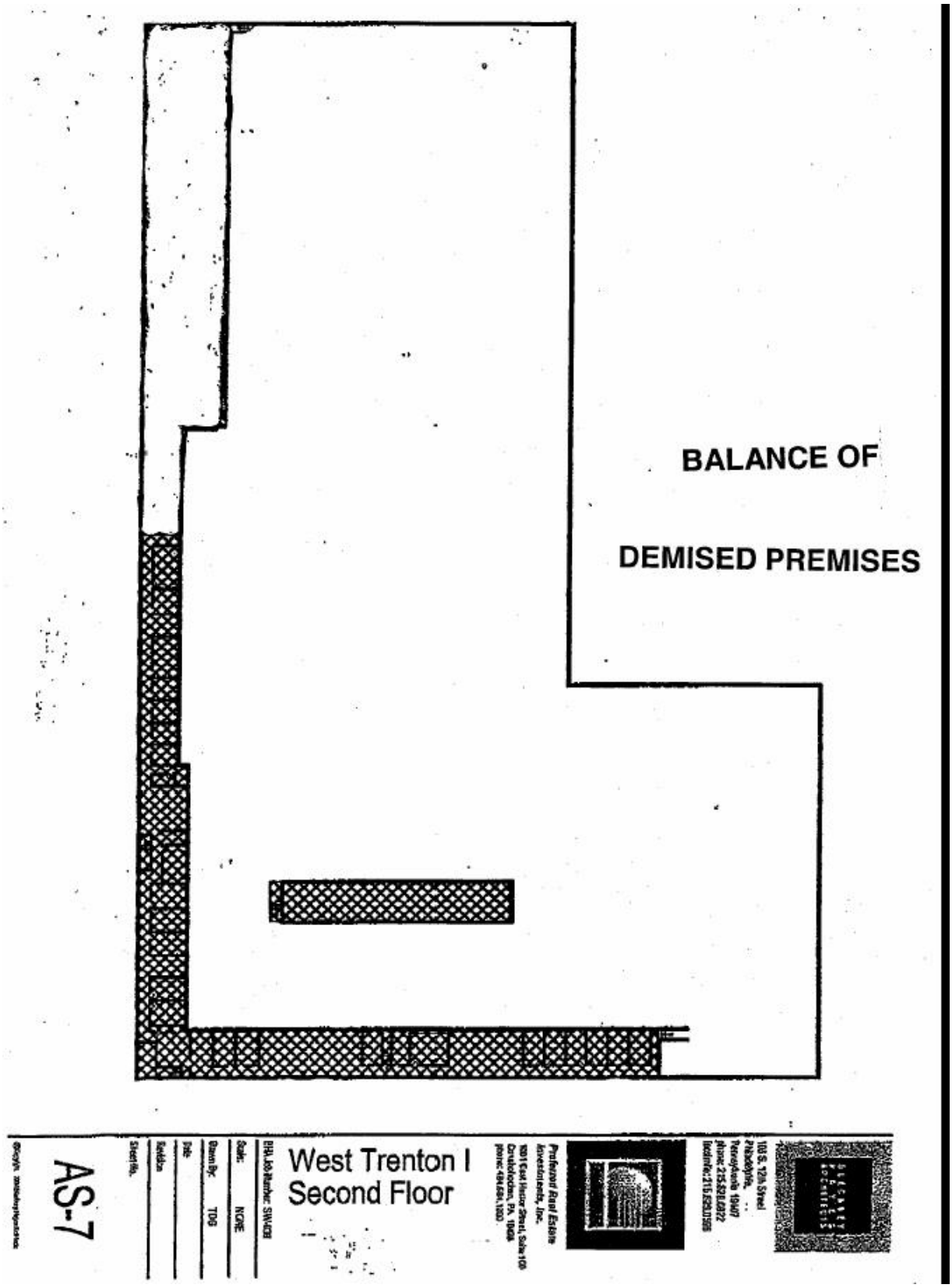
BALANCE OF
DEMISED PREMISES
West Trenton I
Second Floor
AS-7

Exhibit "A-1"

Exhibit 10.8

INDENTURE OF LEASE made as of March 30, 2004 by and between **RAYMOND HUNICKE, LLC**, a Connecticut limited liability company (hereinafter "Lessor") and **ROLLER BEARING COMPANY OF AMERICA, INC.**, a Delaware corporation (hereinafter "Lessee").

WITNESSETH:

In consideration of the mutual promises, covenants and agreements herein contained and in consideration of the rents hereinafter reserved, Lessor does hereby let to Lessee, and Lessee does hereby take and lease from Lessor the demised premises hereinafter described for commercial use upon all of the terms, promises, covenants and agreements hereinafter set forth.

1. Description of Demised Premises.

1.1 The premises subject to this lease are real property and a commercial building located thereon containing approximately 41,395 square feet, situated at 102 Willenbrock Road, Oxford, CT, all as more particularly described in Exhibit A attached hereto and made a part hereof.

1.2 The premises referred to in paragraph 1.1 hereof, together with any land improvements such as grading and paving, are referred to hereafter as the "Demised Premises".

2. Term.

2.1 The initial term of this lease (the "Initial Term") shall commence on July 1, 2004 (the "Commencement Date"). Lessor shall deliver the Demised Premises to Lessee on the Commencement Date totally vacant, with all building systems in good working order and the roof in watertight condition. The Initial Term shall continue for a period of ten (10) years and three (3) months thereafter (ending September 30, 2014), at a rental as computed under the terms this lease. Notwithstanding anything to the contrary herein, if Lessor fails to deliver the Demised Premises on the Commencement Date to Lessee totally vacant, with all building systems in good working order and the roof in watertight condition, Lessee shall have the right to terminate this lease by providing written notice to Lessor, effective on the date of Lessee's termination notice.

2.2 Notwithstanding anything to the contrary herein, during the first three (3) months of the Lease Term, Lessee shall not be required to pay the Fixed Annual Rental as defined in Section 3.1 hereof, but shall be required to pay, as additional rent, all utilities, taxes, insurance premiums and expenses set forth in this lease.

2.3 Lessee shall have two (2), five (5)-year options to extend this lease upon the same terms and conditions as are set forth herein except as to rent which shall be as set forth in Section 3.5. Lessee shall exercise the options herein granted by notice in writing to Lessor given no later than one hundred eighty (180) days prior to the expiration of the lease term or option period then expiring. The "Term" shall mean the Initial Term as may be extended by the foregoing option periods, unless sooner terminated pursuant to the terms hereof.

3. Rent.

3.1 Lessee shall pay to Lessor, at Lessor's address shown in Article 37, or at such other address as Lessor may from time to time designate in writing to Lessee, a fixed annual rental (the "Fixed Annual Rental") in accordance with the Rental Schedule set forth below (the "Rental Schedule"), payable in equal consecutive monthly installments of one-twelfth (1/12) of said Fixed Annual Rental. Each such monthly installment shall be due and payable in advance on the first day of each calendar

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month during the Term of this Lease. Lessee shall, upon the execution of this Lease, pay to Lessor the rental for the first month of the Lease.

3.2 The Rental Schedule is set forth below:

Period	Fixed Annual Rental	Monthly
October 1, 2004 – September 30, 2014	$ 217,320.00	$ 18,110.00

3.3 Lessee has deposited with Lessor as security for Lessee's performance under this Lease an amount equal to one month's Fixed Annual Rental hereunder (the "Security Deposit"), such sum to be held by Lessor until the expiration of the Term unless otherwise used by Lessor to cure Lessee defaults under this lease in accordance with Article 30 below. The Security Deposit shall not bear interest. If Lessee shall not be in default under this lease beyond the expiration of any notice and cure period on the last day of the Term, Lessor shall return to Lessee the balance of the Security Deposit within fifteen (15) days. In the event of a sale of the Demised Premises, Lessor shall transfer the Security Deposit to the buyer provided the buyer accepts such transfer, or return the Security Deposit to Lessee, and in either case Lessor shall thereupon be released from all liability for the return of the Security Deposit. Lessor shall notify Lessee of such transfer in writing, in which case Lessee shall look solely to the buyer for the return of the Security Deposit.

3.4 Lessee has deposited with Lessor the first month's Fixed Annual Rental monthly payment.

3.5 Fixed Annual Rental for each option period shall be the greater of the rental being paid for the Lease Term (or Option Term) immediately preceding or adjusted as of the first day of the option period based upon the consumer price index ("CPI") then in effect compared to the CPI in effect as of the initial date of this Lease (or the initial date of the first option period), subject however, to a maximum annual CPI increase of five percent (5%) for the first option period or for the second option period. The CPI used shall be the Wage Earners and Clerical Workers Index, all items, U.S.

4. Taxes and Assessments.

4.1 Lessee shall, as additional rent, pay and discharge punctually, as and when the same shall become due and payable without penalty, all assessments, water rents, rates and charges, sewer rents and charges, and other governmental impositions and charges of every kind and nature whatsoever, special and several, extraordinary as well as ordinary, and each and every installment thereof, which shall or may during the Term be charged, laid, levied, assessed, imposed, become due and payable, or become liens upon the Demised Premises or any part thereof and all improvements thereon, or

any appurtenances or equipment owned by Lessee or any sublessee thereon or therein or any part thereof, under or by virtue of all present or future Legal Requirements (collectively, "Taxes"). "Legal Requirements" shall mean all laws, ordinances, requirements, orders, directions, rules or regulations of the federal, state, county and city governments and of all other governmental authorities whatsoever. Nothing herein contained, however, shall require Lessee to pay any municipal, state or federal income taxes assessed against Lessor or any municipal, state or federal capital, estate, succession, inheritance or transfer taxes of Lessor. Lessee shall upon submission of a billing therefor with a copy of the applicable Tax bill(s) attached, pay to Lessor within thirty (30) days of receipt of such billing any Taxes that are not billed directly to Lessee. Lessee shall have the right to apply for the conversion of any assessment for local improvements in order to cause the same to be payable in annual installments and Lessee shall pay the assessment in installments if permitted to do so by the taxing authority. Lessee shall, within ten (10) days after the time above provided for the payment by Lessee of any tax, assessment, water, rent, rate and charge, sewer rent, and

other governmental imposition and charge, produce and have available to Lessor for inspection official receipts and other satisfactory evidence of such payment at the Lessee's principal office during Lessee's normal business hours, subject to Lessee's reasonable confidentiality requirements.

4.2 Except as otherwise provided in paragraph 4.1, all Taxes that shall become payable during each of the calendar or fiscal years, as the case may be, in which the Term commences and in which the Term terminates, shall be apportioned and Lessee shall pay a share of same in accordance with the portions of each such year during which the Term shall be in effect.

4.3 Lessee shall have the right to contest or review by legal proceedings, or in such other manner as it may deem suitable (which, if instituted, Lessee shall conduct promptly at its own expense, and free of any expense to Lessor, and if necessary, in the name of Lessor) any Tax. Nevertheless, Lessee shall promptly pay all Taxes if at any time the Demised Premises or any part thereof shall be in danger of being forfeited or lost. The full amount recovered as a result of such review or proceedings shall belong solely to Lessee.

4.4 Lessee shall be liable for and shall pay or cause to be paid before delinquency all taxes levied or assessed against trade fixtures, equipment, furnishings, merchandise and other personal property of whatsoever kind and to whomsoever belonging situate or installed in or upon the Demised Premises whether or not affixed to the realty, provided however, Lessee shall have the same power of contest or review of the same as is accorded in paragraph 4.3.

5. Quiet Enjoyment.

5.1 Lessor covenants with Lessee that it has good right to lease the Demised Premises in the manner aforesaid, that the Demised Premises are free and clear of all encumbrances except as specified in Exhibit A, and that it will suffer and permit the Lessee (it keeping all the covenants on its part, as hereinafter contained) to occupy, possess, and enjoy said premises during the Term aforesaid, without hindrance or molestation from it or any person claiming by, from or under it.

6. Fire and Extended Coverage Insurance.

6.1 During the Term of this lease Lessee shall keep all present and future buildings, improvements and fixtures on, in, or appurtenant to the Demised Premises and all improvements thereon adequately insured against loss or damage by fire, the perils including in Extended Coverage, vandalism and malicious mischief, explosion by boiler and other causes, rent insurance, flood and war risk insurance if the same becomes available at reasonable rates during the Term of this lease. Each policy of insurance shall name Lessor and Lessee and People's Bank as insureds, as their respective interests may appear under this Lease, and shall be placed with companies qualified to do business in the state of Connecticut. Each policy shall be in an amount equal to the full replacement value of the property so insured. Lessee shall at Lessor's request furnish Lessor with certificates of all of the foregoing policies. Such policies shall be endorsed from time to time to show the interest of any mortgagee of the Demised Premises. Lessee shall insure that each such policy shall provide that the same may not be cancelled or reduced without thirty (30) days' written notice to Lessor and any mortgagee of the Demised Premises whose name and address have been given to Lessee in writing.

7. Public Liability Insurance.

7.1 It is further agreed that Lessee shall, at its own expense, during the entire Term of this lease, carry owner's and lessee's general liability and property damage insurance covering the Demised Premises and Improvements thereon with limits of $2,000,000 for personal injury and

$1,000,000 for property damage, the policies for the same to be written in standard forms; and Lessee shall name Lessor as a named insured therein and deliver certificates of said policies to Lessor, but if such policies in such amounts may not be commercially reasonably available, Lessee shall use reasonable diligence to procure such insurance coverage as shall nearly approximate such coverage. Lessee covenants and agrees to assume exclusive control of the Demised Premises, and all tort liabilities incident to the control or leasing thereof, to defend and to save Lessor harmless from all claims or damage arising on account of any injury or damage to any person or property on said premises or otherwise resulting from the use and maintenance and occupancy of the premises or anything on said premises or facility kept or used thereon.

8. Utilities.

8.1 Lessee shall pay all electricity, water, gas, fuel, and all other utilities consumed at the Demised Premises during the Term. Lessor represents and warrants that all necessary utilities, including without limitation water, sewer, gas, electricity, and heat are available and separately metered to the Demised Premises.

9. Compliance with Laws and Ordinances.

9.1 Lessee further covenants to comply with and to conform to all Legal Requirements and Insurance Underwriting requirements applicable to the Demised Premises. Lessee agrees to save Lessor harmless from all fines, penalties or costs for violation of or noncompliance with the same,

except as such is the result of a condition pre-existing the Commencement Date. Lessee may contest by due legal proceedings any Legal Requirement in good faith and may defer compliance during the period of such contest to the extent permitted under such Legal Requirements.

10. Assignment - Sublease.

10.1 Lessee may not, without the written consent of Lessor (not to be unreasonably withheld, conditioned or delayed), assign this lease or sublease all or any part of the Demised Premises. Any such assignment or sublease approved by Lessor shall not release Lessee from liability hereunder and Lessee shall remain jointly and severally liable with such assignee or sublessee for performance under this Lease unless expressly waived in writing by Lessor. Notwithstanding anything to the contrary herein, Lessee may, without the prior notice to or consent of Lessor, assign this lease or sublease all or any part of the Demised Premises to: (i) an entity controlled by, controlling or under common control with Lessee, or in which Lessee owns a legitimate, substantial and material interest for a legitimate purpose; or (ii) an entity acquiring or succeeding to substantially all of the business, or substantially all of a business unit, of Lessee, by merger, spin-off, reorganization, consolidation, acquisition (of assets or equity) or otherwise. For this purpose "control" shall mean the possession of the power to direct or cause the direction of the management and policies of such entity through the ownership of a sufficient percentage of voting securities.

11. Default.

11.1 Lessee shall be in default under this lease if:

(a) Lessee shall be in default in the payment of any rent or additional rent for a period of fifteen (15) days after receipt of written notice thereof from Lessee specifying the default; or

(b) Lessee shall be in default in the performance of any other term, covenant or condition of this lease and such default has not been cured within thirty (30) days after notice by Lessor to

Lessee specifying such default and requiring it to be remedied, or where such default cannot reasonably be remedied within such period of thirty (30) days, if Lessee shall not have, in good faith, commenced the remedying thereof within such period of time and shall not be proceeding with due diligence to remedy it; or

(c) Lessee becomes insolvent, files for bankruptcy (or is involuntarily placed in bankruptcy) under the laws of the United States, makes an assignment of all its assets for the benefit of creditors or is placed in receivership and said receiver, insolvency or bankruptcy proceedings has not been discharged ninety (90) days after such proceedings are instituted.

11.2 Subject to the provisions of paragraph 11.1, if Lessee shall be in default under this Lease, Lessor, at its option, may terminate this lease without further notice to Lessee, and upon such termination, Lessee shall quit and surrender the Demised Premises to Lessor, but such termination shall not affect Lessor's rights to recover damages or exercise any other rights as hereinafter provided.

11.3 Upon termination of this lease as aforesaid, Lessor may (i) re-enter and resume possession of the Demised Premises and remove all persons and property therefrom either by summary process proceedings or by a suitable action or proceeding, at law or in equity, or by force or any other legal means, without being liable for any damages therefor and (ii) Lessor may relet the whole or any part of the Demised Premises on behalf of Lessee for a period equal to, greater or less than the remainder of the then Term of this Lease, at such rental and upon such terms and conditions as Lessor shall deem reasonable, provided however, that Lessor shall make a bona fide effort to obtain fair market rental, to any lessee it may deem suitable and for any use and purpose it may deem appropriate. Lessor shall not be liable, providing it is acting in good faith, in any respect for the failure to relet the Demised Premises, or, in the event of such reletting, for failure to collect the rent thereunder and any sums received by Lessor on a reletting in excess of the rent reserved in this lease, shall belong to Lessor.

11.4 Upon the termination of this lease as aforesaid, Lessor shall forthwith be entitled to recover from Lessee all damages sustained by Lessor as a result of Lessee's default, including, but not limited to, the following items:

(a) If the annual rent provided for in paragraph 3.1, 4.1, 4.2, 4.3 and 4.4 exceed the net sum received by Lessor on any reletting, the amount of such excess as and when same become due and payable.

(b) All expenses of operating the Demised Premises while they are vacant; all expenses, including reasonable attorneys' fees, incurred by Lessor in recovering possession of the Demised Premises and reletting the same; and all costs of performing any work to be done by Lessee under this lease.

(c) Broker's commission at the then established rate incurred in good faith by Lessor, but limited to the unexpired term only.

11.5 Lessor and Lessee hereby expressly waive their right to a trial by jury in any action brought by either party.

11.6 If Lessor shall neglect or fail to perform or observe any of the covenants on the part of Lessor herein contained, and such default shall continue more than thirty (30) days, without Lessor having commenced the remedy of said default, after written notice of such default is duly given by Lessee, or if Lessor shall fail to continue to conclusion the action necessary to remedy said default with diligence and dispatch, then Lessee may either itself cause such default to be made good and deduct the

cost and expense thereof from the next succeeding installments of rent, it being understood and agreed that the exercise of said right by Lessee or the exercise by Lessee of a right or option under any other provision of this lease shall not preclude or limit the right of the lessee to exercise any other option or any other rights that it may have under this lease or by law.

11.7 Upon the correction of any default, this lease shall be deemed to be in full force and effect.

11.8 If any party brings an action or proceeding involving the Demised Premises to enforce the terms hereof or to declare rights hereunder, the Prevailing Party (as defined below) in any such proceeding, action, or appeal therefrom, shall be entitled to reasonable attorneys' fees. Such fees may be awarded in the same suit or recovered in a separate suit, whether or not such action or proceeding is pursued to decision or judgment. The term "Prevailing Party" shall include, without limitation, a party who substantially obtains or defeats the relief sought, as the case may be, whether by compromise, settlement, judgment or the abandonment by the other party of its claims or defense. The attorneys' fees award shall not be computed in accordance with any court fee schedule but shall be such as to fully reimburse all attorneys' fees reasonably incurred.

12. Termination.

12.1 At the expiration or sooner termination of this lease, Lessee shall quit and surrender the Demised Premises, and the improvements on said premises (excluding Lessee's Property (as defined below)) shall belong absolutely to Lessor and Lessee shall promptly remove all of Lessee's Property. "Lessee's Property" shall mean all of Lessee's trade fixtures, furniture, equipment and supplies, including without limitation racking, moveable partitions, panels, generators and computers provided or installed by or for the benefit of Lessee. At Lessor's option, however, Lessee at its cost shall remove all improvements on the Demised Premises made by Lessee and return the Demised Premises to substantially the condition existing at the commencement of this lease, reasonable wear and tear excepted and subject to Articles 23 and 24 below, and except that Lessee need not remove such improvements to the Demised Premises as have been previously reviewed by and approved by Lessor. Improvements made by Lessee to create office space within the Demised Premises and changes made to the HVAC systems to accommodate Lessee's improvements will become the property of Lessor on the termination of this lease. Lessee shall have the right to remove Lessee's Property at any time during the Term.

13. Subordination.

13.1 Lessor shall be under no obligation to subordinate its fee interest in favor of any leasehold mortgage or otherwise except at Lessor's sole discretion. Lessee is aware of the mortgage on the property in the original face amount of $1,700,000.00. Prior to the Commencement Date, at Lessor's cost Lessor shall cause the current mortgagee to enter into a recordable subordination and non-disturbance agreement among the mortgagee, Lessor and Lessee which states, among other things, that so long as Lessee is not in default hereunder beyond the expiration of any applicable notice and cure period, it will not disturb Lessee of its rights under this lease and will not join Lessee as a defendant in any proceeding that may be instituted to foreclose or enforce the mortgage. Lessee shall have the right to terminate this lease if Lessor defaults under this Section 13.1; time is of the essence hereunder.

13.2 Lessee agrees upon the written request of Lessor to subordinate all of its leasehold rights under this lease to the right of any institutional or private first mortgage lender upon such terms as such lender may reasonably request provided that such lender agrees in a recordable writing entered into among lender, Lessor and Lessee that, so long as Lessee is not in default hereunder beyond the expiration of any applicable notice and cure period, it will not disturb Lessee of its rights under this

lease and will not join Lessee as a defendant in any proceeding that may be instituted to foreclose or enforce the mortgage.

14. Annual Rent to be Net to Lessor.

14.1 It is the intention of the parties hereto that the annual rent payable to Lessor pursuant to paragraph 3 hereof shall be net to Lessor so that this lease shall yield to Lessor said annual rent specified in said paragraph 3 during the Term of this lease, and, to the extent specifically set forth herein, that all costs, expenses and obligations relating to the Demised Premises shall be paid by Lessee.

15. Liability of Lessor.

15.1 Lessor, its agents, servants and employees, shall not be liable for any loss, damage, injury or other casualty of whatsoever kind and nature or by whomsoever caused, to the person or property of anyone (including Lessee) in, on or off the Demised Premises arising out of or resulting from Lessee's use, possession, improvement or operation thereof, or from the installation, existence, use, maintenance, condition, repair, alteration or removal of any equipment thereon, except if due in whole or in part to intentional, reckless or negligent acts on the part of Lessor, its agents, servants, contractors or employees and Lessee does not receive insurance proceeds for such loss, damage, injury or other casualty from insurance then carried by Lessee pursuant to the terms of paragraph 7 hereof. Lessee hereby agrees to indemnify and hold Lessor, its agents, servants and employees, harmless from and against all claims for loss, damage, injury or other casualty arising from the use, possession, improvement or operation of the Demised Premises by Lessee except as aforesaid. Lessor shall indemnify and hold harmless Lessee, its agents, servants and employees, from and against all claims for loss, damage, injury or other casualty arising from the intentional, reckless or negligent acts on the part of Lessor, its agents, servants, contractors or employees. Notwithstanding anything to the contrary herein, to the full extent permitted by law, each party waives, and the other shall not be liable to the waiving party for, any claim against the other party or the other party's agents, invitees, employees or contractors, for loss of business opportunity, loss of profits, loss of income, economic loss or other special or consequential losses or damages or punitive damages.

16. Waiver.

16.1 No receipt of monies by Lessor from Lessee after the termination or cancellation of this lease shall reinstate, continue or extend the Term of this lease, or affect any notice theretofore given to Lessee, or operate as a waiver of the right of Lessor to enforce the payment of the fixed or additional rent or rents then due or thereafter falling due, or operate as a waiver of the right of Lessor to recover possession of the Demised Premises by proper suit, action, proceeding or remedy; it being agreed that after the service of notice to terminate or cancel this lease, or the commencement of suit, action or summary process proceedings or any other remedy, or after a final order or judgment for the possession of the Demised Premises, Lessor may demand, receive and collect any monies due or thereafter falling due, without in any manner affecting such notice, proceedings, suit, action, order or judgment; and any and all such monies collected shall be deemed to be payment on account of the use and occupancy of the Demised Premises or, at the election of Lessor, on account of Lessee's liability hereunder.

16.2 The receipt by Lessor of rent with knowledge of the breach of any of the terms, covenants, conditions and agreements of this lease on the part of Lessee shall not be deemed a waiver of such breach and Lessor may accept such payment without prejudice to Lessor's right to pursue

any remedy in this lease provided. No payment by Lessee or receipt by Lessor of a lesser amount than the fixed monthly rent herein stipulated shall be deemed to be other than on account of said stipulated rent, nor shall any endorsement or statement on any check or any letter accompanying any check or payment of

rent be deemed an accord and satisfaction and Lessor may accept such check or payment without prejudice to Lessor's right to receive the balance thereof, provided, however, that if Lessee is the Lessor's creditor and Lessee holds an assignment of the rents due hereunder as security, nothing herein shall be deemed to limit or affect Lessee's rights under such assignment.

16.3 A waiver by either party of any breach by the other of any of the terms, covenants, conditions and agreements of this lease shall be limited to the particular instance and shall not operate or be deemed as a waiver of any future breaches of said terms, covenants, conditions and agreements of this lease; and the failure of either party to enforce any agreement, condition, covenant or term, by reason of its breach by the other party, after notice had, shall not be deemed to void or affect the right of the non-defaulting party to enforce the same agreement, condition, covenant or term on the occasion of such subsequent breach or default.

16.4 No provision of this lease shall be deemed to have been waived by either party unless such waiver shall be in writing signed by the waiving party.

17. Waiver of Subrogation.

17.1 Lessee will obtain, if available, for the benefit of Lessor, a waiver of the right of subrogation on all policies required to be maintained by Lessee pursuant to Paragraphs 6 and 7 of this lease.

18. Improvements and Alterations.

18.1 Lessor acknowledges that Lessee intends to make substantial alterations and improvements to the Demised Premises. Lessee agrees that it will, prior to making any such improvements or alterations, provide Lessor with plans and specifications detailing the nature and extent of same for Lessor's approval, which approval will not be unreasonably withheld, conditioned or delayed. In the event that Lessor disapproves, Lessor shall provide Lessee in writing with its reasons for such disapproval and the parties thereafter agree to attempt to resolve any difference by good faith negotiation. All such repairs, improvements and alterations shall be at the sole expense of Lessee and shall fully comply with all Legal Requirements. If Lessee fails to perform the work substantially in accord with the approved plans, such failure shall be a default hereunder and Lessor may complete said improvements and charge Lessee the costs of doing so, or, if reasonable, remove the same with the intent of returning the Demised Premises to their original condition with a charge to Lessee of doing so.

19. Lessee's Obligation to Discharge Mechanic's Lien.

19.1 If, as a result of Lessee performing its obligations hereunder or in the making of any improvements, repairs, replacements, alterations, installations, and/or changes in or upon the Demised Premises as permitted hereunder, any mechanic's or other lien or order for the payment of money shall be filed against the Demised Premises by reason of, or arising out of any labor or material furnished or alleged to have been furnished or to be furnished to, or for, Lessee at the Demised Premises or for or by reason of any change, alteration or addition by Lessee, or the cost or expense thereof, or any contract relating thereto, or against Lessor as fee owner thereof by reason of such work or contract of Lessee, Lessee shall cause the same to be cancelled and discharged of record, by bond or otherwise, at the election and expense of Lessee, within thirty (30) days after having been requested in writing so to do by Lessor, and shall also defend, on behalf of Lessor, at Lessee's sole cost and expense, any action, suit or proceeding which may be brought thereon or for the enforcement of such lien, liens, or orders, and Lessee will pay any damages and discharge any judgment entered therein and save Lessor harmless from and indemnify it against any claim, damage or costs, including reasonable attorneys' fees, resulting therefrom.

20. Certificates.

20.1 Each party agrees from time to time upon no less than fifteen (15) days' prior written request of the other to execute, acknowledge and deliver to the other a statement in writing certifying that this lease is unmodified and in full force and effect (or if there has been any modification, that the same is in full force and effect as modified and stating the modifications) and the dates to which the rent has been paid and whether, to its knowledge, there exists any uncured default by the other party, and if so, the nature of such default. Any such statement delivered pursuant to this paragraph may be relied upon by any prospective purchaser or mortgagee of Lessor's or Lessee's interest in the Demised Premises, by the holder of any mortgage of Lessor's or Lessee's interest in the Demised Premises or by any sublessee of Lessee.

21. Holding Over.

21.1 In the event Lessee shall continue in occupancy of the Demised Premises after the expiration of the Term of this lease or any renewal thereof, such occupancy shall not be deemed to extend or renew the Term of this lease, but such occupancy shall continue as a tenancy from month to month upon the terms, covenants, conditions and provisions herein contained, and at a Fixed Annual Rental 25% greater than that in effect during the last year of the term of this lease or any renewal thereof, prorated and payable for the period of such occupancy.

22. Conveyance by Lessor and Limit of Liability.

22.1 Lessor shall be entitled to convey and otherwise dispose of the Demised Premises and shall be entirely free and released of all covenants and obligations of Lessor after the Demised Premises are so conveyed, provided the transferee assumes in writing all covenants and obligations of Lessor. Lessor shall not be subject to any liability resulting from any act or omission or event occurring after such conveyance. The purchaser, or any person who takes title to the Demised Premises from Lessor or any person who subsequently holds title to the Demised Premises, shall be deemed to have assumed and agreed to carry out any and all covenants on Lessor's part to be performed under this lease. No further agreement will be required between Lessor and

Lessee and any person holding title subsequent to Lessor in connection with the assumption of the obligations of Lessor hereunder. Lessee shall owe the same duties to any successor owner that Lessee owes to Lessor. Lessor agrees to provide the security deposit to any successor owner.

23. Fire and Other Casualty.

23.1 In the event of damage to or destruction of any improvements comprising part of the Demised Premises by fire or other casualty before the expiration of this lease, Lessee shall restore, rebuild or reconstruct the improvements to a condition substantially equivalent to their condition prior to such damage or destruction and Lessee shall be entitled to all insurance proceeds payable because of such damage or destruction unless the first mortgagee of Lessee's leasehold interest refuses to make such proceeds available, in which event the lease shall terminate and the Lessee shall have no further obligations hereunder.

24. Eminent Domain.

24.1 In the event the whole of the Demised Premises shall be taken under the power of eminent domain, this lease shall thereupon terminate as of the date possession shall be so taken.

24.2 In the event that at any time during the Term, proceedings in eminent domain

shall have been instituted with respect to less than the whole of the Demised Premises, and if such proceedings in eminent domain and/or any action consequent thereon, in Lessee's judgment, which judgment, however, shall not be unreasonably or arbitrarily exercised, renders the Demised Premises unusable for Lessee's operations as previously conducted thereon, Lessee shall have the right upon notice to Lessor, with respect thereto (rendered within sixty (60) days after Lessee shall have ascertained or been duly notified by Lessor (whichever shall first occur) of the existence of such proceedings in eminent domain) to terminate this lease effective as of the date possession shall be taken by or under the condemner.

24.3 In the event this lease shall be terminated, as provided in the preceding Paragraphs 24.1 or 24.2, the Demised Premises shall belong absolutely to Lessor, and Lessee shall promptly remove all of Lessee's Property and each party hereto shall thereupon be released from every obligation hereunder to the other, except:

(a) With respect to any covenants the breach of which occurred prior to the lease termination date.

(b) The obligation of Lessor to refund to Lessee any rent paid to Lessor, and to reimburse Lessee in the amount of any taxes (as respects the Demised Premises), in respect of any period subsequent to termination date.

24.4 In the event a portion of the Demised Premises shall be taken under the power of eminent domain, and Lessee shall elect not to terminate the lease, as provided in Paragraph 24.2 hereof, Lessor shall diligently attempt to restore the building located on the Demised Premises to an architectural unit, and the Fixed Annual Rental and all additional rent payable by Lessee hereunder shall be equitably reduced (effective as of the date possession shall be taken by the condemner under the power of eminent domain). If the parties shall be unable to agree upon such reduction, if any, then either party may refer the disputed matter to arbitration and determination thereby, as hereinafter provided.

25. Use of Premises.

25.1 Lessee shall have the right to use the Demised Premises only for the following purposes: corporate offices; laboratory testing and manufacturing of Tenant's products; and uses incidental to the foregoing. It shall be Lessee's sole obligation to obtain all licenses, permits and franchises required by it for its use of the Demised Premises other than the current Certificate of Occupancy to be provided by Lessor prior to the Commencement Date, and no failure to obtain the same, nor any revocation thereof by any governmental authority of any such licenses, permits or franchises heretofore or hereafter granted by any such governmental authority shall in any manner affect this lease or diminish the amount of rent or any other payments or charges payable by Lessee hereunder.

26. Repairs.

26.1 Lessee shall, at its sole cost and expense, take good care of the Demised Premises and all improvements thereon or hereafter erected thereon and keep and maintain the interior and exterior of the same, structural and nonstructural, in good, safe and substantial order and condition (reasonable wear and tear excepted), shall not do or suffer any waste with respect thereto and Lessee shall, at its sole cost and expense, make all necessary repairs to the Demised Premises and shall keep the grounds and land improvements in good order and condition. If any of the foregoing repairs or maintenance is due to the negligence or willful misconduct of Lessor or its agents, employees, contractors or invitees, Lessor shall reimburse Lessee for such costs incurred within thirty (30) days after invoice. All of such repairs are to be substantially equal in quality to the original work. In the event that Lessor shall be of the opinion that

Lessee is not complying with the provisions of this paragraph, it shall so notify Lessee in writing specifying the fault or defect with respect to which non-compliance is claimed and Lessee shall promptly remedy the same. In the event that Lessee shall be of the opinion that the provisions of this paragraph are being complied with respect to the alleged fault or defect, the issue shall be submitted to arbitration as herein provided.

26.2 All work done by Lessee in connection with any repairs or in connection with alterations, installations and changes in the Demised Premises shall be in compliance with applicable Legal Requirements and Insurance Underwriting requirements.

27. Access to Premises.

27.1 Lessee shall permit Lessor or Lessor's agents to enter the Demised Premises at all reasonable hours, for the purpose of inspecting the same, or of making repairs or performing any other work on the Demised Premises required or permitted to be made by Lessor pursuant to this lease.

27.2 Lessee shall also permit Lessor or Lessor's agents to enter the Demised Premises at all reasonable hours for the purpose of showing the Demised Premises to prospective mortgagees or to persons wishing to purchase the same and, within five (5) months prior to the expiration of the term of this lease, to persons wishing to hire the Demised Premises; and Lessee shall, within five (5) months prior to the expiration of the term of this lease, permit the usual notices of "To Let" and "For Sale" to be placed upon the Demised Premises and to remain thereon without molestation.

27.3 Notwithstanding the foregoing, except in emergencies hereunder, all entries by Lessor shall be: (i) at reasonable times and after at least twenty-four (24) hours' prior oral or written notice to Lessee; (ii) conducted so as not to unduly interfere with Lessee's use and occupancy of the Demised Premises; and (iii) subject to Lessee's reasonable security and confidentiality requirements from time to time (including the accompaniment of a Lessee representative if necessary in Lessee's sole discretion)

28. Environmental Indemnity.

28.1 Lessee shall not use or allow the Demised Premises to be used for the release, storage, use, treatment, disposal or other handling of any hazardous substances, except in compliance with applicable Legal Requirements. Lessee shall comply with all Legal Requirements governing the release, discharge, emission, or disposal of any hazardous substances on the Demised Premises. Lessee covenants and agrees to indemnify, defend and hold Lessor harmless from and against any and all liens, claims, demands, judgments, damages, penalties, fines, costs, loss or expenses (including reasonable attorney, consultant and expert fees) that arise as a result of the presence, suspected presence or discharge of toxic or hazardous substances from, on or in the Demised Premises caused by the actions of Lessee, its agents or employees and first occurring during Lessee's possession of the Demised Premises. Without limiting the generality of the foregoing, this indemnification by Lessee shall include reasonable costs incurred in connection with any site investigation or any remedial, removal or restoration work required to return the property to a salable condition resulting from the events indemnified against. In any event, as of the Commencement Date, Lessor has no knowledge of any toxic or hazardous substances on or in the Demised Premises.

28.2 Lessor shall indemnify, defend and hold Lessee harmless from and against any and all liens, claims, demands, judgments, damages, penalties, fines, costs, loss or expenses (including reasonable attorney, consultant and expert fees) that arise as a result of the presence, suspected presence or discharge of toxic or hazardous substances or materials at any time: (i) from, on, around or in the

Demised Premises, except to the extent caused by the actions of Lessee, its agents or employees during Lessee's possession of the Demised Premises; or (ii) due to the act or omission of Lessor or its agents, employees, invitees or contractors. Without limiting the generality of the foregoing, this indemnification by Lessor shall include reasonable costs incurred in connection with any site investigation of any remedial, removal or restoration work resulting from the events indemnified against.

28.3 Lessor represents and warrants that there are, or will be, no underground or above ground storage tanks at the Demised Premises on the Commencement Date and the removal of all such tanks was conducted in accordance with all applicable Legal Requirements.

29. Option to Purchase.

29.1 In consideration of and as a material inducement to Lessee to enter into this Lease, Lessor hereby grants to Lessee the option to purchase the Demised Premises (the "Option") on and subject to the following terms and conditions:

(a) Term. The term of this Option shall commence 180 days prior to the expiration of the Initial Term and continue during each of the 5 year renewal terms hereunder provided that this Lease is still in full force and effect and has not been earlier terminated.

(b) Purchase Price of the Demised Premises. The full purchase price of the Demised Premises shall be two million dollars ($2,000,000.00) provided the option to purchase is exercised within 180 days prior to the expiration of the Initial Term. The full purchase price of the Demised Premises if the option to purchase is exercised after the expiration of the Initial Term shall be the Fair Market Value of the Demised Premises as determined by three real estate appraisers, one chosen by Lessor, one chosen by Lessee and the third chosen by the other two appraisers. The cost of the appraisal shall be equally borne by Lessor and Lessee.

(c) Exercise of Option. Lessee may exercise the Option by giving Lessor written notice thereof anytime prior to the expiration of the term of this Option.

(d) Closing and Possession. The closing of the sale of the Demised Premises shall occur at a time and place designated by Lessee within one hundred twenty (120) days after the date of Lessee's notice that it is exercising the Option.

(e) Condition of Title. Lessor shall convey title to the Demised Premises by general warranty deed, free and clear of all liens, encumbrances, mortgages, easements, conditions, reservations and restrictions except those matters shown on Exhibit A attached hereto and except for easements for utilities or restrictions on use none of which render title unmarketable under the standards of title of the Connecticut Bar Association.

30. Curing Lessee's Defaults.

30.1 If Lessee shall be in default under this lease beyond the expiration of any applicable notice and cure period as set forth in Section 11.1 above, then Lessor may, but shall not be obligated so to do, upon ten (10) days' written notice to Lessee (or such shorter period as shall be necessitated by the nature of the default, or without notice if the default shall constitute an emergency) pay or perform the same for the account of Lessee without waiving the performance of or releasing Lessee from any of its agreements, obligations or covenants to be paid or performed by it hereunder. Any amount paid, or any expense or liability incurred, including reasonable attorneys' fees, by Lessor for the account of Lessee as aforesaid, shall be deemed to be additional rent which shall be paid by Lessee,

together with interest at the rate of nine percent (9%), upon submission of a bill therefor by Lessor. Any dispute as to the amount due to the Lessor by reason of the foregoing provisions of this paragraph shall be subject to arbitration.

31. Arbitration.

31.1 Any dispute, controversy, question or claim specifically made arbitrable by the terms of this instrument shall be settled by arbitration in Connecticut at a location in New Haven County pursuant to the laws of the State of Connecticut in effect upon the date of such arbitration and the Arbitration Rules of the American Arbitration Association in effect when any such arbitration shall be initiated.

32. Entire Agreement.

32.1 This instrument contains the entire and only agreement between the parties and no oral statements or representations or prior written matter not contained in this instrument shall have any force or effect. This lease may only be changed, modified or discharged by an agreement in writing executed by the parties hereto.

33. Lessor's Cooperation.

33.1 Lessor covenants and agrees to reasonably cooperate with and assist Lessee (at the sole cost and expense of Lessee) upon request therefor by Lessee in such cases where the joinder or act of the fee titleholder of the Demised Premises shall be necessary or expedient in all legislative, quasi-legislative, judicial, quasi-judicial and/or administrative proceedings for the commercial use or operation of the Demised Premises and improvements thereon permitted under this lease, including without limitation in connection with a tax contest as set forth in Section 4.3 above.

34. Partial Invalidity.

34.1 If any term, covenant, condition or provision of this lease or the application thereof to any person or circumstance shall, to any extent, be invalid or unenforceable, the remainder of this lease, or the application of such term or provision to persons or circumstances other than those as to which it is held invalid or unenforceable, shall not be affected thereby, and each term, covenant, condition and provision of this lease shall be valid and be enforced to the fullest extent permitted by law.

35. Short Form Lease.

35.1 Together with execution of this Lease, the parties shall execute a notice of lease suitable for recording containing information required by Section 47-19 of the Connecticut General Statutes (Rev. 1958) but specifically excepting the rental provisions hereof. Landlord shall promptly record the notice of lease on the Oxford land records and provide Tenant with the recording information.

36. Marginal Notes.

36.1 The marginal notes used as headings for the various subject matters covered in this lease are used only as a matter of convenience as an aid to finding the subject matters and are not to be construed as part of this lease and shall not in any way limit or amplify the terms or provisions hereof.

37. Notices.

37.1 All notices, requests, demands, approvals, consents, and other communications authorized or required hereunder shall be in writing and shall be given by mailing the same by certified mail or registered mail, return receipt requested, postage prepaid, or by a nationally-recognized overnight courier with return receipt, to the respective party for whom intended at the address set forth below or such other address as such party may hereafter designate by notice to the other party similarly given. Receipt of any notice shall be evidenced by the date of receipt or rejection on the return receipt. Notices to either party may be given by the attorney for the other party acting on behalf of such other party.

Lessor: Raymond L. Hunicke, LLC
8 Southbury Road
Roxbury, CT 06783-1723

Lessee: Roller Bearing Company of America, Inc.
Attn: Robert W. Crawford
60 Round Hill Road
Fairfield, CT 06824

38. Construction.

38.1 This lease is made and executed in and is to be construed under the laws of the State of Connecticut.

39. Successors and Assigns.

39.1 Except as otherwise provided herein, the agreements, conditions, covenants and terms herein contained shall, in every case, apply to, be binding upon, and inure to the benefit of the respective parties hereto and their respective heirs, administrators, executors, successors and assigns, with the same force and effect as if specifically mentioned in each instance where a party hereto is named.

40. Brokers.

40.1 Each of Lessor and Lessee represents and warrants to the other that it has dealt with no real estate broker in connection with this lease other than R. Calabrese Agency, LLC of Waterbury, Connecticut (the "Broker"), and that no other broker is entitled to any commission on account of this lease. Lessor is solely responsible for paying the commission of the Broker in accordance with a separate agreement. Lessee shall defend, hold harmless and indemnify Lessor from any loss, cost, damage or expense, including reasonable attorneys' fees, arising from the breach by Lessee of any representation or covenant in this Section. Lessor shall defend, hold harmless and indemnify Lessee from any loss, cost, damage or expense, including reasonable attorneys' fees, arising from the breach by Lessor of any representation or covenant in this Section, including any claims by the Broker in connection with this lease.

41. Force Majeure.

41.1 Except as otherwise specified herein, whenever a party hereto is required by the provisions of this lease to perform an obligation and such party is prevented beyond its reasonable control from doing so by reason of an Unavoidable Delay (as defined below), such party shall be temporarily relieved of its obligation to perform the obligation provided such party notifies the other party of the specific delay and exercises due diligence to remove or overcome it. "Unavoidable Delays" shall mean any and all delays beyond a party's reasonable control, including without limitation, delays caused by the other party, governmental restrictions, governmental regulations and controls, order of civil, military or

naval authority, governmental preemption, strikes, labor disputes, lock-outs, acts of God, fire, earthquake, floods, explosions, extreme weather conditions, enemy action, and civil commotion, riot or insurrection, but expressly excluding insufficiency of funds and casualty and condemnation covered under Articles 23 and 24 above.

42. Counterparts.

42.1 This lease may be executed in any number of counterparts, each of which upon execution and delivery shall be considered an original for all purposes; provided, however, all such counterparts shall, together, upon execution and delivery, constitute one and the same instrument.

43. Right of First Refusal.

43.1 Prior to entering into a contract for the sale or transfer of: (i) the Demised Premises; or (ii) the approximately 2.9-acre parcel adjacent to the Demised Premises, provided such parcel is owned by Lessor and not subject to a binding contract of sale on the date hereof (in either case, the "ROFR Property"), Lessor shall send Lessee a notice describing the consideration, closing date, and all other material business terms of such proposal (the "First Refusal Notice") and offering to sell the Demised Premises to Lessee upon the business terms set forth in the First Refusal Notice.

43.2 Lessee shall have a period of thirty (30) days after receipt of the First Refusal Notice to give Lessor notice that Lessee either accepts or rejects Lessor's offer. A First Refusal Notice may only be accepted in whole, not in part. Failure of Lessee to accept Lessor's offer within such period shall be deemed rejection of Lessor's offer.

43.3 If Lessee rejects, or is deemed to have rejected, Lessor's offer, Lessor shall be free to sell or transfer the ROFR Property to the proposed purchaser upon substantially the terms and conditions set forth in the First Refusal Notice, with no further obligation to Lessee under this Section with respect to the ROFR Property, unless either of the following conditions shall apply: (i) within ninety (90) days after the rejection or deemed rejection of the First Refusal Notice, Lessor has not entered into a contract for the sale or transfer of the ROFR Property with the proposed purchaser on such terms; or (ii) Lessor does not enter into a contract for the sale or transfer of the ROFR Property with the proposed purchaser upon such terms, and either Lessor or a prospective purchaser other than the above-referenced purchaser submits a written proposal for the sale or transfer of the ROFR Property, the material economic terms of which offer are more favorable to such other purchaser, in comparison with the material economic terms of the First Refusal Notice, by more than five percent (5%). If either of clause (i) or (ii) preceding shall apply, Lessor shall again offer the ROFR Property to Lessee under this Paragraph 30 (which offer shall, if clause (ii) applies, be on the terms of the triggering proposal).

43.4 If Lessee accepts Lessor's offer, the ROFR Property shall be conveyed to Lessee upon the business terms set forth in the First Refusal Notice. The closing shall take place on or before one hundred twenty (120) days following the acceptance of such offer, but in no event earlier than the closing date specified in the First Refusal Notice.

43.5 At the closing, Lessor shall convey title to the ROFR Property by general warranty deed, free and clear of all liens, encumbrances, mortgages, easements, conditions, reservations and restrictions except those matters shown on Exhibit A attached hereto and except for easements for utilities or restrictions on use none of which render title unmarketable under the standards of title of the Connecticut Bar Association.

44. Lessor Representations and Warranties; Title Matters.

44.1 Lessor represents and warrants as a condition of this Lease that: (i) it possesses good marketable fee title to the Demised Premises, subject only to matters described in Section 31.2; (ii) it is authorized to make this lease for the Term; (iii) the certificate of occupancy for the Demised Premises allows, or no later than the Commencement Date will allow, Lessee to use and enjoy the Demised Premises for the purposes set forth in this lease; and (iv) the Demised Premises and the uses thereof for the purposes specified in this lease are, or on the Commencement Date will be, in compliance with all Legal Requirements.

44.2 Lessor has delivered to Lessee a copy of Lessor's title insurance policy for the Demised Premises and represents and warrants that the policy is a true and complete copy of the original; that there have been no changes as of the date of this lease to any matters set forth in such policy, and that on the date of this lease, the policy is, and will continue during the Term to be, in full force and effect. A list of all encumbrances, restrictions, agreements, covenants, declarations, *lis pendens*, mechanics' liens, and other matters affecting title, whether of record or known by Lessor on the date hereof to exist, are listed on Exhibit A attached hereto and made a part hereof.

45. Authority.

45.1 Each of Landlord and Tenant represents and warrants to the other that the individual executing this lease on such party's behalf is authorized to do so.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF, the parties hereto have set their names and seals on the day and year first above written.

RAYMOND L. HUNICKE, LLC

By: _____
Name: _____
Title: Member
Date: _____

ROLLER BEARING COMPANY OF AMERICA, INC.

By: _____
Name: _____
Title: _____
Date: _____

STATE OF CONNECTICUT)
) ss: Watertown
COUNTY OF LITCHFIELD)

On this the day of March, 2004, before me the undersigned officer, personally appeared, who acknowledged himself to be a member of **Raymond L. Hunicke, LLC**, a limited liability company, and that he as such member, being authorized so to do, executed the foregoing instrument for purpose therein contained, by signing the name of the corporation by himself as such officer.

IN WITNESS WHEREOF, I hereunto set my hand.

_____
Commissioner of the Superior Court

STATE OF CONNECTICUT)
) ss: Watertown
COUNTY OF LITCHFIELD)

On this the day of March, 2004, before me the undersigned officer, personally appeared, who acknowledged himself to be a of **Roller Bearing Company of America, Inc.**, a Delaware corporation, and that he as such , being authorized so to do, executed the foregoing instrument for purpose therein contained, by signing the name of the corporation by himself as such officer.

IN WITNESS WHEREOF, I hereunto set my hand.

_____
Commissioner of the Superior Court

EXHIBIT A

[LEGAL DESCRIPTION OF DEMISED PREMISES, INCLUDING ALL ENCUMBRANCES]

Exhibit 10.9

PLEDGE AND SECURITY AGREEMENT

This Pledge and Security Agreement, dated as of September 1, 1994 (the "Agreement"), is made by and among Roller Bearing Company of America, Inc., a Delaware corporation (the "Company"), Heller Financial, Inc., a Delaware corporation ("Heller"), and Mark Twain Bank, St. Louis, Missouri, a Missouri banking corporation (the "Trustee"), as Trustee under two Trust Indentures, each dated as of September 1, 1994 (collectively, the "Indentures"), and each between the South Carolina Jobs-Economic Development Authority (the "Issuer") and the Trustee.

RECITALS

A. The Company and Heller have entered into a Letter of Credit Agreement, dated as of September 1, 1994 (the "Letter of Credit Agreement"), pursuant to which Heller has agreed to issue the Letter of Credit (as defined in the Letter of Credit Agreement) in favor of the Trustee for the account of the Company.

B. It is a condition precedent under the Letter of Credit Agreement to the obligation of Heller to issue the Letter of Credit that the Company and the Trustee shall have executed and delivered this Agreement.

AGREEMENT

The Company and the Trustee each agree with Heller as follows:

Section 1. Defined Terms. Capitalized terms not defined herein shall have the meanings ascribed to such terms in the Letter of Credit Agreement or, if not inconsistent with the Letter of Credit Agreement, the Indentures.

Section 2. Pledge. The Company hereby pledges, assigns, transfers, hypothecates and delivers to Heller all of its right, title and interest in, and grants to Heller a first-priority Lien upon, (i) the Pledged Bonds as the same may from time to time be delivered to or held by the Trustee as collateral agent for Heller pursuant to Section 307(d) of the Indentures, and (ii) all proceeds of the Pledged Bonds (collectively, the "Collateral"), all as collateral security for the prompt and complete payment when due of all amounts payable by the Company to Heller, and the prompt and complete performance of all other obligations of the Company to Heller, whether now existing or hereafter arising, under or in respect of the Letter of Credit Agreement, the Letter of Credit, this Agreement and the Bond Documents (collectively, the "Liabilities"). The Company hereby agrees that the Trustee shall act as the agent and bailee of Heller for the purpose of perfecting the Lien of this Agreement and of holding the Collateral for the benefit of Heller pursuant to the Indentures.

Section 3. Payments on Collateral. If, while this Agreement is in effect, the Company shall become entitled to receive or shall receive any interest or other payment in respect of the Collateral, the Company agrees to accept the same as Heller's agent, to hold the

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same in trust on behalf of Heller and to deliver the same forthwith to Heller. The Company instructs and authorizes the Trustee to hold and receive on Heller's behalf and to deliver forthwith to Heller any payment received by it in respect of the Collateral (including the proceeds of any remarketing of the Pledged Bonds). All such payments in respect of the Collateral that are paid to Heller shall be credited against the Liabilities as Heller may determine.

Section 4. Release of Pledged Bonds. Heller agrees to release from the Lien of this Agreement Pledged Bonds if and only if Heller has given notice to the Trustee of the reinstatement of the Letter of Credit in an amount equal to the Original Purchase Price of the Pledged Bonds so released.

Section 5. Representations and Warranties. The Company represents and warrants that: (a) on the date of delivery of the Pledged Bonds to or for the benefit of Heller, to the Company's knowledge, no other Person shall have any right, title or interest in and to the Pledged Bonds; (b) the Company has, and on the date of delivery to or for the benefit of Heller of any of the Pledged Bonds will have, full power, authority and legal right to pledge all of its right, title and interest in and to the Pledged Bonds pursuant to this Agreement; and (c) the pledge, assignment and delivery of the Pledged Bonds pursuant to this Agreement will create a valid first Lien on, and a perfected first-priority security interest in, all right, title and interest of the Company in and to the Collateral, subject to no prior Lien on the Property or assets of the Company that would include the Pledged Bonds. The Company makes each of the representations and warranties in the Credit Agreement and the Bond Documents, to the extent material, to and for the benefit of Heller as if the same were set forth in full herein. Unless the Company shall have previously advised Heller in writing that one or more of the above statements is no longer true, the Company shall be deemed to have represented and warranted to Heller on the date of each Liquidity Drawing under the Letter of Credit that the statements contained herein are true and correct.

Section 6. Rights of Heller. Heller shall not be liable for any failure to collect or realize upon all or any part of the Liabilities or any collateral security (including the Collateral) or guaranty for the Liabilities, or for any delay in so doing, and Heller shall be under no obligation to take any action whatsoever with regard to the Liabilities or any such collateral security or guaranty. If an Event of Default under the Letter of Credit Agreement has occurred and is continuing, Heller may, without notice, exercise all rights, privileges or options pertaining to any Pledged Bonds as if it were the absolute owner of such Pledged Bonds, upon such terms and conditions as it may determine, all without liability except to account for Property actually received by it, but Heller shall have no duty to exercise any of those rights, privileges or options, and shall not be responsible for any failure to do so or delay in so doing.

Section 7. Remedies. In the event that any portion of the Liabilities has been declared due and payable, to the fullest extent permitted by applicable law Heller may, without demand of performance or other demand, advertisement or notice of any kind (except the notice specified below of the time and place of public or private sale) to or upon the Company or any other Person (all and each of which demands, advertisements or notices are hereby expressly waived), in its sole discretion (a) exercise any or all of its rights and remedies under the Letter of Credit Agreement, the Letter of Credit, this Agreement, the Credit Documents, the Bond

Documents and any other instruments and agreements securing, evidencing or relating to the Liabilities or under applicable law (including all of the rights and remedies of a secured creditor under the Illinois Uniform Commercial Code or the commercial code of any other applicable jurisdiction), (b) forthwith collect, receive, appropriate and realize upon all or any part of the Collateral, (c) forthwith sell, assign, give an option or options to purchase, contract to sell or otherwise dispose of and deliver all or any part of the Collateral in one or more parcels at public or private sale or sales, at any exchange, broker's board or at any of Heller's offices or elsewhere, in a commercially reasonable manner (subject to the provisions of Section 9 hereof), upon such terms and conditions as it may deem advisable and at such prices as it may deem best, for cash or on credit or for future delivery without assumption of any credit risk, with the right to Heller upon any such sale or sales, public or private, to purchase the whole or any part of the Collateral so sold, free of any right or equity of redemption in the Company, which right or equity is hereby expressly waived and released, or (d) take all or any combination of the foregoing actions. After deducting all reasonable costs and expenses of every kind incurred in taking any of the foregoing actions, or incidental to the care, safekeeping or otherwise of any and all of the Collateral, or in any way relating to the rights of Heller hereunder, including reasonable attorneys' fees and legal expenses, after payment of all of the Liabilities in such order as Heller may elect (the Company remaining liable for any deficiency remaining unpaid after such application) and after payment by Heller of any other amount required or permitted by any provision of law, Heller shall pay to the Company the surplus, if any, of any amounts realized by Heller under this Section 7. To the fullest extent permitted by applicable law, the Company agrees that Heller need not give more than 10 days' notice of the time and place of any public sale or of the time after which a private sale or other intended disposition is to take place, and that such notice is reasonable notification of such matters. To the fullest extent permitted by applicable law, no notification need be given to the Company if it has signed after default a statement renouncing or modifying any right to notification of sale or other intended disposition. To the fullest extent permitted by applicable law, the Company further agrees to waive and agrees not to assert any rights or privileges that it may acquire under Section 9-112 of the Illinois Uniform Commercial Code (or the equivalent section of the Uniform Commercial Code of any other applicable jurisdiction), and the Company shall be liable for the deficiency if the proceeds of any sale or other disposition of the Collateral are insufficient to pay all amounts to which Heller is entitled, including the fees and costs of any attorneys employed by Heller to collect such deficiency.

Section 8. No Disposition. The Company agrees that it will not sell, assign, transfer, exchange or otherwise dispose of, or grant any option with respect to, the Collateral, and that it will not create, incur or permit to exist any Lien with respect to all or any part of the Collateral, except for the Lien of this Agreement.

Section 9. Sale of Collateral. (a) The Company recognizes that Heller may be unable to effect a public sale of any or all of the Pledged Bonds by reason of certain prohibitions contained in the Securities Act of 1933 and applicable state securities laws, but may be compelled to resort to one or more private sales to a restricted group of purchasers that will be obligated to agree, among other things, to acquire such securities for their own account for investment and not with a view to distribution or resale in a manner that would violate Federal or state securities laws. The Company acknowledges and agrees that any such private sale may result in prices and other terms less favorable to the seller than if such sale were a public sale,

and, notwithstanding such circumstances, agrees that any such private sale shall be deemed to have been made in a commercially reasonable manner. Heller shall be under no obligation to delay a sale of any of the Pledged Bonds for the period of time necessary to permit the Issuer to register such securities for public sale under the Securities Act of 1933 or under applicable state securities laws, even if the Issuer would agree to do so.

(b) The Company further agrees to do or cause to be done all such other acts and things as may be necessary to make such sale or sales of all or any part of the Pledged Bonds valid and binding and in compliance with any and all applicable laws, rules, regulations, orders or decrees, all at the Company's expense. The Company further agrees that a breach of any of the covenants contained in this Section 9 will cause irreparable injury to Heller for which Heller would have no adequate remedy at law in respect of such breach, and, as a consequence, agrees that each and every covenant contained in this Section 9 shall be specifically enforceable against the Company, and the Company waives and agrees not to assert any defenses against an action for specific performance of such covenants except for a defense that no Event of Default has occurred under the Letter of Credit Agreement.

Section 10. Further Assurances. The Company agrees that at any time and from time to time upon the written request of Heller, the Company will execute and deliver such further documents and do such further acts and things as Heller may reasonably request in order to effect the purposes of this Agreement.

Section 11. Collateral Agency Agreement. (a) Heller hereby appoints the Trustee as agent and bailee for Heller on the terms and conditions of this Section 11, and the Trustee hereby accepts such appointment and agrees with Heller to act as agent without compensation separate from that provided to the Trustee pursuant to the Indentures.

(b) The duties of the Trustee as agent under this Agreement shall he as follows:

(i) the Trustee shall hold in trust for Heller all Pledged Bonds purchased by the Trustee with drawings under the Letter Credit pursuant to Section 301 or 302 of the Indentures, all proceeds thereof and all other amounts held by the Trustee and payable to Heller pursuant to the Indentures (collectively, the "Indenture Collateral"); and

(ii) upon the remarketing of Pledged Bonds, the Trustee shall deliver to Heller the proceeds of such remarketing and all other amounts received by the Trustee and payable to Heller pursuant to the Indentures.

(c) The Trustee shall not pledge, hypothecate, transfer or release all or any part of the Collateral to any other Person or in any manner not in accordance with this Section 11 without the prior written consent of Heller.

(d) The Trustee shall transfer the benefits or obligations of this Agreement or the Indentures only with the prior written consent of Heller and only if any such transferee shall

have agreed in writing to be bound by the terms and conditions of this Section 11 and the Indentures.

(e) Neither the Trustee nor any of its officers, directors, employees, agents, attorneys-in-fact or affiliates shall be liable for any action lawfully taken or omitted to be taken by it or such Person under or in connection with this Section 11 (except for its or such Person's own negligence or willful misconduct). The Trustee undertakes to perform only such duties as are expressly set forth herein. The Trustee may rely, and shall be protected in acting or refraining from acting, upon any written notice, instruction or request furnished to it hereunder and believed by it to be genuine and to have been signed or presented by the proper party. The Trustee may consult with counsel of its own choice and shall have full and complete authorization and protection for any action taken or suffered by it hereunder in good faith and in accordance with the opinion of such counsel. Notwithstanding any provision to the contrary contained herein, the Trustee shall not be relieved of liability arising in connection with its own negligence or willful misconduct.

Section 12. Notices. Unless otherwise specifically provided herein, any notice or other communication required or permitted to be given hereunder shall be in writing addressed to the respective party as set forth below, and may be personally served, telecopied or sent by overnight courier service or United States mail, and shall be deemed to have been given: (a) if delivered in person, when delivered; (b) if delivered by telecopy, on the date of transmission if transmitted on a Business Day before 4:00 p.m. (Chicago, Illinois time) or, if not, on the next succeeding Business Day; (c) if delivered by overnight courier, two days after delivery to such courier properly addressed; or (d) if by United States mail, four Business Days after deposit in the United States mail, with postage prepaid and properly addressed. Notices hereunder shall he effective when received and shall be addressed:

Party	**Address**
Company:	Roller Bearing Company of America, Inc. 140 Terry Drive Newtown, Pennsylvania 18940 Attention: Executive Vice President Telephone: (215) 579-4300 Telecopier: (215) 579-4318
With a copy to:	Gibson, Dunn & Crutcher 2029 Century Park east, Suite 4000 Los Angeles, California 90067 Attention: Bruce D. Meyer, Esq. Telephone: (310) 552-8686 Telecopier: (310) 277-5827

Heller:	Heller Financial, Inc. 500 West Monroe Street 12th Floor Chicago, Illinois 60661 Attention: Portfolio Manager, Portfolio Organization, Corporate Finance Group Telephone: (312) 441-7500 Telecopier: (312) 441-7367
With a copy to:	Heller Financial, Inc. 500 West Monroe Street 12th Floor Chicago, Illinois 60661 Attention: Legal Department, Portfolio Organization, Corporate Finance Group Telephone: (312) 441-7500 Telecopier: (312) 441-7367
Trustee:	Mark Twain Bank 8820 Ladue Road St. Louis, Missouri 63124 Attention: Corporate Trust Division Telephone: (314) 889-0753 Telecopier: (314) 889-0736

Section 13. Amendments and Waiver. No amendment or waiver of any provision of this Agreement or consent to any departure by the Company or the Trustee from any such provision shall in any event be effective unless the same shall be in writing and signed by Heller. Any such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given.

Section 14. No Waiver; Remedies. No failure on the part of Heller to exercise, and no delay in exercising, any right under this Agreement shall operate as a waiver of such right, and no single or partial exercise of any right under this Agreement shall preclude any further exercise of such right or the exercise of any other right. The remedies provided in this Agreement are cumulative and not exclusive of any remedies provided by law.

Section 15. Severability. Any provision of this Agreement that is prohibited, unenforceable or not authorized in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition, unenforceability or nonauthorization without invalidating the remaining provisions of this Agreement or affecting the validity, enforceability or legality of such provision in any other jurisdiction.

Section 16. Governing Law. This Agreement shall be governed by, and construed and interpreted in accordance with, the laws of the State of Illinois without giving application to the choice-of-law principles thereof.

Section 17. Headings. Section headings in this Agreement are included for convenience of reference only and shall not constitute a part of this Agreement for any other purpose.

Section 18. Counterparts. This Agreement may be signed in any number of counterpart copies, and all such copies shall constitute one and the same instrument.

IN WITNESS WHEREOF, the parties have caused this Agreement to be duly executed and delivered as of the date first above written.

HELLER FINANCIAL, INC.

By: /s/ Karen L. Finnerty
Assistant Vice President

ROLLER BEARING COMPANY OF AMERICA, INC.

By: /s/ [ILLEGIBLE]
CFO and Treasurer

MARK TWAIN BANK,
as Trustee

By: /s/ [ILLEGIBLE]
Vice President

Exhibit 10.10

CONFIDENTIAL

LOAN AGREEMENT

between

SOUTH CAROLINA JOBS-ECONOMIC DEVELOPMENT AUTHORITY

and

ROLLER BEARING COMPANY OF AMERICA, INC.

Relating to

$7,700,000
Variable Rate Demand
Industrial Development Revenue Bonds
(Roller Bearing Company of America, Inc. Project)
Series 1994A

DATED AS OF SEPTEMBER 1, 1994

TABLE OF CONTENTS

(This Table of Contents is for convenience of reference only and is not intended to define, limit or describe the scope or intent of any provisions of this Loan Agreement).

LOAN AGREEMENT

THIS LOAN AGREEMENT, dated as of September 1, 1994 (this "Agreement" or "Loan Agreement"), between the SOUTH CAROLINA JOBS-ECONOMIC DEVELOPMENT AUTHORITY, a body corporate and politic and an agency of the State of South Carolina (the "Issuer"), and ROLLER BEARING COMPANY OF AMERICA, INC., a Delaware corporation (the "Borrower");

WITNESSETH:

WHEREAS, the Issuer, acting by and through its Board of Directors, is authorized and empowered under and pursuant to the provisions of Title 41, Chapter 43, Code of Laws of South Carolina 1976, as amended (the "Act"), to acquire and cause to be acquired properties that are projects under the Act through which the industrial, commercial, agricultural and recreational development of the State of South Carolina (the "State") will be promoted and trade developed by inducing business enterprises to locate in and remain in the State and thus provide maximum opportunities for the creation and retention of jobs and improvement of the standard of living of the citizens of the State; and

WHEREAS, the Issuer is further authorized by Section 41-43-100 of the Act to issue revenue bonds payable by the Issuer solely from revenues and receipts from any financing agreement between the Issuer and any business enterprise with respect to such project and secured by a pledge of said revenues and receipts and by an assignment of such financing agreement; and

WHEREAS, pursuant to the Act, the Issuer is authorized to issue its Variable Rate Demand Industrial Development Revenue Bonds (Roller Bearing Company of America, Inc. Project) Series 1994A in the principal amount of $7,700,000 (the "Bonds") for the purpose of providing funds to construct or purchase certain buildings, fixtures, machinery and equipment (the "Project") to constitute an approximately 60,000 square foot expansion of an existing facility for the manufacture of roller bearings in Darlington County, South Carolina which is owned and operated by the Borrower; and

WHEREAS, the proceeds from the sale of the Bonds will be loaned to the Borrower pursuant to the provisions of this Loan Agreement to enable the Borrower to construct and purchase the Project; and

WHEREAS, the amount necessary to finance the costs of such construct and purchase will require the issuance, sale and delivery of the Bonds, as hereinafter provided; and

WHEREAS, to secure the payment of the principal of and interest on the Bonds and the purchase price of Bonds tendered by the Owners thereof as provided in the Trust Indenture of even date herewith (the "Indenture") between the Issuer and Mark Twain Bank, as Trustee (the "Trustee"), the Borrower has caused the Credit Enhancer (as defined in the Indenture) to issue its Credit Facility (as defined in the Indenture) to the Trustee; and

WHEREAS, pursuant to the foregoing, the Issuer desires to loan the proceeds of the Bonds to the Borrower and the Borrower desires to borrow the proceeds of the Bonds from the Issuer, to be repaid by the Borrower and upon the terms and conditions hereinafter set forth;

NOW, THEREFORE, in consideration of the premises and the mutual representations, covenants and agreements herein contained, the Issuer and the Borrower do hereby represent, covenant and agree as follows:

ARTICLE I

DEFINITIONS, CONSTRUCTION AND CERTAIN GENERAL PROVISIONS

Section 1.1. Definitions. All words and terms defined in Section 101 of the Indenture shall have the same meaning in this Loan Agreement unless otherwise defined herein. In addition to words and terms defined in the Indenture or defined elsewhere in this Loan Agreement, the following words and terms shall have the following meanings, unless some other meaning is plainly intended:

"Additional Payments" means the Additional Payments described in Section 3.7 hereof.

"Borrower Documents" means this Loan Agreement, the Tax Agreement and the Collateral Documents.

"Completion Date" means the date of completion of the Project and any additions or improvements to the Project.

"Default" means any event or condition which constitutes, or with the giving of any requisite notice or upon the passage of any requisite time period or upon the occurrence of both would constitute, an Event of Default under this Agreement or the Indenture.

"Event of Default" means any Event of Default as defined in Section 8.1 hereof.

"Full Insurable Value" means the actual replacement cost of the Project without deduction for physical depreciation and exclusive of land, excavations, footings, foundations and parking lots.

"Loan Payment Date" means an Interest Payment Date, Principal Payment Date or any other date on which the principal of and interest on the Bonds is payable.

"Loan Payments" means the Loan Payments described in Section 3.6 hereof.

"Loan Term" means the period from the effective date of this Loan Agreement until the expiration hereof pursuant to Section 10.2 of this Loan Agreement.

"Net Proceeds" means, when used with respect to any insurance or condemnation award with respect to the Project, the title insurance or condemnation award with respect to which that term is used remaining after the payment of all expenses (including attorneys' fees and any expenses of the Issuer or the Trustee) incurred in the collection of such gross proceeds. As used in this definition the word "condemnation" shall have the meaning given to it in Section 5.6 hereof.

"Permitted Encumbrances" shall have the meaning assigned to such term in the Credit Agreement (as defined in the Letter of Credit Agreement).

"Project" means the manufacturing facilities generally described in Exhibit A hereto, as provided for in this Loan Agreement.

"Series 1994B Bonds" means the Issuer's $3,000,000 original principal amount Variable Rate Demand Industrial Development Revenue Bonds (Roller Bearing Company of America, Inc. Project) Series 1994B.

"Series 1994B Loan Agreement" means the Loan Agreement dated of even date herewith between the Issuer and the Borrower, delivered with respect to the Series 1994B Bonds, as amended, restated or supplemented.

"Unassigned Issuer's Rights" means the Issuer's rights to reimbursement and payment of its costs and expenses and rebatable arbitrage under Sections 3.7(c) and (e), 8.4 and 8.6 hereof, its rights of access under Section 6.1 hereof, its rights to indemnification under Sections 4.5 and (6.3) hereof, its rights to exemption from liability under Sections 10.8 and 10.9 hereof, its rights to receive notices, reports and other statements and its rights to consent to certain matters.

Section 1.2. Rules of Interpretation. (a) Words of the masculine gender shall be deemed and construed to include correlative words of the feminine and neuter genders.

(b) Unless the context shall otherwise indicate words importing the singular number shall include the plural and vice versa, and words importing person shall include firms, partnerships, associations, joint stock companies, joint ventures, trusts, unincorporated organizations, limited liability companies and corporations, including governmental entities, as well as natural persons.

(c) The words "herein", "hereby", "hereunder", "hereof", "hereto", "hereinbefore", "hereinafter" and other equivalent words refer to this Loan Agreement and not solely to the particular article, section, paragraph or subparagraph hereof in which such word is used.

(d) Reference herein to a particular article or a particular section shall be construed to be a reference to the specified article or section hereof unless the context or use clearly indicates another or different meaning or intent. Reference herein to a schedule or an exhibit shall be construed to be a reference to the specified schedule or exhibit hereto unless the context or use clearly indicates another or different meaning or intent.

(e) Wherever an item or items are listed after the word "including", such listing is not intended to be a listing that excludes items not listed.

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

[End of Article I}

ARTICLE II

REPRESENTATIONS

Section 2.1. Representations by the Issuer. The Issuer makes the following representations as the basis for the undertakings on its part herein contained:

(a) The Issuer is a body politic and corporate and an agency of the State.

(b) The Issuer has lawful power and authority under the Act, acting through its Board of Directors, to enter into the transactions contemplated by this Loan Agreement and to carry out its obligations hereunder. By proper action of the Board of Directors, the Issuer has been duly authorized to execute and deliver this Loan Agreement, acting by and through its duly authorized officers.

(c) The issuance of the Bonds will further the public purposes of the Act.

(d) To finance the costs of constructing and purchasing the Project, the Issuer proposes to issue the Bonds in the aggregate principal amount of $7,700,000. The Bonds will bear interest at the rates and be scheduled to mature as set forth in Article II of the Indenture and will be subject to purchase from the Owners thereof in accordance with the provisions of Article III of the Indenture and redemption prior to maturity in accordance with the provisions of Article IV of the Indenture. The Bonds are to be issued under and secured by the Indenture, pursuant to which the payments, revenues and receipts derived by the Issuer pursuant to this Loan Agreement, other than Unassigned Issuer's Rights, will be pledged and assigned to the Trustee as security for payment of the principal of, premium, if any, and interest on the Bonds.

(e) To the best of its knowledge, no member of the governing body of the Issuer or any other officer of the Issuer has any significant or conflicting interest, financial, employment or otherwise, in the Borrower, the Project or in the transactions contemplated hereby.

Section 2.2. Representations and Warranties by the Borrower. The Borrower represents and warrants as follows:

(a) The Borrower is a corporation, duly organized, validly existing and in good standing under the laws of the State of Delaware, has the power and authority to own its properties and carry on its business as now being conducted, and is duly qualified to do such business, and is in good standing, wherever such qualification is required, including the State.

(b) The Borrower has the power and authority to execute and deliver the Borrower Documents, and to carry out the transactions contemplated hereby and thereby, and has duly authorized the execution, delivery and performance of each of the foregoing.

(c) Neither the execution nor delivery of the Borrower Documents, nor the consummation of the transactions contemplated hereby or thereby, nor the fulfillment of or compliance with the terms and conditions hereof or thereof, conflicts with or results in a breach of or will constitute a default under any of the terms, conditions or provisions or any legal restriction of any agreement or instrument to which the Borrower is now a party or by which it is bound, or constitutes a default under any of the

foregoing or violates any judgment, order, writ, injunction, decree, law, rule or regulation to which it is subject.

(d) The Borrower is knowledgeable in the operation of manufacturing facilities of the magnitude and nature of the Project.

(e) The Borrower is not presently under any cease or desist order or other orders of a similar nature, temporary or permanent, of any federal or state authority which would have the effect of preventing or hindering performance of its duties hereunder, nor are there any proceedings presently in progress or to its knowledge contemplated which would, if successful, lead to the issuance of any such order.

(f) To the best of its knowledge, the Borrower has made, and will during the term of this Agreement make, all filings which it is obligated to make with, and has obtained, and will during the term of this Agreement obtain, all approvals and consents which it is obligated to obtain from all federal, state and local regulatory agencies having jurisdiction to the extent, if any, required by applicable laws and regulations to be made or to be obtained in connection with the Project, the execution and delivery by the Borrower of the Borrower Documents, the transaction contemplated thereunder, and the performance by the Borrower of its obligations thereunder.

(g) To the best of the Borrower's knowledge, except to the extent disclosed to the Credit Enhancer, the operation and maintenance of the Project does not conflict with any zoning, building, safety, health or environmental quality or other law, ordinance, order, rule or regulation applicable thereto.

(h) The Borrower will keep and perform faithfully all of its duties, obligations, covenants and undertakings contained herein and in the Borrower Documents.

(i) The Borrower will execute and deliver such additional instruments and perform such additional acts as may be necessary, in the opinion of the Issuer, to carry out the intent hereof and of the Borrower Documents or to perfect or give further assurances of any of the rights granted or provided for herein or in the Borrower Documents.

(j) The Borrower agrees that during the Loan Term it will maintain its existence, will not dissolve (other than a technical dissolution under State law so long as the Borrower is immediately reconstituted) or otherwise dispose of all or substantially all of its assets; provided that the Borrower may, without violating the agreement contained in this paragraph, merge or consolidate with another legal entity or sell or otherwise transfer to another legal entity all or substantially all of its assets as an entirety and thereafter dissolve, provided (i) that such merger, consolidation or transfer will not affect the excludability of the interest on the Bonds from gross income for federal income tax purposes; (ii) that if the successor or transferee legal entity is not the Borrower, then such legal entity shall be a legal entity organized and existing under the laws of one of the States of the United States of America and shall be qualified to do business in the State; (iii) such successor or transferee entity shall assume all of the obligations of the Borrower under the Borrower Documents in which event the Borrower shall be released from its obligations under the Borrower Documents; and (iv) the Credit Enhancer consents thereto in writing.

(k) The Borrower will advise the Issuer, the Credit Enhancer and the Trustee promptly in writing of the occurrence of any Default hereunder or any event which, with the passage of time or service of notice, or both, would constitute an Event of Default hereunder, specifying the nature and period of existence of such event and the actions being taken or proposed to be taken with respect thereto.

(l) Any certificate signed by an Authorized Borrower Representative and delivered pursuant to this Loan Agreement or the Indenture shall be deemed a representation and warranty of the Borrower as to the statement made therein.

(m) Concurrently with the execution of this Loan Agreement, the Borrower will cause to be delivered to the Trustee, on behalf of the Issuer, the Credit Facility and the Credit Facility shall be in full force and effect and shall secure the payment of the principal and purchase price of, and interest on, the Bonds.

(n) The Project is located wholly within Darlington County, South Carolina.

(o) There is not now pending or, to the knowledge of the Borrower, threatened, any suit, action or proceeding against or affecting the Borrower by or before any court, arbitrator, administrator, administrative agency or other governmental authority which, if decided adversely to the Borrower, would materially and adversely affect the validity of any of the transactions contemplated by this Loan Agreement or the Indenture, or impair the ability of the Borrower to perform its obligations under this Loan Agreement or the Indenture, or as contemplated hereby or thereby, nor, to the knowledge of the Borrower, is there any basis therefor.

Section 2.3. General Tax Representations, Warranties and Covenants of Borrower. The Borrower further represents, warrants and covenants as follows:

(a) No proceeds of the Bonds will be used, directly or indirectly, for the acquisition of land (or an interest therein) to be used for farming purposes and less than 25% of the proceeds of the Bonds will be used (directly or indirectly) for the acquisition of land (or an interest therein) within the meaning of Section 147(c) of the Code.

(b) Ninety-five percent (95%) or more of the expenditures for costs of the Project made from proceeds of the Bonds are, for federal income tax purposes, for land or depreciable property chargeable to the capital account of the Project or would be so chargeable either with a proper election by the Borrower under the Code or but for a proper election to deduct any such costs.

(c) Acquisition and construction of the Project, and each of the components thereof, occurred subsequent to April 28, 1994, and no obligation relating to the acquisition and construction of the Project (to be financed with proceeds of the sale of the Bonds) was paid or incurred prior to such date. The Project is expected to be placed in service on or about August 1, 1997.

(d) The Project is of the type authorized and permitted by the Act, and the Project is substantially the same in all material respects to that described in the notice of public hearing published in The Darlington News and Post on June 1, 1994.

(e) During the period commencing 15 days before the date of sale of the Bonds, neither the Borrower or any other “principal user” of the Project or any “related person” (or group of “related

persons” which includes the Borrower) has guaranteed, arranged, participated in, assisted with, borrowed the proceeds of, or leased facilities financed by, obligations issued under Section 144(a) of the Code by any state or local governmental unit or any constituted authority empowered to issue obligations by or on behalf of any state or local governmental unit other than the Issuer (“principal user” and “related person” as those terms are used in Section 144(a) of the Code).

(f) During the period commencing on the date of sale of the Bonds and ending 15 days thereafter, there will be no obligations issued under Section 144(a) of the Code which are guaranteed by the Borrower or any other “principal user” of the Project or any “related person” (or group of “related persons” which includes the Borrower) or which are issued with the assistance or participation of, or by arrangement with, the Borrower or any other “principal user” of the Project or any “related person” (or group of “related persons” which includes the Borrower) without the written opinion of Sinkler & Boyd, P.A., to the effect that the issuance of such obligations will not adversely affect the exclusion from gross income of the interest paid on the Bonds for purposes of federal income taxation; other than the Borrower or any other “principal user” of the Project or any “related person” (or group of “related persons” including the Borrower), no person has (i) guaranteed, arranged, participated in, assisted with the issuance of, or paid any portion of the cost of the issuance of, any of the Bonds, and (ii) provided any property or any franchise, trademark or trade name (within the meaning of Section 1253 of the Code) which is to be used in connection with the Project (“principal user” and “related person” as those terms are used in Section 144(a) of the Code).

(g) The Bonds are not being issued as part of an issue the interest of which is excludable from gross income for purposes of federal income taxation under any other provision of law other than Section 144(a) of the Code.

(h) The issuance of the Bonds is not part of an issuance of tax-exempt bonds which (1) will be sold (A) at substantially the same time or (B) pursuant to the same plan of financing, and (2) are reasonably expected to be paid from substantially the same source of funds, determined without regard to guarantees from unrelated parties.

(i) For each “test-period beneficiary” (as defined in Section 144(a)(10)(D) of the Code) of the Project, the sum of (i) the aggregate authorized face amount of the Bonds allocated in accordance with Section 144(a)(10)(C) of the Code to such beneficiary and (ii) the aggregate outstanding principal amount of any other tax-exempt obligation described in Section 144(a)(10)(B)(ii) of the Code, wherever and whenever issued, allocated to such beneficiary does not and will not exceed $40,000,000.

(j) There are no other issues of private activity bonds, as defined in Section 141 of the Code, the proceeds of which have been or will be used with respect to the “facilities,” as defined in Section 144(a)(4)(B) of the Code, located within the jurisdiction of the Issuer, the “principal user” of which is the Borrower or a “related person” thereto (“principal user” and “related person” being used in this Agreement as those terms are used in Section 144(a) of the Code).

(k) The Borrower will assist the Issuer in filing all appropriate returns, reports and attachments to income tax returns as of now or hereafter required by the provisions of the Code, including without limitation the Information Return for Private Activity Bond Issues (Form 8038) required under the Code.

(l) The weighted average maturity of the Bonds, calculated in accordance with the requirements of Section 147(b) of the Code, is not more than 23 years, which is less than one hundred twenty percent (120%) of the remaining average reasonably expected economic life of the Project, calculated in accordance with the requirements of Section 147(b) of the Code.

(m) No proceeds of the Bonds shall be invested in federally insured deposits or accounts except as part of a bona fide debt service fund or a reasonably required reserve fund.

(n) The Borrower has not and will not sell, transfer or otherwise dispose of the Project except as provided in this Loan Agreement.

(o) During the term of this Agreement, the operation and maintenance of the Project will not conflict in any material respect with any zoning, building, safety, health or environmental quality or other law, ordinance, rule, or regulation applicable thereto. To the extent of any conflict, the Borrower will use its best efforts to bring the zoning of the Project into compliance with the intended uses of the Project.

(p) The Borrower hereby represents and warrants that (i) the representations and warranties of the Borrower set forth in the Tax Agreement are true and correct as of the of delivery of this Loan Agreement and (ii) the Borrower expects to comply with the covenants and agreements set forth in the Tax Agreement.

Section 2.4. Manufacturing Facilities. The Borrower represents, warrants and covenants that the Project will be operated as a "manufacturing facility" within the definition of Section 144(a)(12)(C) of the Code, which shall include facilities which are directly related and ancillary thereto within the meaning of the Code (the "Related and Ancillary Facilities"), provided that (i) such Related and Ancillary Facilities shall be located on the same site as the manufacturing facility, and (ii) not more than 25% of the net proceeds of the Bonds may be used to provide the Related and Ancillary Facilities. In addition, no more than a de minimis amount (within the meaning of the Code) of the functions to be performed at any office space comprising the Project is not directly related to the day-to-day operations at the manufacturing facility.

Section 2.5 Actions Under Section 144(a)(4) of the Code. The Issuer is issuing the Bonds pursuant to an election made by it, at the Borrower's request, under Section 144(a)(4) of the Code. In connection with that election, the Borrower represents and covenants that:

(a) The sum of (i) the principal amount of the Bonds, (ii) the outstanding face amount of prior issues, if any, described in Section 144(a)(2) of the Code and (iii) the aggregate amount of capital expenditures with respect to "facilities" as defined in Section 144(a)(4)(B) of the Code, other than those financed or to be financed out of proceeds of the Bonds or any such prior issues or those mentioned in Section 144(a)(4)(C) of the Code ("Capital Expenditures"), made during the three-year period preceding the Issue Date, does not exceed $10,000,000.

(b) During the three-year period following the Issue Date, the Borrower does not intend to make or cause or permit to be made any capital expenditures in an amount which would cause the interest on the Bonds to be included in the gross income of the Owners for federal income tax purposes.

(c) It will maintain records, listing by month, day, year and amount each capital expenditure made since the Issue Date through and including the third anniversary of the date of original delivery of the Bonds and upon any Determination of Taxability will furnish those records to the Trustee.

(d) In the event, on account of a lease, sublease, management contract or other agreement relating to the Project, or any portion thereof, permitted by the terms hereof, any person other than the Borrower becomes a "principal user" of the Project (within the meaning of Section 144(a) of the Code), the Borrower shall promptly advise the Trustee of the identity of such person and furnish to the Trustee a copy of such lease, sublease, management contract or other agreement. In connection with any such lease, sublease, management contract or other agreement, the Borrower will require by covenant that any lessee, sublessee, manager or user who is a "principal user" of the Project and any "related person" (within the meaning of Section 144(a) of the Code) thereto shall comply with the covenants set forth in subsections (b) and (c) of this Section as if those covenants were made herein by such lessee, sublessee, manager, user or "related person" thereto.

Section 2.6. Tax Exemption. The Borrower hereby covenants, represents and agrees as follows:

(a) that it will not direct the Trustee to make any investment or use of the proceeds of any of the Bonds, which would cause any of the Bonds to be "arbitrage bonds" within the meaning of Section 148 of the Code and the Tax Regulations thereunder as the same may be applicable to the Bonds at the time of such action, investment or use and that it shall take and cause the Issuer and Trustee to take all actions required to comply with the provisions of Section 148 of the Code;

(b) that it will at all times do and perform all acts and things necessary or desirable and within its reasonable control in order to assure that interest paid on the Bonds shall, for the purposes of federal income taxation, not be includable in the gross income of the Bondowners, except in the event that the Bondowner is a "substantial user" of the Project or a "related person" (such terms within the meaning of Section 147(a) of the Code);

(c) that it shall not take or omit to take, or permit to be taken on its behalf, any actions which, if taken or omitted, would adversely affect the excludability from the gross income of the Bondowners of interest paid on the Bonds for federal income tax purposes, whether currently in effect or enacted subsequent to the date of original delivery of the Bonds;

(d) in the event that, in accordance with Section 148(f) of the Code, any rebate of earnings or profits on investment of any amounts constituting gross proceeds of the Bonds shall be required to be made to the United States of America in order to preserve the tax-exempt status of interest on the Bonds, it shall make all rebatable arbitrage payments or cause them to be made in installments at least once every five years as required by Section 148(f)(3) of the Code and the provisions of the Tax Agreement; it being understood that in no event shall the Issuer or the Trustee have any responsibility or liability for the payment of any rebatable arbitrage, except as specifically provided in the Tax Agreement and the Indenture, and that all responsibility and liability therefor shall be vested in the Borrower; and

(e) to take such action or actions as may be necessary in the opinion of Bond Counsel to preserve or perfect the exclusion of interest on the Bond from gross income for federal income tax purposes.

[End of Article II]

ARTICLE III

THE LOAN; ISSUANCE OF THE BONDS

Section 3.1. Amount and Source of the Loan. The Issuer agrees to lend to the Borrower, upon the terms and conditions herein and in the Indenture specified, the net proceeds received by the Issuer from the sale of the Bonds (the "Loan"), and to cause such proceeds to be deposited in accordance with the Indenture.

Section 3.2. Possession and Use of the Project. The Issuer acknowledges that as between the Issuer and the Borrower the Borrower shall be the sole legal owner of the Project, and shall be entitled to sole and exclusive possession of the Project.

Section 3.3. Termination of Prior Liens. Concurrently with the execution of this Loan Agreement the Borrower shall make provisions for termination of all liens and security interests incurred with respect to the Project except for Permitted Encumbrances.

Section 3.4. Disbursements from the Project Fund and the Cost of Issuance Fund.

(a) The Issuer has, in the Indenture, authorized and directed the Trustee, provided no Event of Default has occurred and is continuing, to make disbursements from the Project Fund and the Cost of Issuance Fund, to reimburse the Borrower or any person designated by the Borrower for the following:

(i) Costs incurred directly or indirectly for or in connection with the acquisition, construction, improvement, installation or equipping of the Project including, but not limited to, those for preliminary planning and studies, architectural, legal, engineering and supervisory services, labor, services, materials, fixtures, and equipment;

(ii) Premiums attributable to all insurance required to be taken out with respect to the Project, the premium on each surety bond, if any, required with respect to work on the Project, and taxes, assessments and other charges in respect of the Project, that may become due and payable;

(iii) Costs incurred directly or indirectly in seeking to enforce any remedy against any contractor, subcontractor, materialman or other agent in respect of any default under any contract relating to theProject;

(iv) Financing, legal, accounting, printing and engraving fees, charges and expenses, and all other such fees, charges and expenses incurred in connection with the authorization, sale, issuance and delivery of the Bonds and the preparation and delivery of this Loan Agreement and related documents as long as such disbursements do not exceed two percent (2%) of the proceeds of the Bonds pursuant to Section 147(g) of the Code;

(v) Any other incidental and necessary costs, expenses, fees and charges relating to the acquisition, construction, improvement, installation or equipping of the Project; title charges, surveys, commitment fees, appraisal fees and recording fees; and

(vi) The fees and expenses of the Trustee, Registrar, Tender Agent and Paying Agent properly incurred in connection with the execution and delivery of the Indenture and of the Credit Enhancer properly incurred in connection with the issuance of the Credit Facility and the execution and delivery of the Letter of Credit Agreement.

(b) Nothing contained herein permits or shall be construed to permit the expenditure of any moneys in the Project Fund or the Cost of Issuance Fund for, or in reimbursement of payments made for, the acquisition of motor vehicles, costs of issuance of the Bonds to the extent such costs of issuance exceed 2% of the net proceeds of the Bonds allocable to the Project within the meaning of Section 147(g) of the Code, raw materials, small tools, supplies, inventory or accounts receivable, or for provision of working capital, and no such expenditure shall be made from the Project Fund or the Cost of Issuance Fund.

(c) All moneys in the Project Fund (including moneys earned thereon by investment thereof) remaining after the completion of the acquisition, construction, installation, equipment and improvement of the Project and payment, or provision for payment, in full of the costs provided for in the preceding subsections of this Section, then due and payable, shall as soon as practicable be paid into the Revenue Fund to be used (i) for the redemption of the Bonds, or a portion thereof, at the earliest possible date; provided that amounts approved by the Borrower shall be retained by the Trustee in the Project Fund for payment of such costs not then due and payable, or (ii) to acquire, construct, install, improve and equip such additional real and personal property in connection with the Project as are designated by an Authorized Borrower Representative, the acquisition, construction, installation, improvement and equipping of which will be such as is permitted under both the Act and the Code, or (iii) for a combination of any or all of the foregoing as is provided in such direction.

(d) Disbursements from the Project Fund for the items described in this Section shall be in the amount of such items, but, for the purpose of determining the amount of any such item which involves any contract providing for the retention of a portion of the contract price, there shall initially be deducted from such item the amount of any such retention, and, when such retention becomes due and payable, such retention shall be added to the item. All disbursements from the Project Fund for the items described in this Section shall be made only upon the written order of an Authorized Borrower Representative and the following conditions shall have been satisfied with respect to such disbursement:

(A) There shall have been delivered to the Trustee and the Credit Enhancer a certificate of an Authorized Borrower Representative in the form of Exhibit B attached hereto certifying, with respect to such disbursement, to the Credit Enhancer and the Trustee (1) the specific items, amounts and payees thereof, (2) that none of the items for which the disbursement is proposed to be made formed the basis for any disbursement theretofore made from the Project Fund, (3) that each item for which the disbursement is proposed to be made is or was properly chargeable as a capital expenditure in connection with the Project, (4) that the Borrower has received from each payee appropriate waivers of any mechanics or other liens (or thereby provided indemnification in lieu thereof) and, upon the written request of the Trustee or the Credit Enhancer, copies of such waivers and evidence of any such indemnification will be included with the certificate, (5) that the items requested qualify for such disbursement under the provisions of subsections (i) through (iii) of Section 3.4(c), (6) that all construction on the Project thereto performed is substantially in accordance with any plans and specifications for such construction and all applicable laws, rules, codes and regulations

and (7) that payment of such disbursement will not result in less than substantially all (at least ninety-five percent (95%)) of thenet proceeds of the Bonds (taking into account investment income with respect thereto) being used to provide land or property subject to the allowance for depreciation under Section 167 of the Code, constituting the Project;

(B) There shall be in existence no Event of Default or situation which, upon the giving of notice or the passage of time or both would become an Event of Default; and

(C) The Credit Enhancer shall have approved the requested disbursement from the Project Fund.

(e) The final disbursement from the Project Fund for the items described in this Section shall include all amounts theretofore withheld as retainages as hereinbefore set forth in this Section. The Credit Enhancer shall have no obligation to cause its approval to be given to the written order of an Authorized Borrower Representative for such final disbursement until the conditions described in subsections (A) and (B) of Section 3.4(d) shall have been satisfied with respect to such final disbursement.

(f) Should the Borrower be unable to request final disbursement from the Project Fund as described above prior to a date which is three (3) years from the Bond Issuance Date, such funds remaining in the Project Fund shall be considered to be moneys remaining in the Project Fund after completion of the Project and shall be paid into the Revenue Fund and expended as described in Section 3.4(c) unless the Borrower delivers to the Trustee an opinion of Bond Counsel that such treatment is not necessary to retain the tax-exempt status of the Bonds.

(g) All disbursements from the Cost of Issuance Fund for the items described above shall be made only upon the written order of an Authorized Borrower Representative in substantially the form attached hereto as Exhibit B.

Section 3.5. Investment of Fund Moneys. Any moneys held as part of the Funds under the Indenture shall be invested or reinvested by the Trustee as provided in the Indenture. The Issuer and the Borrower each hereby covenants that it shall cause that investment and reinvestment and the use of the proceeds of the Bonds to be restricted in such manner and to such extent, if any, as may be necessary, after taking into account reasonable expectations at the time of delivery of and payment for the Bonds, so that the Bonds will not constitute arbitrage bonds under Section 148 of the Code.

Section 3.6. Loan Payments. The Borrower shall pay the following amounts to the Trustee, all as “Loan Payments” under this Loan Agreement:

(a) The Borrower covenants and agrees during the Loan Term to make Loan Payments to the Trustee at its Principal Office, for the account of the Issuer, for deposit in the Revenue Fund, in federal or other immediately available funds, during normal business hours on or before 10:00 A.M., Trustee’s local time, on each Loan Payment Date, the amount of such payment being as follows:

(i) the amount of the principal, if any, of the Bonds due and payable on such Loan Payment Date, whether at stated maturity, by redemption prior to maturity or acceleration or otherwise;

(ii) the amount of interest on the Bonds due and payable on such Loan Payment Date;

(iii) the amount of redemption premium, if any, on the Bonds due and payable on such Loan Payment Date; and

(iv) the purchase price of any Bonds required to be purchased on such Loan Payment Date pursuant to Article III of the Indenture.

(b) The amounts received by the Trustee under the Credit Facility shall be credited against the Loan Payment due on the applicable Loan Payment Date. Any Loan Payment made by the Borrower and held by the Trustee in such event shall be delivered to the Credit Enhancer in reimbursement of the amounts so received by the Trustee under the Credit Facility, and any excess shall be returned to the Borrower as an overpayment.

(c) Except for such interest of the Borrower as may hereafter arise pursuant to Section 510 of the Indenture, the Borrower and the Issuer each acknowledge that neither the Borrower nor the Issuer has any interest in the Revenue Fund or the Debt Service Fund and any moneys deposited therein shall be in the custody of and held by the Trustee in trust for the benefit of the Bondowners and the Credit Enhancer.

Section 3.7. Additional Payments. The Borrower shall pay the following amounts to the following persons, all as “Additional Payments” under this Loan Agreement:

(a) To the Trustee, when due, all reasonable fees and charges for its services rendered under the Indenture, this Loan Agreement and the Borrower Documents, and all reasonable expenses (including without limitation reasonable fees and charges of the Paying Agent, the Bond Registrar, counsel, accountant, engineer or other person) incurred in the performance of the duties of the Trustee under the Indenture, this Loan Agreement and the other Borrower Documents, for which the Trustee and other persons are entitled to repayment or reimbursement;

(b) To the Trustee, upon demand, an amount necessary to pay rebatable arbitrage in accordance with the Tax Agreement and the Indenture.

(c) To the Issuer, upon demand, its regular administrative and issuance fees and charges, if any, and all expenses (including without limitation attorney’s fees) incurred by the Issuer in relation to the transactions contemplated by this Loan Agreement and the Indenture, which are not otherwise to be paid by the Borrower under this Loan Agreement or the Indenture;

(d) To the appropriate Person, all taxes, assessments and charges required to be paid pursuant to Section 5.3 hereof;

(e) To the appropriate Person, such payments as are required (i) as payment for or reimbursement of any and all reasonable costs, expenses and liabilities incurred by the Issuer, the Credit Enhancer or the Trustee or any of them in satisfaction of any obligations of the Borrower hereunder and under the other Borrower Documents that the Borrower does not perform, or incurred in the defense of any action or proceeding with respect to the Project, this Loan Agreement, the Indenture or the other Borrower Documents, or (ii) as reimbursement for expenses paid, or as prepayment of expenses to be paid, by the Issuer or the Trustee that are incurred as a result of a request by the Borrower or for which the Borrower is liable under this Loan Agreement;

(f) To the appropriate Person, any other amounts required to be paid by the Borrower under this Loan Agreement; and

(g) All Costs of Issuance and fees, charges and expenses, including agent and counsel fees, incurred in connection with the issuance of the Bonds, as and when the same become due.

Any past due Additional Payments shall continue as an obligation of the Borrower until they are paid and shall bear interest (except as may be otherwise provided in the Collateral Documents with respect to obligations owed to the Credit Enhancer) at the base rate of interest announced from time to time by the Trustee for variable rate commercial loans plus two percent (2%) during the period such Additional Payments remain unpaid.

Section 3.8. Obligations Unconditional. The obligations of the Borrower to make Loan Payments and Additional Payments on or before the date the same become due, and to perform all of its other obligations, covenants and agreements hereunder shall be absolute and unconditional, and the Borrower shall make such payments and perform such obligations without abatement, diminution or deduction regardless of any cause or circumstances whatsoever including, without limitation, any defense, set-off, recoupment or counterclaim which the Borrower may have or assert against the Issuer, the Trustee or any other Person.

Section 3.9. Credit Facility. Concurrently with the issuance of the Bonds, the Borrower shall cause the Credit Facility to be delivered to the Trustee to induce the purchase of the Bonds by the original purchasers thereof. The Borrower shall cause the Credit Facility or an Alternate Credit Facility to be continuously maintained until all of the Bonds have been fully paid or their payment provided for in accordance with Article XII of the Indenture.

Section 3.10. Alternate Credit Facility. The Borrower may (without penalty or premium) provide and the Trustee shall accept any Alternate Credit Facility, provided that any Alternate Credit Facility shall meet the requirements of Section 706 of the Indenture and an opinion of counsel acceptable to the Trustee has been delivered to the Trustee to substantially the same effect as the opinion of counsel to the Credit Enhancer delivered in connection with the issuance of the initial Credit Facility and, in addition, to the effect that the exemption of the Bonds (or any securities evidenced thereby) from the registration requirements of the Securities Act of 1933, as amended, shall not be impaired by the substitution of such Alternate Letter of Credit or that the applicable registration or qualification requirements of such Act have been satisfied.

Section 3.11. Issuance of Bonds. In order to provide funds for the construction and purchase of the Project, the Issuer agrees that it will issue, sell and deliver the Bonds to the original purchasers thereof. The proceeds of the sale of the Bonds shall be paid over to the Trustee for the account of the Issuer in accordance with the Indenture.

Section 3.12. Borrower Required to Pay Costs in Event Project Fund Insufficient. In the event that money in the Project Fund is not sufficient to pay all costs of providing the Project, or providing improvements or additions to the Project as contemplated in connection with the Bonds, the Borrower shall, nonetheless, complete such improvements or additions and shall pay all costs of such completion in full from its own funds. The Borrower shall not be entitled to any reimbursement for such completion costs from the Issuer, the Credit Enhancer or any Trustee, Registrar or Paying Agent, nor shall it be entitled to any abatement, diminution or postponement of Loan Payments.

Section 3.13. Completion Date. The Completion Date of the Project and all additions or improvements to the Project shall be evidenced to the Issuer, the Credit Enhancer and the Trustee by a certificate signed by an Authorized Borrower Representative substantially in the form attached hereto as Exhibit C, stating:

(a) the date on which the Project and the final additions or improvements to the Project were substantially complete,

(b) that all other facilities necessary in connection with such additions or improvements have been acquired, constructed, improved, installed and equipped,

(c) that the Project and any such additions and improvements have been completed in such a manner as to conform in all material respects with all applicable zoning, planning, building, environmental and other similar governmental regulations,

(d) that all costs of the Project or any such additions or improvements then due and payable have been paid, and

(e) the amounts which the Trustee should retain in the Project Fund for the payment of costs not yet due or the liability for which the Borrower is contesting or which otherwise should be retained and the reasons such amounts should be retained.

An Authorized Borrower Representative shall include with such certificate a statement specifically describing all items of real property, personal property and fixtures acquired and installed as part of the Project.

[End of Article III]

ARTICLE IV

OPERATION OF THE PROJECT

Section 4.1. Operation of the Project. The Borrower represents, warrants, covenants and agrees that it has obtained or shall obtain all necessary or required permits, licenses, consents and approvals that are material for the operation and maintenance of the Project and shall comply in all material respects

with all lawful requirements of any governmental body regarding the use or condition of the Project, whether existing or later enacted, foreseen or unforeseen or whether involving any change in governmental policy or requiring structural or other changes to the Project and irrespective of the cost of so complying.

Neither the Issuer, the Trustee or the Credit Enhancer, nor their respective successors or assigns are the agents or representatives of the Borrower, and the Borrower is not the agent of the Issuer, the Trustee or the Credit Enhancer, and this Loan Agreement shall not be construed to make any of the Issuer, the Trustee or the Credit Enhancer liable to materialmen, contractors, subcontractors, craftsmen, laborers or others for goods or services delivered by them in connection with the Project, or for debts or claims accruing to the aforesaid parties against the Borrower. This Loan Agreement shall not create any contractual relation either expressed or implied between the Issuer, the Trustee or the Credit Enhancer and any materialmen, contractors, subcontractors, craftsmen, laborers or any other person supplying any work, labor or materials in connection with the Project.

Section 4.2. Environmental Compliance. The Borrower will comply in all material respects with the environmental provisions of the Credit Documents, the provisions of which (including relevant definitions) are incorporated herein by this reference and constitute a part of this Agreement.

Section 4.3. Payment of Project Costs. The proceeds from the sale of the Bonds shall be paid by the Trustee from the Project Fund in accordance with Section 3.4 of this Agreement to provide for the payment of the Project costs.

Section 4.4. Deficiency of Project Fund. The Issuer makes no warranty, either express or implied, that the amounts in the Project Fund shall be sufficient to fully provide for the costs of the Project. The Borrower shall not be entitled to any reimbursement for the payment of any such deficiency by the Issuer, the Trustee, the Credit Enhancer or any Bondowner, nor shall it be entitled to any diminution of any amounts otherwise payable under this Loan Agreement.

[End of Article IV]

ARTICLE V

MAINTENANCE; MODIFICATIONS; INSURANCE;
LEASE OR ASSIGNMENT OF PROJECT;
LOSS OR DAMAGE TO PROJECT

Section 5.1. Maintenance of Project by Borrower. The Borrower agrees that, subject to the provisions of Sections 5.7 and 5.8 hereof, during the term of this Agreement it will keep and maintain the Project in good condition, repair and working order, ordinary wear and tear excepted, at its own cost, and will make or cause to be made from time to time all necessary repairs thereto (including external and structural repairs) and renewals and replacements thereto.

Section 5.2. Sale or Lease of Project; Assignment of Loan Agreement by Borrower. Subject to Section 2.2(j) hereof, and upon the written consent of the Credit Enhancer and the delivery of an Opinion of Bond Counsel to the Trustee and the Credit Enhancer that such action is permitted by the Borrower Documents and the Act, and shall not adversely affect the exclusion from gross income for federal income tax purposes of the interest on the Bonds, the Borrower may assign, mortgage, pledge, sell, lease, grant a security interest in, or in any other manner transfer, convey or dispose of the Project or any interest therein or part thereof or assign any of its right, title and interest in, to and under this Loan Agreement in accordance with the Borrower Documents; provided that no such assignment with respect to this Loan Agreement shall be made unless a corresponding assignment is made with respect to the Series 1994B Loan Agreement.

Section 5.3. Taxes, Assessments and Other Charges. The Borrower shall pay all taxes, assessments and charges of any kind whatsoever that may at any time be lawfully assessed or levied against or with respect to the Project (including any tax upon or with respect to the income or profits of the Issuer from the Project that, if not paid, would become a charge on the payments to be made under this Loan Agreement prior to or on a parity with the charge thereon created by the Indenture and including ad valorem, sales and excise taxes, assessments and charges upon the Borrower's interest in the Project), all utility and other charges incurred in the operation, maintenance, use, occupancy and upkeep of the Project and all assessments and charges lawfully made by any governmental body for public improvements that may be secured by lien on the Project.

Section 5.4. Use of Project. The Issuer will not take or cause the Trustee to take any action (other than as provided herein or in the Indenture) to interfere with the Borrower's interest in the Project or to interfere with possession, custody, use and enjoyment of the Project.

Section 5.5. Insurance Required. The Borrower shall cause the Project to be kept continuously insured against such risks as are customarily insured against by companies conducting activities similar to those of the Borrower in connection with the Project, and shall pay as the same become due all premiums in respect thereof, all as provided in the Credit Documents.

Section 5.6. Damage, Destruction, Condemnation or Loss of Title. For as long as Heller Financial, Inc. is the Credit Enhancer, all Net Proceeds shall be applied in accordance with the terms and provisions of the Credit Agreement and other Credit Documents; provided (i) in addition to the

requirements set forth in the Credit Agreement and other Credit Documents, as a condition to the use of such Net Proceeds for repair, reconstruction, restoration, replacement and re-equipping of the Project, there shall be delivered to the Trustee and the Credit Enhancer an Opinion of Bond Counsel that such action shall not adversely affect the exclusion from gross income for federal income tax purposes of the interest on the Bonds and, upon completion of such action, any remaining balance not required for such repair, reconstruction, restoration, replacement and re-equipping shall be deposited in the Revenue Fund and applied in accordance with the provisions of the Indenture and (ii) in the event the Net Proceeds are not used for such repair, reconstruction, restoration, replacement and re-equipping, such Net Proceeds shall be used for redemption of Bonds as set forth in Section 5.6(b) below.

The Borrower hereby agrees to apply the Net Proceeds of any award, compensation, settlement, damages, compromise, voluntary conveyance or insurance proceeds payable in connection with the pending or threatened condemnation or taking, or sale under threat of condemnation or taking, of the Project or a portion thereof for any public or quasipublic use (hereinafter referred to as a "condemnation") or in connection with a deficiency or nonexistence of the Borrower's title thereto or the lien or priority of the documents securing the Borrower's obligations under the Letter of Credit Agreement to the Credit

Enhancer (hereinafter referred to as a "loss of title"). The Issuer and the Trustee shall cooperate with the Borrower in the handling and conduct of any prospective or pending condemnation proceedings with respect to the Project or any portion thereof.

The Borrower shall notify the Issuer, the Credit Enhancer and the Trustee immediately in the case of damage to or destruction of the Project or any portion thereof resulting from fire or other casualty (hereinafter referred to as a "casualty loss") or of a condemnation or loss of title.

In the event of a casualty loss, a condemnation or a loss of title for which the Net Proceeds do not exceed $1,000,000, the Borrower shall, but only with the prior written consent of the Credit Enhancer, which consent may not be unreasonably withheld, forthwith repair, reconstruct, restore, replace and improve the Project to substantially the same or an improved condition or utility value as existed prior to such casualty loss or forthwith make such replacements of or repairs or improvements to the Project or portions thereof made necessary by such condemnation or loss of title. Such Net Proceeds shall be paid directly to the Borrower and applied to the extent necessary to the payment of the costs of such repair, reconstruction, restoration, replacement and improvement. Any remaining balance not required for such purpose shall be paid to the Trustee for deposit in the Revenue Fund to be used to redeem Bonds on the earliest date for which notice of redemption can be given in accordance with Article IV of the Indenture.

If such Net Proceeds exceed $1,000,000, or if such Net Proceeds do not exceed such amount and the Credit Enhancer does not consent in writing to the action described in the immediately preceding paragraph, such Net Proceeds shall be paid to the Trustee for disbursement as hereinafter described and the Borrower shall, with the prior written consent of the Credit Enhancer, elect one of the following options by written notice delivered to the Trustee, the Credit Enhancer and the Issuer within 30 days after the determination of the amount of such Net Proceeds or 90 days after the occurrence of such casualty loss, condemnation or loss of title, whichever occurs first:

(a) Option A - Repairs and Improvements. Upon delivery of an Opinion of Bond Counsel to the Trustee and the Credit Enhancer that such action shall not adversely affect the exclusion from gross income for federal income tax purposes of the interest on the Bonds, the Borrower may elect to use such Net Proceeds to repair, reconstruct, restore, replace and re-equip the Project and, in such event, such Net Proceeds shall be deposited in a separate account to be established by the Trustee and, so long as no Event of Default exists, shall be disbursed from time to time by the Trustee upon the request of the Borrower in such manner as may be agreed to by the Credit Enhancer and the Trustee. Upon the completion of such use, any remaining balance not required for such repair, reconstruction, restoration, replacement and re-equipping shall be deposited in the Revenue Fund and applied in accordance with the provisions of the Indenture.

(b) Option B - Redemption of Bonds. The Borrower may elect to have such Net Proceeds deposited in the Revenue Fund; provided either (i) the Borrower elects to prepay all Loan Payments pursuant to Section 9.2 hereof and cause all the Bonds to be redeemed (without premium or penalty) in accordance with Section 402(d) of the Indenture at the earliest practical date, or (ii) the Borrower elects to prepay Loan Payments pursuant to Section 9.2 hereof and cause part of the Bonds to be redeemed (without premium or penalty) pursuant to Section 402(d) of the Indenture and the property suffering such casualty loss, condemnation or loss of title was not essential to the use of the Project in a manner that will result in any of the representations or warranties respecting the Project and the use of the proceeds of the Bonds being false, untrue, misleading or breached and provided further that an expert appraiser retained by the Borrower and reasonably acceptable to the Trustee delivers to the Trustee its written opinion, appraisal or certificate showing that the ratio of the fair market value at a foreclosure sale of the Project immediately prior to the occurrence or discovery of such casualty loss, condemnation or loss of title to the principal amount of the Bonds then Outstanding is no greater than the ratio of the then current market value at a foreclosure sale of the Project to the principal amount of the Bonds to be Outstanding after the application of such Net Proceeds and any other moneys deposited in the Revenue Fund by the Borrower for the redemption of Bonds.

In the event such Net Proceeds do not exceed $1,000,000 and the Credit Enhancer consents in writing to the action described in the third paragraph of this Section or the Borrower shall elect Option A, (i) the Borrower shall complete the repair, reconstruction, restoration, replacement and re-equipping of the Project free from all liens other than Permitted Encumbrances, whether or not such Net Proceeds are sufficient to pay for the same; (ii) the Borrower shall not be entitled to any reimbursement from the Issuer, the Trustee, the Credit Enhancer or the Bondowners or any abatement or diminution of its obligations hereunder by reason of any payments made by the Borrower for such purpose in excess of the Net Proceeds; and (iii) all such repairs, reconstructions, restorations, replacements and re-equipping shall be a part of the Project and shall be subjected to the lien and security interest of the Credit Documents and the Borrower shall take any actions which the Credit Enhancer reasonably deems necessary or appropriate to so subject them to the Credit Documents.

Notwithstanding anything herein to the contrary, if Heller Financial, Inc. is no longer the Credit Enhancer, the Borrower shall have no obligation to repair, reconstruct, restore, replace or re-equip the Project (unless such Net Proceeds are made available to the Borrower for such purpose).

Section 5.7. Remodeling and Improvements. The Borrower may remodel the Project or make substitutions, additions, modifications or improvements thereto from time to time as it, in its discretion, deems desirable, provided that (i) any such remodeling, substitutions, additions, modifications or improvements do not materially alter the character of the Project as an enterprise permitted by the Act and (ii) the same will not adversely affect the exclusion from gross income for federal taxation purposes of interest on the Bonds, as provided in an Opinion of Bond Counsel addressed to the Issuer, the Trustee and the Credit Enhancer. The cost of such remodeling, substitutions, additions, modifications or improvements shall be paid by the Borrower.

Section 5.8. Equipment. The Borrower may from time to time substitute machinery and equipment for any part of the Project, provided that (i) any such substitutions do not materially alter the character of the Project as an enterprise permitted by the Act and (ii) the same will not adversely affect the exclusion from gross income for federal taxation purposes of interest on the Bonds, as provided in an Opinion of Bond Counsel addressed to the Issuer, the Trustee and the Credit Enhancer. Any such substituted machinery and equipment shall become a part of the Project and be included under the terms of this Agreement.

Provided that the same will not adversely affect the exclusion from gross income for federal taxation purposes of interest on the Bonds, as provided in an Opinion of Bond Counsel addressed to the Issuer, the Trustee and the Credit Enhancer, the Borrower may also sell, scrap, trade-in or otherwise dispose of, any machinery or equipment which is a part of the Project, without substitution therefor so long as the removal of the machinery or equipment to be purchased or otherwise disposed of will not materially alter the character of the Project as an enterprise permitted by the Act.

[End of Article V]

ARTICLE VI

PARTICULAR COVENANTS

Section 6.1. Access to the Project and Inspection; Operation of the Project. The duly authorized agents of the Issuer, the Credit Enhancer and the Trustee shall have the right, at all reasonable times upon the furnishing of reasonable notice under the circumstances, to enter upon the Project and to examine and inspect the Project, subject to any secrecy regulation or agreement or national security law or regulation of the government of the United States of America. The Borrower will execute, acknowledge and deliver all such further documents and do all such other acts and things as may be necessary to grant to the Issuer, the Credit Enhancer and the Trustee such right of entry. The duly authorized agents of the Issuer, the Credit Enhancer and the Trustee shall also be permitted, at all reasonable times upon reasonable notice under the circumstances, to examine the books and records of the Borrower with respect to the Project and the obligations of the Borrower hereunder.

Section 6.2. Financial Statements. The Borrower shall furnish the Credit Enhancer and the Trustee with copies of its audited financial statements for each of its fiscal years within 120 days after the end of the preceding fiscal year accompanied by a certificate of the Authorized Borrower Representative stating (i) that the information contained in such statements is materially true and correct, and (ii) that, to the best of his knowledge after reasonable investigation, no Default exists, and if there is such a Default, specifying the nature and period of existence thereof and what action, if any, the Borrower is taking or proposes to take with respect thereto.

Section 6.3. Indemnification. (a) The Borrower releases the Issuer and the Trustee from, agrees that the Issuer and the Trustee shall not be liable for, and indemnifies the Issuer and the Trustee against, all liabilities, losses, damages (including reasonable attorneys' fees), causes of action, suits, claims, costs and expenses, demands and judgments of any nature imposed upon or asserted against the Issuer or the Trustee, on account of: (i) any loss or damage to property or injury to or death of or loss by any Person that may he occasioned by any cause whatsoever pertaining to the construction, maintenance, operation and use of the Project; (ii) any breach or default on the part of the Borrower in the performance of any covenant or agreement of the Borrower under this Loan Agreement, the Borrower Documents or any related document, or arising from any act or failure to act by the Borrower, or any of its agents, contractors, servants, employees or licensees; (iii) violation by the Borrower or any Affiliate of any law, ordinance or regulation affecting the ownership, occupancy or use of the Project; (iv) the authorization, issuance and sale of the Bonds, and the provision of any information furnished by the Borrower in connection therewith concerning the Project or the Borrower or arising from (1) any errors or omissions of any nature whatsoever such that the Bonds, when delivered to the Bondowners, are not validly issued and binding obligations of the Issuer, or (2) any fraud or misrepresentations or omissions contained in the proceedings of the Issuer or the Trustee with respect to, or as a result of, materials furnished in writing by the Borrower relating to the issuance of the Bonds which, if known to the original purchaser of the Bonds, would reasonably be a material factor in its decision to purchase the Bonds; (v) failure to pay rebatable arbitrage pursuant to Section 3.7(b) hereof; and (vi) any claim or action or proceeding with respect to the matters set forth in subsections (i), (ii), (iii), (iv) and (v) above brought thereon; provided, however, that the Borrower does not hereby release the Issuer or the Trustee from, or agree that either of them shall not be liable for, or indemnify either of them against any liabilities, losses, damages

(including attorneys' fees), causes of action, suits, claims, costs and expenses, demands and judgments of any nature imposed upon or asserted against either of them on account of, with respect to the Issuer, its willful misconduct, or, with respect to the Trustee, its negligence or willful misconduct.

(b) The Borrower agrees to indemnify the Trustee for and to hold it harmless against all liabilities, claims, costs and expenses incurred without negligence or willful misconduct on the part of the Trustee, on account of any action taken or omitted to be taken by the Trustee in accordance with the terms of this Loan Agreement, the Bonds or the Indenture or any action taken at the request of or with the consent of the Borrower, including the costs and expenses of the Trustee in defending itself against any such claim, action or proceeding brought in connection with the exercise or performance of any of its powers or duties under this Loan Agreement, the Bonds or the Indenture.

(c) In case any action or proceeding is brought against the Issuer or the Trustee in respect of which indemnity may be sought hereunder, the party seeking indemnity promptly shall give notice of that action or proceeding to the Borrower, and the Borrower upon receipt of that notice shall have the obligation and the right to assume the defense of the action or proceeding; provided, that failure of a party to give that notice shall not relieve the Borrower from any of its obligations under this Section unless that failure prejudices the defense of the action or proceeding by the Borrower. At its own expense, an indemnified party may employ separate legal counsel and participate in (but not control) the defense. The Borrower shall not be liable for any settlement without its consent.

(d) The indemnification set forth above is intended to and shall include the indemnification of all affected officials, directors, officers, staff and employees of the Issuer, and the Trustee, respectively. That indemnification is intended to and shall be enforceable by the Issuer to the full extent permitted by law.

Section 6.4. Further Assurances and Corrective Instruments. Subject to the Indenture, the Issuer and the Borrower from time to time will execute, acknowledge and deliver, or cause to be executed, acknowledged and delivered, Supplemental Loan Agreements and such further instruments as may reasonably be required for correcting any inadequate or incorrect description of the Project and for carrying out the intention or facilitating the performance of this Loan Agreement.

Section 6.5. Litigation Notice. The Borrower shall give the Trustee and the Credit Enhancer prompt notice of any action, suit or proceeding by it or against it at law or in equity, or before any governmental instrumentality or agency, or of any of the same which may be threatened, which, if adversely determined, would materially impair the right of the Borrower to carry on the business which is contemplated in connection with the Project, or would materially and adversely affect its business, operations, properties, assets or condition. Within five Business Days after the filing against the Borrower, and prior to the filing by the Borrower, of a petition in bankruptcy, the Borrower shall notify the Trustee and the Credit Enhancer in writing as to such occurrence.

Section 6.6. Annual Certificate. The Borrower will furnish to the Issuer, the Trustee and the Credit Enhancer, on or before September 1 of each year, a certificate, signed by an Authorized Borrower Representative, stating that the Borrower has made a review of its activities with respect to the Project during the preceding calendar year for the purpose of determining whether or not the Borrower has

complied with all of the terms, provisions and conditions of the Borrower Documents and that the Borrower has, to the best of its knowledge, kept, observed, performed and fulfilled each and every covenant, provision and condition of the Borrower Documents on its part to be performed and is not in default, in the performance or observance of any of the terms, covenants, provisions or conditions hereof. If the Borrower shall be in default such certificate shall specify all such defaults and the nature thereof.

[End of Article VI]

ARTICLE VII

ASSIGNMENT OF ISSUER'S RIGHTS UNDER LOAN AGREEMENT

Section 7.1. Assignment by the Issuer. The Issuer, by means of the Indenture and as security for the payment of the principal of, purchase price of, and redemption premium, if any, and interest on the Bonds, and the obligations payable to the Credit Enhancer under the Letter of Credit Agreement, will assign, pledge and grant a security interest in certain of its rights, title and interests in, to and under this Loan Agreement, including Loan Payments and Additional Payments and other revenues, moneys and receipts received by it pursuant to this Loan Agreement, to the Trustee (reserving its Unassigned Issuer's Rights).

Section 7.2. Restriction on Transfer of Issuer's Rights. The Issuer will not sell, assign, transfer or convey its interests in this Loan Agreement except pursuant to the Indenture.

Section 7.3. Credit Enhancer's Remedial Rights. The Issuer and the Borrower hereby acknowledge and agree that should the Credit Enhancer exercise certain of its remedial rights under the Credit Documents, the Credit Enhancer (or an affiliate or designee thereof) may become successor in interest to the Borrower hereunder. No such exercise of the Credit Enhancer's rights under the Credit Documents, or succession of the Credit Enhancer (or an affiliate or designee thereof) to the interest of the Borrower hereunder, shall require, as a condition precedent, either (i) the further consent of the Issuer, the Trustee or the Bondowners, or (ii) the acceleration of the Bonds (unless the Credit Enhancer elects such in its sole discretion).

[End of Article VII]

ARTICLE VIII

EVENTS OF DEFAULT AND REMEDIES

Section 8.1. Events of Default Defined. The term "Event of Default" shall mean any one or more of the following events:

(a) Failure by the Borrower to make timely payment of any Loan Payment or any Additional Payment when due.

(b) Failure by the Borrower to observe and perform any covenant, condition or agreement on the part of the Borrower under this Loan Agreement or the Indenture, other than as referred to in the preceding subparagraph (a) of this Section, for a period of 60 days after written notice of such default has been given to the Borrower and the Credit Enhancer by the Trustee during which time such default is neither cured by the Borrower or the Credit Enhancer nor waived in writing by the Credit Enhancer and the Trustee, provided that, if the failure stated in the notice cannot be corrected within said 60-day period, the Credit Enhancer and the Trustee may consent in writing to an extension of such time prior to its expiration and the Credit Enhancer and the Trustee will not unreasonably withhold their consent to such an extension if corrective action is instituted by the Borrower or the Credit Enhancer within the 60-day period and diligently pursued to completion and if such consent, in their judgment, does not materially adversely affect the interests of the Bondowners.

(c) Any representation or warranty by the Borrower herein or in any certificate or other instrument delivered under or pursuant to this Loan Agreement or the Indenture or in connection with the financing of the Project shall prove to have been false, incorrect, misleading or breached in any material respect on the date when made, unless waived in writing by the Issuer, the Credit Enhancer and the Trustee or cured by the Borrower or the Credit Enhancer within 30 days after the discovery thereof and notice has been given to the Borrower and the Credit Enhancer.

(d) The occurrence of an Act of Bankruptcy with respect to the Borrower.

(e) The occurrence of an Event of Default as defined in the Indenture.

(f) The occurrence of an Event of Default as defined in the Series 1994B Loan Agreement.

Section 8.2. Remedies on Default. Subject to the provisions of Section 8.8 hereof, whenever any Event of Default shall have occurred and be continuing, the Trustee, as the assignee of the Issuer, may take any one or more of the following remedial steps; provided that if the principal of all Bonds then Outstanding and the interest accrued thereon shall have been declared immediately due and payable pursuant to the provisions of Section 802 of the Indenture, all Loan Payments for the remainder of the Loan Term shall become immediately due and payable without any further act or action on the part of

the Issuer or the Trustee and the Trustee may immediately proceed (subject to the provisions of Section 8.8 hereof) to take any one or more of the remedial steps set forth in subparagraph (b) of this Section:

(a) By written notice to the Borrower (with a copy to the Credit Enhancer) declare all Loan Payments to be immediately due and payable, together with interest on overdue payments of principal and redemption premium, if any, and, to the extent permitted by law, interest, at the rate or rates of interest specified in the respective Bonds, without presentment, demand or protest, all of which are expressly waived.

(b) Take whatever other action at law or in equity, including causing the appointment of a receiver or receivers for the Borrower and/or its assets, taking all actions necessary and appropriate to exercise or to cause the exercise the rights and powers set forth herein or in the Indenture, as may appear necessary or desirable to collect the amounts payable pursuant to this Loan Agreement then due and thereafter to become due or to enforce the performance and observance of any obligation, agreement or covenant of the Borrower under this Loan Agreement or the Indenture.

In the enforcement of the remedies provided in this Section, the Trustee may treat all expenses of enforcement, including reasonable legal, accounting and advertising fees and expenses, as Additional Payments then due and payable by the Borrower.

Any amount collected pursuant to action taken under this Section (other than payments on the Credit Facility) shall be paid to the Trustee and applied, first, to the payment of any costs, expenses and fees incurred by the Issuer or the Trustee as a result of taking such action and, next, any balance shall be used to satisfy any Loan Payments then due by payment into the Revenue Fund and applied in accordance with the Indenture and, then, to satisfy any other Additional Payments then due or to cure any other Event of Default.

Notwithstanding the foregoing, the Trustee shall not be obligated to take any remedial action described in (b) above that in its opinion will or might cause it to expend time or money or otherwise incur liability, unless and until indemnity satisfactory to it has been furnished to the Trustee at no cost or expense to the Trustee.

The provisions of this Section are subject to the limitation that the annulment of a declaration that the Bonds are immediately due and payable shall automatically constitute an annulment of any corresponding declaration made pursuant to subparagraph (a) of this Section and a waiver and rescission of the consequences of such declaration and of the Event of Default with respect to which such declaration has been made, provided that no such waiver or rescission shall extend to or affect any other or subsequent Default or impair any right consequent thereon. In the event any covenant, condition or agreement contained in this Loan Agreement shall be breached or any Event of Default shall have occurred and such breach or Event of Default shall thereafter be waived by the Trustee, such waiver shall be limited to such particular breach or Event of Default.

Section 8.3. No Remedy Exclusive. Subject to the provisions of Section 8.8 hereof, no remedy herein conferred or reserved is intended to be exclusive of any other available remedy or remedies, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given under this Loan Agreement or now or hereafter existing at law or in equity or by statute. No delay or omission to exercise any right or power accruing upon Default shall impair any such right or power or shall be construed to be a waiver thereof, but any such right and power may be exercised from time to

time and as often as may be deemed expedient. In order to entitle the Trustee to exercise any remedy reserved to it in this Article, it shall not be necessary to give any notice, other than such notice as may be herein expressly required.

Section 8.4. Agreement to Pay Attorneys' Fees and Expenses. Subject to the provisions of Section 3.7 hereof, in connection with any Event of Default by the Borrower, if the Issuer or the Trustee employs attorneys or incurs other expenses for the collection of amounts payable hereunder or the enforcement of the performance or observance of any covenants or agreements on the part of the Borrower herein contained, the Borrower agrees that it will, on demand therefor, pay to the Issuer and the Trustee the reasonable fees of such attorneys and such other reasonable expenses so incurred by the Issuer and the Trustee.

Section 8.5. Issuer and Borrower to Give Notice of Default. The Issuer, the Trustee and the Borrower shall each, at the expense of the Borrower, promptly give to the Credit Enhancer and the other listed parties written notice of any Default of which the Issuer, the Trustee or the Borrower, as the case may be, shall have actual knowledge or written notice, but the Issuer shall not be liable for failing to give such notice.

Section 8.6. Performance Of Borrower's Obligations. If the Borrower shall fail to keep or perform any of its obligations as provided in this Loan Agreement in respect of (a) maintenance of insurance, (b) payments of taxes, assessments and other charges, (c) repairs and maintenance of the Project, (d) compliance with legal or insurance requirements, and (e) keeping the Project free of all liens other than Permitted Encumbrances, or in the making of any other payment or performance of any other obligation, then the Issuer, the Credit Enhancer or the Trustee, may (but shall not be obligated so to do) upon the continuance of such failure on the Borrower's part for 5 days after notice of such failure is given to the Borrower and the other listed parties by the Issuer, the Credit Enhancer or the Trustee, and without waiving or releasing the Borrower from any obligation hereunder, as an additional but not exclusive remedy, make any such payment or perform any such obligation, and all sums so paid by the Issuer, the Credit Enhancer or the Trustee and all necessary incidental costs and expenses incurred by the Issuer, the Credit Enhancer or the Trustee in performing such obligations shall be deemed to be Additional Payments or payments due under the Collateral Documents, as applicable, and shall be paid to the Issuer, the Credit Enhancer or the Trustee on demand.

Section 8.7. Remedial Rights Assigned to the Trustee. Upon the execution and delivery of the Indenture, the Issuer will thereby have assigned to the Trustee all rights and remedies conferred upon or reserved to the Issuer by this Loan Agreement, reserving only the Unassigned Issuer's Rights. Subject to the provisions of Section 8.8 hereof, the Trustee shall have the exclusive right to exercise such rights and remedies conferred upon or reserved to the Issuer by this Loan Agreement in the same manner and to the same extent, but under the limitations and conditions imposed thereby and hereby. The Trustee, the Credit Enhancer and the Bondowners shall be deemed third party creditor beneficiaries of all representations, warranties, covenants and agreements contained herein.

Section 8.8. Credit Enhancer to Direct Trustee. Any provision herein to the contrary notwithstanding, unless an Event of Default described in subparagraph (a), (b), (c) or (e)(i) of Section 801 of the Indenture, or an Event of Default described in subparagraph (g) of said Section 801 as the

same relates to a default described in subparagraphs (a), (b), (c) or (e)(i) of Section 801 of the Series 1994B Indenture, shall have occurred and be continuing, the Issuer shall (subject to the requirements of Section 901(1) of the Indenture) exercise the remedies provided for hereunder only if and as directed in writing by the Credit Enhancer and shall not waive any Event of Default without the prior written consent of the Credit Enhancer; provided that such direction shall not be otherwise than in accordance with the provisions of law and of the Indenture.

[End of Article VIII]

ARTICLE IX

PREPAYMENT AND ACCELERATION OF LOAN PAYMENTS

Section 9.l. Prepayment at the Option of the Borrower. Upon the exercise by the Borrower, with the prior written consent of the Credit Enhancer, of its option to cause the Bonds or any portion thereof to be redeemed pursuant to Section 401 of the Indenture, the Borrower shall prepay Loan Payments in whole or in part at the times and at the prepayment prices sufficient to redeem all or a corresponding portion of the Bonds then Outstanding in accordance with said Section. At the written direction of the Borrower such prepayments shall be applied to the redemption of the Bonds in whole or in part in accordance with said Section.

Section 9.2. Optional Prepayment Upon Certain Events. Upon the occurrence of any of the conditions or events set forth in Section 402(d) of the Indenture, the Borrower shall have the option, with the prior written consent of the Credit Enhancer, to prepay Loan Payments, in whole or in part at any time, at the time and at the prepayment price sufficient to redeem all or a corresponding portion of the Bonds then Outstanding in accordance with said Section.

Section 9.3. Mandatory Prepayment Upon Determination of Taxability. Upon the occurrence of a Determination of Taxability, the Borrower shall prepay Loan Payments in whole at the time and at the prepayment price sufficient to redeem all of the Bonds then Outstanding in accordance with Section 402(a) of the Indenture. The Borrower will promptly notify the Issuer, the Credit Enhancer and the Trustee in writing of the occurrence and existence of any event or condition which could result in mandatory prepayment under this Section.

Section 9.4. Mandatory Prepayment Upon Certain Defaults. Upon the occurrence of any event set forth in Section 402(c) of the Indenture, the Borrower shall prepay Loan Payments in whole at the time and at the prepayment price sufficient to redeem all of the Bonds then Outstanding in accordance with said Section.

Section 9.5. Mandatory Prepayment From Amounts Remaining in Project Fund. Redemption of Bonds with proceeds derived under Section 3.4(c) hereof shall be deemed a prepayment of the Loan Payments in the same amount as the amount of Bonds redeemed. The Borrower shall pay or cause to be paid to the Trustee from Available Moneys, at the time of a transfer from the Project Fund to the Revenue Fund, such amount as is necessary to cause the transferred amount to equal an Authorized Denomination.

Section 9.6. Right to Prepay at Any Time. The Borrower shall have the option at any time to prepay all of the Loan Payments, Additional Payments and other amounts it is required to pay hereunder by paying to the Trustee all such sums as are sufficient to satisfy and discharge the Indenture and paying or making provision for the payment of all other sums payable hereunder.

Section 9.7. Notice of Prepayment. To exercise an option granted by Section 9.1, Section 9.2 or Section 9.6, the Borrower shall give written notice to the Issuer, the Credit Enhancer and the Trustee which shall specify therein the date upon which a prepayment of Loan Payments will be made, which date

shall be not less than 45 days from the date the notice is received by the Trustee, and which shall contain the written consent of the Credit Enhancer. In the Indenture, the Issuer has directed the Trustee to forthwith take all steps (other than the payment of the money required to redeem the Bonds) necessary under the applicable provisions of the Indenture to effect any redemption of the then Outstanding Bonds, in whole, or inpart, pursuant to Section 402 of the Indenture.

Section 9.8. Precedence of this Article. The rights, options and obligations of the Borrower set forth in this Article may be exercised or shall be fulfilled, as the case may be, whether or not a Default exists hereunder, provided that such Default will not result in nonfulfillment of any condition to the exercise of any such right or option and provided further that no amounts payable pursuant to this Loan Agreement shall be prepaid in part during the continuance of an Event of Default described in subparagraph (a) of Section 8.1 hereof.

[End of Article IX]

ARTICLE X

MISCELLANEOUS

Section 10.1. Authorized Representatives. Whenever under this Loan Agreement the approval of the Issuer is required or the Issuer is required or permitted to take some action, such approval shall be given or such action shall be taken by an Authorized Issuer Representative, and the Borrower, the Credit Enhancer and the Trustee shall be authorized to act on any such approval or action. Any approval shall not be unreasonably withheld or delayed.

Whenever under this Loan Agreement the approval of the Borrower is required or the Borrower is required or permitted to take some action, such approval shall be given or such action shall be taken by an Authorized Borrower Representative, and the Issuer, the Credit Enhancer and the Trustee shall be authorized to act on any such approval or action.

Whenever under this Loan Agreement the approval of the Credit Enhancer is required or the Credit Enhancer is required or permitted to take some action, such approval shall be given or such action shall be taken by an authorized Credit Enhancer representative, and the Issuer, the Borrower and the Trustee shall be authorized to act on any such approval or action.

Section 10.2. Term of Loan Agreement. This Loan Agreement shall be effective from and after its execution and delivery and shall continue in full force and effect until the Bonds are deemed to be paid within the meaning of Article XII of the Indenture and provision has been made for paying all other sums payable by the Borrower to the Issuer, the Trustee, the Credit Enhancer and the Paying Agent to the date of the retirement of the Bonds. All agreements, covenants, representations and certifications by the Borrower as to all matters affecting the status of the interest on the Bonds and the indemnifications provided by Section 6.3 hereof shall survive the termination of this Loan Agreement for 12 months unless a claim has been made and then such indemnification shall continue with regard to that claim only.

Section 10.3. Notices. Except as otherwise provided herein, it shall be sufficient service of any notice, request, complaint, demand or other paper required by this Agreement to be given to or filed if the same shall be duly mailed by first-class mail, postage pre-paid, certified or registered mail, or sent by telegram, telecopy or telex or other similar communication, confirmed in writing by first-class mail, postage pre-paid, certified or registered mail, or sent by telegram, telecopy or telex or other similar communication, on the same day, addressed as specified in Section 1302 of the Indenture. All notices given by first-class mail, certified or registered mail, postage prepaid, as aforesaid shall be deemed duly given as of the third day after they are so mailed; all notices given by telegram, telecopy or telex or other similar communication shall be deemed duly given as of the date the same are transmitted by such means to the recipient thereof; provided, however, that any notice deemed to be given on a date that is not a Business Day in the jurisdiction in which such notice is delivered to the addressee thereof, shall not be deemed duly given until the next succeeding Business Day; provided, further, that notices to the Trustee shall be deemed given as of the date they are received by the Trustee. A duplicate copy of each notice, certificate or other communication given hereunder by either the Issuer or the Trustee to the other shall also be given to the Borrower, the Remarketing Agent and the Credit Enhancer. In the event of notice to any party other than the Issuer or the Trustee, a copy of the notice shall be provided to the Borrower,

the Remarketing Agent and the Credit Enhancer. In addition, the Trustee shall send to the Credit Enhancer, the Borrower, the Tender Agent and the Remarketing Agent a copy of each notice sent to the Bondowners. The Issuer, the Trustee, the Tender Agent, the Borrower, the Credit Enhancer and the Remarketing Agent may from time to time designate, by notice given under the terms of the Indenture to the others of such parties, such other address to which subsequent notices, certificates or other communications shall be sent.

Section 10.4. Performance Date Not a Business Day. If the last day for performance of any act or the exercising of any right, as provided in this Loan Agreement, shall not be a Business Day, such payment may be made or act performed or right exercised on the next succeeding Business Day.

Section 10.5. Binding Effect. This Loan Agreement shall inure to the benefit of and shall be binding upon the Issuer, the Borrower and their respective successors and assigns, subject to the provisions contained in Section 5.2 hereof. The Issuer and the Borrower acknowledge that the Credit Enhancer is a third-party beneficiary of those provisions herein which relate to the making of payments or giving of notice to or consents by or following the directions of or the performance of other acts to benefit it and all such provisions shall be enforceable by the Credit Enhancer.

Section 10.6. Amendments, Changes and Modifications. Except as otherwise provided in this Loan Agreement or in the Indenture, subsequent to the issuance of Bonds and prior to all of the Bonds being deemed to be paid in accordance with Article XII of the Indenture and provision being made for the payment of all sums payable under the Indenture in accordance with Article XII thereof, this Loan Agreement may not be effectively amended, changed, modified, altered or terminated without the prior concurring written consent of the Trustee and the Credit Enhancer, given in accordance with the Indenture.

Section 10.7. Execution in Counterparts. This Loan Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Section 10.8. No Pecuniary Liability. No provision, representation, covenant or agreement contained in this Loan Agreement or in the Indenture, the Bonds, or any obligation herein or therein imposed upon the Issuer, or the breach thereof, shall constitute or give rise to or impose upon the Issuer a pecuniary liability (except to the extent of any loan repayments, revenues and receipts derived by the Issuer pursuant to this Loan Agreement). No provision hereof shall be construed to impose a charge against the general credit of the Issuer or the State or the taxing powers of the State within the meaning of any constitutional provision or statutory limitation, or any personal or pecuniary liability upon any director, official or employee of the Issuer.

Section 10.9. Extent of Covenants of the Issuer; No Personal or Pecuniary Liability. All covenants, obligations and agreements of the Issuer contained in this Loan Agreement and the Indenture shall be effective to the extent authorized and permitted by applicable law. No such covenant, obligation or agreement shall be deemed to be a covenant, obligation or agreement of any present or future member, officer, agent or employee of the Issuer in other than his official capacity, and no official executing the Bonds shall be liable personally on the Bonds or be subject to any personal liability or accountability by

reason of the issuance thereof or by reason of the covenants, obligations or agreements of the Issuer contained in this Loan Agreement or in the Indenture. No provision, covenant or agreement contained in this Loan Agreement, the Indenture or the Bonds, or any obligation herein or therein imposed upon the Issuer, or the breach thereof, shall constitute or give rise to or impose upon the Issuer a pecuniary liability or a charge.

Section 10.10. Net Loan. The parties hereto agree (a) that the payments of Loan Payments are designed to provide the Issuer and the Trustee with moneys adequate in amount to pay all principal of, purchase price of, and redemption premium, if any, and interest accruing on the Bonds as the same become due and payable, (b) that to the extent that the payments of Loan Payments are not sufficient to provide the Issuer and the Trustee with funds sufficient for the purposes aforesaid, subject to the provisions of Section 3.8 hereof, the Borrower shall be obligated to pay, and it does hereby covenant and agree to pay, upon demand therefor, as Additional Payments, such further moneys, in cash, as may from time to time be required for such purposes, and (c) that if after the principal of, and redemption premium, if any, and interest on the Bonds and all costs incident to the payment of the Bonds have been paid in full the Trustee or the Issuer holds unexpended funds received in accordance with the terms hereof, such unexpended funds shall, after payment therefrom of all sums then due and owing by the Borrower under the terms of this Loan Agreement, be distributed in accordance with the Indenture.

Section 10.11. Security Interests. The Issuer and the Borrower agree to enter into all instruments (including financing statements and statements of continuation) necessary for perfection of and continuance of the perfection of the security interests of the Issuer and the Trustee in the Project. The Trustee shall file or cause to be filed all such instruments required to be so filed and shall continue or cause to be continued the liens of such instruments for so long as the Bonds shall be Outstanding.

Section 10.12. Complete Agreement. The Issuer and the Borrower understand that oral agreements or commitments to loan money, extend credit or to forbear from enforcing repayment of a debt including promises to extend or renew such debt are not enforceable. To protect the Issuer and the Borrower from misunderstanding or disappointment, any agreements the Issuer and the Borrower reach covering such matters are contained in this Loan Agreement, which is the complete and exclusive statement of the agreement between the Issuer and the Borrower, except as the Issuer and the Borrower may later agree in writing (subject to the provisions of Article XI of the Indenture) to modify this Agreement.

Section 10.13. Severability. If any provision of this Loan Agreement, or any covenant, stipulation, obligation, agreement, act or action, or part thereof made, assumed, entered into or taken thereunder, or any application of such provision, is for any reason held to be illegal or invalid, such illegality or invalidity shall not affect any other provision of this Loan Agreement or any other covenant, stipulation, obligation, agreement, act or action, or part thereof, made, assumed, entered into, or taken, each of which shall be construed and enforced as if such illegal or invalid portion were not contained herein. Such illegality or invalidity of any application thereof shall not affect any legal and valid application thereof, and each such provision, covenant, stipulation, obligation, agreement, act or action, or part thereof, shall be deemed to be effective, operative, made, entered into or taken in the manner and to the full extent permitted by law.

Section 10.14. Governing Law. This Loan Agreement shall be governed by and construed in accordance with the laws of the State of South Carolina.

Section 10.15. Not a Limitation. Nothing in this Loan Agreement contained is intended to be (and nothing herein shall be construed to be) a limitation on the obligations of the Borrower to the Credit Enhancer under the Credit Documents.

Section 10.16. Consent to Jurisdiction: Service of Process.

(a) The Borrower hereby agrees and consents that any action or proceeding arising out of or brought to enforce the provisions of this Loan Agreement or any of the other Borrower Documents may be brought in any appropriate court in the State or in any other court having jurisdiction over the subject matter, all at the sole election of the Issuer or the Trustee, and by the execution of this Loan Agreement, the Borrower irrevocably consents to the jurisdiction of each such court.

(b) If for any reason the Borrower should become not qualified to do business in the State, the Borrower hereby agrees to designate and appoint, without power of revocation, an agent for service of process within the State, as the agent for the Borrower upon whom may be served all process, pleadings, notice, or other papers, which may be served upon the Borrower as a result of any of the Borrower's obligations hereunder.

(c) The Borrower covenants that throughout the period during which any of the Bonds remain outstanding, if a new agent for service or process within the State is designated pursuant to the terms of subsection (b) of this section, the Borrower will immediately file with the Issuer, the name and address of such new agent and the date on which its appointment is to become effective.

IN WITNESS WHEREOF, the Issuer and the Borrower have caused this Loan Agreement to be executed in their respective names.

SOUTH CAROLINA JOBS-ECONOMIC
DEVELOPMENT AUTHORITY

By: /s/ Robert L. Mobley
Chairman, Board of Directors

[SEAL]

ATTEST:

By: /s/ [ILLEGIBLE]
Executive Director

ROLLER BEARING COMPANY OF AMERICA,
INC.

By: /s/ [ILLEGIBLE]
Its CFO and Treasurer

[SEAL]

EXHIBIT A

DESCRIPTION OF PROJECT

Buildings, fixtures, machinery and equipment to constitute an approximately 60,000 square foot expansion of an existing facility for the manufacture of roller bearings in Darlington County, South Carolina.

EXHIBIT B

Request No. Date:

WRITTEN REQUEST FOR DISBURSEMENT FROM
SOUTH CAROLINA JOBS-ECONOMIC DEVELOPMENT AUTHORITY

FUND
(ROLLER BEARING OF AMERICA, INC. PROJECT)
Series 1994A

To: Mark Twain Bank
Attention: Corporate Trust Department

as Trustee under the Trust Indenture, dated as of September 1, 1994, between the South Carolina Jobs-Economic Development Authority, and said Trustee

Pursuant to Section 3.4 of the Loan Agreement, dated as of September 1, 1994 (the "Loan Agreement"), between the South Carolina Jobs-Economic Development Authority and Roller Bearing Company of America, Inc. (the "Borrower"), the Borrower hereby requests payment from the Fund in accordance with this request and said Section 3.4 and hereby states and certifies as follows:

1. The date and number of this request are as set forth above.

2. All terms in this request shall have and are used with the meanings specified in the Loan Agreement.

3. The names of the persons, firms or corporations to whom the payments requested hereby are due, the amounts to be paid and the description of the obligation requested to be paid hereby are as set forth on Attachment I hereto.

4. The conditions to disbursement set forth in Section 3.4(d) of the Loan Agreement have been met and satisfied with respect to this request.

5. With respect to this request, the Borrower hereby certifies as to those items set forth in (2) through (7), inclusive, of Section 3.4(d)(A) of the Loan Agreement.

ROLLER BEARING COMPANY OF
AMERICA, INC.

By: _____
Authorized Borrower Representative

Consented to this day of , 199 .

HELLER FINANCIAL, INC.

By: _____
Authorized Signatory

ATTACHMENT I

TO WRITTEN REQUEST FOR DISBURSEMENT FROM

SOUTH CAROLINA JOBS-ECONOMIC DEVELOPMENT AUTHORITY

FUND
(ROLLER BEARING COMPANY OF AMERICA, INC. PROJECT)
Series 1994A

REQUEST NO. DATED , 19 .

SCHEDULE OF PAYMENTS REQUESTED

Payee	Amount	General classification and description of the obligation to be paid

EXHIBIT C

COMPLETION CERTIFICATE

To: Mark Twain Bank, Trustee

and

South Carolina Jobs-Economic Development Authority, Issuer
and

Heller Financial Inc., Credit Enhancer

From: Authorized Borrower Representative

Subject: $7,700,000 South Carolina Jobs-Economic Development Authority Variable Rate Demand Industrial Development Revenue Bonds Roller Bearing Company of America, Inc. Project) Series 1994A

The undersigned hereby certifies in connection with the Project, financed with the proceeds of the above-described Bonds issued by the South Carolina Jobs-Economic Development Authority (the "Issuer") pursuant to the Trust Indenture dated as of September 1, 1994 (the "Indenture") between the Issuer and (the "Trustee"), the proceeds of which have been loaned to Roller Bearing Company of America, Inc. (the "Borrower") pursuant to the Loan Agreement between the Borrower and the Issuer dated as of September 1, 1994 (the "Loan Agreement") (words capitalized herein have the meaning ascribed to them in the Loan Agreement):

1. The acquisition, improvement, construction, installation and equipping of the Project was substantially completed as of ,19 the "Completion Date").

2. All other facilities necessary in connection with the Project have been acquired, constructed, improved, installed and equipped.

3. The Project has been completed in such manner as to conform with all applicable zoning, planning, building, environmental, food handling and other similar governmental regulations.

4. All costs of the Project have been paid in full except for those not yet due and payable or being contested, which are described below and for which money for payment thereof is being held and should be retained in the Project Fund:

(a) Costs of the Project not yet due and payable:

Description	Amount

(b) Payments being contested:

Description	Amount

5. The money in the Project Fund in excess of the total set forth in 4(a) and (b) above represents the surplus proceeds of the Bonds and the Trustee under the Indenture is hereby authorized and directed to deposit such money to the Revenue Fund to be used to redeem the principal amount of outstanding Revenue Bonds at the earliest possible time. Accompanying this Certificate (or otherwise to be made available to the Trustee as follows:) are Available Moneys sufficient to cause the amount to be deposited to equal an Authorized Denomination.

6. Attached hereto is a statement of the Authorized Borrower Representative listing and specifically describing all items of personal property and fixtures acquired and installed as part of the Project.

This certificate is given without prejudice to any rights against third parties which exist at the date hereof or which may subsequently come into being.

ROLLER BEARING COMPANY OF
AMERICA, INC.

By: _____
Authorized Borrower Representative

Date: , 19

Exhibit 10.11

AGREEMENT

Between

BREMEN BEARINGS OF RBC USA, INC.
PLYMOUTH, INDIANA PLANT

And

INTERNATIONAL UNION, UNITED

AUTOMOBILE, AEROSPACE AND

AGRICULTURAL IMPLEMENT WORKERS OF AMERICA,

THE
U. A.W.

And Its
Local 1368

Effective August 10, 2002

INDEX

Article I

AGREEMENT

Section 1.

This agreement, dated the 10th of August, 2002, is entered into between Bremen Bearings, RBC, INC. of Plymouth**,** Indiana plant, (hereinafter called the “Company”) and the INTERNATIONAL UNION, UNITED AUTOMOBILE, AEROSPACE AND AGRICULTURAL IMPLEMENT WORKERS OF AMERICA (UAW) and its Local 1368 (hereinafter called the “Union”), effective the 10th of August, 2002.

Section 2.

In consideration of this Agreement, the parties agree that it is the intent and purpose of the parties hereto that this Agreement is the complete Agreement covering rates of pay, hours of work and working conditions to be observed between the parties, and to provide orderly relationships between the Company and the Union, and to secure prompt disposition of difference between the parties pertaining to the compliance with or application of this agreement.

Section 3.

In recognition of its responsibility as the exclusive agent of the employees, the Union agrees that it will actively cooperate in discouraging absenteeism and tardiness, and that it will actively support proper Company efforts to eliminate waste, improve quality, prevent accidents, and strengthen good will between the Company, the employees, the customers, the Union, and the public. The Union also confirms that it subscribes to the concept of a fair day’s work for a fair day’s pay.

Section 4.

The rights provided in this Agreement shall apply only to employees who have completed their 90-day probationary period, provided, however, that the probationary period may be extended an additional 30 days by mutual agreement of the Company and the Union. Employees who have not completed their probationary period shall have no rights under Article XIII, Sec. 1, Step 3 of this Agreement.

Article II

Union Recognition

Section 1.

The Company recognizes the Union as the sole collective bargaining agency with respect to rates of pay, hours of work, and conditions of employment for employees engaged on jobs in Bremen Bearings, at its Plymouth, Indiana plant.

Section 2.

The term “employee” as used in this Agreement, shall apply to all production and maintenance workers engaged on jobs at the Plymouth, Indiana plant who are on an hourly or incentive basis, but excludes watchmen, salaried employees and supervisory employees with authority to hire, promote, discharge, discipline or otherwise effect changes in the status of employees or effectively to recommend such action.

Article III

Agency Shop and Check-off

Section 1.

Each employee who on the effective date of this Agreement is a member of the Union in good standing and each employee who becomes a member after that date shall, as a condition of employment, maintain his membership in the Union.

Each employee hired on or after August 12, 1972, shall as a condition of employment, beginning on the 30th day following the beginning of such employment acquire and maintain membership in the union.

Section 2.

The Company, for those employees who have heretofore, or hereafter by written authorization so directed, shall deduct from the first pay of each month the proper Union dues for the previous month, an initiation fee for new members, the assessments and promptly remit same to the International Secretary-Treasurer of the Union. Changes in dues and assessments will be made only as authorized in writing by the International Secretary-Treasurer of the Union to the Company

Section 3.

If an employee is on vacation the week that Union dues are withheld, the Company agrees to provide the Union with the names along with the hourly rate that they were paid.

Article IV

Cooperative Union Management

Section 1.

The Company and the Union agree that they will not discriminate in the hiring of employees, or in their training, upgrading, downgrading, promotion, transfer, layoff, discipline, discharge or otherwise because of race, creed, color or national origin, age, union affiliations, sex, marital status or non-disqualifying disability.

Section 2.

The Company and the Union recognize the advisability of making every effort to constantly improve relationships between the Company, the Union and all employees. To this end, a committee composed of two members of the Union and two members of management shall meet for one hour at least once a month on Company time to discuss problems and/or grievances which may cause a disruption in relationships or to suggest means of improving relationships. The General Manager and the International Representative may attend these meetings. The purpose of these meetings is to prevent, where possible, the use of the Arbitration Clause of this Agreement, as such is both costly to the parties and further, bilateral good faith collective bargaining is ineffective when a third party is called for the purposes of determining the intent of the Agreement.

Section 3.

a) It is the duty of every employee to apply himself diligently to his work during all of his working hours and to this end the Union will support the Company's efforts to curb absenteeism and the practices which curtail production; to eliminate waste and inefficiency; to improve the quality of workmanship; to prevent accidents, and to promote good will between the Company and the employees.

b) The Union will cooperate wholeheartedly with the Company in a concerted drive for better quality and quantity of production. It should be the responsibility of each employee to see that the work performed is up to required standards and that no defective work is concealed.

Article V

Rights and Functions of Management

Section 1.

The control of all matters relative to the management and operation of the plant and the operation of the Company's business are vested exclusively in the Company and shall constitute a management right, except as these matters may be expressly limited by the terms of this Agreement. The Company and the Union in the exercise of their rights shall observe the provisions of this Agreement.

Section 2.

The violation by either party of any provision of this Agreement shall not render the Agreement inoperative, and the sole and exclusive method of remedying any dispute which may arise hereunder shall be Article XIII, Settlement of Differences.

Section 3.

While it is understood that the Company may experiment with equipment, it is not the intent of the Company to replace any bargaining unit employee with a salaried employee through the exercise of this right. Salaried employees may perform such work under their jurisdiction as instructing, experimenting, or relieving impediments in production, but no bargaining unit employee shall lose a work opportunity as a result.

Section 4.

When work which the bargaining unit normally performs is to be subcontracted, it will be done on the basis of time or money or special equipment or expertise.

When work is contracted out, the Company will inform the Union and explain the necessity prior to the subcontracting.

Section 5.

The Company may utilize temporary employees to do the work of those on leaves of absences, vacations, and other absences, and for unpredicted customer demands, to keep the operations running smoothly, but the Company can only use temporary employees when there are no regular employees available who will fill the need in the department on the shift. A temporary employee shall not work in excess of 90 days per year per employee, unless the temporary employee is filling in for a regular employee on medical leave, in which case the temporary employee may work for the duration of the medical leave. The temporary employee will be paid at the second tier rate and will not be eligible for benefits. Temporary employees will be utilized only in positions of labor grades 1, 2, 3, 4, 5.

Article VI

Strikes and Lockouts

Section 1.

During the existence of this Agreement, the Union agrees that neither it nor any employee shall engage in any strikes, sympathy strikes, work stoppages, or slowing down of work, or any other interference with the normal production of the plant, or shipments from the plant products produced therein, or shipments of necessary materials to the plant. Any violation of this Section by any employee shall be cause for dismissal or suspension.

In the event there is an interruption of production because of a concerted action, the Union, through the International Representative and Local president, shall immediately direct cessation of such interruption.

Section 2.

The Company, for itself, its supervisors and authorized representatives, agrees that during the term of this Agreement there shall be no lockouts in the Company's plant.

Article VII

Production Standards and Incentive Pay

Section 1.

It is understood that the Company may make, at any time; motion, time or methods studies required for the efficient operation of its business, and may establish standards and levels of performance, and may audit its standards when it deems this to be necessary in the interest of its business. During the start-up and development period for equipment the employee operating machine will be paid his/her average earned rate based on earnings during the prior week for a period not to exceed eight weeks. Thereafter, the employee will be paid average hourly earnings up to 120% of his/her base wage until the equipment is rated. The Company has a right to assign any employee to operate a machine during the first eight weeks of the start-up and development period for the equipment. Thereafter, departmental seniority will be used to determine the operator of this equipment until the equipment is rated. The Company will make reasonable efforts to establish a rate for new equipment within 120 days after the equipment has been released for consistent production.

Section 2.

Once a production standard has been established, the equity of such a standard may be challenged under the procedure set forth in Article XIII, Settlement of Differences. Should the Union dispute the equity or fairness of a production standard, the Company will review with a proper Union steward, upon his request, the data relating to the production standard.

Section 3.

A production standard may be changed whenever a substantial and continuing change in material, method, specifications, or equipment, or an accumulation of such changes, or an obvious clerical or mechanical error has occurred, that has a substantial effect on the productivity of the job.

Section 4.

It is recognized that the Company has the right to institute incentive standards, with the understanding that such incentive standards shall be set in such a manner so that qualified operators working at a normal pace can produce work at 100% of standard. Incentive jobs include:

Assembly

Incentive pay for second tier employees hired after 8/10/02 is capped at 140% of standard plus ½% for each 1% above 140% of standard.

The Company guarantees that the incentive standard for the assembly job shall be paid off of the base rate for the assembly department.

Section 5.

When an employee performs any work that does not meet the required specifications, he shall not receive any pay or credit for the work except for his guaranteed base rate on a weekly basis. However, when the cause for rework is beyond the operator's control, this provision will not apply.

Section 6.

The Company and the Union will discuss and implement a performance incentive program that is acceptable to both parties.

Article VIII

Job Evaluation Plan

Section 1.

Jobs shall be classified in their appropriate work grades by the Company, using the National Metal Trades Association's Job Evaluation Plan. Job descriptions, labor grades, and rates of pay have been prepared and are in effect for all present jobs. When conditions warrant such action, the Company will establish new job classifications, change or add to and remove jobs or job descriptions. When new jobs are established, or changes or additions made to existing jobs, new job descriptions will be drawn and evaluated by the Company in accordance with the NMTA Job Evaluation Plan. Union must be furnished a current copy of the NMTA Job Evaluation Plan being used by the Company. Where an incentive and non-incentive job are combined, the remaining job will be an incentive job if the preponderance (over 50%) of the job functions are functions of the incentive job. Otherwise, the job will be deemed a non-incentive job.

Section 2.

All job rates of pay in effect at the time of this Agreement are effective and properly evaluated and shall not be the subject to process under the grievance procedure section of this contract. Any new or changed job or job rate may be subject to processing under Article XIII, Settlement of Differences. Such processing shall be confined to the result of the application of the NMTA Job Evaluation Plan. The Plan itself shall not be subject to processing under Article XIII, Settlement of Differences, nor shall it be, in any manner or detail, subject to arbitration under this agreement.

Section 3.

The following method will be used in determining the work grade to be assigned to a job: The job will be analyzed and reviewed by the Company's Job Analyst who will write up the description of the general details considered necessary to describe the principal functions of the job identified, which description shall not be construed as a detailed description of all of the work requirements that may be inherent in any given job. A copy of all job descriptions shall be made available to the Union for their inspection and review.

Article IX

Hours of Work and Overtime Pay

Section 1.

This Article is intended only to provide a basis for calculating overtime. It shall not be construed by the Union or any of its members as limiting or guaranteeing the number of hours to be worked by an individual employee or group of employees per day or per week.

Section 2. Work Week

A normal work week shall consist of five consecutive eight hour days from Monday through Friday except where off standard work weeks are established, in which event the work week shall consist of five consecutive days followed by two days of rest.

Section 3.

A day shall be defined as a consecutive 24-hour period beginning with the starting time of an employee's shift. Eight continuous hours of work, interrupted by regularly scheduled lunch periods shall constitute a day's work.

Section 4.

Employees on temporary transfer to another department will work the hours as scheduled in that department during the transfer. If they receive less than 16 hours notice of a temporary transfer, they shall have the option of working either the hours scheduled in their own department or those scheduled in the department to which the temporary move was made.

Section 5.

Except where an off-standard workweek is established, the standard three and four shift schedules listed below shall be the hours of work, unless by agreement between the Union and the Company they are altered.

Company Shifts: 7:00 a.m. to 3:00 p.m.
3:00 p.m. to 11:00 p.m.
11:00 p.m. to 7:00 a.m.

Four Shift operation:

WORKDAY	A	B	C	D
Sunday	Off	Off	Sat. 11:00 p.m. Sun. 7:00 a.m.	3-11
Monday	7-3	Off	Sun. 11:00 p.m. Mon. 7:00 a.m.	3-11
Tuesday	7-3	3-11	Mon. 11:00 p.m. Tues. 7:00 a.m.	Off
Wednesday	7-3	3-11	Tues. 11:00 p.m. Wed. 7:00 a.m.	Off
Thursday	7-3	3-11	Off	Wed. 11:00 p.m. Thurs. 7:00 a.m.
Friday	7-3	3-11	Off	Thurs. 11:00 p.m. Fri. 7:00 a.m.
Saturday	Off	3-11	Fri. 11:00 p.m. Sat. 7:00 a.m.	7-3

When a department is placed on a 4-shift operation, all employees in the affected department will be assigned to that schedule only. The holiday schedule for the 4-shift operation shall be determined by the Company and union and posted by the beginning (January) of each year.

It is understood that the Company will not resort to a four-shift basis because of lack of available equipment due to disrepair. Employees working on the B shift shall be paid at time and 1/8 for hours worked on Saturday. Employees working on the C and D shift shall be paid at time and 1/8 for hours worked on Saturday and time and ¼ for hours worked on Sunday.

Employees on the B shift will be paid the second shift premium and employees on the C and D shifts will be paid the third shift premium. In order to ensure cross training and ensure new equipment/processes, the Company has the right to schedule employees to work shifts other than their regularly scheduled shift for a period not to exceed 4 weeks for training purposes.

Section 6. Division of Overtime and Overtime Pay.

All overtime shall be distributed as equally as practicable within the department, classification and shift. Overtime scheduling shall be compulsory for 50 hours and where scheduled absences and vacations must be covered. In the case of scheduled vacations and scheduled absences, employees will be polled by seniority to fill in. If there are no volunteers, the least senior employees in the classification may be assigned. On a daily basis, notification for scheduled overtime will be at least two (2) hours prior to the end of the shift. Notification for sixth and seventh day overtime will be posted as follows:

1st shift	3 p.m.	Wednesday
2nd shift	11 p.m.	Wednesday
3rd shift	11 p.m.	Wednesday

A. Except as provided in B, below, time and one-half shall be paid for all hours or parts of hours worked:
   (1) In excess of eight (8) hours in any one workday.
   (2) In excess of forty (40) hours in any one workweek.
   (3) On Saturday, except for off standard work weeks.
   (4) On the sixth day of their scheduled workweek for employees on off standard work weeks.

B. Double time shall be paid for all hours or parts of hours worked:
   (1) On Sundays, except for off standard work weeks.
   (2) On the seventh day of their scheduled work week for employees on off-standard work weeks.

C. Overtime rates and premium rates shall not be paid to employees on more than one overtime or premium basis whether hourly, daily, or weekly.

D. Company liability with respect to mis-scheduling of overtime shall be limited to a make-up turn. In the event that an employee is bypassed for a make-up turn the Company will be liable for payment. An employee who is not notified for an overtime turn within contractual limits shall not be charged with a turn. An employee scheduled to work on his/her 6th or 7th day shall have a 24-hour notice of cancellation of such work except in emergencies. If notice is not given, the employee scheduled will receive 4 hours pay at the appropriate rate.

E. If a holiday falls on Friday or Monday and overtime is scheduled on the succeeding or preceding Saturday, it will be on a voluntary basis.

F. Where a work opportunity is lost, the Company shall be liable for four hours at a time and one half for work performed by salaried non-bargaining unit employees normally performed by bargaining unit employees.

Section 7. Call in Pay

Employees called into work within a twenty-four (24) hour period from the starting time of their shift shall be guaranteed a minimum of four (4) hours at their regularly assigned rate. This is provided that they report in within a reasonable amount of time from the call out.

Section 8. Report in Pay.

Employees who report for work as scheduled or who report for work upon notification to report shall, regardless of whether or not work is available for them be guaranteed a report in pay of no less than four (4) hours at their regularly assigned personal rate.

Employees will not be paid under this section if:
(1) They are unfit to work;
(2) Work is unavailable as a result of causes beyond the control of management;
(3) They are notified not to report for work within 24 hours notice;
(4) They refuse to perform work available within their department unless such work is not available or they refuse to perform other work for which they are qualified.

Article X

Vacations and Vacation Pay

Section 1.

The vacation year shall begin on January 1 and end on December 31. The period for taking vacation time off shall begin with the first full week in January and end with the last full week in December, with the understanding that this period shall not detract from the Company's right to establish a vacation shutdown period. Plant shutdown shall be posted by the end of the last full month of the year. The vacation shutdown shall not be more than two weeks per year.

Section 2.

Each employee who is actively on the payroll on December 31, or the Sunday closest to December 31, shall be entitled to his full vacation benefits notwithstanding the fact that his services may have been terminated for any reason in the ensuing year prior to the receipt of vacation pay.

Section 3.

Employees who were not on the active payroll on December 31 or the Sunday closest to December 31, but who become active thereafter as a result of recall or return from a leave of absence will receive vacation pay on a prorated basis computed at one-twelfth (1/12th) of his benefit for each full month of service in the current vacation year. Employees recalled on or before the 15th of any month shall be given credit for the full month.

Employees whose benefits are computed under this Section 3 shall forfeit such benefits if:
(a) They are discharged; or
(b) They resign without giving five (5) days written notice to the Company.

Section 4.

Effective July 17, 1999, vacation benefits for eligible first tier (hired on or before August 10, 2002) full time employees shall be as follows:

Accredited Service Prior to December 31 of Vacation Year	Vacation Time	Vacation Pay Hours
1 year to 2 years	1 week and 1 day	68
2 years to 10 years	2 weeks and 1 day	108
10 years to 15 years	3 weeks and 1 day	148
15 years to 20 years	3 weeks and 4 days	172
20 years and over	4 weeks and 1 day	188

A first tier (hired on or before 8/10/02) employee will receive vacation pay at his/her average hourly earnings over either the first or second of the two preceding six month periods (January 1 thru June 30 or July 1 thru December 31), beginning January 1, 2000.

A second tier (hired on or after August 10, 2002) will receive vacation time and pay at his/her straight time base hourly rate as follows:

Accredited Service Prior to December 31 of Vacation Year	Vacation Time	Vacation Pay Hours
1 year to 3 years	1 week	40
3 years to 10 years	2 weeks	80
10 years and over	3 weeks	120

Section 5.

Vacations are planned absences. With the exception of prior approval by Human Resources, at least one-half of employees' vacation must be taken in one-week increments and requested in writing for the calendar year by January 31st. Vacation requests after January 31st must be applied for two weeks in advance in writing. A maximum of four single days may be taken for absences provided that one-hour prior notification to the beginning of their shift has been given. All vacation will be approved or denied by Human Resources based on the following criteria:

(a) No more than 20% of a department will be allowed to take vacation unless specifically identified as a department or plant shutdown;
(b) Peak performance times or customer demands**;**
(c) Seniority within the department;
(d) Article XIX Leave of Absence.

Article XI

HOLIDAYS

Section 1.

The following days are those to which the provisions of this Article apply:

Day Before New Year's Day	New Year's Day
Good Friday	Memorial Day
Independence Day	Labor Day
Thanksgiving Day	Day after Thanksgiving
Day before Christmas	Christmas

All employees with ninety (90) days continuous full time employment shall be eligible to receive holiday pay provided they are on a working status at the time of the holiday, and work the scheduled hours on the working days before and after the holiday or the day in which the holiday is celebrated. Employees on leave of absence, layoff or otherwise unavailable or ineligible to work the day before or after the holiday are not eligible for holiday pay. No more than 8 hours will be scheduled on those days and the Company will be liable for the hours scheduled if it does not provide the work.

Section 2. Holiday Pay

A. Any work performed on a holiday shall be on a voluntary basis and the employees shall be paid double time for all hours worked on a holiday in addition to the regular holiday pay.

B. If a holiday falls during a paid vacation, the employee will receive an extra day off with pay or may be paid in lieu of the holiday.

C. Pay for the above-mentioned holidays shall be on a one-pay basis only. There shall be no pyramiding of overtime pay for holidays. Regular holiday pay shall be on the basis of eight (8) hours at the employee's personal base rate.

Article XII

Seniority

Section 1.

The Company hereby recognizes the principle of seniority, and all seniority provisions shall operate on a departmental basis in accordance with the procedures hereinafter listed in this Article. Seniority shall accumulate from the original date of employment for every employee covered in this Agreement and said seniority rights shall cease upon the occurrence of any of the following acts or conditions.

(1) A voluntary resignation or quit.
(2) A discharge for cause.
(3) A layoff of more than 30 months or a leave of absence of more than one (1) year's duration, however, in the case of a medical leave such leave may be extended by mutual agreement.
(4) Failure to report for work within five (5) working days from the date of recall from lay-off or leave of absence.
(5) Three working days of no call, no show.

(6) When an employee with less than one (1) year's service is laid off, such employee shall have recall rights not to exceed one (1) year.
(7) The Company will inform the Union President and the employee three days prior to the event of a layoff and/or recall to and from the street. An employee who is initially bumped will also be notified three (3) days in advance.

All employees with less than ninety (90) days of continuous service shall be considered probationary employees, provided the probationary period can be extended an additional 30 days by mutual agreement of the Company and the Union. After completion of the probationary period, the employee's record of continuous service will date back to the original date of his employment.

Section 2.

A. Seniority shall at all times be recognized for the purposes of upgrading and layoff and recall provided the employee possesses the necessary skill and ability to perform the job in question.

B. The lead position committee for the specific department will review all bidders for leader positions. Bidders will be selected by the lead position committee based on their skill, knowledge, and abilities. If all bidders are equally qualified, then seniority shall prevail. These criteria will apply to any newly created lead positions. The lead position committee will be made up of two (2) union representatives and two (2) management representatives. The shop committee will determine the (2) union representatives. The person selected for the lead position shall be by majority vote of the committee.

Section 3. Job Openings and Upgrading Procedure

When the Company declares a job open there shall be shift preferences right, which will operate within the department and classification, involved before the open job is posted.

(1) If no employee in the plant has recall rights to the open job, it will be posted plant wide so that any employee previously qualified on the job may bid before an employee laid off from the Company who has rights to that job is recalled. If no person on layoff fills the open job, it will be posted plant wide so that any employee will have the chance to bid before hiring from outside. This is not applicable to grades 10, 11, and 12.

(2) In the event a junior worker in a department is transferred to another shift and the transfer exceeds forty-five (45) days, a bid for a shift preference must be posted when the vacancy is filled. If the transfer does not exceed forty-five (45) days, the employee that was transferred will have to return to the shift.

When a job is posted for bid, it shall remain on the bulletin board for a period of four (4) working days including Saturdays and Sundays if a four shift operation is instituted. Employees will also have the right to designate in advance with the Company personnel office, their desire to upgrade to specific jobs.

A. Any successful applicant for a job who moves into a new department shall take all his seniority into that department upon demonstrating sufficient skill and ability to perform the job equal to the department average, not to exceed a period of ninety (90) continuous days of work within the new department. In the event of work force reduction, probationary employees will be considered as without rights and will be laid off prior to other employees in the department. With respect to those employees who have less than ninety (90) days in a department and are not probationary employees, Company seniority will determine which employee will be affected in case of layoff.

B. Any employee who fails to meet job requirements on any job where he/she is a successful bidder shall be returned to his/her former job, department, and shift.

C. After any upgrading or award of a bid, an employee will be restricted from bidding again for another job for a period of nine (9) months. The restriction will be waived in the event that an opening occurs in maintenance or in the tool room for L.G. six and above. If after bidding on a posted job an employee is disqualified by the Company, he/she may bid on another posted job at any time, provided all means for filling that job have been exhausted in conformance with Article XII of the Agreement. After an employee has bid on a job he/she may disqualify him/herself on that job at any time prior to the passage of twenty (20) consecutive working days or the Company may disqualify him/her in a ninety (90) day period.

After an employee has been disqualified from a job by the Company, he may bid on that job again after a one-year period; however, if he is again disqualified from the job he/she will not be permitted to bid on it in the future. This restriction may be removed if employee has successfully demonstrated improved skills.

D. Downward moves will only be permitted once a suitable replacement has been found, for up to a maximum of one hundred twenty (120) days.

E. Consistent with the terms of this contract, an employee will have the right to move laterally on an open job.

F. The following will prevail for employees who are successful bidders on open jobs but circumstances prevent them from moving:

1. If after two (2) weeks from date of bidding the employee is still within department, he/she will receive make up pay equal to his present step in the Labor Grade in which he was the successful bidder. Seniority will commence in the new department at this time.

Note: Incentive earnings for assembly will not be calculated on the make up pay; overtime will not be paid on make up pay, but will be paid on hours worked at straight time.

2. Successful bidders shall not be detained for any time in excess of six (6) weeks from their bidding date unless approved by the employee.
3. At the time of the actual transfer the employee will automatically be placed at a rate on the progression rate scale per company policy. Ninety (90) day Company qualification will begin upon actual transfer to position.

G. If an opening occurs within 120 days of the award of the bid, the next eligible bidder will fill the position. If there are no eligible bidders, the job will be reposted before the Company may hire from the outside.

Section 4. Lay Off and Recall

When an employee is laid off from his/her department and job classification he shall have the option of retrograding in compliance with (B) below or he/she may displace the least senior employee in his labor grade in his unit. If his seniority precludes the displacement of any employee in his labor grade, he may bump the least senior employee on a lower base rate job within the unit.

A. When a move has been effectuated under the seniority provisions of the contract, the affected employee will be allowed to exercise a shift preference so long as it is consistent with his seniority.

B. In the event of a lay-off, the affected employee will be given the opportunity, seniority permitting, to retrograde into any job previously qualified on while in the employee of the Company. Retrograde may mean upward, downward or lateral movement.

C. After an employee has exhausted all seniority moves under the provisions of the contract he will be given the opportunity to bump a less senior employee in labor grade 6 and below, provided he can perform that job proficiently within a three (3) week period.

D. After an employee has exhausted all seniority moves under the provisions of the contract, he will be recalled to any job by seniority in **Labor Grade 9** or below provided he hasn't waived his rights to that job and he will be given up to three weeks to demonstrate proficiency on the job. This section is not applicable to maintenance and tool room jobs.

E. When an employee is laid off, he/she will be asked whether he/she will accept recall to any job or just his/her own. If the employee waives recall to other jobs, he will be recalled only to his own job. If the employee accepts recall to jobs other than his own, he may not refuse those jobs when offered. An employee, on layoff, may revise his/her status concerning the job or jobs to which he/she'll return by notifying the Company in writing. Such notification may be made no more than twice a year during any given layoff. Recall rights are for 30 months.

F. If an employee is recalled by the Company and subsequently disqualifies himself or is disqualified by the Company, his subsequent placement will be in accordance with Section 4, A, B, C, and D in the event of work force reduction, probationary employees will be considered as without seniority rights and will be laid off prior to any other employees in the department.

G. When an employee is laid off from his/her job and replaces an employee with less seniority in another job, said employee will have the option of going back to his/her original job or stay on present job after 90 days.

H. When an employee with less than one (1) year's service is laid off, such employee shall have recall rights not to exceed (1) year.

Section 5.

This Article does not limit or guarantee the number of hours to be worked by any department or any employee. In the event of a curtailed workweek the days worked shall be consecutive beginning on Monday except for off-standard work schedules. If curtailment is necessary beyond four (4) weeks, the Union may discuss alternatives with the Company.

Section 6.

Bulletin Boards shall be provided for all seniority lists and other Union purposes as well. It is understood that the Union officers shall submit any document to be posted on the bulletin boards to the appropriate representative of management for his approval prior to posting.

Section 7.

It is understood that the following Union officers shall have top seniority during their respective terms of office:

1. President
2. Vice President
3. Financial Secretary
4. Recording Secretary
5. Bargaining Committee Members

This seniority shall be for the purpose of layoff and recall only. The four top Union officers shall be assigned to the first shift.

Section 8.

The committeeman on each shift shall hold top seniority on his respective shift for the purpose of layoff and recall only. This seniority shall not take precedence over the officers as listed in Section 7. This provision protects Union officers from the vagaries of bumping/layoff during the terms of office. Therefore they are to remain on the shift to which they are assigned until the abolition of that shift or upon voluntary removal to another shift. On the other

hand, this provision in no way permits a Union officer to use his privileges for purposes of vacation or promotion preference, etc. To allow the bumping of Union committeemen or officers without respect to shift retention, it is technically possible to have them all confined to one shift while the other shifts have no representation. This was never the intention, since such an eventuality would leave Company-Union contracts in an unworkable state.

Section 9.

It is understood that any employee promoted from the bargaining unit will have 60 days to return with his accumulated seniority except for 30 days. If the employee does not return to the bargaining unit in that time, he will lose all his seniority and may return thereafter only as a new employee. Any return to the bargaining unit must be to a posted job. If there is not posted job, the affected employee may bump the least senior employee whose job he can perform. The job in question must be labor grade 7 and below.

Section 10.

Employees applying for jobs in Labor Grade 8 and above shall be required to pass a job test in connection with job openings in such labor grades. The following procedure will apply:

A. The Company will reimburse 100% of tuition for any required courses providing completion of course with a grade "C" or at least a 72%.

B. Testing will be administered and evaluated by an independent agency.

C. Openings will be filled from within on a seniority basis providing applicants pass the test with a grade "C" or at least a 72%. If no one qualifies, the Company may seek outside applicants. A joint Union-Company trades committee will be established to oversee the program.

D. It is the policy of the Company to encourage its employees to prepare themselves voluntarily for increased responsibility by studying accredited semi-technical, and professional subjects related to the Company's business. To aid the employee, the Company has instituted a Tuition Refund Plan by which 75% of the tuition paid by each employee will be refunded on approved and satisfactorily completed subjects.

E. If an opening occurs in the Tool room and it cannot be filled with a qualified employee either in or out of the plant, the Company may establish a training program to fill the job.

Section 11.

Shift preference may be exercised twice per year, and an employee must stay on the shift for six months after exercising this right. It is the obligation of the employee to notify the Company two weeks in advance if he wishes a shift preference, and transfers will occur only on a Monday, unless otherwise agreed to. In exercising the shift preference, the employee will bump the last senior employee in the same job on the shift he desires to transfer to provided his seniority is greater. The displaced employee will then bump the least senior employee in the same job on the next shift of priority, provided his seniority is greater.

Article XIII

Settlement of Differences

Section 1.

A grievance shall be defined as any dispute which arises between the Company and the Union over the compliance with or application of this Agreement as it pertains to any bargaining unit employee, and all such differences shall be settled in the following manner.

Step I. The employee shall first attempt to resolve any grievance dispute with his/her immediate supervisor. The employee may request to have his/her committee-person present when he/she talks with the supervisor. If the dispute is not settled in accordance with an oral discussion between the supervisor, the employee and/or the committeeman, then the dispute must be reduced to written grievance and submitted to the Supervisor or his/her designee within five (5) working days from the date of the initial discussion with the supervisor. The supervisor will provide written response within (5) working days upon receipt of the written grievance. If the dispute still remains unsettled, it will be submitted to Step II.

Step II. Within five (5) working days from the date of receipt of a written grievance by the Human Resources Manager, it shall be heard by the Step II committee. The Step II Committee shall consist of two representatives of management and two representatives of the local Union and the Grievant. If the parties cannot conduct a Step II hearing within five (5) working days from the date of receipt of the written grievance, the parties, by mutual agreement, may extend the time limit. If the grievance in Step II is not heard within the five (5) working days time limit or the extended time agreed upon by the parties, it will be placed immediately on the Third Step Agenda. If the dispute still remains unsettled after the Step II hearing**,** it will be placed on a Third Step Agenda within five (5) working days following the hearing in Step II.

Step III. The Union must schedule the Step III meeting within five (5) working days. If the grievance in Step III is not scheduled within the five (5) working day limit or extended by mutual agreement it will be dropped by the Union. The Step III committee shall hear all cases which have been unresolved in Step II. The Step III committee shall consist of two representatives of management and the President, Vice President, Financial Secretary and Recording Secretary of the local Union. In addition, the General Manger and a representative of the International Union may sit in on any third step hearing. The Company shall present its Step III response within five (5) working days of the third step hearing. In the event that the dispute is not resolved in the third step, the Union may file the said difference for arbitration within ten (10) working days after the date of the third step response. If the union does not request

arbitration within the ten (10) working day period, the grievance shall be dropped by the Union. But the said ten (10) working days may be waived by mutual agreement in writing between the Union and the Company so as to further discuss the subject of the dispute under the cooperative management clause of this Agreement.

The parties by mutual agreement may submit any grievance to non-binding mediation before a mediator assigned by the Federal Mediation and Conciliation Service without waving the right of the Company or the Union to submit the grievance to binding arbitration in the event non-binding mediation does not resolve the grievance.

Section 2.

If a grievance hereunder is referred to arbitration, the parties will use the arbitration procedures of the Federal Mediation and Conciliation Service. The parties will alternate as to which party will strike its first name in an arbitration panel. If a grievance is submitted to arbitration, the decision of the arbitrator shall be final and binding on both parties and any costs with respect to said arbitration shall be borne equally between the parties. The cost of the court reporter and transcript shall borne by the requesting party(ies).

Section 3.

No issue in dispute under this Labor Agreement shall be arbitrable unless the said issue involves the meaning, application of, or compliance with a specific provision of this Agreement or the intent thereof and unless the grievance has been timely filed. The arbitrator shall not add to, subtract from, or modify any of the provisions of this Agreement, and shall not reverse management's decision in cases involving discipline or discharge except when, in the judgment of the arbitrator, management has acted without just cause. The arbitrator's award shall in no case be retroactive beyond 30 days prior to the filing of the written grievance which constituted the issue in question.

Section 4.

All grievances must be filed within five (5) working days from the date of its known occurrence. In no case, however, shall the Company's liability for retroactive pay exceed a period of thirty (30) days prior to the date on which the grievance is filed. Grievances not so filed shall be deemed to have been waived and shall not be raised thereafter. Grievances resolved in either Step I, II, or III above shall be considered satisfactorily settled, closed on the record, and shall not be reopened.

Section 5.

Grievances that shall arise between the Union and the Company concerning employee discipline shall have priority over all other cases under this Article XIII of the Labor Agreement.

Article XIV

Wages and Rates of Pay

Section 1.

Wage rates for Tier I employees are listed in Appendix A.
Tier I rates apply to employees hired before August 10, 2002.

Wage rates for Tier II employees are listed in Appendix B.
Tier II rates apply to employees hired August 10, 2002 and after.

Section 2.

New employees without previous experience will be hired at the appropriate rate as shown on the progression rate scales outlined in Appendix "B" of this Agreement.

The first step of the four steps on the Progression Scale will not apply to employees bidding to another labor grade.

The four-step Progression Scale will only apply to new employees hired after July 22, 1978

Section 3.

Employees who have some experience will be placed at a rate on the progression rate scale commensurate with their experience and ability to perform the job between the minimum hiring rate for the labor grade up to and including the full job rate if the employee is fully qualified. In no case shall any employee receive less than his present rate when he is accepted for training on another job provided the move is lateral or up.

Section 4.

Any employee on a progression rate shall be reviewed periodically and appropriate adjustments shall be made on the basis of the review period until the employee reaches the full rate of the job. Employees in all labor grades shall be reviewed a minimum of every thirty- (30) days and progressive adjustments will be granted provided the employee demonstrates appropriate progression in skill, ability and performance on the job.

Section 5.

Employees working on a scheduled second shift shall be paid a night shift premium of $.25 per hour. Employees working on a scheduled third shift shall be paid a night shift premium of $0.27 per hour. Employees assigned to one shift shall not receive a premium applicable to another shift for any reason.

Section 6.

Any employee on transfer to another job shall be paid the rate of his/her job or the rate of the job to which he/she is transferred, whichever is higher. An incentive employee will be paid five (5) labor grades higher than his/her base rate in those cases where the job to which he/she is transferred causes a loss of earnings. Temporary transfers will not exceed ninety (90) days in a year unless otherwise agreed to. If a transfer exceeds ninety (90) days, the job will be posted. The Company may temporarily transfer an incentive employee to another job based on skill and ability in cases of absence and vacation and to expedite work. If the transferred employee is the non-junior employee, the employee will be paid average hourly earnings up to 120% of base rate. If the transfer exceeds 30 continuous days, then the employee will be paid average his/her hourly earnings thereafter. In addition, the Company may temporarily transfer an employee to another department to train another employee, in which case the transferred employee will be paid average earned rate from the last full week worked.

Section 7.

Effective immediately, employees operating on machine-controlled incentive standards who are training new operators will be paid three (3) labor grades higher than their present classifications. Training will be conducted in accordance with the Company's Training Plan. Training time will be considered as time spent with a new operator. When assembly operators train other employees they will be paid the top step of labor grade 4.

Article XV

Insurance, Benefits, Pensions and 401(k) Plan

Section 1.

Pension, 401(k) plan, health, and dental insurance benefits are set forth in documents that are separate and apart from this contract booklet.

Section 2.

First tier employees (hired before 8/10/2002) coverage will pay $14.00 per week in health insurance premium payments during the first year of this contract (8/10/2002 – 6/30/2003); $14.00 per week during the second year of this contract (7/1/2003 – 6/30/2004) plus 50% of any premium increase up to a maximum of $10.00.

Second tier employees (hired after 8/10/2002) coverage will pay $20.00 per week in health insurance premium payments during the first year of this contract (8/10/2002 – 6/30/2003); $20.00 per week during the second year of this contract (7/1/2003 – 6/30/2004) plus 50% of any premium increase up to a maximum of $10.00.

First tier employees (hired on or before 8/10/2002) who elect dental coverage will pay $2.00 per week in premium payments during the first year of this contract (8/10/02002 – 6/30/2003); $2.25 per week during the second year of this contract (7/1/2003 – 6/30/2004).

Second tier employees (hired on or before 8/10/2002) who elect dental coverage will pay $5.00 per week in premium payments during the first year of this contract (8/10/2002 – 6/30/2003); $6.00 per week during the second year of this contract (7/1/2003 – 6/30/2004).

Section 3.

All Employees who are covered under their spouse's medical insurance policy and who opt out of coverage under the Company's medical insurance policy will be paid $100.00 monthly for single (spouse covered under separate policy provided by spouse's employer) and $200.00 monthly for family coverage. Employees who opt out of coverage under the Company's policy must provide evidence of medical insurance under another insurance policy.

Section 4.

With respect to pension service credits, all active employment time accrued prior to the acquisition of the Bremen Bearing Company by RBC, Inc. shall be counted as years of service for pension eligibility purposes.

Section 5.

The Company will pay the cost of Medicare supplemental insurance premiums, up to $100.00 monthly for employees retiring during the term of this agreement.

Section 6.

The pension payment for employees (hired before 8/10/2002) shall be $28.75 per month per year of service for employees who retire after June 30, 2002. The payment shall increase another $.25 (from 28.75 to 29.00) per month per month per year of service for employees who retire after June 30 2003.

Effective January 1, 2003, all second tier bargaining unit employees with six full months of service shall be eligible to participate in the (401)k plan provided by RBC Corporation (hereafter the "RBC 401k Plan") subject to all the terms and conditions of that plan. The RBC 401k plan may be changed from time to time, consistent with corporate-wide changes made to the RBC 401(k) plan, without further consultation or bargaining with the Union, provided that the Union is given notice of such changes at least four (4) weeks in advance of such changes. The employee may contribute 1% to 15% of his/her salary pretax. The Company will make a 50% matching contribution of the pretax amount of the employee's contribution up to a maximum of 5%. The employee's contribution shall be 100% vested immediately, and the Company's contributions shall be vested 100% after three (3) vesting years.

Section 7.

Weekly accident and health benefit will be $240 from Aug 10, 2002 to July 31, 2003; $250 from Aug. 1, 2003 to July 31, 2004.

Section 8.

The amount of group life and accidental death and dismemberment insurance for active first tier employees (hired before 8/10/02) will be $10,000. Second tier life insurance will be $8,000. Life and accidental death and dismemberment insurance for active employees age 66 or over will be $6,500. Life insurance is continued upon retirement under the Pension Plan but is reduced to $1,800 upon attainment of age 66, $1,600 upon attainment of age 67, and $1,500 upon attainment of age 68 and thereafter.

Section 9. Payroll deductions

The Company agrees to make weekly payroll deductions to up to three accounts. The Company assumes no obligation other than three deductions per employee, per payroll period.

Section 10. Eye Exam

Approved safety glasses must be worn by all employees in the manufacturing operation. The Company will provide safety glasses as described below.

The Company will provide annual eye exams for the employees in jobs where accurate vision is a requirement, such as Inspectors. Eye exams will also be provided where the employee is not covered under the Company provided or another insurance policy.

The Company will schedule annual visual exams as follows:

- Full exams when an employee starts in Inspection and every two years thereafter,
- Progressive exams the year between full exams

The Company will pay for the following:

- One pair of approved safety glasses (frames and lenses), every 24 months for employees requiring prescription glasses.
- Replacement lenses every 12 months if eye exam warrants the corrected lenses.

Non-prescription safety glasses are issued to employees by the supervisor. Damaged glasses should be returned to the supervisor to receive a replacement.

Section 11. Miscellaneous

The Company will supply coveralls for use by the maintenance department.

Article XVI

Jury Duty, Bereavement and Military Reserve Pay

Section 1. Jury Duty Pay.

Any employee who is called for Jury Duty service shall be excused from work for the days on which he serves. He shall receive for each such day of jury service on which he otherwise would have worked, the difference between eight (8) hours of pay at his/her assigned base rate and the payment he/she receives for jury service. The employee will present proof of service and the amount of pay received therefore.

Section 2. Bereavement Pay.

Employees will be paid by the Company for time lost due to death in the immediate family. Such pay to be no more than their assigned rate for a period not in access of three (3) work days. Immediate family includes mother, father of employee, husband or wife, children, brother or sister, mother-in-law, father-in-law, grandchildren, stepchildren, stepparents, grandparents, son-in-law and daughter-in-law. The three days allowed must be taken. In other words, no pay can be taken in lieu of the time allowed off. If a person decides they only want one or two days off and wishes to work, this is his/her option. The days off must be consecutive and only at the time of the funeral. The employee cannot take one day at the time of the funeral and two days two months later for the same bereavement. In case the three days include Saturday and Sunday, the employee will not lose two paid days, but will take two additional days for Saturday and Sunday. For example, the employee would take off Friday, Monday and Tuesday with pay. If the bereavement occurs during the employee's vacation, the three days allowed should be taken immediately after the termination of the vacation time. The vacation time does not count against the three days allowed. If a holiday falls on one of the three days allowed, an extra day can be taken with pay.

Employees will be allowed one day off with no pay due to the death of a spouse's grandparents.

Section 3. Military Reserve Training Pay

An active employee who is required to attend Military Reserve Training Encampment will receive the difference in pay between his assigned base rate and payment received for his military service. Payment hereunder shall be based on proof of service and shall not exceed a period of eighty (80) hours.

Article XVII

Safety and Health

Section 1.

The Company as prescribed under the Laws of the State of Indiana and the United States shall provide heating, lighting, toilet, locker, and sanitary facilities and all protective devices necessary to protect the health of employees. The Union will at all times cooperate with and assist the Company in maintaining and improving safety and health conditions in the plant.

Section 2.

The Company will make every effort to avoid scheduling only one employee per shift.

Section 3.

The Company has the right to conduct Drug & Alcohol testing for cause and reasonable suspicion in accordance with the Company's drug and alcohol policy, attached as Appendix D. Positive test results will result in disciplinary action up to and including termination.

Article XVIII

Plant Rules & Disciplinary Action

Section 1.

The Company shall have the right to issue rules and reasonable regulations from time to time governing the conduct of employees in the workforce, and it is the duty of each employee to familiarize himself/herself with such rules and regulations and to comply herewith. This does not constitute acceptance by the Union of any specific rules not in compliance with the provisions of this Agreement.

The union reserves the right to grieve the rule.

Section 2.

Disciplinary action will be conducted as follows:

Step 1.	Verbal warning	Step 3. Suspension 1-5 days	
Step 2.	Written warning	Step 4. Termination	

Steps may be skipped due to the seriousness of the event up to an including immediate termination. All steps will be documented and remain in employee's file. However, actions will become inactive as follows (providing no other disciplinary action is taken):

Step 1	6 months	Step 3	12 months
Step 2	12 months	Step 4	Will not be removed

Management has the right to administer disciplinary action in accordance with company policy.

Article XIX

Leave of Absence

Section 1.

A. Employees who are to be absent for more than five working days for personal illness or physical disability and who have acquired one (1) year of service with the Company, will be granted a leave of absence up to one (1) year. Employees with sixty days seniority, but less than once (1) year of service will be granted a leave of absence for the period equal to their length of service. Leaves of absence will only be granted upon written request

and when accompanied by a physicians statement justifying the reason. Such leaves will be granted without pay except seniority will accumulate for the duration of the leave.

Requests for personal leaves of unusual reasons may be made through the Human Resources Manager. Such leaves, if granted, shall not be in excess of two weeks. Paid time available, such as vacation, may be used at the employee's request.

B. Employees applying for a medical leave of absence or returning from a leave of absence may be subject to a medical examination and approval by a Company appointed physician.

C. An employee with a physician's statement must renew medical certification every thirty–(30) days.

D. Family Medical Leave Act

Time off for medical leaves of absences will run concurrently with Family Medical Leave (FML) if the employee is eligible under the provisions of Family Medical Leave Act (FMLA). The Company will administer FML with a 12-month rolling period. Paid time available, such as vacation, may be used at the employee's request. Required documentation must be completed as required by the Act.

Section 2.

Any employee who is elected or appointed to a position with the International Union (UAW) will be granted a leave of absence for the duration of his assignment upon written request by the International Union. Seniority will accumulate during such leave but without pay or other benefits except for pension purposes.

Section 3.

A. Failure to report to work within five days after the expiration of a leave of absence or extension thereof shall constitute a voluntary resignation

B. Employees returning to work after a leave of absence will be placed on the same job held at the beginning of the leave based on their seniority and provided they are able to perform the full job requirements.

Section 4.

A. Any employee who has been granted a leave of absence and who while on leave of absence, seeks or accepts other employment or who engages in any business or occupation shall be considered as having voluntarily quit. Exceptions to this Section may be made by mutual agreement.

Section 5. Other Leave of Absences

Other leave of absences include illness or injury of a family member that may be eligible under FMLA, military duty, jury duty, bereavement, and personal leave. Proper documentation and approval is needed as required by the Company. Paid time available, such as vacation, may be used at the employee's request.

Section 6. Payment of Insurance Premiums during Leave of Absences

Employees will be required to pay their share of insurance premiums, and may elect to pay them in two different ways.

1. Employee may elect to pay by the 25th of the month while they are out on leave of absence; or

2. Employee may designate payment upon return to work on a basis of 1.5 times regular weekly premium until the premiums are recouped.

Article XX

Amendments and Modifications

Section 1.

Neither party shall be obligated to negotiate further on any matter during such term. This Agreement may, however, be modified by mutual agreement of the parties, provided that all such modifications are in writing and properly executed. This Agreement supersedes and voids all prior agreements, if any, written or oral, or established by custom, practice, or precedent. In the event of the provisions of this Agreement shall become invalid or unenforceable by reason of any federal or state law or executive order now existing or hereafter enacted, such invalidity or unenforceability shall not have any effect on the remaining provisions of this Agreement.

Section 2.

No amendments or modifications of this Agreement shall be valid except when committed to writing and signed by the authorized representatives of both parties. The authorized representatives of the Union shall include the duly authorized representatives of the International Union and the duly authorized representatives of the Local Union No. 1368.

Article XXI

Termination and Notice

Section 1.

This agreement between the parties shall remain in force for the period commencing on August 10, 2002 and ending 12:00 midnight on August 9, 2004. It shall automatically renew itself from year to year thereafter unless written notices of the desire to terminate or amend any portion of any of the terms hereof is given by either party to the other, at least sixty (60) days prior to August 9, 2004, or in the event this Agreement is renewed such notice shall then be given at least sixty (60) days prior to any subsequent annual expiration date.

If notice of the desire to terminate or amend shall be given, as provided in the preceding paragraph, negotiations for the new or amended Agreement shall being not later than ten (10) days subsequent to such notice, and shall continue until agreement has been reached; and during such negotiations this Agreement shall remain in full force and effective provided, however, that if negotiations continue beyond the terminal date of this Agreement, either party then terminate this Agreement upon ten (10) days written notice to the other party.

Appendix “A”

Rates of Pay Effective 8/10/2002
Employees Hired Before August 10, 2002

Labor Position	Training Level 1	Training Level 2	Training Level 3	Training Level 4
Assembly LG 1			12.82	12.97
Inspection LG 2		12.85	12.95	13.10
Shift Helper/Sorter LG 3	12.96	13.06	13.16	13.31
Shipping/Receiving LG 4	13.07	13.17	13.27	13.42
Assembly Leader LG 6	13.32	13.42	13.52	13.67
Quality Assurance LG 6	13.32	13.42	13.52	13.67
Production Attendant LG6	13.32	13.42	13.52	13.67
Quality Assurance Lead LG 8	17.42	17.55	17.68	17.87
Shipping Lead LG 8	17.42	17.55	17.68	17.87
Cell Operator LG 8	17.42	17.55	17.68	17.87
Storeroom Lead LG 9	17.51	17.64	17.77	17.97
Maintenance Apprentice LG 10	17.63	17.76	17.89	18.08
Maintenance LG 10	17.63	17.76	17.89	18.08
Tool Room LG 12	17.84	17.97	18.10	18.29
Skilled Trades Master Mechanic				20.65
Team Leader	20.53	20.68	20.83	21.05

Appendix “A”

Rates of Pay Effective 8/10/2003
Employees Hired Before August 10, 2002

Labor Position	Training Level 1	Training Level 2	Training Level 3	Training Level 4
Assembly LG 1			13.17	13.32
Inspection LG 2		13.20	13.30	13.45
Shift Helper/Sorter LG 3	13.31	13.41	13.51	13.66
Shipping/Receiving LG 4	13.42	13.52	13.62	13.77
Assembly Leader LG 6	13.67	13.77	13.87	14.02
Quality Assurance LG 6	13.67	13.77	13.87	14.02
Production Attendant LG 6	13.67	13.77	13.87	14.02
Quality Assurance Lead LG 8	17.77	17.90	18.03	18.22
Shipping Lead LG 8	17.77	17.90	18.03	18.22
Cell Operator LG 8	17.77	17.90	18.03	18.22
Storeroom Lead LG 9	17.86	17.99	18.12	18.32
Maintenance Apprentice LG 10	17.98	18.11	18.24	18.43
Maintenance LG 10	17.98	18.11	18.24	18.43
Tool Room LG 12	18.19	18.32	18.45	18.64
Skilled Trades Master Mechanic				21.00
Team Leader	20.88	21.03	21.18	21.40

Appendix “B”

Rates of Pay Effective 8/10/2002
Employees Hired After August 10, 2002

Labor Position	Training Level 1	Training Level 2	Training Level 3	Training Level 4
Assembly LG 1			9.82	9.97
Inspection LG 2		9.85	9.95	10.10
Shift Helper/Sorter LG 3	9.96	10.06	10.16	10.31
Shipping/Receiving LG 4	10.07	10.17	10.27	10.42
Assembly Leader LG 6	10.32	10.42	10.52	10.67
Quality Assurance LG 6	10.32	10.42	10.52	10.67
Production Attendant LG 6	10.32	10.42	10.52	10.67
Quality Assurance Lead LG 8	13.52	13.65	13.78	13.97
Shipping Lead LG 8	13.52	13.65	13.78	13.97
Cell Operator LG 8	13.52	13.65	13.78	13.97
Storeroom Lead LG 9	13.61	13.74	13.87	14.07
Maintenance Apprentice LG 10	13.73	13.86	13.99	14.18
Maintenance LG 10	13.73	13.86	13.99	14.18
Tool Room LG 12	13.94	14.07	14.20	14.39
Skilled Trades Master Mechanic				17.65
Team Leader				

Appendix “B”

Rates of Pay Effective 8/10/2003
Employees Hired After August 10, 2002

Labor Position	Training Level 1	Training Level 2	Training Level 3	Training Level 4
Assembly LG 1			10.17	10.32
Inspection LG 2		10.20	10.30	10.45
Shift Helper/Sorter LG 3	10.31	10.41	10.51	10.66
Shipping/Receiving LG 4	10.42	10.52	10.62	10.77
Assembly Leader LG 6	10.67	10.77	10.87	11.02
Quality Assurance LG 6	10.67	10.77	10.87	11.02
Production Attendant LG 6	10.67	10.77	10.87	11.02
Quality Assurance Lead LG 8	13.87	14.00	14.13	14.32
Shipping Lead LG 8	13.87	14.00	14.13	14.32
Cell Operator LG 8	13.87	14.00	14.13	14.32
Storeroom Lead LG 9	13.96	14.09	14.22	14.42
Maintenance Apprentice LG 10	14.08	14.21	14.34	14.53
Maintenance LG 10	14.08	14.21	14.34	14.53
Tool Room LG 12	14.29	14.42	14.55	14.74
Skilled Trades Master Mechanic				
Team Leader				

APPENDIX “D”

STATEMENT OF COOPERATION

ALCOHOL AND DRUG ABUSE

Both the Company and Union express their collective determination to deal effectively and constructively with the problem of alcohol and drug abuse among the Bargaining Unit employees. The Company and Union recognize that excessive use of alcohol or drugs by employees impairs their ability to function in an effective and safe manner and contributes to increased absenteeism, tardiness, and potential safety problems. Further, that use of either on the premises or reporting to work in an intoxicated state is in violation of the plant work and safety rules. Both the Company and Union agree that a joint effort by both parties will be extended to help Bargaining Unit employees afflicted and develop a system for early identification and detection. Thereafter, arrangements will be made to refer afflicted employees for proper treatment and appropriate follow-ups.

Both the Company and Union agree that neither the Management nor Union officials are always able to provide the level of motivation required by an employee affiliated by either alcohol or drug dependency.

As a result, both parties recognize that mutual cooperation is necessary to encourage each afflicted employee to recognize his or her problem and seek professional treatment. And further to adopt the personal conviction to respond to treatment and to maintain a resolve to avoid future alcohol and drug abuse after completing a recognized program of treatment.

Both the Company and Union agree to implement the program stated above with the Alcohol and Drug Abuse Committee, and will work cooperatively outside of the grievance procedure of the contract on these problems. The responsibilities of this Committee will be as follows.

1. To assure any afflicted employee that discussions that take place will be held in the strictest of confidence.

2. To communicate to all employees that they may consult on a confidential basis with plant medical personnel, or an outside qualified facility or agency, concerning their problem without fear or disciplinary action being based on such a discussion or program of treatment being initiated.

3. To attend such meetings and seminars to evaluate and determine the appropriateness of programs or treatment offered by various community agencies, as well as establish programs for educational and informational use by both Union members and Management at a plant level.

Both the Company and Union agree that nothing contained herein is to be construed or constitute any waiver of the Management's right to maintain or invoke discipline in such cases of misconduct which may result from, or be associated with, the use of alcohol or drugs at Union reserves the right to exercise its rights to process any grievances concerning such matters as may be permitted in accordance with the contract.

During the following initiation of a program of treatment, an afflicted employee shall not receive nor expect any special privileges or exemptions from all of the conditions required of employees of the Company.

Both the Company and Union will encourage employees with either of the problems described above to voluntarily participate without the necessity of disciplinary action being taken.

When a leave of absence is necessary so that an afflicted employee may undergo treatment for either alcoholism or drug dependency from a recognized program, provided the employee has voluntarily submitted for such treatment, they will be granted such a leave of absence and will be eligible to receive the benefits provided in accordance with the contract during said leave. An employee may be granted only one such leave under these provisions, except that an additional leave may be granted only with prior approval of the Alcohol and Drug Abuse Committee.

The Alcohol and Drug Abuse Committee shall consist of two (2) members from the Management and two (2) members appointed by the Union and, should the performance of their duties require that time be spent during regularly scheduled working hours, the Union Committee Member will be paid his/her regular rate of pay up to a maximum of four (4) hours per month. Any time spent at furthering the objectives of this program or attending seminars offered by various community agencies with respect to alcoholism or drug abuse outside the Committee Member's regularly scheduled working hours shall not be compensated.

Prior to attending any outside community or professional programs which will necessitate the absence of the Union committee member during his/her regularly scheduled hours, permission to do so must be obtained from the Human Resources Manager.

8/10/02
Alcohol & Drug Policy

POLICY STATEMENT

It is the policy of our Company to create a drug-free, alcohol-free workplace in accordance with the statement of cooperation for Alcohol and Drug Abuse. The use of controlled substances and/or alcohol in the workplace or working under the influences of alcohol or controlled substances is inconsistent with the behavior expected of employees, subjects all employees and visitors to our facilities to unacceptable safety risks, and undermines the Company's ability to operate effectively and efficiently. The manufacture, distribution, possession, sale, or use of a controlled substance or alcohol in the workplace or while engaged in company business off our premises is strictly prohibited and will lead to disciplinary action up to and including termination. Use of drugs or alcohol is also prohibited during nonworking time to the extend that it impairs an employee's ability to perform on the job.

PROCEDURE

1. Employees will be required to submit to a drug/alcohol test under the following circumstances:

   A. Post Accident Testing: An employee shall be tested for the use of controlled substances, as soon as possible, after a reportable accident occurring while on Bremen Bearings, Inc. time or business or on any work site. A "reportable accident" means an accident resulting in property damage or resulting in any person, as a result of the accident, receiving medical treatment away from the scene of the accident.

   B. Whenever there is a reasonable cause to believe that an employee's ability to perform his/her job is impaired due to the use of drugs/alcohol, as indicated hereafter.

2. Any employee whose drug/alcohol test result is positive will be subject to three day suspension pending investigation.

3. Refusing to take a drug/alcohol test or any behavior intended to interfere with the valid results of that test will be considered as a positive test and a violation of this drug/alcohol policy warranting disciplinary action up to and including discharge.

4. After notification of a positive test, the employee will have 24 hours to decide if he/she elects to have the same sample re-tested by a different laboratory at his/her own expense.

5. Employees taking medication must report such use to their immediate supervisor if the medication is likely to interfere with the employee's ability to function safely on that job. The employee may be removed from his/her job or reassigned to another job until return to that position is deemed appropriate. The unauthorized use of prescription drugs that were prescribed for another person will be considered a violation of this drug policy.

REASONABLE CAUSE TESTING

The Company shall have reasonable cause for drug/alcohol testing if an employee is having work performance problems or displaying behavior described below (not all inclusive):

- Abnormally dilated or constricted pupils
- Glazed stare - redness of eyes
- Flushed face
- Changing or slurring of speech
- Constant sniffing
- Needle marks (Not applicable if a diabetic)
- Change in behavior
- Forgetfulness or poor concentration
- Constant fatigue or hyperactivity
- Smell of alcohol
- Difficulty walking
- Slowed reactions

Except for smell of alcohol and needle marks, an employee must show two or more indications to establish probably cause.

If a supervisor observes an employee engaging in such behavior affecting an employee's job performance, the supervisor will advise the Human Resources Manager or designee and a union representative of the behavior. The Human Resources representative and the union representative will talk with and observe the employee to determine if the employee is likely to be under the influence of alcohol and/or drugs.

If the human resources representation and the union representation determine that it is likely the employee is under the influence of alcohol or drugs, the employee will be required to submit to a breath-alcohol test and/or urine drug test. If the employee tests positive or refuses to be tested, he/she will be subject to discipline, up to and including, discharge. If the human resources representative concludes that it is likely the employee is under the influence of alcohol and drugs and the union representation disagrees, the employee will be given an opportunity to voluntarily submit to testing to exonerate him/herself. If the employee declines, the Company may take such disciplinary action it deems appropriate up to and including discharge, subject to the employee's right to grieve the disciplinary action.

If an employee requests assistance prior to any demand that the employee submit to post accident or probable cause drug/alcohol testing, the Human Resources Manager or Administrator will arrange for assessment by an appropriate substance abuse professional (SAP). If the SAP determines that treatment would be appropriate, the employee will be offered an opportunity to participate in a drug/alcohol rehabilitation program with or without a leave of absence as deemed appropriate by the Alcohol and Drug Awareness Committee.

DEFINITIONS

1. **Alcohol use** means the consumption of any beverage, mixture, or preparation, including any medication containing alcohol which, when consumed, causes an alcohol concentration in excess of those established by the State of Indiana for driving while intoxicated.

2. **Controlled Substance use** means a positive test at the established government standards as defined by HCFA/DOT 49 CFR Part 40 for any of the following substances.

- Marijuana
- Cocaine
- Opiates
- Amphetamines
- Phencyclidine (PCP)

6/28/99
Disciplinary Action Policy

POLICY STATEMENT

It is the intent of management to promote safety, quality, productivity, and good human relations by following an improvement plan to provide fair and equal treatment to all employees and to promote understanding of acceptable conduct and encourage corrective improvement in behavior where required.

PROCEDURE

This procedure is for disciplinary action related to work performance and conduct-related problems. Union employees have the right to union representation at all levels of discipline.

The progressive discipline process for absenteeism is separate from this system in accordance with the attendance policy.

The disciplinary action steps are initiated by the employee's supervisor and/or management representative and may be built on a combination of different types of violations.

Step 1. Verbal

Counsel the employee and issue a verbal warning. Attempt to determine and resolve the cause of the problem. At the same time, state specifically that the employee is receiving a formal verbal warning. Place a discipline document in the employee's file describing the incident and the discussion. Verbal warnings will be active for a six (6) month period before becoming inactive.

Step 2. Written

Hold a meeting with the employee, at which time you explain the nature of the offense and warn the employee that any further misconduct could lead to a suspension, or discharge. Issue a written warning of the offense. Written warnings will be active for a twelve (12) month period before becoming inactive in employee's file.

Step 3. Suspension

Hold a meeting with the employee, at which time you explain the nature of the offense and warn the employee that any repetition could lead to discharge. Issue a written document of the offense, including a reference to the prior offense(s). A one (1) to five (5) day suspension (without pay) may occur as part of this step and will be active for a twelve (12) month period before becoming inactive.

Step 4. Discharge

A further instance of misconduct within twelve (12) months of suspension may result in discharge.

IMMEDIATE SUSPENSION AND/OR DISCHARGE may take place at any time, without regard to the preceding steps, if the employee commits an offense for which immediate suspension and/or discharge is specified as a penalty or if, in the judgment of Management, the employee's continued presence would be contrary to the best interests of the Company or any of its employees. Immediate discharge may be justified for these types of offenses:

- Theft of company property or that of other employees
- Insubordination or refusing to follow instructions
- Violation of the Company's Substance Abuse Policy
- Deliberate destruction of company property
- Deliberate injury to another person
- Violating a confidence; unauthorized release of confidential information
- Violation of the Company's harassment policy
- Threatening another employee with physical harm
- Deliberately endangering another employee
- Any other violation of the plant rules which, in the judgment of Management, seriously threaten the welfare of the Company or any employee

Distribution of documentation of disciplinary action steps to include:
Human Resources Manager- original to be placed in employee's file
Employee
Union Office

ATTENDANCE POLICY **BREMEN BEARINGS**
8/10/02 **Effective 8/10/02**

It is the Company's philosophy that employees should be responsible for their attendance and absenteeism from work. Effective August 10, 2002, an absenteeism policy will become effective utilizing a point system that tracks both full and partial day absences on a 12-month rolling calendar.

All absences will be documented; however, points will not be assessed for the following: Approved leave of absences (Medical, FMLA, Workers' Compensation, Bereavement, Military, Jury Duty, Personal Leaves, Union), Snow Emergency Days, Disciplinary Suspensions, Holidays, Vacations, time when employee is sent home by the Company due to no work, and if employee goes home because no work is available in his/her department.

Points will be assessed as follows:

• One point (1)	Each full day absent (more than 4 hours)
• One/half point (1/2)	Partial day absent (less than 4 hours (tardy in excess of 6 minutes. leave/return, leave early)
• One/half point (1/2)	Failure to call in to supervisor or call in voice mail at least 60 minutes before beginning of shift or notify supervisor previously with a written notification (form)
• 8 points	3 consecutive days no call-no show

Each period of illness involving consecutive days will be assessed one (1) point, provided proper medical documentation is presented upon return to work.

The following corrective action will be taken in any 12 consecutive month period in which an employee has accumulated the following points for unexcused absences:

2 points	—	Verbal warning
4 points	—	Written warning
6 points	—	3-day Suspension without pay
8 points	—	Termination

The Company will recognize and reward employees who have 6 months of perfect attendance with a $100.00 payment.

Training Plan
6/28/99

Training employees on jobs is the responsibility of the supervisor in the department; however, the use of experienced operators as instructors is critical to the success and effectiveness of the training process. The Company will utilize the following outline to ensure effective training.

1. Supervisor assigns the trainee to an operator who will review the following with the employee:

- Work instructions
- Personal protective equipment required
- Safety measures
- Quality and inspection requirements
- Forms and reports to be completed
- Equipment operation
- Product characteristics of good and bad quality
- Incentive criteria (if applicable)
- Other information and skills needed for success of training

2. The supervisor and/or trainer will review training status with trainee a minimum of once every week to identify progression and areas that need special attention.

3. Training criteria will be established for each job through a coordinated effort of supervisors and operators.

4. A time-line will be identified and established to monitor normal training time.

A training committee will be established to establish training criteria and time lines as well as training techniques and methods. The committee will consist of 2 supervisors, 2 operators, and a member of the bargaining committee.

Human Resources and the Plant Manager will monitor the program to ensure completeness and effectiveness.

It is agreed that the foregoing language represents the terms and conditions of a new labor agreement between the Bremen Bearings of RBC, USA, and Local 1368 of the U.A.W.

For the Union

For the Company

Agreed to this 10th day of August, 2002.

Exhibit 10.12

CONFIDENTIAL

SOUTH CAROLINA JOBS-ECONOMIC DEVELOPMENT AUTHORITY

and

MARK TWAIN BANK,
as Trustee

TRUST INDENTURE

Dated as of September 1, 1994

Relating to

$7,700,000
Variable Rate Demand
Industrial Development Revenue Bonds
(Roller Bearing Company of America, Inc. Project)
Series 1994A

TABLE OF CONTENTS

TRUST INDENTURE

THIS TRUST INDENTURE (the "Indenture"), made and entered into as of September 1, 1994, by and between the SOUTH CAROLINA JOBS-ECONOMIC DEVELOPMENT AUTHORITY, a body corporate and politic and an agency of the State of South Carolina (the "Issuer"), and Mark Twain Bank, a Missouri banking corporation duly organized and existing and authorized to accept and execute trusts of the character herein set out under the laws of the State of Missouri, and having its principal corporate trust office located in St. Louis, Missouri, as Trustee (the "Trustee");

WITNESSETH:

WHEREAS, the Issuer acting by and through its Board of Directors, is authorized and empowered under and pursuant to the provisions of Tide 41, Chapter 43, Code of Laws of South Carolina 1976, as amended (the "Act"), to acquire and cause to be acquired properties that are projects under the Act through which the industrial, commercial, agricultural and recreational development of the State of South Carolina (the "State") will be promoted and trade developed by inducing business enterprises to locate in and remain in the State and thus provide maximum opportunities for the creation and retention of jobs and improvement of the standard of living of the citizens of the State; and

WHEREAS, the Issuer is further authorized by Section 41A3-100 of the Act to issue revenue bonds payable by the Issuer solely from revenues and receipts from any financing agreement between the Issuer and any business enterprise with respect to such project and secured by a pledge of said revenues and receipts and by an assignment of such financing agreement; and

WHEREAS, pursuant to the Act, the Authority is authorized to issue its Variable Rate Demand Industrial Development Revenue Bonds (Roller Bearing Company of America, Inc. Project) Series 1994A in the original aggregate principal amount of $7,700,000 (the "Bonds"), for the purpose of providing funds to construct or purchase certain buildings, fixtures, machinery and equipment ("the Project") to constitute an approximately 60,000 square foot expansion of an existing facility for the manufacture of roller bearings in Darlington County, South Carolina which is owned and operated by Roller Bearing Company of America, Inc., a Delaware corporation (the "Borrower"); and

WHEREAS, the Borrower intends to construct and purchase the Project; and

WHEREAS, the Borrower has requested that the Issuer issue the Bonds in order to finance the construction and purchase of the Project; and

WHEREAS, the Board of Directors of the Issuer passed and approved a Resolution on August 24, 1994, authorizing the Issuer to issue the Bonds pursuant to this Indenture for the above purposes; and

WHEREAS, pursuant to such Resolution, the Issuer is authorized (i) to execute and deliver this Indenture for the purpose of issuing and securing the Bonds as hereinafter provided, and (ii) to enter into a Loan Agreement of even date herewith (the "Agreement"), between the Issuer and the Borrower, under which the Issuer will loan the proceeds of the Bonds to the Borrower in accordance with the provisions of the Agreement to finance a portion of the costs of the Project, in consideration of payments to be made by the Borrower to the Trustee which are to be sufficient

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to pay the principal of, redemption premium, if any, and interest on the Bonds as the same become due; and

WHEREAS, Heller Financial, Inc., a Delaware corporation (the "Credit Enhancer"), has agreed to execute and deliver an irrevocable direct-pay letter of credit (the "Credit Facility") in order to secure the timely payment of the principal of and interest on the Bonds; and

WHEREAS, all things necessary to make the Bonds, when authenticated by the Trustee and issued as in this Indenture provided, the valid, legal and binding obligations of the Issuer, and to constitute this Indenture a valid, legal and binding pledge and assignment of the property, rights, interests and revenues herein made for the security of the payment of the principal of, redemption premium, if any, and interest on the Bonds issued hereunder, have been done and performed, and the execution and delivery of this Indenture and the execution and issuance of the Bonds, subject to the terms hereof, have in all respects been duly authorized and approved by the Issuer; and

WHEREAS, THE BONDS AND THE PREMIUM, IF ANY, AND INTEREST THEREON (INCLUDING ANY AMOUNTS PAYABLE IN CONNECTION WITH ANY PREPAYMENT OR PURCHASE OF THE BONDS) ARE LIMITED OBLIGATIONS OF THE ISSUER; THE PRINCIPAL OF, PREMIUM, IF ANY, AND INTEREST ON THE BONDS (INCLUDING ANY AMOUNTS PAYABLE IN CONNECTION WITH ANY PURCHASE OF THE BONDS) ARE PAYABLE SOLELY FROM THE REVENUES OR MONEYS TO BE RECEIVED IN CONNECTION WITH THE FINANCING OF THE PROJECT OR FROM ANY OTHER MONEYS MADE AVAILABLE TO THE ISSUER FOR SUCH PURPOSE; NEITHER THE BONDS NOR THE INTEREST THEREON (INCLUDING ANY AMOUNTS PAYABLE IN CONNECTION WITH ANY PURCHASE OF THE BONDS) SHALL EVER CONSTITUTE AN INDEBTEDNESS OR A CHARGE AGAINST THE GENERAL CREDIT OF THE STATE, THE ISSUER, OR ANY OTHER PUBLIC BODY, OR OF THE TAXING POWERS OF THE STATE WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY LIMITATION AND SHALL NEVER CONSTITUTE OR GIVE RISE TO ANY PECUNIARY LIABILITY OF THE STATE, THE ISSUER, OR ANY OTHER PUBLIC BODY; THE BONDS DO NOT CONSTITUTE AN INDEBTEDNESS TO WHICH THE FAITH OR CREDIT OF THE STATE, THE ISSUER, OR ANY OTHER PUBLIC BODY, OR TAXING POWER OF THE STATE, IS PLEDGED;

NOW THEREFORE, THIS INDENTURE WITNESSETH:

GRANTING CLAUSES

That the Issuer, in consideration of the premises, the acceptance by the Trustee of the trusts hereby created, the purchase and acceptance of the Bonds by the Owners thereof, and of other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, and in order to secure the payment of the principal of, redemption premium, if any, and interest on the Bonds according to their tenor and effect, to secure all obligations owed by the Borrower to the Credit Enhancer under the Letter of Credit Agreement, and to secure the performance and observance by the Issuer of all the covenants, agreements and conditions herein and in the Bonds contained, does hereby transfer, pledge and assign, without recourse, to the Trustee and its successors and assigns in trust forever, and does hereby grant a security interest unto the Trustee and its successors in trust and its assigns, in and to all and singular the property described in paragraphs (a) and (b) below (said property being herein referred to as the "Trust Estate"), to wit:

(a) All right, tide and interest of the Issuer (including, but not limited to, the right to enforce any of the terms thereof) in, to and under all Revenues (as hereinafter defined) derived by the Issuer under and pursuant to and subject to the provisions of the Agreement (but excluding the Unassigned Issuer's Rights as defined in the Agreement and any payments made by the Borrower to meet the rebate requirements of Section 148(f) of the Code) and the Credit Facility; and

(b) All other moneys and securities from time to time held by the Trustee under the terms of this Indenture (excluding rebatable arbitrage, whether or not held in the Rebate Fund, and amounts held in the Purchase Fund (as hereinafter defined)), and any and all other property (real, personal or mixed) of every kind and nature from time to time hereafter, by delivery or by writing of any kind, pledged, assigned or transferred as and for additional security hereunder by the Issuer, or by anyone in its behalf or with its written consent, to the Trustee, which is hereby authorized to receive any and all such property at any and all times and to hold and apply the same subject to the terms hereof.

TO HAVE AND TO HOLD, all and singular, the Trust Estate with all rights and privileges hereby transferred, pledged, assigned and/or granted or agreed or intended so to be, to the Trustee and its successors and assigns in trust forever;

IN TRUST NEVERTHELESS, upon the terms and conditions herein set forth for the equal and proportionate benefit, security and protection of all present and future Owners of the Bonds Outstanding, without preference, priority or distinction as to participation in the lien, benefit and protection hereof of

one Bond over or from the others, except as herein otherwise expressly provided and on a subordinate basis thereto, to secure the obligations of the Borrower to the Credit Enhancer;

PROVIDED, NEVERTHELESS, and these presents are upon the express condition, that if the Issuer or its successors or assigns shall well and truly pay or cause to be paid the principal of and premium, if any, on such Bonds with interest, according to the provisions set forth in the Bonds, or shall provide for the payment or redemption of such Bonds by depositing or causing to be deposited with the Trustee the entire amount of funds or securities requisite for payment or redemption thereof when and as authorized by the provisions of Article XII hereof (it being understood that any payment with respect to the principal of or interest on Bonds by the Borrower or any purchase of Bonds pursuant to Article III hereof shall not be deemed payment or provision for payment of principal of or interest on Bonds, except Bonds purchased and cancelled by the Trustee, all such uncancelled Bonds to remain Outstanding hereunder and principal of and interest thereon payable to the Owners thereof, whether such Owners be the Credit Enhancer or persons to whom Bonds are remarketed), and shall also pay or cause to be paid all other sums payable hereunder by the Issuer and if all amounts due and owing to the Credit Enhancer under the Letter of Credit Agreement shall have been paid in full, then these presents and the estate and rights hereby granted shall cease, terminate and become void, and thereupon the Trustee, on payment of its lawful charges and disbursements then unpaid, on demand of the Issuer and upon the payment by the Issuer of the cost and expenses thereof, shall duly execute, acknowledge and deliver to the Issuer such instruments of satisfaction or release as may be necessary or proper to discharge this Indenture of record, and if necessary shall grant, reassign and deliver to the Issuer, with a copy to the Credit Enhancer and the Borrower, all and singular the property, rights, privileges and interests by it hereby granted, conveyed and assigned, and all substitutes therefor, or any part thereof, not

previously disposed of or released as herein provided; otherwise this Indenture shall be and remain in full force;

THIS INDENTURE FURTHER WITNESSETH, and it is hereby expressly declared, covenanted and agreed by and between the parties hereto, that all Bonds issued and secured hereunder are to be issued, authenticated and delivered and that all the Trust Estate is to be held and applied under, upon and subject to the terms, conditions, stipulations, covenants, agreements, trusts, uses and purposes as hereinafter expressed, and the Issuer does hereby agree and covenant with the Trustee, for the benefit of the respective Owners from time to time of the Bonds and the Credit Enhancer, as follows:

ARTICLE I

DEFINITIONS; RULES OF CONSTRUCTION

Section 101. Definitions of Words and Terms. In addition to words and terms elsewhere defined herein and therein, the following words and terms as used in this Indenture and in the Agreement shall have the following meanings, unless some other meaning is plainly intended:

“Accounts” means the accounts created pursuant to Section 501 hereof.

“Act” means Tide 41, Chapter 43, Code of Laws of South Carolina 1976, as amended.

“Act of Bankruptcy” means, as to the Borrower, any of the following: (a) the commencement by the Borrower of a voluntary case under the federal bankruptcy laws, as now in effect or hereafter amended, or any other applicable federal or state bankruptcy, insolvency or similar laws; (b) the filing of a petition with a court having jurisdiction over the Borrower to commence an involuntary case against the Borrower under the federal bankruptcy laws, as now in effect or hereafter amended, or any other applicable federal or state bankruptcy, insolvency or similar laws, and such petition is not discharged within 60 days of the filing thereof; (c) the Borrower shall admit in writing its inability to pay its debts generally as they become due; (d) a receiver, trustee or liquidator of the Borrower shall be appointed in any proceeding brought against the Borrower; (e) assignment by the Borrower of all or substantially all of its assets for the benefit of its creditors; or (f) the entry by the Borrower into an agreement of composition with its creditors, and, as to the Issuer, the commencement by the Issuer of a voluntary case under the federal bankruptcy laws, as now in effect or hereafter amended, or any other applicable federal or state bankruptcy, insolvency or similar laws.

“Affiliated Party” or “Affiliate” means any Related Person as to a particular Person, and any other Person directly or indirectly controlling or controlled by or under direct or indirect common control with such specified Person. “Control”, when used with respect to a particular Person, means the possession, directly or indirectly, of the power to direct or cause the direction of management and policies of such Person whether through the ownership of voting stock, by contract or otherwise, and the terms “controlling” and “controlled” have meanings correlative to the foregoing.

“Agreement” or “Loan Agreement” means the Loan Agreement, including the Exhibits attached thereto, dated as of the date of this Indenture, between the Issuer and the Borrower, with

respect to the Bonds, as such Agreement may be from time to time amended, restated or supplemented in accordance with the provisions of Section 10.6 of the Agreement and Article XI hereof.

“Alternate Credit Facility” means any alternate credit facility designated and qualified as such and provided pursuant to Section 706 hereof no later than the twenty-fifth (25th) day prior to the then applicable Termination Date.

“Alternate Credit Facility Date” means a Business Day on or prior to the Termination Date on which the Borrower has complied with all requirements of this Indenture, including Section 706 regarding the substitution of an Alternate Credit Facility for the Credit Facility then in effect.

“Annual Mode” means an Interest Mode during which the interest rate on the Bonds is determined at twelve month intervals, as provided in Section 203(e) hereof.

“Authorized Borrower Representative” means either the Chief Financial Officer or the Vice President of the Borrower, or such other official of the Borrower at the time designated to act on behalf of the Borrower as evidenced by written certificate furnished to the Issuer, the Credit Enhancer and the

Trustee containing the specimen signature of such person and signed on behalf of the Borrower by its Chief Executive Office or its Chief Financial Officer. Such certificate may designate an alternate or alternates, each of whom shall be entitled to perform all duties of and exercise all powers of an Authorized Borrower Representative.

"Authorized Denominations" means (i) in the case of Bonds in a Weekly Mode or Monthly Mode, $100,000 and any integral multiple of $5,000 in excess thereof; (ii) in the case of Bonds in a Semiannual Mode, Annual Mode or Multiyear Mode, $5,000 or any integral multiple thereof, provided that if the Credit Facility is not exempt from registration under the Securities Act of 1933, as amended, and has not been registered thereunder then the Authorized Denomination shall be $100,000 and any integral multiple of $5,000 in excess thereof; or (iii) in the case of a Bond which is a Pledged Bond, $100,000 or any integral multiple of $5,000 in excess thereof.

"Authorized Issuer Representative" means the Chairman of the Board of Directors or the Executive Director of the Issuer, or such other person at the time designated to act on behalf of the Issuer as evidenced by written certificate furnished to the Borrower, the Credit Enhancer and the Trustee containing the specimen signature of such person and signed on behalf of the Issuer by its Executive Director. Such certificate may designate an alternate or alternates, each of whom shall be entitled to perform all duties of and exercise all powers of an Authorized Issuer Representative.

"Available Moneys" means (i) proceeds from the initial sale of the Bonds by the Issuer that have not been commingled with other funds that do not constitute Available Moneys and proceeds from the investment thereof; (ii) moneys that have been paid to the Trustee pursuant to payments on the Credit Facility and that have been held in the Credit Facility Account and not commingled with other funds that do not constitute Available Moneys, and proceeds from the investment thereof; and (iii) moneys with respect to which the Trustee has received an unqualified opinion of nationally recognized counsel expert on bankruptcy matters to the effect that payment of such proceeds to the Owners would not constitute a voidable preference under Section 547 of the United States Bankruptcy Code which could be recovered under Section 550(a) of the Bankruptcy Code

in the event of the filing of a petition thereunder by or against the Issuer, the Borrower or any Affiliated Party of the Borrower.

"Available Moneys Account" means the account by that name in the Revenue Fund created pursuant to Section 501 hereof.

"Bond" or "Bonds" means any bond or bonds authenticated and delivered under and pursuant to this Indenture.

"Bond Counsel" means any attorney or firm of attorneys designated by the Issuer and reasonably acceptable to the Borrower, the Trustee and the Credit Enhancer having a national reputation for skill in connection with the authorization and issuance of municipal obligations in the State and under Sections 103 and 141-150 of the Code.

"Bond Issuance Date" means the date of initial issuance and delivery of the Bonds.

"Bond Pledge Agreement" means the Pledge and Security Agreement dated as of September 1, 1994, by and among the Borrower, the Trustee and the Credit Enhancer, as amended, restated and supplemented from time to time.

"Bond Register" means the registration books of the Issuer kept by the Trustee to evidence the registration and transfer of Bonds.

"Bond Registrar" means the Trustee when acting as such.

"Bondowner" or "Owner" or "Registered Owner" means the person in whose name a Bond is registered on the Bond Register.

"Borrower" means Roller Bearing Company of America, Inc., a Delaware corporation, and any successor or assign thereto permitted under the Agreement.

"Borrower Bonds" means (i) Bonds owned or held by the Borrower or any Affiliate of the Borrower, or by the Trustee or the Tender Agent, or the agent of either of them, for the account of the Borrower or any Affiliate of the Borrower, including, but not limited to, Pledged Bonds, or (ii) Bonds which the Borrower has notified the Trustee, or which the Trustee knows, were purchased by another Person for the account of the Borrower or any Affiliate of the Borrower, including, but not limited to, Pledged Bonds.

"Business Day" means a day which is not (a) a Saturday, Sunday or any other day on which banking institutions in New York, New York, or the city or cities in which the principal corporate trust office of the Trustee, and the principal office of the Tender Agent, the Remarketing Agent or the Credit Enhancer is located, are required or authorized to close or (b) a day on which the New York Stock Exchange is closed.

"Code" means the Internal Revenue Code of 1986, as amended from time to time. References to the Code and Sections of the Code include relevant applicable regulations, temporary

regulations and proposed regulations thereunder, and any successor provisions to those Sections, regulations, temporary regulations or proposed regulations.

"Collateral Documents" means the Letter of Credit Agreement, the Bond Pledge Agreement and any other document securing the obligations of the Borrower to the Credit Enhancer in connection with the Letter of Credit Agreement, in each case as the same may be amended, restated or supplemented from time to time.

"Costs of Issuance Fund" means the fund by that name created in Section 501 hereof.

"Credit Enhancer" means initially Heller Financial, Inc., a Delaware corporation, and any provider or providers of an Alternate Credit Facility.

"Credit Documents" means the documents described by said term in the Letter of Credit Agreement, in each case as the same may be amended, restated or supplemented from time to time.

"Credit Facility" means the letter of credit initially issued by Heller Financial, Inc. and any Alternate Credit Facility issued by the Credit Enhancer in addition to or in substitution therefor, as the same may be amended, restated, supplemented, extended or renewed from time to time in accordance with the Agreement and this Indenture.

"Credit Facility Account" means the account by that name created in Section 501(c) of this Indenture.

"Debt Service Fund" means the fund by that name created in Section 501 hereof.

"Default" means any event or condition which constitutes, or with the giving of any requisite notice or upon the passage of any requisite time period or upon the occurrence of both, would constitute, an Event of Default under the Agreement or this Indenture.

"Determination of Taxability" means (i) a determination by the Commissioner or any District Director of the Internal Revenue Service, (ii) a private ruling or Technical Advice Memorandum issued by the National Office of the Internal Revenue Service in which the Borrower was afforded the opportunity to participate, (iii) a determination by any court of competent jurisdiction, or (iv) receipt by the Trustee, at the request of the Borrower, the Credit Enhancer or any Bondowner, of an Opinion of Bond Counsel that the interest on the Bonds is includable in gross income for federal income tax purposes of the Owners thereof or any former Owner thereof, other than an Owner who is a "substantial user" (as such term is defined in Section 147(a) of the Code) of the Project or a Related Person; provided, however, that no such Determination of Taxability under clause (i) or (iii) shall be deemed to have occurred if the Borrower has been afforded the opportunity to contest such determination, has elected to contest such determination in good faith and is proceeding with all applicable dispatch to prosecute such contest until the earliest of (a) a final determination from which no appeal may be taken with respect to such determination, (b) abandonment of such appeal by the Borrower, or (c) one year from the date of initial determination.

"Event of Default" means any event or occurrence as defined in Section 801 hereof.

"Financial Institution" means any qualified institutional buyer, as that term is defined from time to time in 17 C.F.R. ss.230.144A(a)(i) ("Rule 144A").

"Funds" means the funds created pursuant to Article V hereof.

"General Fund" means the fund by that name created in Section 501 hereof.

"Government Securities" means direct obligations of, or obligations the payment of the principal of and interest on which are unconditionally guaranteed by, the United States of America.

"Immediate Notice" means notice by telephone, telegram, telex, telecopier or other telecommunication device to such phone numbers or addresses as are specified in Section 1302 hereof or such other phone number or address as the addressee shall have directed in writing, promptly followed by written notice by first-class mail postage prepaid to such addresses.

"Indenture" means this Trust Indenture as originally executed by the Issuer and the Trustee, as from time to time amended and supplemented by Supplemental Indentures in accordance with the provisions of Article X of this Indenture.

"Interest Mode" means a period of time relating to the frequency with which the interest rate on the Bonds is determined pursuant to Section 203 hereof, which Interest Mode may be a Weekly Mode, a Monthly Mode, a Semiannual Mode, an Annual Mode or a Multiyear Mode. Pledged Bonds bear interest at the Pledged Bond Rate and are not subject to such Interest Mode descriptions.

"Interest Mode Adjustment Date" means a date on which the Interest Mode of the Bonds is changed from one Interest Mode to a different Interest Mode, and such date shall be an Interest Payment Date.

"Interest Mode Adjustment Notice" means the notice of a new Interest Mode with respect to any Bonds in accordance with Section 204 hereof in substantially the form of Exhibit F attached hereto.

"Interest Payment Date" means the date on which an interest installment is required to be paid on the Bonds to the Owners thereof, (i) with respect to all Bonds other than Pledged Bonds, (1) as to the first Interest Period, October 3, 1994; (2) as to any Weekly Mode or Monthly Mode, the first Business Day of each month; (3) as to any Semiannual Mode, Annual Mode or Multiyear Mode, each March 1 and September 1, commencing with the first such March 1 or September 1 following the Interest Mode Adjustment Date, or the next succeeding Business Day thereafter if any such March 1 or September 1 is not a Business Day; and (4) an Interest Mode Adjustment Date; and (ii) with respect to Pledged Bonds, the first Business Day of each calendar month and the date of sale of Pledged Bonds.

"Interest Period" means, with respect to the Bonds in any Interest Mode, the period from and including each Interest Payment Date for such Interest Mode to and including the day immediately preceding the following Interest Payment Date for such Interest Mode, except that the first Interest Period shall be the period from and including the date of original delivery of the Bonds to and including the day immediately preceding the first Interest Payment Date for the Bonds.

"Investment Securities" means any of the following securities purchased in accordance with Section 602 hereof, if and to the extent the same are at the time legal for investment of the funds being invested:

(a) Government Securities;

(b) deposits which are fully insured by the Federal Deposit Insurance Corporation ("FDIC") in one or more of the following institutions: banks with a rating of A-1 or higher (including without limitation, the Trustee or any bank affiliated with the Trustee) organized under the laws of the United States of America or any state thereof;

(c) federal funds, unsecured certificates of deposit, time deposits and bankers acceptances (having maturities of not more than 365 days) of any bank, the short-term obligations of which are in the highest short-term rating category of the Rating Agency (if the Bonds are rated by Standard & Poor's, such category is A-I +);

(d) any shares in money market mutual funds provided such money market funds are rated AAAm or AAAmG by the Rating Agency; and

(e) repurchase agreements with (A) any institution described in clause (b) above or (B) any other entity that is under the jurisdiction of the Bankruptcy Code, provided that, with respect to a repurchase agreement with such other entity, the terms of such repurchase agreement shall be less than one year, shall be with respect to Government Securities which meet the Investment Securities Collateral Requirement and shall mature at least 30 days before the time or times that such investments shall be needed for the purposes for which they were deposited.

"Investment Securities Collateral Requirement" means Government Securities which meet the requirements set forth in Exhibit B attached hereto and incorporated herein by this reference.

"Investor's Representation Letter" means the Investor's Representation Letter in substantially the form attached to this Indenture as Exhibit H.

"Issuer" means the South Carolina Jobs-Economic Development Authority, a body corporate and politic and an agency of the State, or any body, agency or instrumentality of the State succeeding to or charged with the powers, duties and functions of the Issuer.

"Letter of Credit Agreement" means the Letter of Credit Agreement dated as of the date of this Indenture, between the Borrower and the initial Credit Enhancer, and any similar agreement between the Borrower and the Credit Enhancer with respect to the issuance of an Alternate Credit Facility.

"Loan Payment Date" means the day established for a Loan Payment under the Agreement.

"Loan Term" means the period from the date of initial delivery and authentication of the Bonds until such time as the Bonds are no longer Outstanding and all other amounts payable by the Borrower under the Agreement and the Letter of Credit Agreement shall have been paid.

"Mandatory Purchase Date" means each date designated by the Credit Enhancer for purchase of the Bonds in accordance with the provisions of Section 302(d) of this Indenture.

"Maximum Rate" means the lesser of (i) 15% per annum or (ii) the rate utilized in the Credit Facility for purposes of computing the interest component thereof.

"Monthly Mode" means an Interest Mode during which the interest rate on the Bonds is determined in monthly intervals as set forth in Section 203(d) hereof.

"Moody's" means Moody's Investors Service, a corporation organized and existing under the laws of the State of Delaware, and its successors and assigns, and, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, "Moody's" shall be deemed to refer to any other nationally recognized securities rating agency designated by the Issuer, with the prior written approval of the Credit Enhancer and the Borrower, by notice to the Trustee.

"Multiyear Mode" means an Interest Mode during which the interest rate on the Bonds is determined at intervals of integral (greater than one) multiples of twelve months, as provided in Section 203(e) hereof.

"New York Time" means the time on any given day in the City of New York, New York, whether such time be Eastern Standard Time or Eastern Daylight Savings Time.

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

"Nonpurpose Investments" means any investment property (as defined in Section 148(b) of the Code) which is acquired with the gross proceeds of the Bonds and which is not acquired to carry out the governmental purpose of the Bonds.

"Notice of Election to Tender/Retain Bonds" means the Notice of Election to Tender/Retain Bonds in substantially the form attached hereto as Exhibit D delivered by a Bondowner to the Tender Agent (i) pursuant to Section 301 hereof which contains a demand for the purchase of Bonds on the Tender Date, or (ii) following receipt of a notice of a mandatory tender of Bonds as specified in Section 302 hereof which contains an election to retain Bonds. "Notice of Election to Tender Bonds" shall refer to those provisions of the Notice of Election to Tender/Retain Bonds which relate to the election to tender Bonds as hereinafter provided. "Notice of Election to Retain Bonds" shall refer to those provisions of the Notice of Election to Tender/Retain Bonds which relate to the election to retain Bonds.

"Opinion of Bond Counsel" means a written opinion of Bond Counsel addressed to the Trustee, for the benefit of the Owners of the Bonds, and the Credit Enhancer.

"Opinion of Counsel" means a written opinion of an attorney or firm of attorneys addressed to the Trustee, for the benefit of the Owners of the Bonds and the Credit Enhancer, who may (except as otherwise expressly provided in this Indenture) be counsel to the Issuer, the Borrower, the Owners of the Bonds, the Credit Enhancer or the Trustee, and who is acceptable to the Trustee and the Credit Enhancer.

"Outstanding when used with reference to Bonds, means, as of a particular date, all Bonds theretofore authenticated and delivered under this Indenture except:

(a) Bonds theretofore cancelled by the Trustee or delivered to the Trustee for cancellation pursuant to Section 209 hereof;

(b) Bonds which are deemed to have been paid in accordance with Article XII hereof;

(c) Bonds in exchange for or in lieu of which other Bonds have been authenticated and delivered pursuant to Article II of this Indenture;

(d) Undelivered Bonds; and

(e) For purposes of any consent or other action to be taken by the Owner of a specified percentage of Bonds under this Indenture or the Agreement, Bonds owned or held for the account of the Issuer or Borrower Bonds. Notwithstanding the foregoing, Bonds so owned which have been pledged in good faith shall not be disregarded as aforesaid if the pledgee establishes to the satisfaction of the Trustee the pledgee's right so to act with respect to such Bonds and that the pledgee is not the Issuer, the Borrower or any Affiliated Party.

"Paying Agent" means the Tender Agent as to all Tendered Bonds, the Trustee as to all other Bonds, and any other bank or trust institution organized under the laws of any state of the United States of America or any national banking association designated by this Indenture or any Supplemental Indenture as paying agent for the Bonds at which the principal of, and redemption premium, if any, and interest on, such Bonds shall be payable.

"Person" means an individual, a corporation, a partnership, an association, a joint stock company, a joint venture, a trust, an unincorporated organization, a limited liability company, or a government or any agency or political subdivision thereof.

"Placement Date" means any date on which a Pledged Bond is purchased from the Borrower by a Person designated by the Remarketing Agent pursuant to the Remarketing Agreement or is sold by the Borrower.

"Plant" means the facility, including machinery and equipment, for the manufacture of roller bearings in Darlington County, South Carolina, operated by the Borrower.

"Pledged Bonds" means any Bonds purchased by the Borrower with payments made on the Credit Facility, which Bonds are registered in the name of the Borrower and held by the Trustee on behalf of the Credit Enhancer pursuant to the terms of the Bond Pledge Agreement, until such time as such Bonds are sold by the Borrower or by the Remarketing Agent.

"Pledged Bond Rate" means the rate of interest per annum payable with respect to each Pledged Bond, which shall be equal to the Interest Rate set forth in Section 2.9 of the Letter of Credit Agreement.

"Preliminary Rate" means Preliminary Rate as defined in Section 203(e) hereof.

"Principal Office" means, with respect to the Trustee and the Tender Agent, its principal corporate trust office, initially 8820 Ladue Road, St. Louis, Missouri 63124, Attention: Corporate Trust Division.

"Principal Payment Date" means the maturity date or redemption date (including as a result of acceleration) of any Bond.

"Project" means the buildings, fixtures, machinery and equipment described in Exhibit A to the Agreement, and all additions, modifications, improvements, replacements and substitutions made to the Project pursuant to the Agreement, as they may at any time exist.

"Project Fund" means the fund by that name created by Section 501 hereof.

"Project Purposes" means the costs of acquiring, constructing, installing and equipping the Project.

"Purchase Fund" means the fund by that name created by Section 501 hereof.

"Rate Adjustment Date" means the date as of which the interest rate determined for an Interest Mode shall be effective, which (i) during a Weekly Mode shall be Thursday of each week (whether or not a Business Day); (ii) during a Monthly Mode shall be the first calendar day of each month; (iii) during a Semiannual Mode shall be the first calendar day of such Semiannual Mode which shall be March 1 or September 1 and the first day following each six-month period thereafter; and, (iv) during an Annual Mode or a Multiyear Mode shall be the first calendar day of such Annual Mode or Multiyear Mode, which shall be September 1, and thereafter the first calendar day following the completion of the then current Annual Mode or Multiyear Mode. The initial Rate Adjustment Date is September 15, 1994.

"Rate Adjustment Notice" means the Rate Adjustment Notice in substantially the form of Exhibit E hereto to be mailed by the Trustee in accordance with Section 203(e) hereof.

"Rate Determination Date" means no later than 4:00 P.M., New York Time, on the Business Day immediately preceding a Rate Adjustment Date for a Weekly or a Monthly Mode, and on the third (3rd) Business Day immediately preceding a Rate Adjustment Date for a Semiannual Mode, Annual Mode or Multiyear Mode.

"Rate Period" means the period from a Rate Adjustment Date to, but not including, the next Rate Adjustment Date.

"Rating Agency" means (collectively, as required) Moody's, if the Bonds are then rated by Moody's, Standard & Poor's, if the Bonds are then rated by Standard & Poor's, and any other national rating service which has outstanding credit rating on the Bonds.

"Rebate Fund" means the fund by that name created in Section 501 hereof.

"Record Date" means, with respect to Bonds in a Semiannual Mode, an Annual Mode or a Multiyear Mode, the fifteenth calendar day, whether or not a Business Day, of the month preceding

such Interest Payment Date, and, with respect to Bonds in a Weekly Mode or Monthly Mode, the fifth calendar day, whether or not a Business Day, immediately preceding such Interest Payment Date.

"Related Documents" means the Collateral Documents and the Credit Documents.

"Related Person" means a "related person" within the meaning of Section 147 (a) of the Code.

"Remarketing Agent" means the remarketing agent at the time serving as such under the Remarketing Agreement and designated as the Remarketing Agent for purposes of this Indenture. The initial Remarketing Agent is Stem Brothers & Co., St. Louis, Missouri.

"Remarketing Agreement" means the Remarketing Agreement dated as of September 1,1994, between the Borrower and the Remarketing Agent or, if such Remarketing Agreement shall be terminated, such other agreement, approved by the Credit Enhancer, which may from time to time be entered into with any Remarketing Agent with respect to the remarketing or placement of the Bonds.

"Remarketing Proceeds" means proceeds from the resale by the Remarketing Agent of Bonds delivered for purchase pursuant to Section 301 or 302 hereof that have not been commingled with other funds which do not constitute Remarketing Proceeds, and proceeds from the investment thereof; provided that Remarketing Proceeds cannot include any moneys provided by the Borrower, the Issuer, any guarantor of the Bonds (excluding the issuer of the Credit Facility, but only with respect to moneys provided pursuant to the Credit Facility), any Affiliated Party of the foregoing, or any Person which is an "insider" of the Borrower or any such guarantor within the meaning of Title 11 of the United States Code, as amended.

"Resolution" means the resolution of the Board of Directors of the Issuer authorizing the execution and delivery of the Agreement, this Indenture and the issuance of the Bonds.

"Revenue Fund" means the fund by that name created in Section 501 hereof.

"Revenues" means the amounts pledged hereunder to the payment of principal of, and premium, if any, and interest on the Bonds, consisting of the following: (i) all income, revenues, proceeds and other amounts, to which the Issuer is entitled, derived from the Borrower (except the Unassigned Issuer's Rights as defined in the Agreement), including all scheduled payments under the Agreement, payments received on the Credit Facility and all receipts of the Trustee credited under the provisions of this Indenture against said amounts payable, and (ii) moneys held in the Funds and Accounts, together with investment earnings thereon, other than moneys in the Rebate Fund and rebatable arbitrage not deposited therein and funds held for the payment of specific Bonds pursuant to Section 510 hereof or amounts held in the Purchase Fund.

"Series 1994B Bonds" means the Issuer's $3,000,000 original principal amount Variable Rate Demand Industrial Development Revenue Bonds (Roller Bearing Company of America, Inc. Project) Series 1994B, issued pursuant to the Series 1994B Indenture.

"Series 1994B Indenture" means the Indenture of Trust dated as of September 1, 1994 between the Issuer and the Trustee, delivered with respect to the Series 1994B Bonds.

"Semiannual Mode" means an Interest Mode during which the interest rate on the Bonds is determined at six-month intervals as set forth in Section 203(e) hereof.

"Standard & Poor's" means Standard & Poor's Ratings Group, A Division of McGraw-Hill, Inc., a corporation organized and existing under the laws of the State of New York, and its successors and assigns, and, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, Standard & Poor's shall be deemed to refer to any other nationally recognized securities rating agency designated by the Issuer, with the prior written approval of the Credit Enhancer, by notice to the Trustee and the Borrower.

"State" means the State of South Carolina.

"Supplemental Indenture" means any indenture supplemental or amendatory to this Indenture entered into by the Issuer and the Trustee pursuant to Article X of this Indenture.

"Tax Agreement" means the Tax Agreement dated of even date herewith between the Borrower and the Issuer, delivered with respect to the Bonds, as the same may be amended, restated or supplemented from time to time.

"Tender Agent" means initially the Trustee, and any successor tender agent appointed pursuant to Section 914 hereof. The Tender Agent shall act as Paying Agent as to Tendered Bonds.

"Tender Date" means (a) each date designated by a Bondowner for purchase of any Bonds in accordance with the provisions of Section 301 hereof, and (b) each date on which Bonds are required to be tendered in accordance with the provisions of Section 302 hereof, including any Mandatory Purchase Date, whether or not such Bonds are actually tendered.

"Tender Price" means 100% of the principal amount of any Bond tendered pursuant to the provisions of Section 301 or Section 302 of this Indenture plus interest accrued and unpaid thereon to, but not including, the Tender Date.

"Tendered Bonds" means (a) any Bonds tendered by a Bondowner for purchase pursuant to Section 301 hereof, and (b) any Bonds required to be tendered for purchase pursuant to Section 302 hereof, unless a proper waiver has been made by the Owner of such Bonds, in each case whether or not such Bonds are actually tendered.

"Termination Date" means (i) if the Credit Facility is not a letter of credit, the maturity or expiration date of the Credit Facility or, if such day is not a Business Day, the next preceding Business Day or (ii) if the Credit Facility is a letter of credit, the last Interest Payment Date which is at least five (5) days preceding the date on which the Credit Facility is to expire pursuant to its terms, in each case including any extension of such maturity or expiration date.

"Trust Estate" means the Trust Estate described in the granting clauses of this Indenture.

"Trustee" means Mark Twain Bank, a banking corporation duly organized and existing under the laws of the State of Missouri, and its successor or successors and any other association or corporation which at any time may be substituted in its place pursuant to and at the time serving as trustee under this Indenture.

"Unavailable Moneys Account" means the account by that name in the Revenue Fund created pursuant to Section 501 of this Indenture.

"Undelivered Bonds" means Bonds which are deemed to have been tendered to the Trustee or Tender Agent, as applicable, for purchase pursuant to Section 301 or 302 hereof but which have not been surrendered to the Trustee or Tender Agent, as applicable.

"Weekly Mode" means an Interest Mode during which the interest rate on the Bonds is determined in weekly intervals as set forth in Section 203(c) hereof.

"Written Request" with reference to the Issuer means a request in writing signed by an Authorized Issuer Representative and with reference to the Borrower means a request in writing signed by an Authorized Borrower Representative.

Section 102. Rules of Interpretation.

For all purposes of this Indenture, except as otherwise expressly provided or unless the context otherwise requires:

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

(b) Words importing the singular number shall include the plural and vice versa and words importing person shall include firm's, associations and corporations, including public bodies, as well as natural persons.

(c) The table of contents hereto and the headings and captions herein are not a part of this document.

(d) Terms used in an accounting context and not otherwise defined shall have the meaning ascribed to them by generally accepted principles of accounting.

(e) Notwithstanding anything herein, in the Series 1994B Indenture or in the Borrower Documents to the contrary, each of the "Borrower", the Credit Enhancer", the "Paying Agent(s)", the "Remarketing Agent", the "Tender Agent" and the "Trustee" (including, for such purpose, each co-trustee) shall, as between the documents relating to the Bonds and the Series 1994B Bonds, be one and the same Person.

[End of Article I]

ARTICLE II

THE BONDS

Section 201. Authorization. Issuance and Terms of Bonds.

(a) Authorized Amount of Bonds. No Bonds may be issued under the provisions of this Indenture except in accordance with this Article. The total aggregate principal amount of the Bonds that may be issued hereunder and at any time Outstanding is hereby expressly limited to $7,700,000.

(b) Title of Bonds. The Bonds authorized to be issued under this Indenture shall be designated "Variable Rate Demand Industrial development Revenue Bonds (Roller Bearing Company of America, Inc. Project) Series 1994A".

(c) Form of Bonds. The Bonds shall be substantially in the form set forth in Exhibit A attached hereto, with such appropriate variations, omissions and insertions as are permitted or required by this Indenture, and may have endorsed thereon such legends or text as may be necessary or appropriate to conform to any applicable rules and regulations of any governmental authority or any usage or requirement of law with respect thereto.

(d) Denominations. The Bonds shall be issuable as fully registered Bonds without coupons in Authorized Denominations only.

(e) Numbering. Unless the Issuer shall otherwise direct, the Bonds shall be numbered from R-1 upward.

(f) Dating. The Bonds shall be dated as of the Bond Issuance Date, be issuable in Authorized Denominations, and bear interest from the most recent Interest Payment Date to which interest has been paid or for which due provision has been made or if no Interest Payment Date has occurred therefor, the dated date thereof.

(g) Maturity. The Bonds shall mature on September 1, 2017, subject to optional and mandatory redemption as provided in Article IV hereof.

(h) Tender and Purchase of Bonds. The Bonds are subject to optional and mandatory tender for purchase as provided in Article III hereof.

(i) Method and Place of Payment. Except as provided herein, the principal of, and redemption premium, if any, and interest on the Bonds shall be payable in any coin or currency of the United States of America which, at the respective dates of payment thereof, is legal tender for the payment of public and private debts, and such principal and premium, if any, shall be payable at the Principal Office of the Trustee or at the office of any alternate Paying Agent, and, with respect to the Tender Price, at the Principal Office of the Tender Agent, upon presentation and surrender of such Bonds. Payment of interest on any Bond shall be made by check or draft of the Trustee mailed to the person in whose name such Bond is registered on the Bond Register as of the close of business of the Trustee on the Record Date for such Interest Payment Date, except that

interest not duly paid or provided for when due shall be payable to the person in whose name such Bond is registered at the close of business on the Business Day immediately preceding the date of payment of such defaulted interest. In the case of an interest payment to any Owner of $1,000,000 or more in aggregate principal amount of Bonds as of the commencement of business of the Trustee on the Record Date for a particular Interest Payment Date or in the case of the purchase from an Owner of $1,000,000 or more in aggregate principal amount of Bonds on the Tender Date, payment of interest or the Tender Price, as applicable, shall be made by wire transfer to such Owner upon written notice to the Trustee from such Owner containing the wire transfer address (which shall be in the continental United States) to which such Owner wishes to have such wire directed and, with regard to interest payments, such written notice is given by such Owner to the Trustee not less than fifteen (15) days prior to such Record Date and regarding payment of the Tender Price, which written notice accompanies such Owner's Notice of Election to Tender Bonds.

Section 202. Nature of Obligations.

(a) The Bonds and the interest thereon shall be limited obligations of the Issuer payable solely from Bond proceeds, the Revenues and other moneys pledged thereto and held by the Trustee as provided herein, and are secured by a transfer, pledge and assignment of and a grant of a security interest in the Trust Estate to the Trustee and in favor of the Owners of the Bonds, as provided in this Indenture.

(b) The Bonds and the interest thereon do not constitute a debt or general obligation of the Issuer, the State, or any political subdivision thereof, and do not constitute an indebtedness or a charge against the general credit of the State or the Issuer within the meaning of any constitutional or statutory limitation or restriction. The Bonds are not payable in any manner by taxation.

(c) No recourse shall be had for the payment of the principal of, or premium, if any, or interest on, any of the Bonds or for any claim based thereon or upon any obligation, provision, covenant or agreement contained in this Indenture contained, against any past, present or future director, trustee, officer, official, employee or agent of the Issuer, or any director, trustee, officer, official, employee or agent of any successor to the Issuer, as such, either directly or through the Issuer or any successor to the Issuer, under any rule of law or equity, statute or constitution or by the enforcement of any assessment or penalty or otherwise, and all such liability of any such director, trustee, officer, official, employee or agent as such is hereby expressly waived and released as a condition of and in consideration for the execution of this Indenture and the issuance of any of the Bonds. Neither the officers of the Issuer nor any person executing the Bonds shall be personally liable on the Bonds by reason of the issuance thereof.

Section 203. Interest Rates and Interest Payment Provisions.

(a) Calculation of Interest. Subject to the provisions of Section 802 (a) hereof, the Bonds shall bear interest from and including the date thereof until payment of the principal or redemption price thereof shall have been made or provided for in accordance with the provisions hereof, whether at maturity, upon redemption or otherwise. Anything herein to the contrary notwithstanding, in no event shall the interest rate borne by the Bonds, other than Pledged Bonds, at any time exceed the Maximum Rate. Subject to such limitation, the interest rates on the Bonds

shall be determined as provided in this Section. Interest accrued on the Bonds during each Interest Period shall be paid on the next succeeding Interest Payment Date and, while the Bonds are in a Weekly Mode or a Monthly Mode, shall be computed on the basis of a year of 365 or 366 days, as appropriate, for the actual number of days elapsed and, while the Bonds are in a Semiannual Mode, an Annual Mode or a Multiyear Mode, shall be computed on the basis of a year of 360 days and twelve 30-day months. The Trustee shall calculate the amount of interest to be paid on each Interest Payment Date, and the Remarketing Agent shall confirm such interest amount calculation, and the Trustee shall notify the Borrower and the Credit Enhancer of such amount by 10:00 a.m., New York Time, on the Business Day next preceding each Interest Payment Date.

(b) Standard for Determination of Interest Rate. The Remarketing Agent shall determine the interest rate for the Rate Period commencing with each Rate Adjustment Date to be the lowest rate which, in the best judgment of the Remarketing Agent, on the Rate Determination Date, would result in the market value of such Bonds on the Rate Adjustment Date being equal to 100% of their principal amount. In determining such interest rate, the Remarketing Agent shall have due regard for general financial conditions and such other conditions as, in the judgment of the Remarketing Agent, have a bearing on the interest rate on the Bonds, including then prevailing market conditions, the yields at which comparable securities are then being sold and the tender provisions applicable thereto during the forthcoming Rate Period. Each determination of the interest rate for the Bonds, as provided herein, shall be conclusive and binding upon the Bondowners, the Issuer, the Borrower, the Tender Agent, the Remarketing Agent, the Credit Enhancer and the Trustee. Upon request, the Remarketing Agent shall give the Issuer, the Trustee, the Credit Enhancer, the Borrower, the Tender Agent or any Bondowner Immediate Notice of the interest rate on the Bonds at any time.

(c) Weekly Mode. The interest rate for Bonds in a Weekly Mode shall be determined in the following manner. On each Rate Determination Date, the Remarketing Agent shall determine the interest rate which such Bonds shall bear during the Rate Period following such Rate Determination Date. The interest rate so determined shall be effective on the Rate Adjustment Date. Promptly after each Rate Determination Date, the Remarketing Agent shall give written notice of the interest rate so set to the Trustee, the Credit Enhancer and the Borrower. On each Interest Payment Date the Trustee shall mail to each Bondowner a written statement showing the interest rates for such Bonds during the preceding Interest Period.

(d) Monthly Mode. The interest rate for any Bonds in a Monthly Mode shall be determined in the following manner. On each Rate Determination Date, the Remarketing Agent shall determine the interest rate which such Bonds shall bear during the Rate Period following such Rate Determination Date. The interest rate so determined shall be effective on the Rate Adjustment Date. Promptly after each Rate Determination Date, the Remarketing Agent shall give written notice of the interest rate so set to the Borrower, the Credit Enhancer and the Trustee. On each Interest Payment Date the Trustee shall mail to each Bondowner a written statement showing the interest rates for such Bonds during the preceding Interest Period.

(e) Semiannual Mode. Annual Mode or Multiyear Mode. The interest rate for Bonds in a Semiannual Mode, an Annual Mode or a Multiyear Mode shall be determined in the following manner. Not less than 30 days nor more than 35 days before each Rate Adjustment Date, the Remarketing Agent shall determine the interest rate (the “Preliminary Rate”) which the Bonds would

bear if such day were a Rate Determination Date. The Remarketing Agent shall give Immediate Notice of the Preliminary Rate to the Borrower, the Credit Enhancer and the Trustee. The Trustee shall thereupon mail, not less than 25 days prior to the Rate Adjustment Date, to each Bondowner a Rate Adjustment Notice in substantially the form attached hereto as Exhibit E. On the Rate Determination Date the Remarketing Agent shall determine the interest rate which each of such Bonds shall bear for each such Rate Period, which rate may be less than, equal to or greater than the Preliminary Rate. By Immediate Notice on such Rate Determination Date the Remarketing Agent shall give written notice of the interest rate so set to the Borrower, the Credit Enhancer, the Tender Agent and the Trustee, and the Trustee shall mail to all Bondowners written notice of the interest rate so determined.

(f) Alternative Rate Calculation. If for any reason the interest rate for the Bonds is not or cannot be established as provided in the preceding paragraphs, or is held invalid or unenforceable by a court of law, all Bonds shall immediately convert to a Weekly Mode, anything in this Indenture to the contrary notwithstanding, and the interest rate shall be a rate equal to the lesser of (i) 85% of the 90-day U.S. Treasury Bill rate, determined on the basis of the average per annum rate at which 90-day U.S. Treasury Bills have been sold on a bond-equivalent basis at the most recent U.S. Treasury auction preceding the Rate Determination Date, or (ii) the Maximum Rate.

Pledged Bonds. Notwithstanding the above provisions of this Section 203 the Pledged Bonds shall bear interest at the Pledged Bond Rate during the period that such Bonds are Pledged Bonds. The Credit Enhancer shall use its best efforts to notify the Trustee on the Business Day preceding each Interest Payment Date in respect of such a period of the Pledged Bond Rate in effect from time to time during such period. The Credit Facility shall not be drawn on to pay any Pledged Bond.

Section 204. Changes in Interest Modes.

(a) The Bonds shall initially be in a Weekly Mode. The Interest Mode for the Bonds may be changed from time to time at the option of the Borrower, with the prior written consent of the Credit Enhancer exercised as provided in this Section to another Interest Mode selected by the Borrower, on an Interest Payment Date on which the Bonds are subject to redemption pursuant to Section 401 hereof at a redemption price equal to the principal amount thereof, plus accrued interest, without premium. The Borrower may exercise such option at any time by giving written notice not more than 60 nor less than 45 days prior to the Interest Mode Adjustment Date, to the Issuer, the Trustee, the Tender Agent, the Remarketing Agent and the Credit Enhancer stating its election to convert the Interest Mode for the Bonds to another Interest Mode, which notice shall specify the new Interest Mode and the Interest Mode Adjustment Date. Such Interest Mode Adjustment Date shall be a Rate Adjustment Date for the Bonds in such new Interest Mode. Upon the exercise of such option by the Borrower and upon the Trustee’s receipt of the prior written consent of the Credit Enhancer to the exercise of such option, the Trustee shall mail, not less than thirty (30) days prior to the Interest Mode Adjustment Date, an Interest Mode Adjustment Notice to each Owner of Bonds, and, in the event of a conversion to a Weekly Mode or a Monthly Mode from any other Interest Mode, a Notice of Election to Tender/Retain Bonds in substantially the form attached hereto as Exhibit D.

(b) No change in the Interest Mode shall occur unless (i) the Trustee shall have received, prior to sending the Interest Mode Adjustment Notice, an Opinion of Bond Counsel stating that the change in the Interest Mode is authorized and permitted by this Indenture and the Act and will not adversely affect the exclusion of interest on the Bonds from gross income for federal income tax purposes and such Opinion of Bond Counsel is confirmed as of the Interest Mode Adjustment Date, and (ii) the Credit Enhancer shall have given its prior written consent to the change in the Interest Mode and shall have fully and timely made any payment due under the Credit Facility made in connection with the related Interest Mode Adjustment Date pursuant to Section 508 hereof. Further, no change from a Weekly Mode to any other Interest Mode may occur unless a corresponding change in Interest Mode with respect to the Series 1994B Bonds is made on the same date.

Section 205. Execution, Authentication and Delivery of Bonds.

(a) The Bonds shall be executed on behalf of the Issuer by the manual or facsimile signature of the chairman of the Board of Directors of the Issuer and attested by the manual or facsimile signature of its Executive Director, Secretary or Assistant Secretary, and shall have the corporate seal of the Issuer affixed thereto or imprinted thereon. In case any officer whose signature or facsimile thereof appears on any Bonds shall cease to be such officer before the delivery of such Bonds, such signature or facsimile thereof shall nevertheless be valid and sufficient for all purposes, the same as if such person had remained in office until delivery. Any Bond may be signed by such persons who at the actual time of the execution of such Bond shall be the proper officers to sign such Bond although at the date of such Bond such persons may not have been such officers.

(b) The Bonds shall have endorsed thereon a Certificate of Authentication substantially in the form set forth in Exhibit A hereto, which shall be manually executed by the Trustee. No Bond shall be entitled to any security or benefit under this Indenture or shall be valid or obligatory for any purpose unless and until such Certificate of Authentication shall have been duly executed by the Trustee. Such executed Certificate of Authentication upon any Bond

shall be conclusive evidence that such Bond has been duly authenticated and delivered under this Indenture. The Certificate of Authentication on any Bond shall be deemed to have been duly executed if signed by any authorized officer or employee of the Trustee, but it shall not be necessary that the same officer or employee sign the Certificate of Authentication on all of the Bonds that may be issued hereunder at any one time.

(c) Prior to or simultaneously with the authentication and delivery of the Bonds by the Trustee there shall be filed with the Trustee the following:

(1) A copy of the Resolution, certified by the Executive Director of the Issuer.

(2) An original executed counterpart of this Indenture, the Agreement and the Credit Facility.

(3) An Opinion of Bond Counsel, dated the date of initial delivery of the Bonds, to the effect that the Bonds are valid and binding special limited obligations of the Issuer and that interest on the Bonds is excludable from gross income pursuant to the Code and is exempt from income taxation in the State of South Carolina.

(4) A request and authorization to the Trustee on behalf of the Issuer, executed by an Authorized Issuer Representative, to authenticate the Bonds and deliver said Bonds to the purchasers therein identified upon payment to the Trustee, for the account of the Issuer, of the purchase price thereof. The Trustee shall be entitled to rely conclusively upon such request and authorization as to the names of the purchasers and the amount of such purchase price.

(5) Evidence satisfactory to the Issuer, the Credit Enhancer and the Trustee that the Bonds have been purchased by "qualified institutional buyers" as defined in Rule 144A of the 1933 Act.

(6) Such other certificates, statements, receipts, documents and Opinions of Counsel as the Trustee shall reasonably require for the delivery of the Bonds.

(d) When the documents mentioned in paragraph (c) of this Section shall have been filed with the Trustee, and when the Bonds shall have been executed and authenticated as required by this Indenture, the Trustee shall deliver the Bonds to or upon the order of the purchasers thereof, but only upon payment to the Trustee of the purchase price of the Bonds. The proceeds of the sale of the Bonds, including premium thereon, if any, shall be immediately paid over to the Trustee, and the Trustee shall deposit and apply such proceeds as set forth in Section 502 hereof.

Section 206. Registration, Transfer and Exchange of Bonds.

(a) The Trustee is hereby appointed Bond Registrar and as such shall keep the Bond Register at its principal corporate trust office. No later than the second Business Day following each Record Date, the Trustee shall send a copy of the Bond Register to the Tender Agent by first-class mail.

(b) Any Bond may be transferred only upon the Bond Register upon surrender thereof to the Trustee duly endorsed for transfer or accompanied by an assignment duly executed by the registered Owner or such Owner's attorney or legal representative in such form as shall be satisfactory to the Trustee. Subject to Section 210 hereof, upon any such transfer, the Issuer shall execute and the Trustee shall authenticate and deliver in exchange for such Bond a new Bond or Bonds, registered in the name of the transferee, of any Authorized Denomination.

(c) Any Bonds, upon surrender thereof at the principal corporate trust office of the Trustee, together with an assignment duly executed by the Owner or such Owner's attorney or legal representative in such form as shall be satisfactory to the Trustee, may, at the option of the Owner thereof, be exchanged for an equal aggregate principal amount of the Bonds, of any Authorized Denomination.

(d) In all cases in which Bonds shall be exchanged or transferred hereunder, the Issuer shall execute and the Trustee shall authenticate and deliver at the earliest practicable time Bonds in accordance with the provisions of this Indenture. All Bonds surrendered in any such exchange or transfer shall forthwith be cancelled by the Trustee.

(e) The Issuer or the Trustee may make a charge against each Bondowner requesting a transfer or exchange of Bonds for every such transfer or exchange of Bonds sufficient to reimburse it for any tax or other governmental charge required to be paid with respect to such transfer or exchange, the cost of printing, if any, each new Bond issued upon any transfer or exchange and the reasonable expenses of the Issuer and the Trustee in connection therewith, and such charge shall be paid before any such new Bond shall be delivered.

(f) At reasonable times and under reasonable regulations established by the Trustee, the Bond Register may be inspected and copied by the Borrower, the Issuer, the Credit Enhancer or the Owners (or a designated representative thereof) of 10% or more in aggregate principal amount of Bonds then Outstanding, such ownership and the authority of any such designated representative to be evidenced to the satisfaction of the Trustee.

(g) The person in whose name any Bond shall be registered on the Bond Register shall be deemed and regarded as the absolute Owner of such Bond for all purposes, and payment of or on account of the principal of and redemption premium, if any, and interest on any such Bond shall be made only to or upon the order of the registered Owner thereof or such Owner's attorney or legal representative (except that any such payments on Pledged Bonds shall be made to the Credit Enhancer). All such payments shall be valid and effectual to satisfy and discharge the liability upon such Bond, including the interest thereon, to the extent of the sum or sums so paid.

Section 207. Temporary Bonds.

(a) Until definitive Bonds are ready for delivery, the Issuer may execute and, upon request of the Issuer, the Trustee shall authenticate and deliver in lieu of definitive Bonds, but subject to the same limitations and conditions as definitive Bonds, temporary printed, engraved, lithographed or typewritten Bonds.

(b) If temporary Bonds shall be issued, the Issuer shall cause the definitive Bonds to be prepared and to be executed and delivered to the Trustee, and the Trustee, upon presentation to it at its principal corporate trust office of any temporary Bond shall cancel the same and authenticate and deliver in exchange therefor, without charge to the Owner thereof, a definitive Bond or Bonds in the same aggregate amount as the temporary Bond surrendered in Authorized Denominations. Until so exchanged the temporary Bonds shall in all respects be entitled to the same benefit and security of this Indenture as the definitive Bonds to be issued and authenticated hereunder.

Section 208. Mutilated, Lost, Stolen, Destroyed or Undelivered Bonds. In the event any Bond shall become mutilated, or be lost, stolen or destroyed, the Issuer shall execute and the Trustee shall authenticate and deliver a new Bond of like date and tenor as the Bond mutilated, lost, stolen or destroyed; provided that, in the case of any mutilated Bond, such mutilated Bond shall first be surrendered to the Trustee, and in the case of any lost, stolen or destroyed Bond, there shall be first furnished to the Issuer and the Trustee evidence of such loss, theft or destruction satisfactory to the Issuer and the Trustee, together with indemnity satisfactory to them, the Borrower and the Credit Enhancer. In the event any such Bond shall have matured or been called for redemption, instead of issuing a substitute Bond the Issuer may pay or authorize the payment of the same without surrender thereof. Upon the issuance of any substitute Bond, the Issuer and

the Trustee may require the payment of an amount by the Bondowner sufficient to reimburse the Issuer and the Trustee for any tax or other governmental charge that may be imposed in relation thereto and any other reasonable fees and expenses incurred in connection therewith.

In the event that there are Undelivered Bonds, the Trustee shall authenticate and deliver, with such delivery to occur at the Principal Office of the Trustee to the new Owner or Owners thereof a new Bond or Bonds of like amount in Authorized Denominations registered in the name of the new Owner or Owners thereof. It shall be the duty of the Trustee to hold the moneys received from the remarketing of a replacement Bond issued in place of an Undelivered Bond, without liability for interest thereon, for the benefit of the former Bondowner, who shall thereafter be restricted exclusively to such moneys for any claim of whatever nature under this Indenture or with respect to the Undelivered Bond and so long as the moneys held by the Trustee equal the full amount due on such Bond on the tender date, whether from such remarketing or payment on the Credit Facility, such Bond shall thereafter no longer be secured by this Indenture or the Credit Facility (except for such moneys so held). Such moneys shall be held by the Trustee in the Purchase Fund, along with any other monies deposited in such Fund pursuant to said Section, and no moneys held in the Purchase Fund shall be invested.

Section 209. Cancellation and Destruction of Bonds Upon Payment. All Bonds which have been paid or redeemed or which the Trustee has purchased or which have otherwise been surrendered to the Trustee under this Indenture, either at or before maturity, shall be cancelled and destroyed by the Trustee immediately upon the payment, redemption or purchase of such Bonds and the surrender thereof to the Trustee. The Trustee shall execute a certificate in triplicate describing the Bonds so cancelled and destroyed, and shall file executed counterparts of such certificate with the Issuer, the Borrower and the Credit Enhancer. Bonds at any time held by the Issuer shall be surrendered to the Trustee for cancellation in accordance with the provisions of this Section.

Section 210. Limitation on Transfer and Exchange. The Bonds have not been registered or qualified under the 1933 Act or the securities laws of any state. Notwithstanding Section 206 hereof, so long as the Credit Facility secures the Bonds, no transfer of any Bond shall be made unless such transfer is made in a transaction which does not require registration or qualification under the 1933 Act or under any applicable state securities laws. The Trustee shall not register any transfer or exchange of a Bond unless (i) such Bondholder’s prospective transferee delivers to the Trustee an investment letter substantially in the form set forth as Exhibit H to this Indenture; or (ii) an opinion of counsel in form and substance reasonably satisfactory to the Trustee and the Credit Enhancer that such transfer or exchange is made in accordance with an applicable exemption from the 1933 Act and applicable state securities laws and such opinion is addressed to and delivered to the Trustee, the Borrower and the Credit Enhancer; or (iii) such transferee is an Eligible Transferee (as defined below) and the Remarketing Agent has delivered a certificate stating that such transfer complies with the exemption from registration provided by Rule 144A under the 1933 Act and any applicable state securities laws. As used in this Section, an “Eligible Transferee” is an entity that appears on a list provided by the Remarketing Agent and which has delivered an investment letter to the Trustee substantially in the form set forth as Exhibit H to this Indenture, provided, however, that such list and investment letter are dated as of a date within the preceding twelve months. Any such holder desiring to effect such transfer shall, and does hereby, agree to indemnify the Trustee, the Borrower and the Credit Enhancer against any liability, cost or expense (including attorneys’ fees) that may result if the transfer is not so exempt, or is not made in

accordance with such federal and state laws. The provisions of this paragraph shall not be applicable in the event that the Issuer, the Trustee, the Borrower and the Credit Enhancer shall have received an opinion of counsel in form and substance satisfactory to the Issuer, the Trustee and the Credit Enhancer that the Bonds and the Credit Facility are exempt from registration under the 1933 Act and any applicable state securities laws.

[End of Article II]

ARTICLE III

TENDER AND PURCHASE OF BONDS

Section 301. Optional Tender of Bonds During Weekly Mode or Monthly Mode.

(a) General. While the Bonds are in a Weekly Mode or Monthly Mode, the Owner of any Bond shall have the right to have such Bond purchased in whole or in part (which portion shall be in a principal amount equal to an Authorized Denomination) on the dates specified in paragraph (b) below at the Tender Price. An Owner’s exercise of the option to have such Bond purchased is irrevocable and binding on such Owner and cannot be withdrawn. If any Owner of Bonds shall fail to deliver the Bonds described in such Owner’s Notice of Election to Tender Bonds in accordance with this Section 301 such Bonds shall constitute Undelivered Bonds. Replacement Bonds shall be executed, authenticated and delivered in the place of such Undelivered Bonds as provided in

Section 208 hereof and such replacement Bonds may be offered and sold by the Remarketing Agent in accordance with this Indenture and the Remarketing Agreement.

(b) Notice of Tender by Bondowners. Any Bond, or portion thereof, shall be purchased on the Tender Date by the Tender Agent on the demand of the Owner thereof, at the Tender Price, upon delivery to the Tender Agent on a Business Day at its Principal Office of an irrevocable written notice in the form of the Notice of Election to Tender Bonds which states (A) the principal amount and number of such Bond (and the portion of such Bond to be purchased if less than the full principal amount is to be purchased), the name and the address of such Owner and the taxpayer identification number, if any, of such Owner and (B) that such Bond, or portion thereof, is to be purchased on a day (which shall be the Tender Date), which day will be a Business Day which is at least seven (7) calendar days after the receipt by the Tender Agent of such Notice of Election to Tender Bonds. Such Notice of Election to Tender Bonds shall be deemed received on a Business Day if received by the Tender Agent no later than 3:00 p.m., New York Time, on such Business Day. Any Notice of Election to Tender Bonds received by the Tender Agent after 3:00 p.m., New York Time, shall be deemed received on the next succeeding Business Day.

Any Owner of Bonds who has demanded purchase of its Bond, or portion thereof, as described in this Section 301 shall deliver such Bond (with an appropriate transfer of registration form executed in blank, together with a signature guaranty) (together with, in the case of any Bond with a specified Tender Date prior to an Interest Payment Date and after the related Record Date, a due-bill check in form satisfactory to the Tender Agent for interest due on such Bond on such Interest Payment Date) to the Tender Agent at its Principal Office prior to 10:30 A.M., New York Time, on the Tender Date specified in the aforesaid written notice.

(c) Failure to Give Notice. Failure by the Tender Agent to redeliver a Notice of Election to Tender Bonds or a Tendered Bond as provided in Section 303 hereof shall not extend the period for making elections, in any way change the rights of the Owners of Bonds to elect to have their Bonds purchased pursuant to this Section or in any way change the conditions which must be satisfied in order for such election to be effective or for payment of the purchase price to be made after an effective election.

Section 302. Mandatory Tender of Bonds.

(a) On Termination Date or Interest Mode Adjustment Date. All Bonds are required to be tendered to the Tender Agent for purchase on the Termination Date or an Interest Mode Adjustment Date; provided, however, that there shall not be so tendered on the Termination Date or the Interest Mode Adjustment Date, as applicable, any Bonds, or portion thereof, which will be in Authorized Denominations with respect to which the Owners thereof have delivered to the Tender Agent by hand or by mail at its Principal Office a properly completed Notice of Election to Retain Bonds, together with a signature guaranty, on or prior to the fifth Business Day next preceding the Termination Date or the Interest Mode Adjustment Date, as applicable, subject to the provisions of Section 204(b) hereof (with respect to the Interest Mode Adjustment Date) and Section 302(f) hereof (with respect to the Termination Date). Any Bondowner required to tender Bonds under this subsection (a) shall tender its Bonds to the Tender Agent for purchase at its Principal Office prior to 10:30 A.M., New York Time, on the Termination Date or the Interest Mode Adjustment Date, as applicable. The failure to tender Bonds on any such date is the equivalent of a tender, and such Bonds shall be converted to Undelivered Bonds and replacement Bonds shall be executed, authenticated and delivered in the place of such Undelivered Bonds as provided in Section 208 hereof and such replacement Bonds may be offered and sold by the Remarketing Agent in accordance with this Indenture and the Remarketing Agreement, subject to the provisions of Section 204(b) and Section 302(f) hereof, as applicable.

(b) On Alternate Credit Facility Date. While the Bonds are in an Interest Mode other than a Multiyear Mode, all Bonds are required to be tendered to the Tender Agent for purchase on an Alternate Credit Facility Date; provided, however, that there shall not be so tendered on the Alternate Credit Facility Date any Bonds or portion thereof which will be in Authorized Denominations with respect to which the Owners thereof have delivered to the Tender Agent by hand or by mail at its Principal Office a properly completed Notice of Election to Retain Bonds, together with a signature guaranty, on or prior to the fifth Business Day next preceding the Alternate Credit Facility Date. Any Bondowner required to tender Bonds under this subsection (b) shall tender its Bonds to the Tender Agent for purchase at its Principal Office prior to 10:30 A.M., New York Time, on the Alternate Credit Facility Date. The failure to tender Bonds on any such date is the equivalent of a tender and such Bonds shall be converted to Undelivered Bonds and replacement Bonds shall be executed, authenticated and delivered in the place of such Undelivered Bonds as provided in Section 208 hereof and such Replacement Bonds may be offered and sold by the Remarketing Agent in accordance with this Indenture and the Remarketing Agreement.

(c) On Rate Adjustment Date During Semiannual Mode. Annual Mode and Multiyear Mode. While the Bonds are in a Semiannual Mode, Annual Mode or Multiyear Mode, all Bonds are required to be tendered to the Tender Agent for purchase on each Rate Adjustment Date; provided, however, that there shall not be so tendered on any Rate Adjustment Date any Bonds or portion thereof which will be in Authorized Denominations with respect to which the Owners thereof have delivered to the Tender Agent by hand or by mail at its Principal Office a properly completed Notice of Election to Retain Bonds, together with a signature guaranty, on or prior to the fifth Business Day next preceding such Rate Adjustment Date. Any Bondowner required to tender Bonds under this subsection (c) shall tender Bonds to the Tender Agent for purchase at its Principal Office prior to 10:30 A.M., New York Time, on the Rate Adjustment Date. The failure to tender its Bonds on any such date is the equivalent of a tender and such Bonds shall be converted to Undelivered Bonds

and Replacement Bonds shall be executed, authenticated and delivered in the place of such Undelivered Bonds as provided in Section 208 hereof and such Replacement Bonds may be offered and sold by the Remarketing Agent in accordance with this Indenture and the Remarketing Agreement.

(d) Mandatory Tender in Lieu of Acceleration on Default. Additionally, all Bonds shall be subject to mandatory tender for purchase on the Mandatory Purchase Date from the Bondowners by the Trustee for the account of the Credit Enhancer, as set forth in Section 802(b) hereof in lieu of acceleration of the Bonds as set forth in Section 802(a) hereof, and mandatory redemption of Bonds as set forth in Section 402(c) and upon the occurrence of an Event of Default under Section 801(e) hereof. Upon receipt of notice from the Credit Enhancer directing the Trustee to purchase the Bonds and the establishment by the Trustee of the Mandatory Purchase Date, which shall be a Business Day which is at least three (3) and no more than ten (10) calendar days after the receipt by the Trustee of such notice, the Trustee shall immediately request a payment under the Credit Facility pursuant to Section 508 hereof in the amount required by Section 802(b) to be received no later than 3:00 o'clock P.M., New York Time, on the Mandatory Purchase Date, and shall also send notice to the Bondowners of the mandatory purchase. On the Mandatory Purchase Date, the Tender Agent shall pay to the Bondowners the purchase price for the Bonds, which shall be an amount equal to 100% of the principal amount of any Bond tendered or deemed tendered plus accrued and unpaid interest thereon to the Mandatory Purchase Date. Any Bondowner required to tender Bonds under this subsection (d) shall tender its Bonds to the Tender

Agent for purchase at its Principal Office prior to 10:30 o'clock A.M., New York Time, on the Mandatory Purchase Date. The failure to tender Bonds on any such date is the equivalent of a tender and such Bonds shall be converted to Undelivered Bonds and replacement Bonds shall be executed, authenticated and delivered in the place of such Undelivered Bonds as provided in Section 208 hereof.

(e) Notice of Mandatory Tender. The Trustee shall give notice to Bondowners of the mandatory tender for purchase of Bonds (i) on an Interest Mode Adjustment Date in accordance with Section 204 hereof, (ii) on an Alternate Credit Facility Date in accordance with Section 706 hereof, (iii) if the Bonds are in a Multiyear Mode, Annual Mode or Semiannual Mode, on a Rate Adjustment Date in accordance with Section 203(e) hereof, (iv) on the Termination Date not less than 25 or more than 60 calendar days prior to such Termination Date and (v) on the Mandatory Purchase Date in accordance with Section 302(d) hereof.

(f) Failure to Give Notice. Failure by the Trustee to give any notice as provided in paragraph (e) of this Section, any defect therein or any failure by any Bondowner to receive any such notice shall not in any way change such Owner's obligation to tender the Bonds for purchase on any mandatory Tender Date.

(g) No Remarketing. No Bond purchased on the Termination Date pursuant to Section 302(a) shall be remarketed on any date on or prior to the delivery of an Alternate Credit Facility. All Bonds transferred hereunder shall be in compliance with the provisions of Section 210 hereof.

Section 303. Irrevocability of Elections: Return of Improperly Completed Documents. The Tender Agent, to whom a Notice of Election to Tender Bonds or a Notice of Election to Retain Bonds has been delivered, shall determine whether such Notice has been properly completed and such determination shall be binding on the Owner of such Bond. Any election by a Bondowner to

exercise the option to have its Bond or Bonds purchased, or any election by a Bondowner to retain its Bond or Bonds upon any mandatory Tender Date, shall be irrevocable upon delivery to the Tender Agent of the Notice of Election to Tender Bonds (together with, if required at the time of delivery of such notice, the Tendered Bonds) or of the Notice of Election to Retain Bonds, as the case may be. The Tender Agent shall promptly return any incomplete or improperly completed Notice of Election to Tender Bonds (together with, if required, the Tendered Bonds) or Notice of Election to Retain Bonds to the Person or Persons submitting such documents.

Section 304. Notice of Principal Amount of Bonds Tendered. Promptly upon its receipt of any Notice of Election to Tender Bonds pursuant to Section 301 hereof, the Tender Agent shall (i) verify the information contained in such Notice against the Bondholder list provided to the Tender Agent by the Trustee, which list shall be delivered by the Trustee to the Tender Agent no later than the second Business Day prior to each Tender Date, (ii) verify that both the Tendered Bonds and the Bonds retained by the Owner are in Authorized Denominations, and (iii) give Immediate Notice to the Trustee, the Remarketing Agent, the Credit Enhancer and the Borrower of its receipt of such Notice and specifying the total principal amount of Bonds to be tendered for purchase on the applicable Tender Date. Promptly after the requisite time by which Notices of Election to Retain Bonds are required to be delivered pursuant to Section 302 hereof, the Tender Agent shall give Immediate Notice to the Trustee, the Remarketing Agent, the Credit Enhancer and the Borrower of its receipt of such Notices and specifying the total principal amount of Bonds required to be tendered for purchase on the applicable Tender Date and the aggregate Tender Price therefor. The written portion of such Immediate Notice given by the Tender Agent shall include copies of such Notices of Election to Tender Bonds or Notices of Election to Retain Bonds.

Section 305. Remarketing of Tendered Bonds. Pursuant to the terms hereof and of the Remarketing Agreement, and upon receipt of notice from the Tender Agent, specifying the principal amount of Tendered Bonds, as provided in Section 304 hereof, the Remarketing Agent shall exercise its best efforts to sell all of such Tendered Bonds as provided in the Remarketing Agreement subject to the provision of Section 210 hereof; provided, however, that the Remarketing Agent shall not remarket any Bonds at a price below par plus accrued interest thereon. The Remarketing Agent shall transfer, by wire transfer in immediately available funds, an amount equal to the proceeds derived from such sale of Tendered Bonds to the Tender Agent at or before 10:00 A.M., New York Time, on the Tender Date. The Tender Agent shall immediately notify the Trustee in writing of any amount received by the Tender Agent from the Remarketing Agent The Trustee shall transfer from the Purchase Fund from the proceeds received from the Credit Facility, by wire transfer in immediately available funds to the Tender Agent at or before 4:00 P.M., New York Time, on the Tender Date, any additional-amount needed by the Tender Agent to pay the full Tender Price on the Tender Date. The Trustee shall, on the Tender Date, remit to the Credit Enhancer the remainder of the funds in the Purchase Fund (other than any funds being held for the benefit of former Owners of Undelivered Bonds) which were not transferred to the Tender Agent on such Tender Date including all investment earnings thereon as soon thereafter as available. The Tender Agent shall, on the Tender Date, remit to the Credit Enhancer the amount (if any) by which the sum of the amounts transferred to the Tender Agent by the Remarketing Agent and the amounts transferred to the Tender Agent by the Trustee exceed the Tender Price of the Tendered Bonds to the extent such funds are owed to the Credit Enhancer; and if no funds are owed to the Credit Enhancer, such amount shall be remitted to the Borrower.

Section 306. Notice of Principal Amount of Bonds Remarketed.

(a) Prior to 10:00 A.M., New York Time, on the second Business Day immediately preceding the Tender Date, or such later time as shall be agreed to by the Tender Agent and the Credit Enhancer, the Remarketing Agent shall give Immediate Notice to the Trustee, the Tender Agent, the Credit Enhancer and the Borrower specifying the new interest rate, if any, to become effective as of such Tender Date (if such Tender Date is a Rate Adjustment Date) and the aggregate principal amount of Tendered Bonds which (i) have been remarketed other than to the Issuer, the Borrower or any Affiliated Party of the Borrower and the Tender Price therefor, (ii) have not been remarketed and the Tender Price therefor, (iii) have been remarketed to the Issuer, the Borrower or any Affiliated Party of the Borrower, and (iv) the amount of money, if any, to be paid over to the Tender Agent by the Remarketing Agent on the Tender Date, which amount shall be equal to the proceeds of the sale of the Tendered Bonds so remarketed (other than the remarketing of Tendered Bonds to the Issuer, the Borrower or any Affiliated Party of the Borrower). Proceeds of the sale of Tendered Bonds to the Issuer, the Borrower or any Affiliated Party of the Borrower shall be deposited and applied in accordance with Section 505(d) hereof. Concurrently with the notice described in the second preceding sentence, the Remarketing Agent shall also give the Trustee (with a copy to the Tender Agent) instructions as to the registration and delivery, with such delivery to occur at the Principal Office of the Tender Agent, to the Remarketing Agent of any Tendered Bonds for whose purchase the Remarketing Agent will make a deposit of funds with the Tender Agent on the Tender Date.

(b) Prior to 10:00 a.m., New York Time on the Business Day immediately preceding the Tender Date, the Tender Agent shall give Immediate Notice to the Trustee, the Borrower and the Credit Enhancer specifying the amount of proceeds from the remarketing of tendered Bonds on deposit with the Tender Agent. The Trustee shall make a demand for payment on the Credit Facility in accordance with Section 508(b) hereof in an amount equal to the Tender Price of all Tendered Bonds less the proceeds of the remarketing of Tendered Bonds then on deposit with the Tender Agent. The Trustee shall cause the proceeds of the payment under the Credit Facility to be delivered to the Tender Agent for purchase of Tendered Bonds as described in Section 307 hereof.

Section 307. Purchase of Tendered Bonds.

(a) Tendered Bonds shall be purchased from the Owners thereof on the Tender Date at the Tender Price which shall be payable solely from the following sources in the order of priority listed:

(1) Remarketing Proceeds;

(2) proceeds of a payment under the Credit Facility to purchase such Tendered Bonds;

(3) Available Moneys from any other source; and

(4) moneys from any other source.

(b) On each Tender Date, all Bonds purchased out of Remarketing Proceeds shall be delivered and registered as directed by the Remarketing Agent pursuant to Section 306(a) hereof.

(c) The Tender Agent shall pay the Tender Price for each Tendered Bond prior to the Tender Agent's close of business on the Tender Date only after receipt of such Bond, properly endorsed in blank, together with a signature guaranty (together with, in the case of any Bond with a specified Tender Date prior to an Interest Payment Date and after the related Record Date, a due-bill check in form satisfactory to the Tender Agent for interest due on such Bond on such Interest Payment Date). Payment of the Tender Price of any Bond tendered for purchase shall be made: (1) by check or draft mailed to the Owner thereof at the Owner's address as it appears on the Bond Register or at such other address as is furnished to the Tender Agent in writing by such Owner; or (2) in the case of the purchase from an Owner of $1,000,000 or more in aggregate principal amount of Bonds, by wire transfer to such Owner upon written notice from such Owner containing the wire transfer address (which shall be in the continental United States) to which such Owner wishes to have such wire directed which written notice accompanies such Owner's Notice of Election to Tender Bonds.

(d) The Trustee shall take the following actions with respect to Tendered Bonds: (1) with respect to Bonds which have been remarketed and for which the Tender Agent has received payment, on the written advice of the Remarketing Agent, authenticate said Bonds in the names of the purchasers thereof and in the appropriate denominations, and deliver said Bonds to the Remarketing Agent upon the Tender Agents receipt of payment therefor; (2) with respect to Tendered Bonds which have not been remarketed and which are to be purchased by the Borrower and pledged to the Credit Enhancer pursuant to the Bond Pledge Agreement, register said Bonds as owned by the Borrower and pledged to the Credit Enhancer and hold such Bonds as agent and bailee for the Credit Enhancer in accordance with the terms of the Bond Pledge Agreement; and (3) with respect to all Bonds which have been physically tendered, cancel such certificates. Tendered Bonds which have been purchased by the Trustee on behalf of the Borrower shall be registered in the name of the Borrower subject to the security interest of the Credit Enhancer, and held on behalf of the Credit Enhancer.

(e) Notwithstanding anything in this Indenture to the contrary, the Tender Agent shall pay the Tender Price with respect to an Undelivered Bond only upon the actual receipt of such Bond, and such Tender Price shall be equal to the par amount of such Bond plus accrued interest to the Tender Date. An Undelivered Bond shall not be considered Outstanding pursuant to this Indenture and shall not be secured by the Credit Facility.

Section 308. Remarketing of Pledged Bonds. When a purchaser for Pledged Bonds is found, the Remarketing Agent will (a) give Immediate Notice prior to 10:00 A.M., New York Time, on the second Business Day next preceding the Placement Date, or such earlier or later time as shall be agreed to by the Credit Enhancer, the Trustee and the Borrower, to the Credit Enhancer, the Borrower and the Trustee specifying the principal amount of Pledged Bonds to be purchased, the purchase price thereof and the Placement Date on which such purchase is to occur and (b) instruct the purchasers thereof to deliver an amount (in immediately available funds) equal to the purchase price of such Pledged Bonds to the Trustee by 10:30 A.M., New York Time, on the Placement Date for the same day transfer to the Credit Enhancer. No Pledged Bonds shall be released to new Owners unless the Trustee and the Tender Agent have received written notice from the Credit

Enhancer that the Credit Facility has been reinstated by an amount equal to the principal of and interest portion of such Pledged Bonds and that the Credit Enhancer has been reimbursed for the amount of the draw to purchase such Pledged Bonds. The Pledged Bonds shall be purchased, subject to the provisions of Section 210 hereof, from the Borrower on the Placement Date at a purchase price equal to the principal amount thereof. In addition, until the purchase price therefor is received by the Credit Enhancer, Bonds shall not be delivered to the purchaser of Pledged Bonds and such Pledged Bonds to be so purchased shall remain Pledged Bonds.

Section 309. Purchase Fund.

(a) The Purchase Fund has not been pledged or assigned under this Indenture and is not subject to the lien created by this Indenture. Upon receipt by the Tender Agent of the proceeds of a remarketing of Tendered Bonds (other than Bonds remarketed to the Issuer, the Borrower or an Affiliated Party of the Borrower, which will be placed in a separate trust account in the Purchase Fund), the Tender Agent shall deposit such funds in a segregated escrow account maintained by the Tender Agent and designated "Undelivered Bond Account" which funds shall not be invested, and the Tender Agent shall not be liable to the Issuer or the Borrower for any interest thereon, and any moneys shall be held and applied as provided herein. The Trustee shall deposit moneys received from the Credit Enhancer pursuant to a payment on the Credit Facility in accordance with Section 508(b)(4) or (5) hereof in the Purchase Fund for application to the Tender Price of the Tendered Bonds. Upon receipt by the Trustee of the proceeds of the placement of Pledged Bonds on a Placement Date, the Trustee shall deposit such moneys in the Purchase Fund for payment to the Credit Enhancer to the extent such Pledged Bonds were purchased out of funds provided

by the Credit Facility and not reimbursed to the Credit Enhancer by the Borrower and, thereafter, to the Borrower. Moneys from the remarketing of Tendered Bonds to the Issuer, the Borrower or an Affiliated Party of the Borrower, shall be applied solely to the purchase price of Pledged Bonds.

(b) On any Tender Date or Placement Date, the Trustee shall transfer on the Bond Register ownership of all of the Tendered Bonds to the names of the respective purchasers thereof. From and after such date, the principal of, redemption premium, if any, and interest on such Bonds shall be payable solely to such purchasers, their transferees or the successors thereto. The Owners of Tendered Bonds immediately prior to a Tender Date with respect to which a Notice of Election to Tender Bonds has been given pursuant to Section 301 hereof or a Notice of Election to Retain Bonds has not been given pursuant to Section 302 hereof shall be entitled solely to payment of the Tender Price for such Bonds upon delivery thereof to the Tender Agent as herein provided and shall not be entitled to the payment of any principal, redemption premium, if any, or interest thereon thereafter.

Section 310. No Sales After Certain Defaults. Notwithstanding any provision of this Indenture to the contrary, there shall be no sales of Bonds pursuant to this Article III if there shall have occurred and be continuing an Event of Default described in Section 801 (a), (b), (c), (e) or (g) (except, with respect to paragraph (g), a default under Section 801(d) or (f) of the Series 1994B Indenture) hereof The Trustee shall give Immediate Notice to the Paying Agent, the Remarketing Agent, the Tender Agent, the Credit Enhancer, the Borrower and the Bondowners of (i) the occurrence and continuation of any of the events set forth in the preceding sentence and that such event results in no purchase or sales of Bonds being permitted pursuant to this Article III

and (ii) the curing of any of such events and that in consequence purchases and sales are again permitted pursuant to this Article III.

Section 311. Remarketing Agent. The Issuer, upon instructions from the Borrower, with the written consent of the Credit Enhancer, or upon instructions from the Credit Enhancer if an event of default under the Letter of Credit Agreement exists, shall appoint the Remarketing Agent for the Bonds, subject to the conditions set forth in Section 312 hereof. The Issuer hereby appoints Stern Brothers & Co. as the initial Remarketing Agent. The Remarketing Agent shall designate to the Trustee its principal office and signify its acceptance of the duties and obligations imposed upon it hereunder by a written instrument of acceptance or a remarketing agent agreement delivered to the Issuer, the Borrower and the Credit Enhancer under which the Remarketing Agent will also agree to keep such books and records as shall be consistent with prudent industry practice and to make such books and records available for inspection by the Issuer, the Trustee, the Tender Agent, the Borrower and the Credit Enhancer at all reasonable times. The Borrower and the Remarketing Agent shall enter into a Remarketing Agreement the terms of which shall be subject to the written approval of the Credit Enhancer.

Section 312. Qualifications of Remarketing Agent. The Remarketing Agent shall be a member of the National Association of Securities Dealers, Inc. and shall meet such capitalization and/or credit requirements as are acceptable to the Rating Agency, and authorized by law to perform all the duties imposed upon it by this Indenture. The Remarketing Agent may at any time resign and be discharged of the duties and obligations created by this Indenture by giving at least 30 days' written notice to the Issuer, the Borrower, the Tender Agent, the Trustee and the Credit Enhancer. The Remarketing Agent may be removed at any time, without cause, upon at least 30 days' written notice to the Remarketing Agent, at the direction of the Credit Enhancer or the Borrower by an instrument signed by an Authorized Borrower Representative, with the written consent of the Credit Enhancer, filed with the Trustee, the Credit Enhancer, the Tender Agent, the Issuer and the Remarketing Agent. In no event shall the resignation or removal of the Remarketing Agent be effective until a qualified successor has accepted appointment as such.

In the event of the resignation or removal of the Remarketing Agent, the Remarketing Agent shall pay over, assign and deliver any moneys and Bonds held by it in such capacity to its successor. In the event that the Issuer shall fail to appoint a replacement Remarketing Agent hereunder, the Credit Enhancer with the written consent of the Borrower, or the Borrower with the written consent of the Credit Enhancer, may do so.

[End of Article III]

ARTICLE IV

REDEMPTION OF BONDS

Section 401. Optional Redemption.

(a) Optional Redemption of Bonds Not in Multiyear Mode. Bonds (other than Bonds in a Multiyear Mode) shall be subject to redemption and payment prior to maturity, at the option of the Issuer upon instructions from the Borrower with the prior written consent of the Credit Enhancer, on any Interest Payment Date, in whole or in part in Authorized Denominations, at the principal amount thereof plus accrued interest to the redemption date, first, from proceeds of a payment under the Credit Facility and, second, from other Available Moneys.

(b) Optional Redemption of Bonds in Multiyear Mode. The Bonds in a Multiyear Mode shall be subject to redemption and payment prior to maturity, at the option of the Issuer upon instructions from the Borrower with the prior written consent of the Credit Enhancer, on any Interest Payment Date, in whole or in part in Authorized Denominations, at the redemption prices (expressed as percentages of the principal amount) set forth below, plus accrued interest to the redemption date, first, from proceeds of a payment under the Credit Facility and, second, from other Available Moneys as follows:

OPTIONAL REDEMPTION IN MULTIYEAR MODE

Length of Multiyear Mode (In Years)*	Redemption Prices as a Percentage of Principal Amounts	Call Protection Period*
Greater than 10	102% after 7 years declining 1/2% per 12 months to 100%	7 years
Less than or equal	102% after 4 years	4 years

to 10 and greater than 7	declining 1/2% per 12 months to 100%	
Less than or equal to 7 and greater than 5	102% after 3 years declining 1% per 12 months to 100%	3 years
Less than or equal to 5 and greater than 2	101% after 2 years declining 1/2% per 6 months to 100%	2 years
Less than or equal to 2 and greater than 1	100 1/2% after 1 year declining 1/2% per 6 months to 100%	1 year

*Measured from and including the first day of such Rate Period.

(c) Any provision herein to the contrary notwithstanding, no notice of the redemption of Bonds pursuant to this Section 401 shall be given unless sufficient Available Moneys are available and have been irrevocably deposited into the Available Moneys Account or the Credit Facility Account of the Revenue Fund with the Trustee, or if the Credit Enhancer commits to make a payment under the Credit Facility to the Trustee pursuant to Section 508(b)(3) hereof.

Section 402. Mandatory and Extraordinary Redemption.

(a) Redemption Upon Determination of Taxability. The Bonds shall be subject to mandatory redemption by the Issuer in whole on the earliest practicable date for which notice can be given, if a Determination of Taxability occurs, first, from proceeds of a payment under the Credit Facility, and, second, from other Available Moneys at the principal amount thereof, without premium, plus accrued interest to the redemption date.

(b) [Reserved.]

(c) Redemption Upon Letter of Credit Agreement Default. The Bonds shall be subject to immediate mandatory redemption by the Issuer in whole in the event the Trustee shall receive from the Credit Enhancer written notice of the occurrence of an event of default under the Letter of Credit Agreement and direction to accelerate the Bonds and irrevocable instructions to obtain a payment under the Credit Facility in accordance with the terms of the Credit Facility, first, from proceeds of a payment under the Credit Facility and, second, from other Available Moneys at the principal amount thereof, without premium, plus accrued interest to the date of redemption, and the Bonds shall cease to bear interest on such date as is established by the Trustee, which shall be a Business Day that is at least three and no more than ten calendar days after receipt by the Trustee of said notice; provided that pursuant to Section 802(b) hereof the Credit Enhancer may direct the purchase of Bonds in such event in lieu of mandatory redemption. The receipt of such notice shall be conclusive and binding upon the Trustee, the Issuer and the Bondholders as to the occurrence of a default under the Letter of Credit Agreement.

(d) Redemption in Event of Condemnation. Deficiency of Title, Fire or Other Casualty. The Bonds shall be subject to redemption by the Issuer, at the option of and upon instructions from the Borrower with the prior written consent of the Credit Enhancer, in whole or in part at any time on the earliest practicable date for which notice can be given, upon the occurrence of a condemnation, loss of title or casualty loss to the Project, first, from proceeds of a payment under the Credit Facility, and second, from other Available Moneys at the principal amount thereof, without premium, plus accrued interest to the redemption date.

(e) [Reserved.]

(f) Redemption from Excess Moneys in Project Fund. The Bonds are subject to mandatory redemption in part on the earliest practicable date after the Completion Date for the Project as certified by the Borrower in accordance with the Agreement, to the extent of excess moneys remaining in the Project Fund, at the principal amount thereof, without premium, plus accrued interest to the redemption date. If the amount of moneys remaining in the Project Fund is not sufficient to redeem an Authorized Denomination of Bonds, the Borrower shall arrange for the deposit with the Trustee of sufficient Available Moneys to effect the redemption of a minimum Authorized Denomination of Bonds.

Section 403. Selection of Bonds to be Redeemed.

(a) Bonds shall be redeemed pursuant to Sections 401 and 402 only in Authorized Denominations. When less than all of the Outstanding Bonds are to be redeemed and paid prior to maturity pursuant to Section 401 or 402 hereof, such Bonds or portions of Bonds to be redeemed shall be selected by the Trustee by lot in Authorized Denominations in such equitable manner as it may determine; provided that Bonds shall be redeemed in the following order of priority: (1) Pledged Bonds; (2) Tendered Bonds that cannot be remarketed; and (3) any other Bonds.

(b) In the case of a partial redemption of Bonds when Bonds of denominations greater than the applicable Authorized Denominations are then Outstanding, then for all purposes in connection with such redemption each unit of face value of the applicable Authorized Denomination shall be treated as though it was a separate Bond of the applicable Authorized Denomination. If one or more, but not all, of the units of principal amount of the applicable Authorized Denomination represented by any Bond are selected for redemption, then upon notice of intention to redeem such unit or units, the Owner of such Bond or such Owner’s attorney or legal representative shall forthwith present and surrender such Bond to the Trustee (i) for payment of the redemption price (including the redemption premium, if any, and interest to the date fixed for redemption) of the unit or units of principal amount called for redemption, and (ii) for exchange, without charge to the Owner thereof, for a new Bond or Bonds of the aggregate principal amount of the unredeemed portion of the principal

amount of such Bond. If the Owner of any such Bond of a denomination greater than the applicable Authorized Denominations shall fail to present such Bond to the Trustee for payment and exchange as aforesaid, said Bond shall, nevertheless, become due and payable on the redemption date to the extent of the unit or units of principal amount called for redemption and shall cease to accrue interest on such amount.

(c) No Bond may be redeemed in part if the principal amount thereof to remain outstanding following such partial redemption is not itself an Authorized Denomination.

Section 404. Notice of Redemption of Bonds in Weekly or Monthly Mode. Notice of the call of Bonds in the Weekly Mode or the Monthly Mode for any redemption identifying the Bonds or portions thereof to be redeemed shall be given by the Trustee, in the name of the Issuer, to the Remarketing Agent, the Credit Enhancer, the Borrower and the Owner of each Bond to be redeemed at the address shown on the Bond Register by mailing a copy of the redemption notice by first-class mail, postage prepaid, at least 15 days and not more than 30 days prior to the redemption date; provided, however, that failure to give such notice by mailing as aforesaid to any Bondowner or any defect therein as to any particular Bond shall not affect the validity of any proceedings for the redemption of any other Bonds; and provided further that no such prior notice of redemption is required for a redemption pursuant to Section 402(c) hereof. As provided in Section 405 hereof, any notice of redemption shall state the date and place of redemption, the numbers of the Bonds or portions of Bonds to be redeemed (and in the case of the redemption of a portion of any Bond the principal amount thereof being redeemed), the redemption prices and that interest will cease to accrue from and after the redemption date. Following each redemption of Bonds, the Trustee shall mail by first-class mail to the Borrower and the Credit Enhancer a notice of the principal amount of Bonds redeemed.

Section 405. Notice of redemption of Bonds in Semiannual, Annual or Multiyear Mode.

(a) Unless waived by any Owner of Bonds to be redeemed, official notice of any redemption of Bonds in a Semiannual, Annual or Multiyear Mode shall be given by the Trustee on behalf of the Issuer by mailing a copy of an official redemption notice by first class mail, postage prepaid, at least 15 days and not more than 30 days prior to the redemption date to the Remarketing Agent, the Credit Enhancer and the Owner of the Bond or Bonds to be redeemed at the address shown on the Bond Register or at such other address as is furnished in writing by such Owner to the Trustee; provided, however, that failure to give such notice by mailing as aforesaid to any Bondowner or any defect therein as to any particular Bond shall not affect the validity of any proceedings for the redemption of any other Bonds; and provided further that no such prior notice of redemption is required for a redemption pursuant to Section 402(c) hereof. The Trustee shall not give the notice described above with respect to redemption of the Bonds pursuant to Section 401 (a) or (b) or Section 402(d) hereof without the prior written consent of the Credit Enhancer.

(b) All official notices of redemption pursuant to this Section and Section 404 hereof shall be dated and shall state:

(1) the redemption date,

(2) the redemption price,

(3) if less than all outstanding Bonds are to be redeemed, the identification (and, in the case of partial redemption, the respective principal amounts) of the Bonds to be redeemed,

(4) that on the redemption date the redemption price will become due and payable upon each such Bond or portion thereof called for redemption, and that interest thereon shall cease to accrue from and after said date, and

(5) the place where such Bonds are to be surrendered for payment of the redemption price, which place of payment shall be the Principal Office of the Trustee.

(c) In addition to the foregoing notice, further notice pursuant to this Section and Section 404 hereof shall be given by the Trustee on behalf of the Issuer as set out below, but no defect in said further notice nor any failure to give all or any portion of such further notice shall in any manner defeat the effectiveness of a call for redemption if notice thereof is given as above prescribed.

(1) Each further notice of redemption given hereunder shall contain the information required above for an official notice of redemption plus (i) the CUSIP numbers of all Bonds being redeemed; (ii) the date of issue of the Bonds as originally issued; (ill) the rate of interest borne by each Bond being redeemed; (iv) the maturity date of each Bond being redeemed; and (v) any other descriptive information needed to identify accurately the Bonds being redeemed.

(2) Each further notice of redemption shall be sent at least 35 days before the redemption date by registered or certified mail or overnight delivery service to Depository Trust Company, Midwest Securities Trust Company, Pacific Securities Depository Trust Company and Philadelphia Depository Trust Company and to one or more national information services that disseminate notices of redemption of obligations such as the Bonds.

(d) With respect to all Bonds redeemed pursuant to this Indenture, upon the payment of the redemption price of Bonds being redeemed, each check or other transfer of funds issued for such purpose shall bear the CUSIP number identifying, by issue and maturity, the Bonds being redeemed with the proceeds of such check or other transfer.

(e) With respect to all Bonds redeemed pursuant to this Indenture, following each redemption of Bonds, the Trustee shall mail by first-class mail to the Credit Enhancer and the Borrower a notice of the principal amount of Bonds redeemed.

Section 406. Effect of Call for Redemption. On or prior to the date fixed for redemption, Available Moneys available solely for such redemption in accordance with the requirements of Sections 401 and 402 hereof shall be deposited with the Trustee to pay the principal of the Bonds called for redemption and accrued interest thereon to the redemption date and the redemption premium, if any, thereon. Upon the happening of the above conditions, and notice having been given as provided in Section 404 or 405 hereof, as applicable, the Bonds or the portions of the principal amount of Bonds thus called for

redemption shall cease to bear interest on the specified redemption date, provided moneys (which must be Available Moneys when required by Section 401 or 402 hereof) sufficient for the payment of the redemption price of the Bonds called for redemption are on deposit at the place of payment at the time fixed for such redemption, and shall no longer be entitled to the protection, benefit or security of this Indenture and shall not be deemed to be Outstanding under the provisions of this Indenture.

[End of Article IV]

ARTICLE V

REVENUES AND FUNDS

Section 501. Creation of Funds and Accounts. The following Funds and Accounts of the Issuer are hereby created and established with the Trustee:

(a) the Project Fund;

(b) the Costs of Issuance Fund;

(c) the Revenue Fund, consisting of the Unavailable Moneys Account, the Available Moneys Account and the Credit Facility Account;

(d) the Debt Service Fund, consisting 9f the Interest Account, the Principal Account and the Redemption Account;

(e) the General Fund;

(f) the Purchase Fund and the Undelivered Bond Account therein; and

(g) the Rebate Fund.

Each Fund and Account shall be maintained by the Trustee as a separate and distinct trust fund or account to be held, managed, invested, disbursed and administered as provided in this Indenture. All moneys deposited in the Funds and Accounts shall be used solely for the purposes set forth in this Indenture. The Trustee shall keep and maintain adequate records pertaining to each Fund and Account and all disbursements therefrom.

Section 502. Initial Deposits. On the Bond Issuance Date, as shall be more fully specified in a written request from the Issuer, the Trustee shall deposit $7,546,000 from the proceeds received from the sale of the Bonds into the Project Fund and $154,000 to the Costs of Issuance Fund.

Section 503. Project Fund.

(i) Moneys in the Project Fund shall be disbursed in accordance with the provisions of the Agreement for Project Purposes as provided in the Agreement.

(ii) The Trustee shall cause to be kept and maintained adequate records pertaining to the Project Fund and all disbursements from suchFund. If requested by the Issuer, the Credit Enhancer or the Borrower, the Trustee shall file copies of the records pertaining to the Project Fundand all disbursements from such fund with the Issuer, the Credit Enhancer and the Borrow.

Section 504. Costs of Issuance Fund. The Trustee shall deposit into the Costs of Issuance Fund the amount required by Section 502. Moneys in the Costs of Issuance Fund shall be disbursed

from time to time for the payment of the costs of issuing the Bonds upon the direction of the Borrower as evidenced by a requisition in the form of Exhibit B to the Agreement executed by an Authorized Borrower Representative and approved by the Credit Enhancer. Moneys in the Costs of Issuance Fund shall be expended no later than 180 days after the Bond Issuance Date. Any moneys remaining therein on such date shall be transferred to the General Fund and the Costs of Issuance Fund shall be closed.

Section 505. Revenue Fund.

(a) The Trustee shall deposit into the Revenue Fund all Revenues (except as otherwise provided in Section 509 hereof) and any other amounts received by the Trustee which are subject to the lien and pledge of this Indenture, to the extent not required to be deposited in other Funds and Accounts in accordance with the terms of this Indenture. The Trustee shall first apply those moneys on deposit in the Credit Facility Account which represent payments received with respect to the Credit Facility and any earnings thereon and then, if needed, investment earnings on Funds and Accounts (to the extent such moneys constitute Available Moneys) on each Interest Payment Date and Principal Payment Date on the Bonds, in the order of priority and for the purposes as follows:

(1) First, to the Interest Account of the Debt Service Fund, an amount sufficient to pay the interest becoming due and payable on the Bonds on such date;

(2) Second, to the Principal Account of the Debt Service Fund, an amount sufficient to pay the principal of the Bonds maturing on such date, if any; and

(3) Third, to the Redemption Account of the Debt Service Fund, the balance of such moneys.

(b) Moneys in the Credit Facility Account remaining after the transfers made pursuant to paragraph (a) above shall be returned to the Credit Enhancer as a reimbursement of the amounts paid under the Credit Facility.

(c) The Trustee shall deposit into the Unavailable Moneys Account principal, interest and premium payments made by the Borrower pursuant to Section 3.6(a)(i), (ii), (iii) and (iv) of the Loan Agreement. Upon the Credit Enhancer's payment to the Trustee under the Credit Facility pursuant to a request under Section 508(b)(1), (2) or (3) hereof, the Trustee shall transfer to the Credit Enhancer the amount on deposit in the Unavailable Moneys Account. In the event of an Event of Default described in paragraphs (a), (b), (c), (e) or (g) (except with respect to paragraph (g), a default under Section 801(d) or (f) of the Series 1994B Indenture) of Section 801 hereof, any moneys on deposit in the Unavailable Moneys Account which constitute Available Moneys shall be transferred to the Available Moneys Account and applied in accordance with this Indenture.

(d) The Trustee shall also deposit into the Unavailable Moneys Account moneys to be applied to the purchase of Bonds pursuant to Section 307 hereof or the redemption of Bonds, as provided in this Section, pursuant to Sections 401 and 402. When moneys deposited pursuant to the preceding sentence shall become Available Moneys, such Available Moneys shall be transferred to the Available Moneys Account. Moneys on deposit in the Available Moneys Account to be

applied to the payment of the Bonds at maturity shall be transferred to the Principal Account on the maturity date to pay the principal of the Bonds and to the Interest Account to pay accrued interest. Moneys on deposit in the Available Moneys Account to be applied to the redemption of Bonds pursuant to Sections 401 and 402 shall be transferred to the Redemption Account on the date fixed for such redemption to the extent necessary to pay the premium, if any, on and principal of the Bonds as the same shall become due and payable by such redemption and to the Interest Account to pay accrued interest. Available Moneys on deposit in the Available Moneys Account, to be applied to the purchase of Bonds pursuant to Section 307, shall be transferred to the Purchase Fund on the Tender Date to the extent necessary to pay the Tender Price of the Bonds as the same shall become due and payable on such Tender Date. Any moneys remaining in the Available Moneys Account following the redemption or purchase of Bonds with respect to which such deposit was made shall first be applied to pay the Credit Enhancer any amounts due and payable under the Letter of Credit Agreement and thereafter shall be transferred to the General Fund.

Section 506. Debt Service Fund.

(a) The Trustee shall deposit into the Interest Account the amounts required by Section 505 of this Indenture. Moneys on deposit in the Interest Account shall be applied solely to pay the interest on the Bonds as the same becomes due and payable. On each date fixed for redemption of the Bonds and on each scheduled Interest Payment Date on the Bonds, the Trustee shall remit to the respective Bondowners of such Bonds an amount from the Interest Account sufficient to pay the interest on the Bonds becoming due and payable on such date.

(b) The Trustee shall deposit into the Principal Account the amounts required by Section 505 of this Indenture. Moneys on deposit in the Principal Account shall be applied solely to pay the principal of the Bonds as the same becomes due and payable at maturity. On each Principal Payment Date of the Bonds, the Trustee shall set aside and hold in trust an amount from the Principal Account sufficient to pay the principal of the Bonds becoming due and payable on such date.

(c) The Trustee shall deposit into the Redemption Account the amounts required by Section 505 of this Indenture. Moneys on deposit in the Redemption Account shall be applied solely to pay the principal and premium, if any, on the Bonds as the same become due and payable by redemption. On each date fixed for such redemption, the Trustee shall set aside and hold in trust an amount from the Redemption Account sufficient to pay the principal of and premium, if any, on the Bonds becoming due and payable on such date.

Section 507. General Fund. The Trustee shall deposit into the General Fund the amounts required by Sections 504 and 505, and all moneys deposited by the Borrower with the Trustee as payment of the fees and expenses of the Trustee, any Paying Agent, the Issuer and the Remarketing Agent. The Trustee shall apply moneys on deposit in the General Fund solely for the following purposes, in the following order of priority and in accordance with the following conditions:

(a) first, to the Trustee for the reasonable cost of ordinary expenses incurred and ordinary services rendered, and to the Issuer for its actual expenses incurred in connection with the administration of the Bond financing for the Project, upon the Trustee's receipt of a statement that

the amount indicated thereon is justly due and owing and has not been the subject of another written request which has been paid;

(b) to the Trustee for the reasonable cost of extraordinary expenses incurred and extraordinary services rendered if said extraordinary expenses and extraordinary services are necessary and reasonable and are not occasioned by the negligence or willful misconduct of the Trustee;

(c) to the Remarketing Agent, an amount equal to any amounts due and payable under the Remarketing Agreement; and

(d) to the Credit Enhancer, an amount equal to any amounts due and payable under the Letter of Credit Agreement.

Section 508. Payments Under Credit Facility.

(a) The Credit Facility shall be held by the Trustee. Payments on the Credit Facility shall be made or requested in accordance with its terms consistent with the provisions of this Indenture and the Agreement. Payments on the Credit Facility (other than pursuant to subparagraphs (b)(4) and (5) of this Section, which amount will be deposited into the Purchase Fund) shall be deposited in the Credit Facility Account and applied by the Trustee in accordance with Section 505.

(b) The Trustee shall request payments under the Credit Facility, in accordance with and to the extent, if any, required by the terms thereof, in the amounts and at such time as may be necessary to make timely payments of the principal of and interest, but not premium, on the Bonds required to be made from the Debt Service Fund. In accordance with the preceding sentence, the Trustee shall request payments under the Credit Facility by presenting a

conforming request to the Credit Enhancer (to the extent, if any, required by the terms of the Credit Facility) two (2) Business Days prior to the applicable Interest Payment Date, Principal Payment Date or redemption date referenced in subsections (1), (2) and (3) herein, and prior to 11:00 A.M., New York Time, on the applicable Tender Date referenced in subsections (4) and (5) herein, in order for moneys to be received in the amounts and at the times as follows:

(1) No later than 3:30 P.M., New York Time, one (1) Business Day prior to each Interest Payment Date, an amount equal to interest due on the Bonds on such Interest Payment Date;

(2) No later than 3:30 P.M., New York Time, one (1) Business Day prior to each Principal Payment Date, an amount equal to the full principal amount of the Bonds coming due on such Principal Payment Date because of the maturity of the Bonds;

(3) No later than 3:30 P.M., New York Time, one (1) Business Day prior to each date fixed for (A) the mandatory redemption of the Bonds pursuant to Section 402 hereof, other than as provided in Section 508(b)(2) hereof, or (B) the optional redemption of the Bonds pursuant to Section 401 hereof, in each case an amount which, when added to any Available Moneys (other than payments under the Credit Facility) in excess of the amount of the applicable redemption premium and then available for such purpose, will be equal

to the full principal amount plus accrued interest on the Bonds to be redeemed (other than the amount owing as a redemption premium, if any);

(4) No later than 3:00 P.M., New York Time, on the Tender Date for any Bonds in accordance with Section 301 hereof, an amount which, when added to any other Remarketing Proceeds available for such purpose in the Purchase Fund, is equal to the Tender Price of Bonds for which Notices of Election to Tender Bonds have been timely received; and

(5) No later than 3:00 P.M., New York Time, on the Tender Date for any Bonds in accordance with Section 302 hereof, an amount which, when added to any other Remarketing Proceeds then available for such purpose in the Purchase Fund, is equal to the Tender Price of all of the Bonds required to be tendered on such date pursuant to Section 302 and for which no Notices of Election to Retain Bonds have been received.

(6) Notwithstanding the provisions of this Section 508, pursuant to Section 802 hereof, the Trustee shall immediately demand payment under the Credit Facility upon any acceleration of the maturity of the Bonds, orupon any direction by the Credit Enhancer to the Trustee to purchase the Bonds for the Credit Enhancer's own account.

(c) No payments shall be made under the Credit Facility for the payment of the principal of and interest on the Borrower Bonds.

(d) The Borrower shall be permitted to provide the Trustee with an Alternate Credit Facility in accordance with the requirements of Section 706 hereof and Section 3.10 of the Agreement.

Section 509. Deposits into and Application of Moneys in the Rebate Fund.

(a) There shall be deposited in the Rebate Fund such amounts as are required to be deposited therein pursuant to the Tax Agreement. Subject to the payment provisions provided in subsection (b) below, all amounts on deposit at any time in the Rebate Fund shall be held by the Trustee in trust, to the extent required to pay rebatable arbitrage to the United States of America, and neither the Borrower, the Issuer, the Credit Enhancer nor the Owner of any Bonds shall have any rights in or claim to such money. All amounts held in the Rebate Fund shall be governed by this Section and by the Tax Agreement (which is incorporated herein by reference). The Issuer, the Credit Enhancer and the Trustee shall be entitled to rely on the rebate calculations made by the Borrower pursuant to the Tax Agreement and neither the Issuer, the Credit Enhancer nor the Trustee shall be responsible for any loss or damage resulting from any good faith action taken or omitted to be taken by the Issuer or the Trustee in reliance upon such calculations.

(b) Pursuant to the Tax Agreement, the Trustee shall remit all rebate installments and a final rebate payment to the United States. The Trustee shall have no obligation to pay any amounts required to be rebated pursuant to this Section and the Tax Agreement, other than from moneys held in the Funds and Accounts created under this Indenture or from other moneys provided to it by the Borrower or, at the discretion of the Credit Enhancer, by the Credit Enhancer. Any moneys remaining in the Rebate Fund after redemption and payment of all of the Bonds and

payment and satisfaction of any rebatable arbitrage shall be withdrawn and paid first, to the Credit Enhancer to the extent of any amounts remaining unpaid under any of the Collateral Documents and, second, to the Borrower.

(c) Notwithstanding any other provision of this Indenture, including in particular Article XII hereof, the obligation to pay rebatable arbitrage to the United States and to comply with all other requirements of this Section and the Tax Agreement shall survive the defeasance or payment in full of the Bonds.

(d) The Trustee shall provide an annual certification to the Credit Enhancer as to the Borrower's compliance with the provisions of this Section.

Section 510. Final Balances. Upon the deposit with the Trustee of moneys sufficient to pay all principal of, premium, if any, and interest on the Bonds, and upon satisfaction of all claims against the Issuer hereunder, including all fees, charges and expenses of the Trustee, the Issuer, the Remarketing Agent and any Paying Agent which are properly due and payable hereunder, or upon the making of adequate provisions for the payment of such amounts as permitted hereby, all moneys remaining in all Funds and Accounts, except moneys necessary to pay principal of, premium, if any, and interest on the Bonds, which moneys shall be held by the Trustee and (after 5 years) paid to the Credit Enhancer or the Borrower, as appropriate, pursuant to Section 511 hereof, and except moneys, if any, set aside pursuant to Section 509 hereof, shall be remitted first, to the Credit Enhancer to the extent of any amounts remaining unpaid under any of the Collateral Documents and, second, to the Borrower.

Section 511. Non-Presentment of Bonds. In the event any Bond shall not be presented for payment when the principal thereof becomes due, either (i) at maturity or at the date fixed for redemption thereof, or (ii) on the Tender Date therefor, if moneys sufficient to pay such Bond shall have been deposited in the Debt Service Fund or, with respect to Bonds becoming due pursuant to clause (ii), the Purchase Fund or the Undelivered Bond Account held by the

Tender Agent in accordance with Section 309 hereof, all liability of the Issuer to the holder thereof for the payment of such Bond shall forthwith cease, terminate and be completely discharged, and thereupon it shall be the duty of the Trustee or the Tender Agent as applicable to hold such moneys, without liability for interest thereon, for the benefit of the holder of such Bond who shall thereafter be restricted exclusively to such moneys, for any claim of whatever nature of such holder under this Indenture or on, or with respect to, said Bond.

Any moneys so deposited with and held by the Trustee not so applied to the payment of Bonds within five (5) years after the date on which the same shall have become due shall be paid by the Trustee or the Tender Agent first, to the Credit Enhancer to the extent of any amounts remaining unpaid under any of the Collateral Documents and second, to the Borrower, free from the trusts created by this Indenture. Thereafter, Bondowners shall be entitled to look only to the Borrower for payment, and then only to the extent of the amount so repaid to the Credit Enhancer or to the Borrower by the Trustee or the Tender Agent. The Credit Enhancer and the Borrower shall not be liable for any interest on the sums paid to it pursuant to this Section and shall not be regarded as a trustee of such money.

[End of Article V]

ARTICLE VI

DEPOSITARIES OF MONEYS, SECURITY FOR DEPOSITS AND INVESTMENT OF FUNDS

Section 601. Moneys to be Held in Trust. All moneys deposited with or paid to the Trustee for the account of any Fund or Account under any provision of this Indenture, and all moneys deposited with or paid to any Paying Agent under any provision of this Indenture shall be held by the Trustee or Paying Agent in trust and shall be applied only in accordance with the provisions of this Indenture and, until used or applied as herein provided, shall constitute part of the Trust Estate (except for the Purchase Fund, the Rebate Fund and the rebatable arbitrage not deposited therein) and be subject to the lien, terms and provisions hereof and shall not be commingled with any other funds of the Issuer, the Credit Enhancer or the Borrower except as provided under Section 602 for investment purposes. Neither the Trustee nor any Paying Agent shall be under any liability for interest on any moneys received hereunder except such as may be agreed upon.

Section 602. Investment of Moneys.

(a) Moneys in all Funds and Accounts (except the Purchase Fund) shall be continuously invested and reinvested by the Trustee at the written direction of the Borrower (with the written consent of the Credit Enhancer) as provided in this Section 602. Moneys in the Purchase Fund shall not be invested. Moneys on deposit in all Funds and Accounts may be invested only in Investment Securities; provided that (1) amounts received under the Credit Facility shall be invested and reinvested by the Trustee only in Government Securities maturing on the earlier of 30 days after the date on which such obligations are acquired or such time or times as said money shall be needed for the purposes for which they were deposited and (2) Available Moneys (other than payments under the Credit Facility) to be applied in accordance with Section 505(d) shall be invested and reinvested by the Trustee only in Government Securities maturing on the earlier of 30 days after the date on which such obligations are acquired or such time or times as said money shall be needed for the purposes for which they were deposited; and provided, further, that the Borrower’s direction to so invest shall be received by 12:00 noon, New York Time, on the day prior to any such investment. All such investments shall mature not later, nor, to the extent reasonably practicable subject to the restrictions above, earlier, than the date such moneys or investment proceeds are required for the purposes of the respective Funds and Accounts.

(b) All investments shall constitute a part of the Fund or Account from which the moneys used to acquire such investments have come. The Trustee shall sell and reduce to cash a sufficient amount of investments in a Fund or Account whenever the cash balance therein is insufficient to pay the amounts then required to be paid therefrom. The Trustee may transfer investments from any Fund or Account to any other Fund or Account in lieu of cash when required or permitted by the provisions of this Indenture.

Section 603. Manner of Investment. All investments in Nonpurpose Investments made pursuant to this Article shall be made at the fair market value of such Nonpurpose Investments in accordance with Treasury Regulation Section 1.148-5(d)(6), and all sales of Nonpurpose Investments shall be at the fair market value of such Nonpurpose Investments.

Section 604. Record Keeping The Trustee shall maintain records designed to show compliance with the provisions of this Article and with the provisions of Article V for at least six (6) years after the payment of the Bonds.

[End of Article VI]

ARTICLE VII

PARTICULAR COVENANTS AND PROVISIONS

Section 701. Issuer to Issue Bonds and Execute Indenture. The Issuer covenants that it is duly authorized under the Act to execute and deliver this Indenture, to issue the Bonds and to pledge and assign the Trust Estate in the manner and to the extent herein set forth; that all action on its part for the execution and delivery of this Indenture and the issuance of the Bonds has been duly and effectively taken; and that the Bonds in the hands of the Owners thereof are and will be valid and enforceable obligations of the Issuer according to the import thereof.

Section 702. Performance of Covenants. The Issuer covenants that it will faithfully perform, or cause to be performed, at all times any and all covenants, undertakings, stipulations and provisions contained in this Indenture, in the Bonds and in all proceedings pertaining thereto.

Section 703. Instruments of Further Assurance. The Issuer covenants that it will do, execute, acknowledge and deliver, or cause to be done, executed, acknowledged and delivered, such Supplemental Indentures and such further acts, instruments, financing statements and other documents as the Trustee may reasonably require for the better assuring, transferring, pledging and assigning to the Trustee, and granting a security interest unto the Trustee in and to the Trust Estate and the other property and revenues herein described. The Agreement and all other documents, instruments or policies of insurance required by the Trustee shall be delivered to and held by the Trustee.

Section 704. Credit Facility. The Trustee shall hold and maintain the Credit Facility for the benefit of the Bondowners until the Credit Facility terminates or expires in accordance with its terms. The Trustee shall diligently enforce all terms, covenants and conditions of the Credit Facility. If at any time during the term of the Credit Facility any successor Trustee shall be appointed and qualified under this Indenture, the resigning or removed Trustee shall request that the Credit Enhancer transfer the Credit Facility to the successor Trustee, to the extent such action is necessary, and shall comply with the applicable provisions of the Credit Facility. If the resigning or removed Trustee fails to make this request, the successor Trustee shall do so before accepting appointment. On the Termination Date the Trustee shall immediately surrender the Credit Facility then in effect to the Credit Enhancer unless an event of default thereunder shall have occurred and is continuing.

Section 705. Enforcement of Credit Facility. The Trustee, for the benefit of the Owners of Bonds, subject to the provisions of Section 901(1) hereof, shall diligently enforce and take all reasonable steps, actions and proceedings necessary for the enforcement of all terms, covenants and provisions of the Credit Facility as contemplated herein and therein. The Trustee shall not consent to or permit any amendment or modification of the Credit Facility which would materially adversely affect the rights or interests of the Owners of Bonds.

Any provisions herein requiring notice to or from the Credit Enhancer or the consent of the Credit Enhancer prior to any action by the Trustee or the Issuer shall have no force or effect (1) following the later of (i) the Termination Date and (ii) the repayment of all amounts owed to the Credit Enhancer pursuant to the Collateral Documents or (2) during any period an event of default

under the Credit Facility shall have occurred and is continuing, except with respect to all rights accruing to the Credit Enhancer with respect to unreimbursed draws on the Credit Facility.

Section 706. Alternate Credit Facility. An Alternate Credit Facility, in substitution for the Credit Facility then in effect, may be provided prior to any Termination Date if the Borrower shall give written notice not more than 60 nor less than 30 calendar days prior to the Alternate Credit Facility Date to the Issuer, the Trustee, the Tender Agent, the Remarketing Agent, the Rating Agency and the Credit Enhancer stating its election to provide an Alternate Credit Facility. Any such Alternate Credit Facility must be either (a) an irrevocable direct pay letter of credit, or (b) bond insurance contract, in both cases constituting an unconditional and irrevocable commitment to pay principal of and interest on the Bonds. If the Bonds are in any Interest Mode other than a Multiyear Mode, the Alternate Credit Facility Date must be a Rate Adjustment Date.

(a) Upon the exercise of such option by the Borrower, in the event the Bonds are in any Interest Mode other than a Multiyear Mode, the Trustee shall send to the Bondowners a Notice of Alternate Credit Facility in substantially the form of Exhibit G not later than 20 calendar days prior to the Alternate Credit Facility Date. The Trustee shall not accept such Alternate Credit Facility unless the Trustee shall have received, (1) prior to sending the Notice of Alternate Credit Facility (i) an Opinion of Bond Counsel stating that the delivery of such Alternate Credit Facility to the Trustee is authorized under this Indenture and the Act, complies with the terms hereof and will not adversely affect the exclusion of interest on the Bonds from gross income for federal income tax purposes, and (ii) a certificate from an Authorized Borrower Representative and a written acknowledgment by the Credit Enhancer stating that all amounts owing to the Credit Enhancer under the Collateral Documents have been paid and that there are no Pledged Bonds outstanding, and (2) on or before the Alternate Credit Facility Date a supplemental opinion of Bond Counsel stating that the delivery of the Alternate Credit Facility is authorized under this Indenture and the Act, complies with the terms hereof and will not adversely affect the exclusion of interest on the Bonds from gross income for federal income tax purposes.

(b) Upon the exercise of such option by the Borrower, in the event the Bonds are in a Multiyear Mode, the Trustee shall send to the Bondowners a Notice of Alternate Credit Facility in substantially the form of Exhibit G not later than 20 calendar days prior to the Alternate Credit Facility Date. The Trustee shall not accept such Alternate Credit Facility unless the Trustee shall have received, (1) prior to sending the Notice of Alternate Credit Facility (i) an Opinion of Bond Counsel stating that the delivery of such Alternate Credit Facility to the Trustee is authorized under this Indenture and the Act, complies with the terms hereof and will not adversely affect the exclusion of interest on the Bonds from gross income for federal income tax purposes, (ii) written evidence from the Rating Agency that the Bonds will be rated no lower than the then existing ratings on the Bonds by the Rating Agency, and (iii) a certificate from an Authorized Borrower Representative and a written acknowledgment by the Credit Enhancer stating that all amounts owing to the Credit Enhancer under the Collateral Documents have been paid and that there are no Pledged Bonds outstanding, and (2) on or before the Alternate Credit Facility Date a supplemental opinion of Bond Counsel stating that the delivery of the Alternate Credit Facility is authorized under this Indenture and the Act, complies with the terms hereof and will not adversely affect the exclusion of interest on the Bonds from gross income for federal income tax purposes.

Section 707. General Limitation on Issuer Obligations. ANY OTHER TERM OR PROVISION OF THIS INDENTURE OR ANY OTHER DOCUMENT EXECUTED IN CONNECTION WITH THE TRANSACTION WHICH IS THE SUBJECT HEREOF TO THE CONTRARY NOTWITHSTANDING, THE ISSUER SHALL NOT BE REQUIRED TO TAKE OR OMIT TO TAKE, OR REQUIRE ANY OTHER PERSON OR ENTITY TO TAKE OR OMIT TO TAKE, ANY ACTION WHICH WOULD CAUSE IT OR ANY PERSON OR ENTITY TO BE, OR RESULT IN IT OR ANY PERSON OR ENTITY BEING, IN VIOLATION OF ANY LAW OF THE STATE.

Section 708. Recording and Filing. Subject to Section 901(c) hereof, the Trustee shall use its best efforts to keep and file or cause to be kept and filed all financing statements related to this Indenture and all supplements hereto, the Agreement and all supplements thereto, the Credit Facility and all supplements thereto and such other documents as may be necessary to be kept and filed in such manner and in such places as may be required by law in order to preserve and protect fully the security of the Owners and the rights of the Trustee hereunder. In carrying out its duties under this Section, the Trustee shall be entitled to rely on an opinion of its counsel specifying what actions are required to comply with this Section.

Section 709. Possession and Inspection of Books and Documents. The Issuer and the Trustee covenant and agree that all books and documents in their possession relating to the Agreement and the Credit Facility and to the distribution of proceeds thereof shall at all times be open to inspection by such accountants or other agencies or persons as the Credit Enhancer or the Borrower may from time to time designate.

Section 710. Rights and Duties Under Agreement and Credit Facility. The Trustee hereby acknowledges and agrees to the terms, conditions, appointments and agencies of the Agreement and the Credit Facility as they relate to it and its participation in the transactions contemplated hereby and thereby. Subject to the provisions of Section 901(1) hereof, the Trustee shall perform all obligations and duties of the Issuer under the Agreement (and the Issuer hereby appoints the Trustee as the Issuer's agent and attorney-in-fact for all such purposes). The Trustee, as assignee hereunder, in its name or to the extent permitted by law, in the name of the Issuer, may enforce all rights of the Issuer (but only with the prior written consent of the Credit Enhancer unless the Credit Enhancer is in default under the Credit Facility) and all obligations of the Credit Enhancer and the Borrower under the Agreement and the Credit Facility (and waive the same with the consent of the Credit Enhancer, except for rights expressly granted to the Borrower) on behalf of the Bondowners whether or not the Issuer is in default hereunder.

Section 711. Tax Covenants.

(a) The Issuer shall not use or knowingly permit the use of any proceeds of the Bonds or any other funds of the Issuer, and the Trustee shall not use or permit the use of any proceeds of the Bonds or any other funds of the Issuer held by the Trustee, directly or indirectly, to acquire any securities or obligations, and shall not use or permit the use of any amounts received by the Issuer or Trustee with respect to the Agreement in any manner, and shall not take or permit to be taken any other action or actions, which would cause any Bond to be an "arbitrage bond" within the meaning of Section 148(a), or "federally guaranteed" within the meaning of Section 149(b), of the Code. If at any time the Issuer is of the opinion that for purposes of this subsection (a) it is necessary to restrict or limit the yield on or change in any way the investment of any moneys held

by the Trustee under this Indenture, the Trustee shall take such action as may be necessary in accordance with such instructions. The Issuer and the Trustee shall be deemed in compliance with this Section to the extent they follow the Tax Agreement or an Opinion of Bond Counsel with respect to the investment of funds hereunder.

(B) The Trustee and the Issuer will not take any action or omit to take any action or permit any action which is within its control to be taken or omitted which would to its knowledge impair the exclusion of interest on the Bonds from gross income for federal income tax purposes or the applicable exemptions from taxation in the State.

(c) The Issuer and the Trustee shall at all times do and perform all acts and things permitted by law and this Indenture which are necessary or desirable in order to assure that interest paid on the Bonds will be excludable from gross income for federal income tax purposes and to preserve the applicable exemptions from taxation in the State and shall take no action that would result in such interest not being excludable from gross income for federal income tax purposes.

[End of Article VII]

ARTICLE VIII

DEFAULT AND REMEDIES

Section 801. Events of Default. If any one or more of the following events occur, it is hereby defined as and declared to be and to constitute an "Event of Default":

(a) default in the due and punctual payment of any interest on any Bond;

(b) default in the due and punctual payment of the principal of or redemption premium, if any, on any Bond, whether at the stated maturity or accelerated maturity thereof, or upon proceedings for redemption thereof or otherwise;

(c) default in the payment of the Tender Price of any Tendered Bond (the substance of which must be communicated by Immediate Notice by the Trustee to the Credit Enhancer, the Borrower and the Issuer);

(d) the occurrence of an event of default under Article VIII of the Agreement;

(e) the occurrence of either or both of the following:

(i) the Trustee has received written notice from the Credit Enhancer, within the period provided for in the Credit Facility, that the Credit Enhancer will not reinstate the interest portion of the Credit Facility; or

(ii) the Trustee's receipt of written notice from the Credit Enhancer that an "Event of Default" has occurred under the Letter of Credit Agreement together with a direction from the Credit Enhancer to the Trustee requiring either (A) the acceleration of the Bonds pursuant to Section 802(a) or (B) the mandatory purchase of the Bonds pursuant to Section 802(b) hereof;

(f) default in the performance or observance of any other of the covenants, agreements or conditions on the part of the Issuer in this Indenture or in the Bonds contained, and the continuance thereof for a period of thirty (30) days after written notice thereof shall have been given to the Issuer, the Credit Enhancer and the Borrower by the Trustee, or to the Trustee, the Issuer, the Credit Enhancer and the Borrower by the Owners of not less than twenty-five percent (25%) in aggregate principal amount of Bonds then Outstanding; provided, however, if any default shall be such that it cannot be corrected within such 30-day period, it shall not constitute an Event of Default if corrective action is instituted by the Issuer or the Borrower within such period and diligently pursued until the default is corrected; or

(g) the occurrence of an event of default pursuant to Article VIII of the Series 1994B Trust Indenture.

(h) The Trustee shall give Immediate Notice of any Event of Default to the Issuer, the Borrower and the Credit Enhancer as promptly as practicable after the occurrence of an Event of Default becomes known to the Trustee.

Section 802. Acceleration: Mandatory Purchase.

(a) If an Event of Default described in paragraph (a), (b), (c), (e)(i) or (g) (except, with respect to paragraph (g), a default under Section 801(d), (e)(ii) or (f) of the Series 1994B Indenture) of Section 801 hereof shall have occurred and be continuing, the Trustee shall, by notice in writing delivered to the Issuer, the Borrower and the Credit Enhancer, declare the principal of all Bonds then Outstanding and the interest accrued thereon immediately due and payable, and the Bonds shall cease to bear interest on such date; subject, however, to subparagraph (b) hereof. The principal and interest shall thereupon become due and payable on a date established by the Trustee, which date shall not be more than ten (10) calendar days after such acceleration.

If an Event of Default described in paragraph (e)(ii) or (g) (but, with respect to paragraph (g), only with respect to a default under Section 801(e)(ii) of the Series 1994B Indenture) of Section 801 hereof shall have occurred and be continuing, the Trustee shall, by notice in writing delivered to the Issuer, the Borrower and the Credit Enhancer, declare the principal of all Bonds then Outstanding and the interest accrued thereon due and payable on such date as the Trustee shall establish pursuant to Section 402(c) hereof, and the Bonds shall cease to bear interest on such date; subject, however, to subparagraph (b) hereof.

If an Event of Default described in paragraph (d), (f) or (g) (but, with respect to paragraph (g), only with respect to a default under Section 801(d) or (f) of the Series 1994B Indenture) of Section 801 hereof, shall have occurred and be continuing, the Trustee, and may upon the written request of the Owners of not less than 25% in aggregate principal amount of the Bonds then Outstanding shall, but only with the prior written consent of the Credit Enhancer (unless the Credit Enhancer is in default under the Credit Facility in which case no such consent shall be required), by notice in writing delivered to the Issuer, the Borrower and the Credit Enhancer declare the principal of all Bonds then Outstanding and the interest accrued thereon immediately due and payable, and such principal and interest shall thereupon become and be immediately due and payable.

Upon any acceleration of the maturity of the Bonds hereunder, the Trustee shall immediately demand payment under the Credit Facility to the extent permitted by the terms thereof and pursue the remedies of the Trustee thereunder.

If, at any time after such declaration, but before the Bonds shall have matured by their terms, all overdue installments of principal of and interest on the Bonds, together with the reasonable and proper expenses of the Trustee, and all other sums then payable by the Issuer under this Indenture shall either be paid or provision satisfactory to the Trustee shall be made for such payment, then and in every such case the Trustee shall, but only with the approval of the Credit Enhancer and the Owners of not less than a majority in aggregate principal amount of the Bonds Outstanding, and upon the reinstatement of the Credit Facility, rescind such declaration and annul such default in its entirety. In such event, the Trustee shall rescind any declaration of acceleration of the Loan Payments as provided in Section 8.2 of the Agreement.

In case of any rescission, then and in every such case the Issuer, the Trustee and the Bondowners shall be restored to their former positions, rights and obligations hereunder, respectively, but no such rescission shall extend to any subsequent or other default or Event of Default or impair any right consequent thereon.

(b) Mandatory Purchase. Upon the occurrence and continuance of an Event of Default under paragraph (e)(ii) or (g) (but, with respect to paragraph (g), only with respect to a default under Section 801(e)(ii) of the Series 1994B Indenture) of Section 801 hereof, as provided in Section 302(d) hereof the Credit Enhancer in its notice to the Trustee may direct the Trustee to purchase the Bonds for the Credit Enhancer's own account, rather than to accelerate the Bonds as provided in Section 802(a) hereof. In such case, the Trustee shall draw upon the Credit Facility in accordance with the provisions of Section 302(d) hereof to pay the purchase price for the Bonds, which shall be an amount equal to the principal of all Outstanding Bonds and accrued interest thereon to the Mandatory Purchase Date, and upon receipt of the proceeds of such draw, shall immediately purchase the Bonds in accordance with Section 302 hereof.

Section 803. Surrender of Possession of Trust Estate: Rights and Duties of Trustee in Possession. If an Event of Default shall have occurred and be continuing, the Issuer, upon demand of the Trustee, shall forthwith surrender the possession of, and it shall be lawful for the Trustee, by such officer or agent as it may appoint, to take possession of all or any part of the Trust Estate, together with the books, papers and accounts of the Issuer pertaining thereto, and including the rights and the position of the Issuer under the Agreement and to hold and manage the same and to collect, receive and sequester the payments, revenues and receipts derived under the Agreement, and out of the same and any moneys received from any receiver of any part thereof pay and set up proper reserves for the payment of all proper costs and expenses of so taking, holding and managing the same, including (i) reasonable compensation to the Trustee, its agents and counsel, (ii) any reasonable charges of the Trustee hereunder, and (iii) any taxes and assessments, and other charges, prior to the lien of this Indenture which the Trustee may deem it wise to pay, and the Trustee shall apply the remainder of the moneys so received in accordance with Section 808. Whenever all that is due upon the Bonds shall have been paid and all defaults made good and all payments pursuant to Section 509 hereof have been made, the Trustee shall surrender possession of the Trust Estate to the Issuer, its successors or assigns, the same right of entry, however, to exist upon any subsequent Event of Default, subject to the provisions of Article V hereof. While the Credit Facility is in force and effect, if no Bonds are outstanding, the Trustee and the Issuer have been fully recompensed for all their costs and expenses, the Credit Enhancer is not in default under the Credit Facility, and any amounts remain unreimbursed with respect thereto, the Issuer shall thereafter transfer possession of the Trust Estate to the Credit Enhancer.

While in possession of the Trust Estate, the Trustee shall render annually (or more often if requested in writing) to the Issuer, the Borrower and the Credit Enhancer a summarized statement of receipts and expenditures in connection therewith.

Section 804. Appointment of Receivers in Event of Default. If an Event of Default shall have occurred and be continuing, and upon the filing of a suit or other commencement of judicial proceedings to enforce the rights of the Trustee and of the Bondowners under this Indenture, the Trustee shall be entitled, with the approval of the Credit Enhancer if the Credit Enhancer is not in

default under the Credit Facility, as a matter of right, to the appointment of a receiver or receivers of the Trust Estate and of the earnings, income, products and profits thereof, pending such proceedings, with such powers as the court making such appointment shall confer.

Section 805. Exercise of Remedies by the Trustee. If an Event of Default shall have occurred and be continuing, the Trustee may, with the approval of the Credit Enhancer if the Credit Enhancer is not in default under the Credit Facility, pursue any available remedy at law or equity by suit, action, mandamus or other proceeding to enforce the payment of the principal of and redemption premium, if any, and interest on the Bonds then Outstanding, and to enforce and compel the performance of the duties and obligations of the Issuer as herein set forth.

If an Event of Default shall have occurred and be continuing, and if requested so to do by the Credit Enhancer or by the Owners of not less than 25% in aggregate principal amount of the Bonds then Outstanding and indemnified as provided in paragraph (1) of Section 901, with the approval of the Credit Enhancer if the Credit Enhancer is not in default under the Credit Facility, the Trustee shall be obligated to exercise such one or more of the rights and powers conferred by this Article as the Trustee, being advised by counsel, shall deem most expedient in the interests of the Bondowners.

All rights of action under this Indenture or under any of the Bonds may be enforced by the Trustee without the possession of any of the Bonds or the production thereof in any trial or other proceedings relating thereto, and any such suit or proceeding instituted by the Trustee shall be brought in its name as Trustee without the necessity of joining as plaintiffs or defendants any Bondowner, and any recovery or judgment shall, subject to Section 808, be for the equal benefit of all the Owners of the Outstanding Bonds.

Section 806. Limitation on Exercise of Remedies by Bondowners. No Bondowner shall have any right to institute any suit, action or proceeding in equity or at law for the enforcement of this Indenture or for the execution of any trust hereunder or for the appointment of a receiver or any other remedy hereunder, unless:

(1) a default has occurred of which the Trustee has notice or is deemed to have notice as provided in subparagraph (h} of Section 901, and

(2) such default shall have become an Event of Default, and

(3) the Owners of not less than 25% in aggregate principal amount of the Bonds then Outstanding or the Credit Enhancer (with respect to an Event of Default described in paragraph (e) or (g} (but, with respect to paragraph (g), only with respect to a default under Section 801(e) of the Series 1994B Indenture) of Section 801 hereof shall have made written request to the Trustee, shall have offered it reasonable opportunity either to proceed to exercise the powers hereinbefore granted or to institute such action, suit or proceeding in its own name, and shall have provided to the Trustee indemnity as provided in subparagraph (1) of Section 901, and

(4) the Trustee shall thereafter fail or refuse to exercise the powers herein granted or to institute such action, suit or proceeding in its own name, and

(5) the Credit Enhancer shall have consented thereto if the Credit Enhancer is not in default under the Credit Facility;

and such notification, request and indemnity are hereby declared in every case, at the option of the Trustee (with the exception of any duty to make demand on, and proceed under, the Credit Facility, cause an acceleration of the Bonds or make payments when due), to be conditions precedent to the execution of the powers and trusts of this Indenture, and to any action or cause of action for the enforcement of this Indenture, or for the appointment of a receiver or for any other remedy hereunder, it being understood and intended that no one or more Bondowners shall have any right in any manner whatsoever to affect, disturb or prejudice this Indenture by such Bondowners action or to enforce any right hereunder except in the manner herein provided, and that all proceedings at law or in equity shall be instituted, had and maintained in the manner herein provided and for the equal benefit of the Owners of all Bonds then Outstanding. Nothing in this Indenture, however, shall affect or impair the right of any Bondowner to payment of the principal of, and redemption premium, if any, and interest on any Bond at and after its maturity or the obligation of the Issuer to pay the principal of, and redemption premium, if any, and interest on each of the Bonds to the respective Owners thereof at the time and place, from the source and in the manner herein and in such Bond expressed.

Section 807. Right of Bondowners to Direct Proceedings. Any other provision herein to the contrary notwithstanding, the Owners of a majority in aggregate principal amount of the Bonds then Outstanding shall have the right, at any time, with the approval of the Credit Enhancer if the Credit Enhancer is not in default under the Credit Facility, by an instrument or instruments in writing executed and delivered to the Trustee, to direct the time, method and place of conducting all proceedings to be taken in connection with the enforcement of this Indenture, or for the appointment of a receiver or any other proceedings hereunder; provided that the Trustee shall have been provided indemnity satisfactory to it in accordance with Section 901(1) hereof and provided that such direction shall not be otherwise than in accordance with the provisions of law and of this Indenture, and provided, further, that the Trustee shall have the right to decline to follow any such direction if the Trustee in good faith shall determine that the proceeding so directed would involve it in personal liability.

Section 808. Application of Moneys in Event of Default. Upon an Event of Default all moneys held or received by the Trustee pursuant to this Indenture, the Agreement or the Credit Facility or pursuant to any right given or action taken under this Article shall, after payment of the reasonable costs and expenses of the proceedings resulting in the collection of such moneys, be deposited in the Debt Service Fund (provided, however, Available Moneys shall be used only for payment of principal or interest on the Bonds) and all moneys so deposited in the Debt Service Fund shall be applied as follows:

(a) If the principal of all the Bonds shall not have become or shall not have been declared due and payable, all such moneys shall be applied:

First — To the payment to the persons entitled thereto of all installments of interest then due and payable on the Bonds, other than the Borrower Bonds, in the order in which such installments of interest became due and payable, with interest thereon at the rate or rates specified in the respective Bonds to the extent permitted by law, and, if the amount

available shall not be sufficient to pay in full any particular installment, then to the payment ratably, according to the amounts due on such installment, to the persons entitled thereto, without any discrimination or privilege;

Second — To the payment to the persons entitled thereto of the unpaid principal of and redemption premium, if any, on any of the Bonds, other than Borrower Bonds, that shall have become due and payable (other than Bonds called for redemption for the payment of which moneys or securities are held pursuant to this Indenture), in the order of their due date, with interest on such principal and redemption premium, if any, at the rate or rates specified in the respective Bonds from the respective dates upon which they became due and payable, and, if the amount available shall not be sufficient to pay in full such principal and redemption premium, if any, due on any particular date, together with such interest, then to the payment ratably, according to the amounts of principal and redemption premium, if any, due on such date, to the persons entitled thereto without any discrimination or privilege;

Third — To the payment to the Credit Enhancer, the unpaid principal and interest due on the Pledged Bonds;

Fourth — To the payment of the reasonable expenses, liabilities and advances incurred or made by the Trustee;

Fifth — To the Credit Enhancer any amounts due and owing under the Collateral Documents;

Sixth — To pay principal and interest on the Borrower Bonds; and

Seventh — To the Borrower.

(b) If the principal of all the Bonds shall have become due or shall have been declared due and payable, all such moneys shall be applied to the payment of the principal, redemption premium, if any, and interest then due and unpaid on all of the Bonds, with interest on such principal and redemption premium, if any, and, to the extent permitted by law, on such interest, at the rate or rates specified in the respective Bonds, without preference or priority of principal, redemption premium or interest over principal, redemption premium or interest or of any installment of interest over any other installment of interest or of any Bond over any other Bond, ratably, according to the amounts due respectively for principal, redemption premium, if any, and interest, to the persons entitled thereto, without any discrimination or privilege; provided however principal of and interest on Borrower Bonds shall only be paid after the amounts due the Credit Enhancer under the Related Documents shall have been paid in full.

(c) If the principal of all the Bonds shall have been declared due and payable, and if such declaration shall thereafter have been rescinded and annulled under this Article then, subject to paragraph (b) of this Section, in the event that the principal of all the Bonds shall later become due or be declared due and payable, the moneys shall be applied in accordance with paragraph (a) of this Section.

Whenever moneys are to be applied pursuant to this Section, such moneys shall be applied at such times and from time to time as the Trustee shall determine, having due regard to the amount of such moneys available and which may become available for such application in the future.

Whenever all of the Bonds and interest thereon have been paid under this Section, and all expenses and charges of the Trustee have been paid, any balance remaining in the Funds shall be paid first to the Credit Enhancer and second to the Borrower as provided in Section 510.

Section 809. Remedies Cumulative. No remedy conferred by this Indenture upon or reserved to the Trustee, to the Credit Enhancer or to the Bondowners is intended to be exclusive of any other remedy, but each and every such remedy shall be cumulative and shall be in addition to any other remedy given to the Trustee, to the Credit Enhancer or to the Bondowners hereunder or now or hereafter existing at law or in equity or by statute.

Section 810. Delay or Omission Not Waiver. No delay or omission to exercise any right, power or remedy accruing upon any Event of Default shall impair any such right, power or remedy or shall be construed to be a waiver of any such Event of Default or acquiescence therein, and every such right, power or remedy may be exercised from time to time and as often as may be deemed expedient.

Section 811. Effect of Discontinuance of Proceeding. In case the Trustee shall have proceeded to enforce any right under this Indenture by the appointment of a receiver, by entry, or otherwise, and such proceedings shall have been discontinued or abandoned for any reason, or shall have been determined adversely, then and in every such case the Issuer, the Borrower, the Trustee, the Credit Enhancer and the Bondowners shall, with the written consent of the Credit Enhancer, be restored to their former positions and rights hereunder, and all rights, remedies and powers of the Trustee shall continue as if no such proceedings had been taken.

Section 812. Waivers of Events of Default. The Trustee shall waive any Event of Default and its consequences and rescind any declaration of maturity of principal upon the written request of the Owners of a majority in aggregate principal amount of the Bonds then Outstanding; provided that there shall not be waived without the written consent of the Owners of all the Bonds Outstanding (a) any Event of Default in the payment of the principal of any Outstanding Bonds at their maturity, upon the redemption (including as a result of acceleration) or tender thereof, (b) any Event of Default under Section 801(e) or (g) hereof (but, with respect to paragraph (g), only with respect to a default under Section 801(e) of the Series 1994B Indenture) unless the Credit Enhancer shall have given written notice to the Trustee that the Credit Facility has been reinstated in full, or (c) any Event of Default in the payment when due of the interest on any such Bonds unless, prior to such waiver or rescission, all arrears of interest, with interest (to the extent permitted by law) at the rate borne by the Bonds on overdue installments of interest in respect of which such default shall have occurred, or all arrears of payments of principal when due, as the case may be, and all expenses of the Trustee in connection with such Event of Default shall have been paid or provided for; provided further that there shall not be waived without the written consent of the Credit Enhancer any Event of Default under Section 801(e)(ii) or (g) hereof (but, with respect to paragraph (g), only with respect to a default under Section 801(e)(ii) of the Series 1994B Indenture); and provided further that no Event of Default shall be waived without the

written consent of the Credit Enhancer if it has honored all its obligations under the Credit Facility. In case of any such waiver or rescission, or in case any proceeding taken by the Trustee on account of any such Event of Default shall have been discontinued or abandoned or determined adversely, then and in every such case the Issuer, the Borrower, the Trustee, the Bondowners and the Credit Enhancer shall be restored to their former positions, rights and obligations hereunder, respectively, but no such waiver or rescission shall extend to any subsequent or other default, or impair any right consequent thereon.

Section 813. Pledged Bonds. For the purposes of this Article VIII. Pledged Bonds shall not be deemed Outstanding under this Indenture until the payment in full of the principal of and interest on all other Bonds or the provision for the payment thereof shall have been duly made. In the event any vote or consent of the Bondowners is required hereunder, all Pledged Bonds shall be deemed Outstanding for such purpose hereunder and the Credit Enhancer shall be deemed the Owner thereof for purposes of voting or consenting thereto.

[End of Article VIII]

ARTICLE IX

THE TRUSTEE

Section 901. Acceptance of Trusts. The Trustee hereby accepts the trusts imposed upon it by this Indenture, and agrees to perform said trusts, but only upon and subject to the following express terms and conditions:

(a) The Trustee, prior to the occurrence of an Event of Default and after the curing of all Events of Default which may have occurred, undertakes to perform such duties and only such duties as are specifically set forth in this Indenture and no implied covenants or obligations shall be read into this Indenture against the Trustee. Subject to the limitations on liability of the Trustee contained in Section 901(1), in case an Event of Default shall have occurred of which the Trustee is deemed hereunder to have knowledge (and which has not been cured or waived), the Trustee shall exercise such of the rights and powers vested in it by this Indenture, and shall use the same degree of care and skill in their exercise, as a prudent person would exercise or use under the circumstances in the conduct of such person’s affairs.

(b) The Trustee may execute any of the trusts or powers hereunder or perform any duties hereunder either directly or through agents, attorneys or receivers. The Trustee shall be entitled to act upon the opinion or advice of counsel in the exercise of reasonable care, who may be counsel to the Issuer, the Credit Enhancer or the Borrower, concerning all matters of trusts hereof and the duties hereunder, and may in all cases pay such reasonable compensation to all such agents, attorneys and receivers as may reasonably be employed in connection with the trusts hereof. The Trustee shall not be responsible for any loss or damage resulting from any action or nonaction by it taken or omitted to be taken in good faith in reliance upon such opinion or advice of counsel.

(c) The Trustee shall not be responsible for any recital herein or in the Bonds (except with respect to the Certificate of Authentication of the Trustee endorsed on the Bonds), or for the recording or rerecording, filing or refiling of this Indenture or any security agreements or financing statements in connection therewith (except with respect to the filing of continuation statements), or for insuring the Project or collecting any insurance moneys or taxes, or for the validity of the execution by the Issuer of this Indenture or of any Supplemental Indentures or instruments of further assurance, or for the sufficiency of the security for the Bonds. The Trustee shall not be responsible or liable for any loss suffered in connection with any investment of funds made by it in accordance with Article VI hereof.

(d) The Trustee shall not be accountable for the use of any Bonds authenticated and delivered hereunder. The Trustee, in its individual or any other capacity, may become the Owner or pledgee of Bonds with the same rights which it would have if it were not Trustee.

(e) The Trustee may rely and shall be protected in acting or refraining from acting upon any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, affidavit, letter, telegram or other paper or document provided for under this Indenture believed by it to be genuine and correct and to have been signed, presented or sent by the proper person or persons. Any action taken by the Trustee pursuant to and in accordance with this Indenture upon the request or authority or consent of any person who, at the time of making such

request or giving such authority or consent is the Owner of any Bond, shall be conclusive and binding upon all future Owners of the same Bond and upon Bonds issued in exchange therefor or upon transfer or in place thereof.

(f) As to the existence or nonexistence of any fact or as to the sufficiency or validity of any instrument, paper or proceeding, or whenever in the administration of this Indenture the Trustee shall deem it desirable that a matter be provided or established prior to taking, suffering or omitting any action hereunder, the Trustee shall be entitled to rely upon a certificate signed by an Authorized Issuer Representative as sufficient evidence of the facts therein contained.

(g) The permissive right of the Trustee to do things enumerated in this Indenture shall not be construed as a duty, and the Trustee shall not be answerable for other than its negligence or willful misconduct.

(h) The Trustee shall not be required to take notice or be deemed to have notice of any Default hereunder except an Event of Default under Section 801(a), (b), (c), (e) or (g) hereof (but, with respect to paragraph (g), only with respect to a default under Section 801(a), (b), (c) or (e) of the Series 1994B Indenture), or failure by the Issuer to cause to be made any of the payments to the Trustee required to be made in Article V hereof, unless the Trustee shall be specifically notified in writing of such Default by the Issuer, the Credit Enhancer or the Owners of at least 25% in aggregate principal amount of all Bonds then Outstanding. All notices or other instruments required by this Indenture to be delivered to the Trustee shall be delivered at the Principal Office of the Trustee, and, in the absence of such notice so delivered, the Trustee may conclusively assume there is no Default except as aforesaid. The Trustee shall notify the Credit Enhancer and the Borrower of any Default known to the Trustee that has not yet become a matured Event of Default.

(i) At any and all reasonable times the Trustee and its duly authorized agents, attorneys, experts, engineers, accountants and representatives shall have the right, but shall not be required, to inspect the Project, including all books, papers and records of the Issuer pertaining to the Project, the loan made pursuant to the Agreement and the Bonds, and to take such memoranda from and in regard thereto as may be desired.

(j) The Trustee shall not be required to give any bond or surety in respect of the execution of its trusts and powers hereunder or otherwise in respect of the Project.

(k) The Trustee shall have the right, but shall not be required, to demand, in respect of the authentication of any Bonds, the withdrawal of any cash, the release of any property, or any action whatsoever within the purview of this Indenture, any showings, certificates, opinions, appraisals or other information, or corporate or partnership action or evidence thereof, in addition to that by the terms hereof required, as a condition of such action by the Trustee as are deemed desirable for the purpose of establishing the right of the Issuer to the authentication of any Bonds, the withdrawal of any cash, the release of any property or the taking of any other action by the Trustee.

(l) Before taking any action under this Indenture, the Trustee may require that satisfactory indemnity be furnished to it for the reimbursement of all costs and expenses to which it may be put and to protect it against all liability, except liability which is adjudicated to have

resulted from its negligence or willful misconduct by reason of any action so taken. Notwithstanding the foregoing, the Trustee shall be required, without indemnity, to make drawings on the Credit Facility, to pay the principal and purchase price of, and premium, if any and interest on the Bonds from moneys available in the Funds and Accounts hereunder, to accelerate the maturity of the Bonds pursuant to Section 802(a) or to call the Bonds for mandatory purchase pursuant to Section 802(b) and, upon the acceleration of the maturity of the Bonds or the mandatory purchase of the Bonds, to immediately demand payment under the Credit Facility to the extent permitted by the terms thereof and pursue the remedies of the Trustee thereunder.

(in) All moneys received by the Trustee shall, until used, applied or invested as herein provided, be held in trust for the purposes for which they were received but need not be segregated from other funds, except to the extent required by law or this Indenture. The Trustee shall be under no liability for interest on any moneys received hereunder, except such as may be agreed upon.

(n) Notwithstanding the effective date of this Indenture or anything to the contrary in this Indenture, the Trustee shall have no liability or responsibility for any act or event relating to this Indenture which occurs prior to the date the Trustee formally executes this Indenture and commences acting as Trustee hereunder.

(o) No provision of this Indenture shall be deemed to require the Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder, or in the exercise of its rights or powers, if the Trustee shall have reasonable grounds for believing that repayment of such funds or, in the alternative, adequate indemnity against such risk or liability is not reasonably assured to it.

(p) The Trustee has no obligation or liability to the Bondowners for the payment of interest or premium, if any, on or principal of the Bonds, but rather the Trustee’s sole obligations are to administer, for the benefit of the Issuer, the Credit Enhancer, the Borrower and the Bondowners, the Funds established hereunder.

(q) In the event the Trustee shall receive inconsistent or conflicting requests and indemnity from two or more groups of Bondowners, each representing less than a majority of the aggregate principal amount of the Bonds then outstanding, the Trustee, in its sole discretion, may determine what action, if any, shall be taken; provided, that, the Trustee shall follow the direction of the Credit Enhancer if the Credit Enhancer is not in default under the Credit Facility.

(r) Except for information provided by the Trustee concerning the Trustee, the Trustee shall have no responsibility with respect to any information in any offering memorandum or other disclosure material distributed with respect to the Bonds. The Trustee shall have no responsibility for compliance with securities laws in connection with issuance of the Bonds.

(s) The Trustee’s immunities and protections from liability, and its right to payment of compensation and indemnification in connection with performance of its duties and obligations under the Indenture and the Agreement, shall survive the Trustee’s resignation or removal, or the final payment of the Bonds.

(t) In acting or omitting to act pursuant to the provisions of the Agreement, the Trustee shall be entitled to all of the rights, protections and immunities accorded to the Trustee under the terms of this Indenture, including but not limited to those set out in this Article IX.

(u) Notwithstanding anything otherwise provided in this Indenture, and without regard to whether or not an Event of Default may have occurred and be continuing, the Trustee may notify the Credit Enhancer and the Bondowners of environmental hazards that the Trustee in its reasonable judgment has reason to believe exist with respect to the Project, and the Trustee has the right to take no further action and in such event no fiduciary duty exists which imposes any obligation for further action with respect to the Project; provided, that if the Trustee is directed by the Owners of a majority in aggregate principal amount of Bonds then Outstanding (with the written consent of the Credit Enhancer) or the Credit Enhancer to take further action, the Trustee may (i) take such further action upon being furnished with indemnity and security satisfactory to it for all reasonable costs, expenses, reimbursable fees, liabilities and losses, including, without limitation, losses and liabilities in connection with hazardous substances and environmental contamination, and the clean up thereof, and reasonable attorney’s fees and expenses, or (ii) elect not to proceed in accordance with the directions of the Bondowners or the Credit Enhancer without incurring any liability to the Bondowners or the Credit Enhancer if in the sole opinion of the Trustee such direction may result in environmental or other liability to the Trustee, the Credit Enhancer or the Bondowners, and the Trustee may rely upon an opinion of its counsel in determining whether any such action directed by Bondowners may result in such liability.

Section 902. Fees. Charges and Expenses of the Trustee. The Trustee shall be entitled to payment of and/or reimbursement for reasonable fees for its ordinary services rendered hereunder and all advances, agent and counsel fees and other ordinary expenses reasonably and necessarily made or incurred by the Trustee in connection with such ordinary services and, in the event that it should become necessary that the Trustee perform extraordinary services, it shall be entitled to reasonable extra compensation therefor and to reimbursement for reasonable and necessary extraordinary expenses in connection therewith; provided that if such extraordinary services or extraordinary expenses are occasioned by the neglect or willful misconduct of the Trustee it shall not be

entitled to compensation or reimbursement therefor. The Trustee shall be entitled to payment and reimbursement for the reasonable fees and charges of the Trustee as Paying Agent for the Bonds and as Bond Registrar. Pursuant to the provisions of Section 3.7 of the Agreement, the Borrower has agreed to pay to the Trustee all reasonable fees, charges and expenses of the Trustee under this Indenture. The Trustee agrees that the Issuer shall have no liability for any fees, charges, advances, costs. and expenses of the Trustee, and the Trustee agrees to look only to the Borrower for the payment of all fees, charges and expenses of the Trustee as provided in the Agreement. Upon the occurrence of an Event of Default and during its continuance, the Trustee shall have a lien with right of payment prior to payment on account of principal of, redemption premium, if any, or interest on any Bond, upon all moneys in its possession under any provisions hereof for the foregoing advances, fees, costs and expenses incurred, other than moneys received under the Credit Facility, or deposit in the Purchase Fund or Rebate Fund, and which constitute Available Moneys for the payment of redemption premium.

Section 903. Notice to the Bondowners if Default Occurs. If a Default occurs of which the Trustee is by Section 901(h) hereof required to take notice or if notice of Default be given as in said Section provided, then the Trustee shall give written notice thereof by mail, within 30 days of the receipt of notice by the Trustee of such Default, to the Borrower, the Credit Enhancer and to the Owners of all Bonds then Outstanding as shown by the Bond Register in the same manner as required by Section 1302 hereof; provided that the Trustee shall further give prompt notice of such Default to the Issuer and the Credit Enhancer by such means as is practicable under the circumstances.

Section 904. Intervention by the Trustee. In any judicial proceeding to which the Issuer is party and which, in the opinion of the Trustee and its counsel, has a substantial bearing on the interests of Owners of the Bonds or the Credit Enhancer, the Trustee may intervene on behalf of Bondowners and the Credit Enhancer and shall do so if requested in writing by the Credit Enhancer or the Owners of at least 25% in the aggregate principal amount of Bonds then Outstanding (with the written consent of the Credit Enhancer), and if provided with indemnity satisfactory to it.

Section 905. Successor Trustee Upon Merger, Consolidation or Sale. Any corporation or association with or into which the Trustee may be merged or converted or with or into which it may be consolidated, or to which the Trustee may sell or transfer its corporate trust business and assets as a whole or substantially as a whole, or any corporation or association resulting from any merger, conversion, sale, consolidation or transfer to which it is a party, shall be and become successor Trustee hereunder and shall be vested with all the trusts, powers, rights, obligations, duties, remedies, immunities and privileges hereunder as was its predecessor, without the execution or filing of any instrument or any further act on the part of any of the parties hereto.

Section 906. Trustee Required; Eligibility. (a) There shall at all times be a Trustee hereunder which shall be a trust institution or bank duly organized under the laws of the United States of America or any state or territory thereof, in good standing and qualified to accept such trust having a combined capital stock, surplus and undivided profits of not less than $50,000,000. If such institution publishes reports of condition at least annually pursuant to law or regulation, then for the purposes of this Section the capital, surplus and undivided profits of such institution shall be deemed to be its capital, surplus and undivided profits as set forth in its most recent report of condition so published. If at any time the Trustee shall cease to be eligible in accordance with the provisions of this Section, it shall resign immediately in the manner provided in Section 907. No resignation or removal of the Trustee and no appointment of a successor Trustee shall become effective until the successor Trustee has accepted its appointment under Section 909.

(b) Notwithstanding anything herein, in the Series 1994B Indenture or in the Borrower Documents to the contrary, each of the “Borrower”, the “Credit Enhancer”, the “Paying Agent(s)”, the “Remarketing Agent”, the “Tender Agent” and the “Trustee” (including for such purpose each co-trustee) shall, as between the documents relating to the Bonds and the Series 1994B Bonds be one and the same Person. In this regard:

(i) the Trustee, including any successor Trustee, shall at all times hereunder also serve as Trustee pursuant to the Series 1994B Indenture;

(ii) the Trustee agrees to resign hereunder contemporaneously with any resignation under the Series 1994B Indenture; and

(iii) any removal of the Trustee pursuant to the Series 1994B Indenture shall result in the contemporaneous removal of the Trustee hereunder.

Section 907. Resignation of Trustee. The Trustee and any successor Trustee may at any time resign from the trusts hereby created by giving 30 days’ written notice to the Credit Enhancer, the Remarketing Agent, the Issuer, the Borrower and the Bondowners, and such resignation shall take effect at the end of such 30 days, or upon the earlier appointment of a successor Trustee by the Issuer or by the Owners of a majority in aggregate principal amount of the Bonds then outstanding in accordance with Section 908 hereof; provided, however, that in no event shall the resignation of a Trustee or successor Trustee become effective until such time as a successor Trustee has been appointed and has accepted appointment.

Section 908. Removal of Trustee. The Trustee may be removed for cause at any time or without cause upon thirty days written notice by an instrument or concurrent instruments in writing delivered to the Trustee and the Issuer and signed by the Borrower (with the consent of the Credit Enhancer), the Credit Enhancer or the Owners of a majority in aggregate principal amount of Bonds then Outstanding (with the consent of the Credit Enhancer); provided, however, that any such removal shall not be effective until such time as a successor Trustee has been appointed and has accepted such appointment. The Issuer, the Borrower, the Credit Enhancer or any Bondowner may at any time petition any court of competent jurisdiction for the removal for cause of the Trustee.

Section 909. Appointment of Successor Trustee. In case the Trustee hereunder shall resign or be removed, or shall otherwise become incapable of acting hereunder, or in case it shall be taken under the control of any public officer or officers or of a receiver appointed by a court, a successor Trustee, approved in writing by the Credit Enhancer and the Borrower, may be appointed by the Owners of a majority in aggregate principal amount of Bonds then Outstanding, by an instrument or concurrent instruments in writing; provided, nevertheless, that in case of such vacancy the Issuer, by an instrument executed and signed by the Chairman of the Board of Directors of the Issuer and attested by its Executive Director under its seal, may appoint a temporary Trustee, approved by the Credit Enhancer, to fill such vacancy; or if such vacancy has continued for 60 days, the Credit Enhancer and the Borrower may appoint such temporary Trustee, until a successor Trustee shall be appointed by the Bondowners in the manner above provided; and any such temporary Trustee so appointed by the Issuer or the Credit Enhancer shall immediately and without further acts be superseded by the successor Trustee so appointed by such Bondowners. Any successor Trustee or temporary Trustees must have the qualifications provided for in Section 906.

Section 910. Vesting of Trusts in Successor Trustee. Every successor Trustee appointed hereunder shall execute, acknowledge and deliver to its predecessor and also to the Issuer, the Credit Enhancer and the Borrower an instrument in writing accepting such appointment hereunder, and thereupon such successor shall become fully vested with all the trusts, powers, rights, obligations, duties, remedies, immunities and privileges of its predecessor; but such predecessor shall, nevertheless, on the written request of the Issuer, the Credit Enhancer or its successor, execute and deliver an instrument transferring to such successor Trustee all the trusts, powers, rights, obligations, duties, remedies, immunities and privileges of such predecessor hereunder; and every

predecessor Trustee shall deliver all securities and moneys and documents held by it as Trustee hereunder to its successor. Should any instrument in writing from the Issuer be required by any successor Trustee for more fully and certainly vesting in such successor the trusts, powers, rights, obligations, duties, remedies, immunities and privileges hereby vested in the predecessor, any and all such instruments in writing shall, on request, be executed, acknowledged and delivered by the Issuer.

Section 911. Trust Estate May be Vested in Co-Trustee. It is the purpose of this Indenture that there shall be no violation of any law of any jurisdiction (including particularly the State) denying or restricting the right of banking corporations or associations to transact business as trustee in such jurisdiction. It is recognized that in case of litigation under this Indenture or the Agreement, and in particular in case of the enforcement with respect to any default, or in case the Trustee deems that by reason of any present or future law of any jurisdiction it may not exercise any of the powers, rights or remedies herein granted to the Trustee, or take any other action which may be desirable or necessary in connection therewith, it may be necessary or desirable that the Trustee appoint an individual or institution as a co-trustee or separate trustee, and the Trustee is hereby authorized to appoint such co-trustee or separate trustee, with the written consent of the Issuer and the Credit Enhancer.

In the event that the Trustee appoints an additional individual or institution as co-trustee or separate trustee, each and every remedy, power, right, claim, demand, cause of action, immunity, title, interest and lien expressed or intended by this Indenture to be exercised by the Trustee with respect thereto shall be exercisable by such co-trustee or separate trustee but only to the extent necessary to enable such co-trustee or separate trustee to exercise such powers, rights and remedies, and every covenant and obligation necessary to the exercise thereof by such co-trustee or separate trustee shall run to and be enforceable by either of them.

Should any deed, conveyance or instrument in writing from the Issuer be required by the co-trustee or separate trustee so appointed by the Trustee for more fully and certainly vesting in and confirming to him or it such properties, rights, powers, trusts, duties and obligations, any and all such deeds, conveyances and instruments in writing shall, on request, be executed, acknowledged and delivered by the Issuer.

In case any co-trustee or separate trustee shall die, become incapable of acting, resign or be removed, all the properties, rights, powers, trusts, duties and obligations of such co-trustee or separate trustee, so far as permitted by law, shall vest in and be exercised by the Trustee until the appointment of a successor to such co-trustee or separate trustee.

Section 912. Accounting. The Trustee shall render a monthly accounting, for each calendar month, to the Borrower, to the Credit Enhancer and to any Bondowner requesting the same at the cost of such Bondowner, and an annual (or more often if requested) accounting, for each calendar year ended December 31, to the Issuer showing in reasonable detail all financial transactions relating to the Trust Estate during the accounting period and the balance in any funds or accounts created by this Indenture as of the beginning and close of such accounting period.

Section 913. Paying Agents; Bond Registrar; Appointment and Acceptance of Duties; Removal. The Trustee is hereby designated and agrees to act as Paying Agent and as Bond

Registrar for and in respect of the Bonds. The Tender Agent shall be the Paying Agent with respect to Tendered Bonds.

Section 914. The Tender Agent.

(a) The Trustee is hereby appointed as the initial Tender Agent for the Bonds and with respect to Tendered Bonds, the Paying Agent, and hereby agrees to carry out its responsibilities described herein. If the Tender Agent is other than the Trustee, the Tender Agent shall signify its acceptance of the duties and obligations imposed upon it hereunder by a written instrument of acceptance delivered to the Issuer, the Credit Enhancer, the Borrower, the Trustee and the Remarketing Agent, under which the Tender Agent will agree to particularly:

(1) hold all Bonds delivered to it for purchase hereunder as agent and bailee of, and in escrow for the benefit of, the respective Owners which have so delivered such Bonds; until moneys representing the Purchase Price of such Bonds shall have been delivered to or for the account of or to the order of such Owners; and

(2) keep such books and records as shall be consistent with prudent industry practice, and make such books and records available for inspection by the other parties.

The parties hereto shall each cooperate to cause the necessary arrangements to be made and to be thereafter continued whereby funds from the sources specified herein will be made available for the purchase of Bonds presented at the Principal Office of the Tender Agent, and to otherwise enable the Tender Agent to carry out its duties hereunder.

The Tender Agent, the Trustee and the Remarketing Agent shall cooperate to the extent necessary to permit the preparation, execution, issuance, authentication and delivery by the Tender Agent of replacement Bonds in connection with the tender and remarketing of Bonds hereunder.

The Issuer, the Trustee and the Borrower acknowledge that, in carrying out its responsibilities hereunder, the Tender Agent shall be acting solely for the benefit of and as agent for the Owners from time to time of the Bonds. No delivery of the Bonds to the Tender Agent or any agent of the Tender Agent or purchase of Bonds by the Tender Agent shall constitute a redemption of the Bonds or any extinguishment of the debt evidenced thereby.

(b) The Tender Agent shall be a commercial bank or trust company, duly organized under the laws of the United States of America or any state or territory thereof having a combined capital stock, surplus and undivided profits of at least $20,000,000 and authorized by law to perform all of the duties imposed upon it by this Indenture. The Tender Agent may resign and be discharged of the duties and obligation created by this Indenture by giving at least thirty (30) days' notice by mail to the Trustee, the Borrower, the Remarketing Agent, and the Credit Enhancer; provided, however, that such resignation shall not take effect unless and until a successor Tender Agent shall be appointed by the Trustee with the consent of the Credit Enhancer. The Trustee shall use its best efforts to appoint a successor Tender Agent during such thirty (30) day period and in the event a successor Tender Agent has not taken office prior to the expiration of such thirty (30) day period, the Tender Agent may petition a court of applicable jurisdiction to appoint a successor Tender Agent. The Tender Agent may be removed at any time by an instrument signed by the

Borrower, with the written consent of the Credit Enhancer, or the Credit Enhancer, and filed with the Borrower, the Credit Enhancer, the Issuer, the Tender Agent, the Remarketing Agent and the Trustee; provided, however, that such removal shall not take effect unless and until a successor Tender Agent shall be appointed by the Trustee with the approval of the Borrower and the Credit Enhancer, or by the Borrower and the Credit Enhancer if the Trustee has not made such appointment within thirty (30) days from such filing. In the event of the resignation or removal of the Tender Agent, the Tender Agent shall deliver any moneys and Bonds held by it to its successor, and if there be no successor, to the Trustee.

(c) Tender Agent shall be appointed by the Trustee with the approval of the Borrower and the Credit Enhancer, or by the Borrower and the Credit Enhancer if the Trustee has not made such appointment within thirty (30) days from such filing. In the event of the resignation or removal of the Tender Agent, the Tender Agent shall deliver any moneys and Bonds held by it to its successor, and if there be no successor, to the Trustee.

(d) In accordance with Section 906(b) hereof:

(i) the Tender Agent, including any successor Tender Agent, shall at all times hereunder also serve as Tender Agent pursuant to the Series 1994B Indenture;

(ii) the Tender Agent agrees to resign hereunder contemporaneously with any resignation under the Series 1994B Indenture; and

(iii) any removal of the Tender Agent pursuant to the Series 1994B Indenture shall result in the contemporaneous removal of the Tender Agent hereunder.

Section 915. Notice to Rating Agency. The Trustee shall notify the Rating Agency (until such time as the Rating Agency no longer maintains a rating on the Bonds) as soon as practicable (i) after the Trustee becomes aware of (1) any expiration, termination or renewal of the Credit Facility, (2) any redemption or purchase of all of the Bonds, (3) any change in the Credit Facility, the Agreement or this Indenture, or (4) the interest portion of the Credit Facility will not be reinstated, or (ii) if (1) the Trustee resigns or is removed or a new Trustee is appointed, (2) the Remarketing Agent resigns or is removed or a new Remarketing Agent is appointed, (iii) an Alternate Credit Facility is provided, (iv) there is a mandatory tender of all Bonds, (v) there is a call for the redemption of all Bonds, or (vi) there is a change in the Interest Mode pursuant to Section 204 hereof.

Section 916. Right of Trustee to Pay Taxes and Other Charges. In case any tax, assessment or governmental or other charge upon, or insurance premium with respect to, any part of the Project is not paid as required herein or in the Agreement, or in case any amount required to be rebated to the United States pursuant to the provisions of Section 148(f) of the Code is not paid when due, the Trustee may pay such tax, assessment or governmental charge, insurance premium, or rebate amount, without prejudice, however, to any rights of the Trustee or the Bondowners hereunder arising in consequence of such failure; and any amount at any time so paid under this Section, with interest thereon from the date of payment at a rate per annum equal to the Trustee's base rate for variable rate commercial loans in effect at the time plus two percent (2%), shall

become an additional obligation secured by this Indenture, and the same shall be given a preference in payment over any payment of principal of, premium, if any, or interest on the Bonds, and shall be paid out of the proceeds of rents, revenues and receipts collected from the Project, not including payments on the Credit Facility, if not otherwise caused to be paid; but the Trustee shall be under no obligation to make any such payment unless it shall have been requested to do so by the Credit Enhancer or the Owners of at least twenty-five percent (25%) of the aggregate principal amount of Bonds then Outstanding and shall have been provided adequate funds for the purpose of such payment.

[End of Article IX]

ARTICLE X

SUPPLEMENTAL INDENTURES

Section 1001. Supplemental Indentures Not Requiring Consent of Bondowners. The Issuer and the Trustee may from time to time, with the prior written consent of the Credit Enhancer and the Borrower, if required pursuant to Section 1003 hereof, but without the consent of or notice to any of the Bondowners or the owners of the Series 1994B Bonds, enter into such Supplemental Indenture or Supplemental Indentures as shall not be inconsistent with the terms and provisions hereof, so long as such Supplemental Indenture or Supplemental Indentures does not cause the then-current rating on the Bonds to be lowered, for any one or more of the following purposes:

(a) To cure any ambiguity, formal defect or omission in this Indenture or to make any other change not materially prejudicial to the Bondowners or the owners of the Series 1994B Bonds;

(b) To grant to or confer upon the Trustee for the benefit of the Bondowners any additional rights, remedies, powers or authority that may lawfully be granted to or conferred upon the Bondowners or the Trustee or either of them;

(c) To subject to this Indenture additional revenues, properties or collateral;

(d) To modify, amend or supplement this Indenture or any indenture supplemental thereto in such manner as to permit the qualification of the Indenture under the Trust Indenture Act of 1939, as then amended, or any similar federal statute hereafter in effect or to permit the qualification of the Bonds for sale under the securities laws of any state of the United States;

(e) To evidence the appointment of a separate trustee or the succession of a new trustee hereunder;

(f) To make any other change which will become effective on a date on which the Bonds are subject to mandatory tender pursuant to Section 302 hereof, provided the substance of such change is described in the Trustee's notice to Bondowners in connection with an election to retain Bonds;

(g) To make any other change which, in the sole judgment of the Trustee, does not materially adversely affect the interests of the Bondowners or the owners of the Series 1994B Bonds; it being understood that in exercising such judgment the Trustee may rely on the opinion of such counsel as it may select;

(h) To more precisely identify the Project or to substitute or add additional property thereto; and

(i) To conform this Indenture to the Code or other or future applicable federal law concerning tax-exempt obligations;

provided that, in the event a Supplemental Indenture is entered into with respect to any of the matters referred to in (a) through (b) above, a corresponding supplemental indenture, if appropriate under the circumstances, shall be entered into with respect to the Series 1994B Indenture.

Section 1002. Supplemental Indentures Requiring Consent of Bondowners. Exclusive of Supplemental Indentures covered by Section 1001 hereof and subject to the terms and provisions contained in this Section, and not otherwise, the Owners (within the meaning of this Indenture and the Series 1994B Indenture) of not less than 51% in aggregate principal amount of the Bonds and the Series 1994B Bonds then outstanding shall have the right from time to time, with the prior written consent of the Credit Enhancer and, if required pursuant to Section 1003 hereof, the Borrower, anything contained in this Indenture to the contrary notwithstanding, to consent to and approve the execution by the Issuer and the Trustee of such other Supplemental Indenture or Supplemental Indentures as shall be deemed necessary and desirable by the Issuer for the purpose of modifying, amending, adding to or rescinding, in any particular, any of the terms or provisions contained in this Indenture or in any Supplemental Indenture (including any consents that may be given in connection with an exchange or tender offer); provided, however, that nothing in this Section contained shall permit or be construed as permitting without the consent of the Owners (within the meaning of this Indenture and the Series 1994B Indenture) of 100% of the Bonds and the Series 1994B Bonds then outstanding, the Issuer, the Trustee and the Credit Enhancer, (a) an extension of the maturity of the principal of or the scheduled date of payment of interest on any Bond issued hereunder, or (b) a reduction in the principal amount, redemption premium or any interest payable on any Bond, or (c) a privilege or priority of any Bond or Bonds over any other Bond or Bonds, or (d) a reduction in the aggregate principal amount of Bonds the Owners of which are required for consent to any such Supplemental Indenture, or (e) any modification of the redemption or tender features of the Bonds, or (f) any change which results in the lowering of the then-current rating on the Bonds; and provided, further, that in the event a Supplemental Indenture is entered into in accordance with this Section, a corresponding supplemental indenture, if appropriate under the circumstances, shall be entered into with respect to the Series 1994B Indenture.

If at any time the Issuer shall request the Trustee to enter into any such Supplemental Indenture for any of the purposes of this Section, the Trustee shall cause notice of the proposed execution of such Supplemental Indenture to be mailed to each Bondowner, each owner of Series 1994B Bonds and the Credit Enhancer (and a copy of such proposed Supplemental Indenture shall be mailed with such notice to the Credit Enhancer. Such notice shall briefly set forth the nature of the proposed Supplemental Indenture and shall state that copies thereof are on file at the Principal Office of the Trustee for inspection by all Bondowners and owners of the Series 1994B Bonds and a copy of such proposed supplemental Indenture shall be mailed with such notice to the Credit Enhancer. If within 60 days or such longer period as shall be prescribed by the Issuer following the mailing of such notice, the Credit Enhancer and the Owners (within the meaning of this Indenture and the Series 1994B Indenture) of not less than fifty-one percent (51%) in aggregate principal amount of the Bonds and the Series 1994B Bonds then outstanding at the time of the execution of any such Supplemental Indenture shall have consented to and approved the execution thereof as herein provided, no Owner of any Bond shall have any right to object to any of the terms and provisions contained therein, or the operation thereof, or in any manner to question the propriety of the execution thereof, or to enjoin or restrain the Trustee or the Issuer

from executing the same or from taking any action pursuant to the provisions thereof. Upon the execution of any such Supplemental Indenture as in this Section permitted and provided, this Indenture shall be and be deemed to be modified and amended in accordance therewith.

Section 1003. Borrower's Consent to Supplemental Indentures. Anything herein to the contrary notwithstanding, a Supplemental Indenture under this Article which affects any rights or obligations of the Borrower shall not become effective unless and until the Borrower shall have consented in writing to the execution and delivery of such Supplemental Indenture. In this regard, the Trustee shall cause notice of the proposed execution and delivery of any such Supplemental Indenture together with a copy of the proposed Supplemental Indenture to be mailed to the Borrower at least 15 days prior to the proposed date of execution and delivery of any such Supplemental Indenture. Under no circumstances shall a failure by the Borrower to respond to such notice be construed as a consent for these purposes.

Section 1004. Opinion of Bond Counsel. Notwithstanding anything to the contrary in Sections 1001 or 1002, before the Issuer or the Trustee enter into any supplemental indenture pursuant to Section 1001 or 1002. there shall have been delivered to the Issuer, the Trustee, the Borrower and the Credit Enhancer an Opinion of Bond Counsel stating that such supplemental indenture is authorized or permitted by this Indenture and the Act, complies with their respective terms, will, upon the execution and delivery thereof, be valid and binding upon the Issuer in accordance with its terms and will not adversely affect the exclusion of interest on the Bonds from gross income for federal income tax purposes.

[End of Article X]

ARTICLE XI

AMENDMENT OF AGREEMENT AND CREDIT FACILITY

Section 1101. Amendments, Changes or Modifications to the Agreement and Credit Facility Not Requiring Consent of Bondowners. So long as such does not cause the then-current rating on the Bonds to be lowered, the Trustee, with the prior written consent of the Credit Enhancer, may, without the consent of or notice to the Bondowners or the owners of the Series 1994B Bonds, consent to any amendment, change or modification of the Agreement and the Credit Facility, as may be required (i) by the provisions of such documents and this Indenture, (ii) for the purpose of curing any ambiguity or formal defect or omission in such documents, or in connection with any other change therein which, in the judgment of the Trustee, is not to the material prejudice of the Trustee or the Bondowners or the owners of the Series 1994B Bonds, (iii) so as to more precisely identify the Project or substitute or add additional property thereto, (iv) to conform the Agreement or the Credit Facility to the Code or other or future applicable Federal law concerning tax-exempt obligations or (v) in connection with any other change therein which, in the sole judgment of the Trustee, does not materially adversely affect the interests of the Bondowners or the owners of the Series 1994B Bonds; provided that, in the event a Supplemental Indenture is entered into with respect to any of the matters referred to in (i) through (iii) and (v) above, a corresponding Supplemental Indenture, if appropriate under the circumstances, shall be entered into with respect to the Series 1994B Indenture. In exercising such judgment, the Trustee may rely on the opinions of such counsel as it may select.

Section 1102. Amendments, Changes or Modifications to the Agreement and Credit Facility Requiring Consent of Bondowners. except as provided for in Section 1101 hereof, the Trustee shall not consent to any amendment, change or modification of the Agreement or the Credit Facility without the mailing of notice and the obtaining of the written approval or consent of the Credit Enhancer and the Owners (within the meaning of this Indenture and the Series 1994B Indenture) of not less than fifty-one percent (51%) in aggregate principal amount of the Bonds and the Series 1994B Bonds at the time outstanding given and obtained as provided in Section 1002 hereof (including any consents that may be given in connection with an exchange or tender offer); provided, however, that no such amendment, change or modification to such documents shall be entered into which permits, without the consent of the Owners (within the meaning of this Indenture and the Series 1994B Indenture) of 100% of the Bonds and the Series 1994B Bonds then outstanding, the Issuer, the Trustee and the Credit Enhancer, (a) a reduction of the maturity or expiration date of the Credit Facility, or (b) a change in the timing of payments under or the amounts required to be paid under the Credit Facility, or (c) a lowering of the then- current credit rating on the Bonds; and provided, further, that in the event a Supplemental Indenture is entered into in accordance with this Section, a corresponding supplemental indenture, if appropriate under the circumstances, shall be entered into with respect to the Series 1994B Indenture. If at any time the Issuer, the Credit Enhancer and the Borrower shall request the consent of the Trustee to any such proposed amendment, change or modification to such documents, the Trustee shall cause notice of such proposed amendment, change or modification to such documents to be given in the same manner as provided by Section 1002 hereof with respect to Supplemental Indentures and the corresponding supplemental indentures with respect to the Series 1994B Bonds. Such notice shall briefly set forth the nature of such proposed amendment, change or modification to such documents and shall state that copies of the same are on file at the Principal Office of the Trustee for

inspection by all Bondowners and a copy of such proposed amendment, change or modification to such document shall be mailed with such notice to the Credit Enhancer.

Section 1103. Opinion of Bond Counsel. Anything to the contrary in Sections 1101 or 1102 notwithstanding, before the Trustee shall consent to any amendment of the Agreement or the Credit Facility there shall have been delivered to the Trustee, the Borrower and the Credit Enhancer an Opinion of Bond Counsel stating that such amendment is authorized or permitted by this Indenture and the Act, complies with their respective terms, will, upon the execution and delivery thereof, be valid and binding upon the Issuer (if the Issuer is a party thereto) in accordance with its terms and will not adversely affect the exclusion of interest on the Bonds from gross income for federal income tax purposes.

[End of Article XI]

ARTICLE XII

SATISFACTION AND DISCHARGE OF INDENTURE

Section 1201. Defeasance. If the Bonds are in an Interest Mode other than a Weekly Mode or Monthly Mode and if the Issuer shall pay or provide for the payment (other than by the Credit Enhancer) of any Bond or Bonds Outstanding in any one or more of the following ways:

(a) by paying or causing to be paid, from Available Moneys, the principal of (including redemption premium, if any) and interest on such Bonds, as and when the same become due and payable;

(b) by depositing with the Trustee, in trust and irrevocably setting aside exclusively for such payment, at or before maturity, Available Moneys in an amount sufficient to pay or redeem (when redeemable) Bonds (including the payment of redemption premium, if any, and interest payable on such Bonds to the maturity or redemption date thereof), provided that such moneys, if invested, shall be invested in Government Securities which are not subject to redemption and payment prior to maturity except at the option of the holder thereof (“Non-Callable Government Securities”) in an amount and with maturities, without consideration of any income or increment to accrue thereon, sufficient to pay or redeem (when redeemable) and discharge the indebtedness on such Bonds at or before their respective maturity dates, to pay the interest thereon as it comes due;

(c) by delivering to the Trustee, for cancellation by it, such Bonds; or

(d) by depositing with the Trustee, in trust, Non-Callable Government Securities acquired with Available Moneys in such amounts as are certified to the Trustee to be fully sufficient, together with other Available Moneys deposited therein and together with the income or increment to accrue thereon, without consideration of any reinvestment thereof, to pay or redeem (when redeemable) and discharge the indebtedness on such Bonds at or before their respective maturity dates, to pay the interest thereon as it comes due;
then such Bond or Bonds shall be deemed to be paid within the meaning of this Article and shall cease to be entitled to any lien, benefit or security under this Indenture, except for the purposes of any such payment from such moneys or Government Securities and except for the purposes of registration, transfer and exchange of such Bonds. If all the Bonds are not to be redeemed within 30 days, the Trustee shall mail, as soon as practicable, in the manner prescribed by Article IV hereof, a notice to the owners of such Bonds that the deposit required by (b) or (d) above has been made with the Trustee and that said Bonds are deemed to have been paid in accordance with this Article and stating the maturity or redemption date upon which moneys are to be available for the payment of the principal of or redemption price, if applicable, on said Bonds as specified in (1)) or (d) above.

Notwithstanding the foregoing, in the case of the Bonds which by their terms may be redeemed prior to the stated maturities thereof, no deposit under clauses (b) or (d) of the immediately preceding paragraph shall be deemed a payment of such Bonds as aforesaid until, as to all such Bonds which are to be redeemed prior to their respective stated maturities and as to

Bonds subject to interest rate adjustment prior to maturity which shall be redeemed prior to the next Interest Adjustment Date, proper notice of such redemption shall have been given in accordance with Article IV of this Indenture or irrevocable instructions shall have been given to the Trustee to give such notice at the time when such notice may be given pursuant to the provisions of this Indenture.

Notwithstanding any provisions of any other Section of this Indenture which may be contrary to the provisions of this Section, all Available Moneys or Non-Callable Government Securities or other investments acceptable to the Credit Enhancer set aside and held in trust pursuant to the provisions of this Section for the payment of Bonds (including redemption premium thereon, if any, and interest) shall be applied to and used solely for the payment of the particular Bonds (including redemption premium thereon, if any, and interest) with respect to which such Available Moneys and Non-Callable Government Securities or other investments acceptable to the Credit Enhancer have been so set aside in trust.

The Issuer may at any time surrender to the Trustee for cancellation by it any Bond previously authenticated and delivered which the Issuer may have acquired in any manner whatsoever, and such Bonds, upon such surrender and cancellation, shall be deemed to be paid and retired.

Section 1202. Satisfaction and Discharge of the Indenture. If the Issuer shall pay the principal of, redemption premium, if any, and interest on all of the Bonds Outstanding in accordance with their terms, or shall provide for such payment as provided in Section 1201 hereof, and if the Issuer shall also pay or cause to be paid all other sums payable hereunder by the Issuer, then and in that case this Indenture and the estate and rights granted hereunder shall cease, terminate and become null and void, and thereupon the Trustee shall, upon Written Request of the Issuer, and an Opinion of Counsel, each stating that in the opinion of the signers all conditions precedent to the satisfaction and discharge of this Indenture have been complied with, forthwith execute proper instruments acknowledging satisfaction of and discharging this Indenture and the lien hereof; provided that, with respect to Bonds for which payment has been provided at the time but which has not in fact been paid, the liability of the Issuer in respect of such Bonds shall continue provided that the Owners thereof shall thereafter be entitled to payment only out of the moneys or Government Securities deposited with the Trustee as provided in this Article. The satisfaction and discharge of this Indenture shall be without prejudice to the rights of the Trustee to charge and be reimbursed by the Issuer and the Borrower for any expenditures which it may thereafter incur in connection herewith.

Notwithstanding the release and discharge of the lien of this Indenture as provided above, those provisions of this Indenture relating to the maturity of the Bonds, interest payments and dates thereof, tender and purchase provisions, exchange and transfer of Bonds, replacement of mutilated, destroyed, lost, stolen or Undelivered Bonds, the safekeeping and cancellation of Bonds, nonpresentment of Bonds, the holding of moneys in trust, redemption of Bonds and the duties of the Trustee, the Bond Registrar, the Paying Agent and the Remarketing Agent in connection with all of the foregoing, remain in effect and shall be binding upon the Trustee and the Bondowners.

The Issuer is hereby authorized to accept a certificate by the Trustee that the whole amount of the principal, redemption premium, if any, and interest so due and payable upon all of the Bonds

then Outstanding has been paid or such payment provided for in accordance with Section 1201 hereof as evidence of satisfaction of this Indenture, and upon receipt thereof shall cancel and erase the inscription of this Indenture from its records.

All moneys, funds, securities or other property remaining on deposit in all Funds or Accounts established under this Indenture (other than said moneys or Government Securities or other investments deposited in trust as above provided) shall, upon the full satisfaction of this Indenture, forthwith be transferred, paid over and distributed to the Credit Enhancer and the Borrower in the manner provided in Section 510 hereof.

If there is a release and discharge of the lien of this Indenture as provided above, the Trustee shall so notify the Rating Agency.

Section 1203. When Refunding is Not Permitted. None of the Bonds Outstanding hereunder may be refunded nor may this Indenture be discharged if under any circumstances the interest on the Bonds is thereby made subject to federal income taxation. In determining the foregoing, the Trustee may rely upon an Opinion of Bond Counsel (which opinion may be based upon a ruling or rulings of the Internal Revenue Service) to the effect that the interest on the Bonds proposed to be refunded will not be subject to federal income taxation, notwithstanding the satisfaction and discharge of this Indenture.

[End of Article XII]

ARTICLE XIII

MISCELLANEOUS PROVISIONS

Section 1301. Consents and Other Instruments by Bondowners. Any consent, request, direction, approval, objection or other instrument required by this Indenture to be signed and executed by the Bondowners may be in any number of concurrent writings of similar tenor and may be signed or executed by such Bondowners in person or by agent appointed in writing. Proof of the execution of any such instrument or of the writing appointing any such agent and of the ownership of Bonds, if made in the following manner, shall be sufficient for any of the purposes of this Indenture except for the assignment of the ownership of any Bond which proof shall be made by signature guaranty, and shall be conclusive in favor of the Trustee with regard to any action taken, suffered or omitted under any such instrument, namely:

(a) The fact and date of the execution by any person of any such instrument may be proved by the certificate of any officer in any jurisdiction who by law has power to take acknowledgments within such jurisdiction that the person signing such instrument acknowledged before him the execution thereof, or by affidavit of any witness to such execution.

(b) The fact of ownership of Bonds and the amount or amounts, numbers and other identification of such Bonds, and the date of holding the same shall be proved by the Bond Register.

In determining whether the Owners of the requisite principal amount of Bonds Outstanding have given any request, demand, authorization, direction, notice, consent or waiver under this Indenture, Bonds owned by, or held by or for the account of, the Issuer, the Borrower or any Affiliated Party of the Borrower shall be disregarded and deemed not to be Outstanding under this Indenture, except that, in determining whether the Trustee shall be protected in relying upon any such request, demand, authorization, direction, notice, consent or waiver, only Bonds which the Trustee knows to be so owned shall be so disregarded. Notwithstanding the foregoing, Bonds (including Pledged Bonds) so owned which have been pledged in good faith shall not be disregarded if the pledgee establishes to the satisfaction of the Trustee the pledgee's right so to act with respect to such Bonds and that the pledgee is not the Issuer, the Borrower or any Affiliated Party of the Borrower.

Section 1302. Notices. Except as otherwise provided herein, it shall be sufficient service of any notice, request, complaint, demand or other paper required by this Indenture to be given to or filed with the Issuer, the Trustee, the Credit Enhancer, the Remarketing Agent, the Borrower or the Bondowners if the same shall be duly mailed by first-class mail, postage pre-paid, certified or registered mail, or sent by telegram, telecopy or telex or other similar communication, or when given by telephone, confirmed in writing by first-class mail, postage pre-paid, certified or registered mail, or sent by telegram, telecopy or telex or other similar communication, on the same day, addressed:

(a) To the Issuer at:

South Carolina Jobs-Economic Development Authority
1201 Main Street, Suite 1750
Columbia, South Carolina 29201
Attention: Executive Director
Telephone: (803) 737-0079
Telecopier: (803) 737-0016

(b) To the Trustee and Tender Agent at:

Mark Twain Bank
8820 Ladue Road
St. Louis, Missouri 63124
Attention: Corporate Trust Division
Telephone: (314) 889-0753
Telecopier: (314) 889-0736

(c) To the Credit Enhancer at:

Heller Financial, Inc.
500 West Monroe Street, 12th Floor
Chicago, Illinois 60661
Attention: Portfolio Manager, Portfolio Organization, Corporate Finance Group
Telephone: (312) 441-7500
Telecopier: (312) 441-7367

With a copy to Legal Department, Portfolio Organization, Corporate Finance Group

(d) To the Remarketing Agent at:

Stern Brothers & Co.
8000 Maryland Avenue, Suite 1020
St. Louis, Missouri 63105
Attention: Mr. Terrence M. Finn
Telephone: (314) 727-5519
Telecopier: (314) 727-7313

(e) To the Borrower at:

Roller Bearing Company of America, Inc.
140 Terry Drive
Newtown, Pennsylvania 18940
Attention: Chief Financial Officer
Telephone: (215) 579-4300
Telecopier: (215) 579-4318

With a copy to:

Gibson, Dunn & Crutcher
2029 Century Park East, Suite 4000
Los Angeles, California 90067
Attention: Bruce D. Meyer
Telephone: (310) 552-8686
Telecopier: (310) 277-5827

(f) To the Bondowners:

Addressed to each of the Owners of all Bonds at the time Outstanding, as shown by the Bond Register.

(g) Initially, to the Rating Agency at:

Standard & Poor's Ratings Group
25 Broadway
New York, New York 10004
Attention: LOC Rating Surveillance
Telephone: (212) 208-1846
Telecopier: (212) 208-0031

All notices given by first-class mail, certified or registered mail, postage prepaid, as aforesaid shall be deemed duly given as of the third day after the same are so mailed; provided that notices shall be deemed given as of the date they are sent by telecopy or otherwise received. A duplicate copy of each notice, certificate or other communication given hereunder by either the Issuer or the Trustee to the other shall also be given to the Borrower, the Remarketing Agent and the Credit Enhancer. In the event of notice to any party other than the Issuer or the Trustee, a copy of the notice shall be provided to the Borrower, the Remarketing Agent and the Credit Enhancer. In addition, the Trustee shall send to the Credit Enhancer, the Borrower, the Tender Agent and the Remarketing Agent a copy of each notice sent to the Bondowners. The Issuer, the Trustee, the Tender Agent, the Borrower, the Credit Enhancer and the Remarketing Agent may from time to time designate, by notice given hereunder to the others of such parties, such other address to which subsequent notices, certificates or other communications shall be sent.

Section 1303. Limitation of Rights Under the Indenture. With the exception of rights herein expressly conferred and as otherwise provided in this Section, nothing expressed or mentioned in or to be implied from this Indenture or the Bonds is intended or shall be construed to give any person other than the parties hereto, the Borrower, the Credit Enhancer and the Owners of the Bonds, any right, remedy or claim under or in respect to this Indenture. This Indenture and all of the covenants, conditions and provisions hereof are, except as otherwise provided in this Section, intended to be and are for the sole and exclusive benefit of the parties hereto, the Borrower, the Credit Enhancer and the Owners of the Bonds as herein provided.

The Trustee and the Issuer acknowledge and agree that each of the Borrower, the Credit Enhancer, the Remarketing Agent and the Tender Agent is a third-party beneficiary of those provisions herein which relate to the making of payments or giving of notice to or consents by or following the directions of or the performance of other acts to benefit it, and all such provisions shall be enforceable by such parties, and in addition acknowledge and agree that the Credit Enhancer shall for all purposes hereunder be treated as the Owner of Pledged Bonds.

Section 1304. Suspension of Mail Service. If, because of the temporary or permanent suspension of mail service or for any other reason, it is impossible or impractical to mail any notice in the manner herein provided, then such delivery of notice in lieu thereof as shall be made with the approval of the Trustee shall constitute a sufficient notice.

Section 1305. Business Days. If any date for the payment of principal of, redemption premium, if any, or interest on the Bonds or the taking of any other action hereunder is not a Business Day, then such payment shall be due, or such action shall be taken, on the first Business Day thereafter with the same force and effect as if made on the date fixed for payment or performance.

Section 1306. Immunity of Officers,. Employees and Members of Issuer. No recourse shall be had for the payment of the principal of or redemption premium, if any, or interest on any of the Bonds or for any claim based thereon or upon any obligation, covenant or agreement in this Indenture contained against any past, present or future officer, member, employee or agent of the Issuer, or of any successor body, as such, either directly or through the Issuer or any successor body, under any rule of law or equity, statute or constitution, or by the enforcement of any assessment or penalty or otherwise, and all such liability of any such officers, members, employees or agents as such is hereby expressly waived and released as a condition of and consideration for the execution of this Indenture and the issuance of such Bonds.

Section 1307. Credit Enhancer's Remedial Rights. The Issuer and the Trustee on behalf of the Bondowners hereby acknowledge and agree that should the Credit Enhancer exercise certain of its remedial rights under the Credit Documents, the Credit Enhancer (or an Affiliate or designee thereof) may become successor in interest to the Borrower under the Agreement. No such exercise of the Credit Enhancer's rights under the Credit Documents, or

succession of the Credit Enhancer (or an affiliate or designee thereof) to the interest of the Borrower under the Agreement, shall require, as a condition precedent, either (i) the further consent of the Issuer, the Trustee or the Bondowners, or (ii) the acceleration of the Bonds (unless the Credit Enhancer elects such in its sole discretion).

Section 1308. Severability. If any provision of this Indenture shall be held or deemed to be invalid, inoperative or unenforceable as applied in any particular case in any jurisdiction or jurisdictions or in all jurisdictions, or in all cases because it conflicts with any other provision or provisions hereof or any constitution or statute or rule of public policy, or for any other reason, such circumstances shall not have the effect of rendering the provision in question inoperative or unenforceable in any other case or circumstances, or of rendering any other provision or provisions herein contained invalid, inoperative or unenforceable to any extent whatever. The invalidity of any one or more phrases, sentences, clauses or Sections in this Indenture contained shall not affect the remaining portions of this Indenture, or any part thereof.

Section 1309. Complete Agreement. The Issuer and the Trustee understand that oral agreements or commitments to loan money, extend credit or to forbear from enforcing repayment of a debt including promises to extend or renew such debt are not enforceable. To protect the Issuer and the Trustee from misunderstanding or disappointment, any agreements the Issuer and the Trustee reach covering such matters are contained in this Indenture, which is the complete and exclusive statement of the agreement between the Issuer and the Trustee, except as the Issuer and the Trustee may later agree in writing (subject to the provisions of Article X of this Indenture) to modify this Indenture.

Section 1310. Execution in Counterparts. This Indenture may be simultaneously executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Section 1311. Governing Law. This Indenture shall be governed exclusively by and construed in accordance with the applicable laws of the State of South Carolina.

[End of Article XIII]

IN WITNESS WHEREOF, the South Carolina Jobs-Economic Development Authority has caused these presents to be signed in its name and behalf and its corporate seal to be hereunto affixed and attested by its duly authorized officers, and to evidence its acceptance of the trusts hereby created, the Trustee, has caused these presents to be signed in its name and behalf and its corporate seal to be hereunto affixed and attested by its duly authorized officers, all as of the day and year first above written.

SOUTH CAROLINA JOBS-ECONOMIC DEVELOPMENT AUTHORITY

By /s/ Robert L. Mobley
Chairman, Board of Directors

[SEAL]

ATTEST:

/s/ [ILLEGIBLE]
Executive Director

MARK TWAIN BANK as Trustee By

[SEAL]

By /s/ [ILLEGIBLE]
Vice President

ATTEST:

/s/ [ILLEGIBLE]
Assistant Secretary

EXHIBIT A

BOND FORM

(Form of Face of Bond)

REGISTERED REGISTERED NO. R-

$

UNITED STATES OF AMERICA
State of South Carolina

SOUTH CAROLINA JOBS-ECONOMIC DEVELOPMENT AUTHORITY
VARIABLE RATE DEMAND
INDUSTRIAL DEVELOPMENT REVENUE BOND
(Roller Bearing Company of America, Inc. Project)
Series 1994A

Interest Rate:	Maturity Date:	Dated Date:	CUSIP:
	September 1, 2017		

Registered Owner:

Principal Amount: Dollars

THIS BOND AND THE RELATED CREDIT FACILITY INITIALLY HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933 (THE "SECURITIES ACT") OR THE SECURITIES LAWS OF ANY STATE. ACCORDINGLY, BONDS THAT ARE SUBJECT TO THE BENEFITS OF THE CREDIT FACILITY MAY BE SOLD, REMARKETED, OR OTHERWISE TRANSFERRED ONLY IN TRANSACTIONS IN WHICH THE BONDS AND THE RELATED CREDIT FACILITY ARE REGISTERED UNDER THE SECURITIES ACT AND ANY APPLICABLE STATE SECURITIES STATUTES OR IN TRANSACTIONS IN WHICH THE BONDS AND THE RELATED CREDIT FACILITY ARE EXEMPT FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND ANY APPLICABLE STATE SECURITIES LAWS. THE ISSUER AND THE CREDIT ENHANCER HAVE NO OBLIGATION TO CAUSE THE BONDS OR THE CREDIT FACILITY TO BE REGISTERED UNDER THE SECURITIES ACT OR ANY APPLICABLE STATE SECURITIES LAWS OR TO COMPLY WITH ANY EXEMPTION THAT MAY BE AVAILABLE UNDER THE SECURITIES ACT OR ANY APPLICABLE STATE SECURITIES LAWS, INCLUDING, WITHOUT LIMITATION, RULE 144A UNDER THE SECURITIES ACT. THE TRANSFER RESTRICTIONS DESCRIBED HEREIN DO NOT PRECLUDE THE REGISTERED OWNER OF THIS BOND FROM TENDERING THIS BOND TO THE TENDER AGENT AS DESCRIBED HEREIN. THE HOLDER HEREOF AGREES THAT ANY TRANSFER OF THIS BOND WILL BE IN ACCORDANCE WITH THE INDENTURE (AS DESCRIBED HEREIN).

THIS BOND IS SUBJECT TO MANDATORY TENDER FOR PURCHASE AT THE TIME AND IN THE MANNER HEREINAFTER DESCRIBED, AND MUST BE SO TENDERED OR WILL BE

DEEMED TO HAVE BEEN SO TENDERED UNDER CERTAIN CIRCUMSTANCES DESCRIBED HEREIN.

The South Carolina Jobs-Economic Development Authority (the "Issuer"), a body politic and corporate and an agency of the State of South Carolina, for value received hereby acknowledges itself obligated to, and promises to pay, the Registered Owner identified above, or registered assigns, but only out of the sources pledged for that purpose as hereinafter provided, and not otherwise, on the Maturity Date set forth above or on prior redemption of the Principal Amount above and interest thereon from the most recent Interest Payment Date (as hereinafter defined) to which interest has been paid or for which due provision has been made or, if no interest has been paid, from the Dated Date set forth above, at the rate of interest per annum determined as set forth herein, until the Issuer's obligation with respect to payment of said Principal Amount is discharged.

Principal of, redemption premium, if any, and interest on this Bond are payable in any coin or currency of the United States of America which, at the respective dates of payment thereof, is legal tender for the payment of public and private debts, and such principal and premium, if any, on this Bond shall be payable at the Principal Office of Mark Twain Bank, St. Louis, Missouri, as trustee (the "Trustee"), and, with respect to Tender Price, at the Principal Office of Mark Twain Bank, St. Louis, Missouri, as tender agent (the "Tender Agent") upon presentation and surrender of this Bond. Payment of interest on this Bond will be made by check or draft of the Trustee mailed to the person in whose name this Bond is registered on the Bond Register as of the close of business of the Trustee on the Record Date for such Interest Payment Date, except that interest not duly paid or provided for when due will be payable to the person in whose name this Bond is registered at the dose of business on the Business Day immediately preceding the date of payment of such defaulted interest as provided for in the hereinafter referred to Indenture. In the case of an interest payment to any Owner of $1,000,000 or more in aggregate principal amount of Bonds as of the commencement of business of the Trustee on the Record Date for a particular Interest Payment Date or in the case of the purchase from an Owner of $1,000,000 or more in aggregate principal amount of Bonds on the Tender Date, payment of interest or the Tender Price, as applicable, will be made by wire transfer to such Owner upon written notice to the Trustee from such Owner containing the wire transfer address (which shall be in the continental United States) to which such Owner wishes to have such wire directed and, with regard to interest payments, such written notice is given by such Owner to the Trustee not less than fifteen (15) days prior to such Record Date and regarding payment of the Tender Price, which written notice accompanies such Owner's Notice of Election to Tender Bonds.

The Bonds and the interest thereon are limited obligations of the Issuer payable solely out of the Revenues and other moneys pledged thereto and held by the Trustee as provided in the Indenture and are secured by a transfer, pledge and assignment of and a grant of a security interest in the Trust Estate to the Trustee and in favor of the Owners of the Bonds, as provided in the Indenture. THE BONDS AND THE PREMIUM, IF ANY, AND INTEREST THEREON (INCLUDING ANY AMOUNTS PAYABLE IN CONNECTION WITH ANY PREPAYMENT OR PURCHASE OF THE BONDS) ARE LIMITED OBLIGATIONS OF THE ISSUER; THE PRINCIPAL OF, PREMIUM, IF ANY, AND INTEREST ON THE BONDS (INCLUDING ANY AMOUNTS PAYABLE IN CONNECTION WITH ANY PURCHASE OF THE BONDS) ARE PAYABLE SOLELY FROM THE REVENUES OR MONEYS TO BE RECEIVED IN CONNECTION WITH THE FINANCING OF THE PROJECT OR FROM ANY OTHER MONEYS MADE AVAILABLE TO THE ISSUER FOR SUCH PURPOSE; NEITHER THE BONDS NOR

THE INTEREST THEREON (INCLUDING ANY AMOUNTS PAYABLE IN CONNECTION WITH ANY PURCHASE OF THE BONDS) SHALL EVER CONSTITUTE AN INDEBTEDNESS OR A CHARGE AGAINST THE GENERAL CREDIT OF THE STATE, THE ISSUER, OR ANY POLITICAL SUBDIVISION OF THE STATE, OR OF THE TAXING POWERS OF THE STATE WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY LIMITATION AND SHALL NEVER CONSTITUTE OR GIVE RISE TO ANY PECUNIARY LIABILITY OF THE STATE, THE ISSUER, OR ANY POLITICAL SUBDIVISION OF THE STATE, THE BONDS DO NOT CONSTITUTE AN INDEBTEDNESS TO WHICH THE FAITH OR CREDIT OF THE STATE, THE ISSUER, OR ANY POLITICAL SUBDIVISION OF THE STATE, OR TAXING POWER OF THE STATE, IS PLEDGED.

No recourse shall be had for the payment of the principal of, premium, if any or interest on, any of the Bonds or for any claim based thereon or upon any obligation, covenant or agreement in the Indenture contained, against any past, present or future director, trustee, officer, official, employee or agent of the Issuer, or any director, trustee, officer, official, employee or agent of any successor to the Issuer, as such, either directly or through the Issuer or any successor to the Issuer, under any rule of law or equity, statute or constitution or by the enforcement of any assessment or penalty or otherwise, and all such liability of any director, trustee, officer, official, employee or agent, as such, is hereby expressly waived and released as a condition of and consideration for the execution of the Indenture and the issuance of any of the Bonds.

Capitalized terms used herein shall have the meanings set forth in the Trust Indenture, dated as of September 1, 1994 (the "Indenture"), by and between the Issuer and the Trustee with respect to the Bonds unless otherwise defined herein.

ADDITIONAL PROVISIONS OF THIS BOND ARE SET FORTH ON THE REVERSE HEREOF.

This Bond shall not be valid or become obligatory for any purpose or be entitled to any security or benefit under the Indenture until the Certificate of Authentication hereon shall have been manually signed by an authorized officer of the Trustee.

IT IS HEREBY CERTIFIED AND RECITED that all acts, conditions and things required to exist, to happen and to be performed precedent to and in the issuance of this Bond have existed, have happened and have been performed in due form, time and manner as required by law.

IN WITNESS WHEREOF, the Issuer has caused this Bond to be executed and attested by the printed facsimile signatures of its duly authorized officers, and its corporate seal to be printed hereon, all as of the Dated Date shown above.

[SEAL]

SOUTH CAROLINA JOBS-ECONOMIC
DEVELOPMENT AUTHORITY

By (Facsimile Signature)
Chairman, Board of Directors

ATTEST:

By (Facsimile Signature)
Executive Director

AUTHENTICATION CERTIFICATE

The undersigned hereby certifies that this is one of the Bonds described in the within-mentioned Indenture.

Date of Authentication:

MARK TWAIN BANK, as Trustee

By
Authorized Signatory

(Form of Reverse of Bond)

CERTAIN DEFINITIONS

Unless otherwise defined herein, capitalized words and terms used in this Bond shall have the meanings ascribed to such terms in the Indenture. In addition, the following words and terms as used in this Bond shall have the following meanings:

"Agreement" means the Loan Agreement, including the Exhibits attached thereto, dated as of the date of the Indenture, between the Issuer and the Borrower, with respect to the Bonds, as such Agreement may be from time to time amended, restated or supplemented in accordance with the provisions of the Agreement and the Indenture.

"Alternate Credit Facility" means any alternate credit facility designated and qualified as such and provided in accordance with the Indenture.

"Alternate Credit Facility Date" means a Business Day on or prior to the Termination Date on which the Borrower has complied with all requirements of the Indenture regarding the substitution of an Alternate Credit Facility for the Credit Facility then in effect.

"Annual Mode" means an Interest Mode during which the interest rate on the Bonds is determined at twelve month intervals, as provided in the Indenture.

"Authorized Denominations" means (i) in the case of Bonds in a Weekly Mode or Monthly Mode, $100,000 and any integral multiple of $5,000 in excess thereof; (ii) in the case of Bonds in a Semiannual Mode, Annual Mode or Multiyear Mode, $5,000 or any integral multiple thereof, provided that if the Credit Facility is not exempt from registration under the Securities Act of 1933 and has not been registered thereunder, as amended, then the Authorized Denomination shall be $100,000 and any integral multiple of $5,000 in excess thereof; or (iii) in the case of a Bond which is a Pledged Bond, $100,000 or any integral multiple of $5,000 in excess thereof.

"Bond Registrar" means the Trustee, when acting as such.

"Business Day" means any day which is not (i) a Saturday, a Sunday or any other day on which banking institutions in the City of New York, New York or the city in which the principal corporate trust office of the Trustee, and the principal office of the Remarketing Agent, the Tender Agent or the Credit Enhancer is located, are required or authorized to close or (ii) a day on which the New York Stock Exchange is closed.

"Credit Facility" means the letter of credit initially issued by Heller Financial, Inc. or any Alternate Credit Facility issued by the Credit Enhancer in substitution therefor in accordance with the Indenture, as the same may be amended, supplemented, extended or renewed from time to time in accordance with the Loan Agreement and the Indenture.

"Financial Institution" means any qualified institutional buyer, as that term is defined from time to time in 17 C.F.R. ss.230.144A(a) (i) ("Rule 144A").

"Immediate Notice" means notice by telephone, telegram, telex, telecopier or other telecommunication device to such phone numbers or addresses as are specified in the Indenture or such other phone number or address as the addressee shall have directed in writing, promptly followed by written notice by first-class mail postage prepaid to such addresses.

"Interest Mode" means a period of time relating to the frequency with which the interest rate on the Bonds is determined pursuant to the Indenture, which Interest Mode may be a Weekly Mode, a Monthly Mode, a Semiannual Mode, an Annual Mode or a Multiyear Mode.

"Interest Mode Adjustment Date" means a date on which the Interest Mode of the Bonds is changed from one Interest Mode to a different Interest Mode, and such date shall be an Interest Payment Date.

"Interest Mode Adjustment Notice" means the notice of a new Interest Mode with respect to any Bonds in accordance with the Indenture.

"Interest Payment Date" means the date on which an interest installment is required to be paid on the Bonds to the Owners thereof, (i) with respect to all Bonds other than Pledged Bonds, (1) as to the first Interest Period, October 3, 1994; (2) as to any Weekly Mode or Monthly Mode, the first Business Day of each month; (3) as to any Semiannual Mode, Annual Mode or Multiyear Mode, each September 1, and March 1, commencing with the first such September 1, or March 1 following the Interest Mode Adjustment Date, or the next succeeding Business Day thereafter if any such September 1, or March 1, is not a Business Day; and (4) an Interest Mode Adjustment Date; and (ii) with respect to Pledged Bonds, the first Business Day of each calendar month and the date of sale of Pledged Bonds.

"Interest Period" means, with respect to the Bonds in any Interest Mode, the period from and including each Interest Payment Date for such Interest Mode to and including the day immediately preceding the following Interest Payment Date for such Interest Mode, except that the first Interest Period shall be the period from and including the date of original delivery of the Bonds to and including the day immediately preceding the first Interest Payment Date for the Bonds.

"Mandatory Purchase Date" means each date designated by the Credit Enhancer for purchase of the Bonds in accordance with the Indenture.

"Maximum Rate" means the lesser of (i) 15% per annum or (ii) the rate utilized in the Credit Facility for purposes of computing the interest component thereof.

"Monthly Mode" means an Interest Mode during which the interest rate on the Bonds is determined in monthly intervals as set forth in the Indenture.

"Multiyear Mode" means an Interest Mode during which the interest rate on the Bonds is determined at intervals of integral (greater than one) multiples of twelve months, as provided in the Indenture.

"Notice of Election to Tender/Retain Bonds" means the Notice of Election to Tender/Retain Bonds in substantially the form attached to the Indenture delivered by a Bondowner to the Tender

Agent (i) which contain a demand for the purchase of Bonds on the Tender Date, or (ii) following receipt of a notice of a mandatory tender of Bonds which contain an election to retain Bonds. "Notice of Election to Tender Bonds" shall refer to those provisions of the Notice of Election to Tender/Retain Bonds which relate to the election to tender Bonds as provided in the Indenture. "Notice of Election to Retain Bonds" shall refer to those provisions of the Notice of Election to Tender/Retain Bonds which relate to the election to retain Bonds.

"Rate Adjustment Date" means the date as of which the interest rate determined for an Interest Mode shall be effective, which (i) during a Weekly Mode shall be Thursday of each week (whether or not a Business Day); (ii) during a Monthly Mode shall be the first calendar day of each month; (iii) during a Semiannual Mode shall be the first calendar day of such Semiannual Mode which shall be September 1 or March 1 and the first day following each six-month period thereafter; and, (iv) during an Annual Mode or a Multiyear Mode shall be the first calendar day of such Annual Mode or Multiyear Mode, which shall be September 1, and thereafter the first calendar day following the completion of the then current Annual Mode or Multiyear Mode. The initial Rate Adjustment Date is September 15, 1994.

"Rate Adjustment Notice" means the Rate Adjustment Notice to be mailed by the Trustee in the form and in accordance with the Indenture.

"Rate Determination Date" means no later than 4:00 p.m., New York Time, on the Business Day immediately preceding a Rate Adjustment Date for a Weekly or a Monthly Mode, and on the third (3rd) Business Day immediately preceding a Rate Adjustment Date for a Semiannual Mode, Annual Mode or Multiyear Mode.

"Rate Period" means the period from a Rate Adjustment Date to, but not including, the next Rate Adjustment Date.

"Record Date" means, with respect to Bonds in a Semiannual Mode, an Annual Mode or a Multiyear Mode, the fifteenth calendar day, whether or not a Business Day of the month, preceding such Interest Payment Date, and, with respect to Bonds in a Weekly Mode or Monthly Mode, the fifth calendar day immediately preceding such Interest Payment Date.

"Semiannual Mode" means an Interest Mode during which the interest rate on the Bonds is determined at six-month intervals as set forth in the Indenture.

"Tender Agent" means initially the Trustee and any successor tender agent appointed pursuant to the Indenture. The Tender Agent shall act as Paying Agent as to Tendered Bonds.

"Tender Date" means (a) each date designated by a Bondowner for purchase of any Bonds in accordance with the provisions of the Indenture, and (b) each date on which Bonds are required to be tendered in accordance with the provisions of the Indenture, including any Mandatory Purchase Date, whether or not such Bonds are actually tendered.

"Tender Price" means 100% of the principal amount of any Bond tendered pursuant to the provisions of the Indenture plus interest accrued and unpaid thereon to, but not including, the Tender Date.

"Tendered Bonds" means (a) any Bonds tendered by a Bondowner for purchase pursuant to the optional redemption provisions of the Indenture, and (b) any Bonds required to be tendered for purchase pursuant to the mandatory tender provisions of the Indenture, in each case whether or not such Bonds are actually tendered.

"Termination Date" means (i) if the Credit Facility is not a letter of credit, the maturity or expiration date of the Credit Facility or (ii) if the Credit Facility is a letter of credit, the Interest Payment Date which is at least five (5) days preceding the date on which the Credit Facility is to expire pursuant to its terms, in each case including any extension of such maturity or expiration date.

"Weekly Mode" means an Interest Mode during which the interest rate on the Bonds is determined in weekly intervals as set forth in the Indenture.

GENERAL PROVISIONS

This Bond is one of a series of Bonds of the Issuer limited in aggregate original principal amount to $7,700,000 and designated as Variable Rate Demand Industrial Development Revenue Bonds (Roller Bearing Company of America, Inc. Project) Series 1994A (the "Bonds"). All of the Bonds are issued under a Trust Indenture dated as of September 1, 1994 (the "Indenture"), between the Issuer and the Trustee, to provide funds to make a loan (the "Loan") to Roller Bearing Company of America, Inc., a Delaware corporation (the "Borrower"), under a Loan Agreement dated as of September 1, 1994 (the "Agreement"), between the Issuer and the Borrower. The Loan shall provide funds to finance the Project (as defined in the Agreement) and to pay certain costs of issuance, all by the authority of and in full compliance with the provisions, restrictions and limitations of the Constitution and statutes of the State of South Carolina, including particularly Title 41, Chapter 43, Code of Laws of South Carolina 1976, as amended, and pursuant to proceedings duly had by the Issuer.

Concurrently with the original issuance herewith, the Issuer has delivered its $3,000,000 aggregate original principal amount Variable Rate Demand Industrial Development Revenue Bonds (Roller Bearing Company of America, Inc. Project) Series 1994B (the "Series 1994B Bonds").

TO INITIALLY SECURE THE PAYMENT OF THE PRINCIPAL OF AND INTEREST ON THE BONDS, THE BORROWER HAS CAUSED HELLER FINANCIAL, INC. A DELAWARE CORPORATION (THE "CREDIT ENHANCER"), TO DELIVER AN IRREVOCABLE TRANSFERABLE DIRECT-PAY LETTER OF CREDIT (THE "CREDIT FACILITY") TO THE TRUSTEE. SUBJECT TO CERTAIN CONDITIONS, THE CREDIT FACILITY MAY BE REPLACED BY AN ALTERNATE CREDIT FACILITY. UNDER THE CREDIT FACILITY, THE CREDIT ENHANCER IS OBLIGATED TO PAY AMOUNTS SUFFICIENT FOR THE PAYMENT OF (A) THE PRINCIPAL OF THE BONDS OR THE PORTION OF THE TENDER PRICE CORRESPONDING TO THE PRINCIPAL OF THE BONDS, AND (B) ACCRUED INTEREST ON THE BONDS OR THE PORTION OF THE TENDER PRICE OF THE BONDS CORRESPONDING TO ACCRUED INTEREST THEREON. THE CREDIT FACILITY IS SCHEDULED TO TERMINATE ON SEPTEMBER 15, 1999, UNLESS EXTENDED OR TERMINATED EARLIER PURSUANT TO ITS TERMS.

Counterparts or copies of the Indenture and the other documents referred to herein are on file at the Principal Office of the Trustee in St. Louis, Missouri, and reference is hereby made thereto and to the documents referred to therein for the provisions thereof, including the provisions with respect to the rights, obligations, duties and immunities of the Issuer, the Trustee, the Credit Enhancer, the Borrower and the Registered Owners of the Bonds under such

documents, to all of which the Registered Owner hereof, by acceptance of this Bond, assents. The Registered Owner of this Bond shall have no right to enforce the provisions of the Indenture or to institute, appear in or defend any suit or other proceedings with respect thereto, except as provided in the Indenture. The Indenture and other documents referred to therein may be modified or amended to the extent permitted by and as provided therein. Upon the occurrence of certain Events of Default (as defined in the Indenture), all Bonds may be declared immediately due and payable as provided in the Indenture. Interest on the Bonds shall cease to accrue on the date of such declaration. Subject to the limitations provided for in the Indenture, this Bond may be exchanged for a like aggregate principal amount of Bonds in Authorized Denominations. Bonds are transferable by the Registered Owner thereof in person or by such Owner's attorney duly authorized in writing at the Principal Office of the Bond Registrar, but only in the manner and subject to the limitations provided for in the Indenture and upon surrender and cancellation of this Bond. Such limitations include a requirement that Bonds that are subject to the benefits of the Credit Facility may be sold, remarketed or otherwise transferred only in transactions in which the Bonds and the related Credit Facility are registered under the Securities Act and any applicable state securities statutes or in transactions in which the Bonds and the related Credit Facility are exempt from the registration requirements of the Securities Act and any applicable state securities laws, and any Bondowner desiring to effect such transfer is required to indemnify the Issuer, the Trustee and the Credit Enhancer against any liability, cost or expense (including attorneys' fees) that may result if the transfer is not so exempt, or is not made in accordance with such federal and state laws. Upon such transfer a new Bond or Bonds in Authorized Denominations for the same aggregate principal amount will be issued to the transferee in exchange. The Bond Registrar may require a Registered Owner, among other things, to furnish appropriate endorsements and transfer documents and to pay any taxes and fees required by law or permitted by the Indenture in connection with the exchange or transfer. The Issuer, the Tender Agent and the Trustee may treat the Registered Owner of this Bond as the absolute Owner for the purpose of receiving payment as herein provided and for all other purposes and none of them shall be affected by any notice to the contrary.

INTEREST RATE PROVISIONS

(a) Generally. The interest rate on the Bonds shall be separately determined by Stern Brothers & Co., St. Louis, Missouri, or any successor or assign (the "Remarketing Agent"), as provided in the Indenture and as summarized below. In no event shall the interest rate borne by the Bonds at any time exceed the Maximum Rate. Interest accrued on the Bonds during each Interest Period shall be paid on the next succeeding Interest Payment Date and, while the Bonds are in a Weekly Mode or a Monthly Mode, shall be computed on the basis of a year of 365 or 366 days, as appropriate, for the actual number of days elapsed and, while the Bonds are in a Semiannual Mode, an Annual Mode or a Multiyear Mode, shall be computed on the basis of a year of 360 days and twelve 30-day months. Each determination of the interest rate for the Bonds, as provided in the Indenture, shall be conclusive and binding upon the Bondowners, the Issuer, the Borrower, the Tender Agent, the Remarketing Agent, the Credit Enhancer and the Trustee. Upon request, the Remarketing Agent shall give the Issuer, the Trustee, the Tender Agent, the Credit

Enhancer, the Borrower or any Bondowner Immediate Notice of the interest rate on the Bonds at any time.

(b) Weekly Mode. The interest rate for Bonds in a Weekly Mode shall be determined in the following manner. On each Rate Determination Date, the Remarketing Agent shall determine the interest rate which such Bonds shall bear during the Rate Period following such Rate Determination Date. The interest rate so determined shall be effective on the Rate Adjustment Date. Promptly after each Rate Adjustment Date, the Remarketing Agent shall give written notice of the interest rate so set to the Trustee, the Credit Enhancer and the Borrower. On each Interest Payment Date the Trustee shall mail to each Bondowner a written statement showing the interest rates for such Bonds during the preceding Interest Period.

(c) Monthly Mode. The interest rate for any Bonds in a Monthly Mode shall be determined in the following manner. On each Rate Determination Date, the Remarketing Agent shall determine the interest rate which such Bonds shall bear during the Rate Period following such Rate Determination Date. The interest rate so determined shall be effective on the Rate Adjustment Date. Promptly after each Rate Determination Date, the Remarketing Agent shall give written notice of the interest rate so set to the Borrower, the Credit Enhancer and the Trustee. On each Interest Payment Date the Trustee shall mail to each Bondowner a written statement showing the interest rates during the preceding Interest Period.

(d) Semiannual Mode, Annual Mode or Multiyear Mode. The interest rate for Bonds in a Semiannual Mode, an Annual Mode or a Multiyear Mode shall be determined in the following manner. Not less than 30 days nor more than 35 days before each Rate Adjustment Date, the Remarketing Agent shall determine the interest rate (the "Preliminary Rate") which the Bonds would bear if such day were a Rate Determination Date. The Remarketing Agent shall give Immediate Notice of the Preliminary Rate to the Borrower, the Credit Enhancer and the Trustee. The Trustee shall thereupon mail, not less than 25 days prior to the Rate Adjustment Date, to each Bondowner a Rate Adjustment Notice. On the Rate Determination Date the Remarketing Agent shall determine the interest rate which each of such Bonds shall bear for each such Rate Period, which rate may be less than, equal to, or greater than the Preliminary Rate. By Immediate Notice on such Rate Determination Date, the Remarketing Agent shall give written notice of the interest rate so set to the Borrower, the Credit Enhancer, the Tender Agent and the Trustee, and the Trustee shall mail to all Bondowners written notice of the interest rate so determined.

(e) Interest Modes. The Bonds shall initially be in a Weekly Mode. The Interest Mode for the Bonds may be changed from time to time at the option of the Borrower, with the prior written consent of the Credit Enhancer exercised as provided in the Indenture, to another Interest Mode on an Interest Payment Date on which the Bonds are subject to optional redemption pursuant to the Indenture at a redemption price equal to the principal amount thereof, plus accrued interest, without premium, as selected by the Borrower. The Borrower may exercise such option at any time by giving written notice not more than 60 nor less than 45 days prior to the Interest Mode Adjustment Date to the Issuer, the Trustee, the Remarketing Agent, the Tender Agent and the Credit Enhancer stating its election to convert the Interest Mode for the Bonds to another Interest Mode, which notice shall specify the new Interest Mode and the Interest Mode Adjustment Date. Such Interest Mode Adjustment Date shall be a Rate Adjustment Date for the Bonds in such new Interest Mode. Upon the exercise of such option by the Borrower and upon the Trustee's receipt of the

prior written consent of the Credit Enhancer to the exercise of such option, not less than 30 days prior to the Interest Mode Adjustment Date, the Trustee shall mail an Interest Mode Adjustment Notice to each Owner of Bonds, and, in the event of a conversion to a Weekly Mode or a Monthly Mode from any other Interest Mode, a Notice of Election to Tender Bonds in substantially the form as provided in the Indenture.

REDEMPTION PROVISIONS

The Bonds are subject to redemption prior to maturity as provided in the Indenture which redemption provisions are summarized as follows:

Optional Redemption. Bonds (other than any Bonds in a Multiyear Mode) are subject to redemption prior to maturity at the option of the Issuer upon instructions from the Borrower with the prior written consent of the Credit Enhancer, in whole or in part in Authorized Denominations, on any Interest Payment Date at 100% of the principal amount thereof plus accrued interest to the redemption date, first, from proceeds of a payment under the Credit Facility and, second, from other Available Moneys. Bonds in a Multiyear Mode are subject to redemption prior to maturity at the option of the Issuer upon instructions from the Borrower with the prior written consent of the Credit Enhancer, in whole or in part in Authorized Denominations, on any Interest Payment Date at the redemption prices set forth below plus accrued interest to the redemption date, first, from proceeds of a payment under the Credit Facility and, second, from other Available Moneys:

OPTIONAL REDEMPTION IN MULTIYEAR MODE

Length of Multiyear Mode (In Years)*	Redemption Prices as a Percentage of Principal Amounts	Call Protection Period*
Greater than 10	102% after 7 years declining 1/2% per 12 months to 100%	7 years
Less than or equal to 10 and greater than 7	102% after 4 years declining 1/2% per 12 months to 100%	4 years
Less than or equal to 7 and greater than 5	102% after 3 years declining 1% per 12 months to 100%	3 years
Less than or equal to 5 and greater than 2	101% after 2 years declining 1/2% per 6 months to 100%	2 years
Less than or equal to 2 and greater than 1	100 1/2% after 1 year declining 1/2% per 6 months to 100%	1 year

* Measured from and including the first day of such Rate Period.

Mandatory Redemption. The Bonds are also subject to mandatory redemption by the Issuer in each case, first, from proceeds of a payment under the Credit Facility and, second, from other Available Moneys at 100% of the principal amount thereof, without premium, plus accrued interest to the date of redemption (i) in whole on the earliest practicable date for which notice can be given, if a Determination of Taxability occurs with respect to the Bonds, (ii) immediately in whole, in the event the Trustee shall receive notice from the Credit Enhancer of the occurrence of a default under the Letter of Credit Agreement and irrevocable instructions to draw on the Credit Facility, such notice being conclusive and binding as to the occurrence of a default under the Letter of Credit Agreement, and (iii) in part on the earliest practicable date for which notice can be given, from proceeds of the Bonds remaining in the Project Fund on the Completion Date. In addition, the Bonds shall be subject to redemption by the Issuer, at the option and upon instructions from the Borrower with the prior written consent of the Credit Enhancer, in whole or in part at any time on the earliest practicable date for which notice can be given, upon the occurrence of a condemnation, loss of tide or casualty loss to the Project at 100% of the principal amount thereof, without premium, plus accrued interest to the date of redemption.

The Trustee shall select Bonds for redemption as provided in the Indenture. The Trustee shall cause notice of any such redemption to be given as provided in the Indenture to the Registered Owner of the Bonds designated for redemption in whole or in part, at its address as shown on the Bond Register by mailing a copy of the redemption notice by first-class mail, postage prepaid, at least 15 and not more than 30 days prior to the redemption date. The failure of the Trustee to give notice to any Bondowner or any defect of such notice shall not affect the validity of the redemption of any other Bonds and provided further that no such prior notice of redemption is required for a mandatory redemption because of a default under the Letter of Credit Agreement. On the date fixed for redemption by notice given as provided in the Indenture, the Bonds so called for redemption shall become and be due and payable at the redemption price provided for redemption of such Bonds on such date.

TENDER PROVISIONS

Optional Tender. While the Bonds are in a Weekly Mode or Monthly Mode, any Bond or portion thereof shall be purchased on the Tender Date by the Tender Agent on the demand of the Owner thereof, at the Tender Price, upon delivery to the Tender Agent on a Business Day at its Principal Office of an irrevocable written notice in the form of the Notice of Election to Tender Bonds which states (A) the principal amount and number of such Bond (and the portion of such Bond to be purchased if less than the full principal amount is to be purchased), the name and the address of such Owner and the taxpayer identification number, if any, of such Owner and (B) that such Bond, or portion thereof, is to be purchased on a day (which shall be the Tender Date), which day will be a Business Day which is at least seven (7) calendar days after the receipt by the Tender Agent of such Notice of Election to Tender Bonds. Such Notice of Election to Tender Bonds shall be deemed received on a Business Day if received by the Tender Agent no later than 3:00 p.m., New York Time, on such Business Day. Any Notice of Election to Tender Bonds received by the Tender Agent after 3:00 p.m., New York Time, shall be deemed received on the next succeeding Business Day.

Any Owner of Bonds who has demanded purchase of its Bond or portion thereof as described above shall deliver such Bond (with an appropriate transfer of registration form executed

in blank, together with a signature guaranty) (together with, in the case of any Bond with a specified Tender Date prior to an Interest Payment Date and after the related Record Date, a due-bill check in form satisfactory to the Tender Agent for interest due on such Bond on such Interest Payment Date) to the Tender Agent at its Principal Office prior to 10:30 a.m., New York Time, on the Tender Date specified in the aforesaid written notice.

Mandatory Tender.

(1) On Termination Date or Interest Mode Adjustment Date. All Bonds are required to be tendered to the Tender Agent for purchase on the Termination Date or an Interest Mode Adjustment Date; provided, however, that if the credit enhancement requirements of the Indenture are met, there shall not be so tendered on the Termination Date or the Interest Mode Adjustment Date, as applicable, any Bonds or portion thereof which will be in Authorized Denominations with respect to which the Owners thereof have delivered to the Tender Agent by hand or by mail at its Principal Office a properly completed Notice of Election to Retain Bonds, together with a signature guaranty, on or prior to the fifth Business Day next preceding the Termination Date or the Interest Mode Adjustment Date, as applicable. Any Bondowner required to tender Bonds under this subsection (1) shall tender its Bonds to the Tender Agent for purchase at its Principal Office prior to 10:30 a.m., New York Time, on the Termination Date or the Interest Mode Adjustment Date, as applicable. The failure to tender Bonds on any such date is the equivalent of a tender and such Bonds shall be converted to Undelivered Bonds and replacement Bonds shall be executed, authenticated and delivered in the place of such Undelivered Bonds and such replacement Bonds may be offered and sold by the Remarketing Agent in accordance with the Indenture and Remarketing Agreement if the credit enhancement requirements of the Indenture are met.

(2) On Alternate Credit Facility Date. While the Bonds are in an Interest Mode other than a Multiyear Mode, all Bonds are required to be tendered to the Tender Agent for purchase on an Alternate Credit Facility Date; provided, however, that there shall not be so tendered on the Alternate Credit Facility Date any Bonds or portion thereof which will be in Authorized Denominations with respect to which the Owners thereof have delivered to the Tender Agent by hand or by mail at its Principal Office a properly completed Notice of Election to Retain Bonds, together with a signature guaranty, on or prior to the fifth Business Day next preceding the Alternate Credit Facility Date. Any Bondowner required to tender Bonds under this subsection (2) shall tender its Bonds to the Tender Agent forpurchase at its Principal Office prior to 10:30 a.m., New York Time, on the Alternate Credit Facility Date. The failure to tender its Bonds on any such date is the equivalent of a tender and such Bonds shall be converted to Undelivered Bonds and replacement Bonds shall be executed, authenticated and delivered in the place of such Undelivered Bonds and such replacement Bonds may be offered and sold by the Remarketing Agent in accordance with the Indenture and Remarketing Agreement if the credit enhancement requirements of the Indenture are met.

(3) On Rate Adjustment Date During Semiannual Mode. Annual Mode and Multiyear Mode. While the Bonds are in a Semiannual Mode, Annual Mode or Multiyear Mode, all Bonds are required to be tendered to the Tender Agent for purchase on a Rate

Adjustment Date; provided, however, that there shall not be so tendered on the Rate Adjustment Date any Bonds or portions thereof which will be in Authorized Denominations with respect to which the Owners thereof have delivered to the Tender Agent by hand or by mail at its Principal Office a properly completed Notice of Election to Retain Bonds, together with a signature guaranty, on or prior to the fifth Business Day next preceding a Rate Adjustment Date. Any Bondowner required to tender Bonds under this subsection (3) shall tender its Bonds to the Tender Agent for purchase at its Principal Office prior to 10:30 a.m., New York Time, on the Rate Adjustment Date. The failure to tender its Bonds on any such date is the equivalent of a tender and such Bonds shall be converted to UndeliveredBonds and replacement Bonds shall be executed, authenticated and delivered in the place of such Undelivered Bonds as provided in the Indenture andsuch replacement Bonds may be offered and sold by the Remarketing Agent in accordance with the Indenture and Remarketing Agreement if the creditenhancement requirements of the Indenture are met.

(4) Mandatory Tender in Lieu of Acceleration on Default. Additionally, all Bonds are subject to mandatory tender for purchase on the Mandatory Purchase Date from the Bondowners by the Trustee for the account of the Credit Enhancer in lieu of acceleration of the Bonds and mandatory redemption, upon the occurrence of an event of default under the Letter of Credit Agreement and notice from the Credit Enhancer requiring the mandatory purchase of the Bonds. Upon receipt of notice from the Credit Enhancer directing the Trustee to purchase the Bonds and setting the Mandatory Purchase Date, which shall be a Business Day which is at least three (3) and no more than ten (10) calendar days after the receiptby the Trustee of such notice, the Trustee shall immediately request a payment under the Credit Facility to be received no later than 3:00 P.M., New York Time, on the Mandatory Purchase Date, and shall also send notice to the Bondowners of the mandatory purchase. On the Mandatory Purchase Date, the Tender Agent shall pay to the Bondowners the purchase price for the Bonds, which shall be an amount equal to 100% of the principal amount of any Bond tendered or deemed tendered plus accrued and unpaid interest thereon to the Mandatory Purchase Date. Any Bondowner required to tender Bonds under this subsection (4) shall tender its Bonds to the Tender Agentfor purchase at its Principal Office prior to 10:30 A.M., New York Time, on the Mandatory Purchase Date. The failure to tender its Bonds on any such date is the equivalent of a tender and such Bonds shall be converted to Undelivered Bonds and replacement Bonds shall be executed, authenticated and delivered in the place of such Undelivered Bonds if the credit enhancement requirements of the Indenture are met.

Notice of Mandatory Tender. The Trustee shall give notice to Bondowners of the mandatory tender for Bonds on an Interest Mode Adjustment Date, on an Alternate Credit Facility Date, if the Bonds are in a Multiyear Mode, Annual Mode or Semiannual Mode on a Rate Adjustment Date, on the Termination Date and on the Mandatory Purchase Date in accordance with the provisions of the Indenture.

Failure to Give Notice. Failure by the Trustee to give any notice regarding a mandatory tender as provided in the Indenture, any defect therein or any failure by any Bondowner to receive any such notice shall not in any way change such Owner’s obligation to tender the Bonds for purchase on any mandatory Tender Date.

Irrevocability of Election. Any election by a Bondowner to exercise the option to have its Bond or Bonds purchased, or any election by a Bondowner to retain its Bond or Bonds upon any mandatory Tender Date, shall be irrevocable upon delivery to the Tender Agent of the Notice of Election to Tender Bonds (together with, if required at the time of delivery of such notice, the Tendered Bonds) or of the Notice of Election to Retain Bonds, as the case may be. If any

Owner of Bonds falls to deliver the Bonds described in such Owner's Notice of Election to Tender Bonds, such Bonds shall be converted to Undelivered Bonds. Replacement Bonds shall be executed, authenticated and delivered in place of such Undelivered Bonds as provided in the Indenture and such replacement Bonds may be offered and sold by the Remarketing Agent in accordance with the Indenture and Remarketing Agreement if the credit enhancement requirements of the Indenture are met.

Purchase of Tendered Bonds. Tendered Bonds shall be purchased from the Owners thereof on the Tender Date at the Tender Price which shall be payable solely from the following sources in the order of priority listed: (1) proceeds of the remarketing of such Tendered Bonds pursuant to the Remarketing Agreement and the Indenture which constitute Available Moneys; and (2) proceeds of a payment under the Credit Facility to purchase such Tendered Bonds.

Notwithstanding any provision of the Indenture to the contrary, there shall be no purchases (other than a mandatory tender on the Termination Date or a mandatory purchase on the Mandatory Purchase Date) or sales of Bonds pursuant to the provisions of the Indenture relating to the tender of Bonds if there shall have occurred and be continuing certain Events of Default under the Indenture.

(FORM OF ASSIGNMENT

FOR VALUE RECEIVED, the undersigned hereby sells, assigns and transfers unto

&nbs p;

(Please Print or Typewrite Name, Address and Social Security Number or Taxpayer Identification Number of Transferee) the within Bond and all rights therein, and hereby irrevocably constitutes and appoints Attorney to transfer the within Bond on the books kept for registration thereof, with full power of substitution in the premises.

Dated: _____

_____

NOTICE: The signature to this Assignment must correspond with the name as it appears upon the face of the within Bond in every particular, without alteration or enlargement or any change whatever.
Signature Guaranteed By:

_____

NOTICE: Signature(s) must be guaranteed by an eligible guarantor institution as defined by SEC Rule l7Ad-15 (17 CFR 240.l7Ad-15).

By _____
Title _____

The following abbreviations, when used in the inscription on the face of the within Bond, shall be construed as though they were written out in full according to applicable laws or regulations.

TEN COM	as tenants in common
TEN ENT	as tenants by the entireties
JT TEN	as joint tenants with right of survivorship and not as tenants in common

UNIF TRANS MIN ACT _____
(Cust)

Custodian _____
(Minor)

under Uniform Transfers to Minors Act

_____
(State)

Additional abbreviations may also be used though not in the above list.

LEGAL OPINION

I, the undersigned, Executive Director of the South Carolina Jobs-Economic Development Authority, hereby certify that the following is a true and correct copy of the approving legal opinion of Sinkler & Boyd, P.A., on the within Bond and the series of which said Bond is a part, except that it omits the

date of such opinion; that said legal opinion was manually executed and was dated and issued as of the date of delivery of and payment for such Bonds, and is on file with , the Trustee.

facsimile

Executive Director
South Carolina Jobs-Economic Development Authority

(Legal Opinion)

EXHIBIT B

INVESTMENT SECURITIES COLLATERAL REQUIREMENT

Collateral securing Investment Securities must comply with the following requirements:

(i) The Trustee or a third party acting solely as agent for the Trustee has possession of the collateral;

(ii) The Trustee or a third party acting as agent for the Trustee shall have a first perfected security interest in the collateral free and clear of the claims of any third parties;

(iii) The collateral will consist of Government Securities and will have a minimum market value (expressed as a percentage of the obligation) on a valuation date as follows:

Remaining Maturity

Frequency of Valuation	**0*-1 yrs**	**1*-5 yrs**	**5*-10 yrs**	**10*-15 yrs**	**15*-30 yrs**
Daily	103%	106%	107%	109%	116%
Weekly	104	112	114	120	125
Monthly	107	123	130	133	143
Quarterly	108	125	135	140	150

* Not inclusive

(iv) In the event the collateral does not meet the requisite collateral percentage set forth in (iii) above on a valuation date, the party supplying the collateral shall have the following number of days to provide additional collateral in order to meet the requisite percentage:

(a) one business day for daily valuations,

(b) two business days for weekly valuations, and

(c) one month for monthly and quarterly valuations; and

(v) The Trustee will liquidate the collateral and reinvest the proceeds in Investment Securities if the requisite collateral percentage is not maintained after the period set forth in (iv) above.

EXHIBIT C

[RESERVED.]

South Carolina Jobs-Economic Development Authority
Variable Rate Demand
Industrial Development Revenue Bonds
(Roller Bearing Company of America, Inc. Project)
Series 1994A

EXHIBIT D

NOTICE OF ELECTION TO TENDER/RETAIN BONDS

The undersigned hereby irrevocably notifies , as Tender Agent, of its election to (check one)

o (i) present the Bonds described below and have such Bonds purchased by the Tender Agent on , (the "Tender Date") at the Tender Price equal to 100% of the principal amount plus interest accrued and unpaid thereon, to, but not including, the Tender Date.

o (ii) retain the Bonds described below. The undersigned hereby acknowledges that any rating on the Bonds may be reduced or withdrawn after the date hereof. [If the Interest Mode is being adjusted from a Weekly Mode or Monthly Mode to any other Interest Mode add the following: "and that the tender option terminates on such Interest Mode Adjustment Date"]

This Notice shall not be accepted by the Tender Agent unless it is properly completed and received at its offices (specified below). Such Notice must be delivered to the Tender Agent on a Business Day by hand or by mail, at , Attention: Corporate Trust Department.

Provisions Relating to Election to Retain Bonds. This Notice must be delivered to the Tender Agent on a Business Day by hand or by mail, at , Attention: Corporate Trust Department, on or prior to the fifth Business Day next preceding (i) a Rate Adjustment Date, (ii) an Interest Mode Adjustment Date, or (iii) an Alternate Credit Facility Date, as such terms are defined in the Indenture.

AN OWNER'S EXERCISE OF THE OPTION TO RETAIN SUCH BOND IS IRREVOCABLE AND BINDING ON SUCH OWNER AND CANNOT BE WITHDRAWN.

Provisions Relating to Election To Tender Bonds: The undersigned hereby agrees to sell, assign and transfer the Bonds to the Tender Agent, and hereby irrevocably constitutes and appoints the Tender Agent, as duly authorized attorney, to authorize the Trustee to transfer the Bonds on the books kept for registration thereof and to register such Bonds, with full power of substitution. The undersigned agrees to deliver to the Tender Agent, at , Attention: Corporate Trust Department, the Bonds at or before 10:30 a.m., New York Time, on the Tender Date.

AN OWNER'S EXERCISE OF THE OPTION TO HAVE SUCH BOND PURCHASED IS IRREVOCABLE AND BINDING ON SUCH OWNER AND CANNOT BE WITHDRAWN. IF ANY OWNER OF BONDS SHALL FAIL TO DELIVER THE BONDS DESCRIBED IN SUCH OWNER'S NOTICE, SUCH BONDS SHALL CONSTITUTE UNDELIVERED BONDS. REPLACEMENT BONDS

SHALL BE EXECUTED, AUTHENTICATED AND DELIVERED IN THE PLACE OF SUCH UNDELIVERED BONDS AS PROVIDED IN THE INDENTURE AND SUCH REPLACEMENT BONDS MAY BE OFFERED AND SOLD BY THE REMARKETING AGENT IN ACCORDANCE WITH THE REMARKETING AGREEMENT.

The undersigned hereby directs the Tender Agent to make payment to the undersigned of the Tender Price of the Bonds, together with accrued interest thereon, and elects to receive payment of the Tender Price of the Bonds, in one of the following manners (check the desired method):

MANNER A by check or draft mailed to the Owner on the applicable Tender Date, upon surrender of the Bonds (if not submitted herewith) to the Tender Agent at the address specified above for hand delivery.

MANNER B by wire transfer of immediately available funds to account number at (must be in continental United States) on the applicable Tender Date; provided however, that the undersigned may not utilize this Manner B to receive the Tender Price unless the undersigned is the Owner of and is tendering at least $1,000,000 aggregate principal amount of the Bonds and the wire transfer instructions are provided to the Tender Agent with this Notice.

General Provisions. The Tender Agent's determination of whether this Notice is properly completed and the compliance with the delivery requirements set forth herein shall be binding on the undersigned.

Bond or Bonds (or Portions Thereof)
Presented For Purchase/To Be Retained

Bond Number(s)	Amount thereof being Tendered(1)/Amount **thereof being Retained(2)**
Total Amount:	

(1) Unless Bondowner is having all of his Bonds purchased, principal amount must be $100,000 or integral multiples of $5,000 in excess thereof if in the Weekly Mode or the Monthly Mode and $5,000 or integral multiples thereof if in the Semiannual Mode, Annual Mode and Multiyear Mode, with remaining principal of retained Bonds in Authorized Denominations.

(2) must be a principal amount which is $100,000 or integral multiples of $5,000 in excess thereof if in the Weekly Mode or the Monthly Mode and $5,000 or integral multiples thereof if in the Semiannual Mode, Annual Mode and Multiyear Mode.

Signature(s) * _____

Signature
guaranteed by _____

_____
Print or Type Name

_____
Street Address

_____
City, State and Zip Code

_____
Area Code and Telephone Number

_____
Social Security Number or Taxpayer ID Number:

* The signature(s) to this Notice must correspond with the name(s) of the Owner of any Bond(s) submitted herewith, as it appears on the books of the Tender Agent, in every particular without alteration, enlargement or any change whatsoever and such signature must be guaranteed by an eligible guarantor institution as defined by SEC Rule l7Ad-15 (17 CFR 240.l7Ad-15).

EXHIBIT E

RATE ADJUSTMENT NOTICE

This notice is being sent pursuant to the provisions of the Trust Indenture dated as of September 1, 1994 (the "Indenture") between the South Carolina Jobs-Economic Development Authority (the "Issuer") and , as Trustee (the "Trustee"). Capitalized terms used in this notice shall have the same meanings as in your Bond, unless otherwise defined. You are hereby notified as follows:

1. The interest rate on the Issuer's Variable Rate Demand Industrial Development Revenue Bonds (Roller Bearing Company of America, Inc. Project) Series 1994A (the "Bonds"), will be adjusted on (the "Rate Adjustment Date"). Your Bond will be purchased on the Rate Adjustment Date at a price of 100% of the principal amount thereof plus interest accrued and unpaid thereon to, but not including, the Tender Date, unless you elect to retain your Bond.

2. The Remarketing Agent has notified the Trustee that the Preliminary Rate determined in accordance with the Indenture is % (the "Preliminary Rate"). The actual interest rate for the Bonds shall be determined on the Rate Adjustment Date, which rate may be less than, equal to or greater than the Preliminary Rate. In order to retain all or any portion of your Bond (which portion shall be [$100,000] [$5,000] or an integral multiple thereof), you must deliver to , at its principal corporate trust office at , Attention: Corporate Trust Department, on or prior to the fifth (5th) Business Day preceding such date the attached Notice of Election to Retain Bonds.

3. In addition, you are further notified that on the Rate Adjustment Date, the interest on your Bond will be established at a new interest rate and interest on your Bond will be payable at such newly established interest rate for the Interest Period commencing on the Rate Adjustment Date.

_____

_____
Title: _____

EXHIBIT F

INTEREST MODE ADJUSTMENT NOTICE

This notice is being sent pursuant to the provisions of the Trust Indenture dated as of September 1, 1994 (the "Indenture"), between the South Carolina Jobs-Economic Development Authority (the "Issuer"), and , as Trustee. Capitalized terms used in this notice shall have the same meanings as in the Indenture.

You are hereby notified as follows:

1. An option has been exercised to convert the Interest Rate Mode applicable to the Issuer's Variable Rate Demand Industrial Development Revenue Bonds (Roller Bearing Company of America, Inc. Project) Series 1994A (the "Bonds"), from a(n) Weekly/Monthly/Semiannual/Annual/ Multiyear ( )-Year Mode to a(n) Weekly/Monthly/Semiannual/Annual/ Multiyear ( )-Year) Mode on (the "Interest Mode Adjustment Date"). Unless you deliver a Notice of Election to Retain Bonds to (the "Tender Agent"), at its principal corporate trust office, at , Attention: Corporate Trustee Department, in the form which is attached, your Bond will be purchased on such date at a price of 100% of the principal amount thereof plus interest accrued and unpaid thereon to, but not including, the Tender Date.

2. If your Bond or any portion thereof is so purchased, payment therefor will be made on or after the tender date thereof upon presentation and surrender at the principal corporate trust office of the Tender Agent at , Attention: Corporate Trust Department, of such Bond,

duly endorsed in blank for transfer (with all signatures guaranteed by an eligible guarantor institution as defined by SEC Rule l7Ad-15 (17 CFR 240.l7Ad-15)).

3. In addition, you are further notified that:

(A) Interest will no longer accrue to you on your Bond on and after the tender date thereof unless the Tender Agent has received directions from you not to so purchase your Bond as herein provided, and, other than the right to receive payment of the purchase price for your Bond, you shall then cease to have further rights under the Indenture;

(B) You have the right to direct the Tender Agent not to purchase all or any portion of your Bond, which portion shall be $ (the minimum authorized denomination for the new Interest Mode) or any integral multiple thereof, if you deliver the attached Notice of Election to Retain Bonds to the Tender Agent at its address above on or before the date occurring 5 days prior to the Interest Mode Adjustment Date; and

(C) In the event you properly file a Notice of Election to Retain Bonds, the following will occur:

(i) After the Interest Mode Adjustment Date, the interest rate on the portion of your Bond not purchased will be determined in accordance with the Weekly/Monthly/Semiannual/Annual/Multiyear (-year) Mode, with interest being paid on the [first Business Day of each month] [September 1 and March 1 of each year]; (and)

(ii) The Trustee will inform you of the Interest Rate on the portion of your Bond not purchased, on or soon after the Interest Mode Adjustment Date[; and] [.]

[THE FOLLOWING SHALL BE INSERTED ONLY IF THE BONDS WILL BE IN A WEEKLY MODE OR MONTHLY MODE]

[(iii) After the Interest Mode Adjustment Date, you may require the portion of your Bond not previously purchased to be purchased pursuant to Section 301 of the Indenture on a Tender Date specified by you as further described in the Indenture.]

Date: _____

_____,
as Trustee

By: _____
Title: _____

EXHIBIT G

NOTICE OF ALTERNATE CREDIT FACILItY

THIS NOTICE WILL NOT BE GIVEN IF THE BONDS
ARE IN A MULTIYEAR MODE

NOTICE TO BONDOWNERS

This notice is being sent pursuant to the provisions of the Trust Indenture dated as of September 1, 1994 (the “Indenture”), between the South Carolina Jobs-Economic Development Authority (the “Issuer”) and , as Trustee. Capitalized terms used in this notice shall have the same meanings as in the Indenture.

You are hereby notified as follows:

1. An Alternate Credit Facility issued by and relating to the Issuer’s Variable Rate Demand Industrial Development Revenue Bonds (Roller Bearing Company of America, Inc. Project) Series 1994A (the “Bonds”), will become effective on (the “Alternate Credit Facility Date”). Unless you deliver a Notice of Election to Retain Bonds as described below, your Bond will be purchased on such date at a price of 100% of the principal amount thereof. A copy of the proposed form of Alternate Credit Facility and certain financial information relating to the issuer thereof are on file at the office of the Trustee and are available for inspection at your request.

2. If your Bond or any portion thereof is so purchased, payment therefor will be made on the Alternate Credit Facility Date upon presentation and surrender at the Principal Office of the Tender Agent
(, Attention: Corporate Trust Department) prior to 10:30 A.M., New York Time on the Alternate Credit Facility Date, of such Bond, duly endorsed in blank for transfer (with all signatures guaranteed by an eligible guarantor institution as defined by SEC rule l7Ad-15 (17 CFR 240.l7Ad-15)).

3. In addition, you are further notified that:

(A) Interest will no longer accrue to you on your Bond on and after the Alternate Credit Facility Date unless the Trustee has received directions from you not to so purchase your Bond as herein provided, and, other than the right to receive payment of the purchase price for your

Bond, you shall then cease to have further rights under the Indenture; and

(B) You have the right to direct that all or any portion of your Bond not be purchased, which portion shall be $ (the minimum authorized denomination for the Interest Rate Mode to be in effect on the Alternate Credit Facility Date) or any integral multiple thereof, if you deliver the Notice of Election to Retain Bonds to the Tender Agent at its address above on or before the fifth Business Day next preceding the Alternate Credit Facility Date.

Date: _____

_____
as Trustee

By: _____
Title: _____

EXHIBIT H

REPRESENTATION LETTER

[Trustee]
[Trustee Address]

[Remarketing Agent]
[Remarketing Agent Address]

[Credit Enhancer]
[Credit Enhancer Address]

Re: $7,700,000 Variable Rate Demand Industrial Development Revenue Bonds (Roller Bearing Company of America, Inc. Project) Series 1994A of the South Carolina Jobs-Economic Development Authority

Ladies and Gentlemen:

The undersigned (the "Investor") hereby represents and warrants to you as follows:

[THE FOLLOWING PARAGRAPH 1 IS FOR USE PURSUANT TO SECTION 210(i) OF THE INDENTURE.]

1. The Investor proposes to purchase $ aggregate principal amount of the above-referenced bonds (the "Bonds") issued pursuant to that certain Trust Indenture dated as of September 1, 1994 (the "Indenture"), between the South Carolina Jobs-Economic Development Authority and , as trustee. The Investor understands that the Bonds and the credit enhancement with respect thereto have not been registered under the Securities Act of 1933, as amended (the "1933 Act") or the securities laws of any state and will be sold to the Investor in reliance upon certain exemptions from registration and in reliance upon the representations and warranties of the Investor set forth herein.

[THE FOLLOWING PARAGRAPH 1 IS FOR USE PURSUANT TO SECTION 210(iii) OF THE INDENTURE.]

1. The Investor understands that [Remarketing Agent] may offer to the Investor for purchase in a secondary market transaction the above-referenced bonds (the "Bonds") issued pursuant to that certain Trust Indenture dated as of September 1, 1994 (the "Indenture"), between the South Carolina Jobs-Economic Development Authority and , as trustee. The Investor understands that the Bonds and the credit enhancement with respect thereto have not been registered under the Securities Act of 1933, as amended (the "1933 Act") or the securities laws of any state and may be sold to the Investor in reliance upon certain exemptions from registration and in reliance upon the representations and warranties of the Investor set forth herein.

2. The Investor has sufficient knowledge and experience in business and financial matters in general, and investments such as the Bonds in particular, to enable the Investor to evaluate the risks involved in an investment in the Bonds.

3. The Investor confirms that its investment in the Bonds constitutes an investment that is suitable for and consistent with its investment program and that the Investor is able to bear the economic risk of an investment in the Bonds, including a complete loss of such investment.

4. The Investor is purchasing the Bonds solely for its own account for investment purposes only, and not with a view to, or in connection with, any distribution, resale, pledging, fractionalization, subdivision or other disposition thereof (subject to the understanding that disposition of Investor's property will remain at all times within its control).

5. The Investor agrees that it will only offer, sell, pledge, transfer or exchange any of the Bonds it purchases (i) in accordance with an available exemption from the registration requirements of Section 5 of the 1933 Act, (ii) in accordance with any applicable state securities laws and (iii) in accordance with the provisions of the Indenture.

6. The Investor is familiar with Rule 144A promulgated under the 1933 Act and is a "qualified institutional buyer" as defined in Rule 144A; it is aware that [the] [any] sale of Bonds to it [is] [may be] made in reliance on Rule 144A and understands that such Bonds may be offered, resold, pledged or transferred only (i) to a person who the Investor reasonably believes is a qualified institutional buyer that purchases for its own account or for the account of a qualified institutional buyer to whom notice is given that the resale, pledge or transfer is being made in reliance on Rule 144A, or (ii) pursuant to another exemption from registration under the 1933 Act.

7. If the Investor sells any of the Bonds other than pursuant to a mandatory or optional tender and purchase provided for in and complying with the Indenture, the Investor or its agent will obtain from any subsequent purchaser the same representations contained in this Representation Letter.

8. The Investor acknowledges and understands that you, any trustee under the Indenture and each of the "issuers" (as such term is used in the 1933 Act) of the Bonds and any security related thereto are relying and will continue to rely on the statements made herein. The Investor agrees to notify you immediately of any changes in the information and conclusions herein.

Very truly yours,

[Name of Investor]

Dated:

By: _____
Name: _____
Title: _____
[Must be President, Chief Financial Officer or other Executive Officer]

Exhibit 10.13

CONFIDENTIAL

LOAN AGREEMENT

between

SOUTH CAROLINA JOBS-ECONOMIC DEVELOPMENT AUTHORITY
and

ROLLER BEARING COMPANY OF AMERICA, INC.
Relating to

$3,000,000
Variable Rate Demand
Industrial Development Revenue Bonds
(Roller Bearing Company of America, Inc. Project)
Series 1994B

DATED AS OF SEPTEMBER 1, 1994

TABLE OF CONTENTS

(This Table of Contents is for convenience of reference only and is not intended to define, limit or describe the scope or intent of any provisions of this Loan Agreement).

LOAN AGREEMENT

THIS LOAN AGREEMENT, dated as of September 1, 1994 (this "Agreement" or Loan Agreement), between the SOUTH CAROLINA JOBS-ECONOMIC DEVELOPMENT AUTHORITY, a body corporate and politic and an agency of the State of South Carolina (the "Issuer"), and ROLLER BEARING COMPANY OF AMERICA, INC., a Delaware corporation (the "Borrower");

WITNESSETH:

WHEREAS, the Issuer acting by and through its Board of Directors, is authorized and empowered under and pursuant to the provisions of Title 41, Chapter 43, Code of Laws of South Carolina 1976, as amended (the "Act"), to acquire and cause to be acquired properties that are projects under the Act through which the industrial, commercial, agricultural and recreational development of the State of South Carolina (the "State") will be promoted and trade developed by inducing business enterprises to locate in and remain in the State and thus provide maximum opportunities for the creation and retention of jobs and improvement of the standard of living of the citizens of the State; and

WHEREAS, the Issuer is further authorized by Section 41-43-110 of the Act to issue revenue bonds payable by the Issuer solely from revenues and receipts from any financing agreement between the Issuer and any business enterprise with respect to such project and secured by a pledge of said revenues and receipts and by an assignment of such financing agreement; and

WHEREAS, pursuant to the Act, the Issuer is authorized to issue its Variable Rate Demand Industrial Development Revenue Bonds (Roller Bearing Company of America, Inc. Project) Series 1994B in the principal amount of $3,000,000 (the "Bonds") for the purpose of providing working capital (the "Project") in connection with an approximately 60,000 square foot expansion of an existing facility for the manufacture of roller bearings in Darlington County, South Carolina which is owned and operated by the Borrower; and

WHEREAS, the proceeds from the sale of the Bonds will be loaned to the Borrower pursuant to the provisions of this Loan Agreement to enable the Borrower to fund the Project; and

WHEREAS, the amount necessary to provide the working capital constituting the Project will require the issuance, sale and delivery of the Bonds, as hereinafter provided; and

WHEREAS, to secure the payment of the principal of and interest on the Bonds and the purchase price of Bonds tendered by the Owners thereof as provided in the Trust Indenture of even date herewith (the "Indenture") between the Issuer and Mark Twain Bank, as Trustee (the "Trustee"), the Borrower has caused the Credit Enhancer (as defined in the Indenture) to issue its Credit Facility (as defined in the Indenture) to the Trustee; and

WHEREAS, pursuant to the foregoing, the Issuer desires to loan the proceeds of the Bonds to the Borrower and the Borrower desires to borrow the proceeds of the Bonds from the Issuer, to be repaid by the Borrower and upon the terms and conditions hereinafter set forth;

NOW, THEREFORE, in consideration of the premises and the mutual representations, covenants and agreements herein contained, the Issuer and the Borrower do hereby represent, covenant and agree as follows:

ARTICLE I

DEFINITIONS, CONSTRUCTION AND CERTAIN GENERAL PROVISIONS

Section 1.1. Definitions. All words and terms defined in Section 101 of the Indenture shall have the same meaning in this Loan Agreement unless otherwise defined herein. In addition to words and terms defined in the Indenture or defined elsewhere in this Loan Agreement, the following words and terms shall have the following meanings, unless some other meaning is plainly intended:

"Additional Payments" means the Additional Payments described in Section 3.7 hereof.

"Borrower Documents" means this Loan Agreement and the Collateral Documents.

"Default" means any event or condition which constitutes, or with the giving of any requisite notice or upon the passage of any requisite time period or upon the occurrence of both would constitute, an Event of Default under this Agreement or the Indenture.

"Event of Default" means any Event of Default as defined in Section 8.1 hereof.

"Loan Payment Date" means an Interest Payment Date, Principal Payment Date or any other date on which the principal of and interest on the Bonds is payable.

"Loan Payments" means the Loan Payments described in Section 3.6 hereof.

"Loan Term" means the period from the effective date of this Loan Agreement until the expiration hereof pursuant to Section 10.2 of this Loan Agreement.

"Plant" means the facility, including machinery and equipment, for manufacture of roller bearings operated by the Borrower in Darlington County, South Carolina, as expanded with the proceeds of the Series 1994A Bonds.

"Project" means the working capital generally described in Exhibit A hereto, as provided for in this Loan Agreement.

"Series 1994A Bonds" means the Issuer's $7,700,000 Variable Rate Demand Industrial Development Revenue Bonds (Roller Bearing Company of America, Inc. Project) Series 1994A.

"Series 1994A Loan Agreement" means the Loan Agreement dated of even date herewith between the Issuer and the Borrower, delivered with respect to the Series 1994A Bonds, as amended, restated or supplemented.

"Unassigned Issuer's Rights" means the Issuer's rights to reimbursement and payment of its costs and expenses and rebatable arbitrage under Sections 3.7(b) and (d).8.4 and 8.6 hereof, its rights of access under Section 6.1 hereof, its rights to indemnification under Sections 4.5 and 6.3 hereof, its rights to exemption from liability under Sections 10.8 and 10.9 hereof, its rights to receive notices, reports and other statements and its rights to consent to certain matters.

Section 1.2. Rules of Interpretation. (a) Words of the masculine gender shall be deemed and construed to include correlative words of the feminine and neuter genders.

(b) Unless the context shall otherwise indicate words importing the singular number shall include the plural and vice versa, and words importing person shall include firms, partnerships, associations, joint stock companies, joint ventures, trusts, unincorporated organizations, limited liability companies and corporations, including governmental entities, as well as natural persons.

(c) The words “herein”, “hereby”, “hereunder”, “hereof”, “hereto”, “hereinbefore”, “hereinafter” and other equivalent words refer to this Loan Agreement and not solely to the particular article, section, paragraph or subparagraph hereof in which such word is used.

(d) Reference herein to a particular article or a particular section shall be construed to be a reference to the specified article or section hereof unless the context or use clearly indicates another or different meaning or intent. Reference herein to a schedule or an exhibit shall be construed to be a reference to the specified schedule or exhibit hereto unless the context or use clearly indicates another or different meaning or intent.

(e) Wherever an item or items are listed after the word “including”, such listing is not intended to be a listing that excludes items not listed.

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

[End of Article I]

ARTICLE II

REPRESENTATIONS

Section 2.1. Representations by the Issuer. The Issuer makes the following representations as the basis for the undertakings on its part herein contained:

(a) The Issuer is a body politic and corporate and an agency of the State.

(b) The Issuer has lawful power and authority under the Act, acting through its Board of Directors, to enter into the transactions contemplated by this Loan Agreement and to carry out its obligations hereunder. By proper action of the Board of Directors, the Issuer has been duly authorized to execute and deliver this Loan Agreement, acting by and through its duly authorized officers.

(c) The issuance of the Bonds will further the public purposes of the Act.

(d) To finance the costs of the working capital constituting the Project, the Issuer proposes to issue the Bonds in the aggregate principal amount of $3,000,000. The Bonds will bear interest at the rates and be scheduled to mature as set forth in Article II of the Indenture and will be subject to purchase from the Owners thereof in accordance with the provisions of Article III of the Indenture and redemption prior to maturity in accordance with the provisions of Article IV of the Indenture. The Bonds are to be issued under and secured by the Indenture, pursuant to which the payments, revenues and receipts derived by the Issuer pursuant to this Loan Agreement, other than Unassigned Issuer’s Rights, will be pledged and assigned to the Trustee as security for payment of the principal of, premium, if any, and interest on the Bonds.

(e) To the best of its knowledge, no member of the governing body of the Issuer or any other officer of the Issuer has any significant or conflicting interest, financial, employment or otherwise, in the Borrower, the Project or in the transactions contemplated hereby.

Section 2.2. Representations and Warranties by the Borrower. The Borrower represents and warrants as follows:

(a) The Borrower is a corporation, duly organized, validly existing and in good standing under the laws of the State of Delaware, has the power and authority to own its properties and carry on its business as now being conducted, and is duly qualified to do such business, and is in good standing, wherever such qualification is required, including the State.

(b) The Borrower has the power and authority to execute and deliver the Borrower Documents, and to carry out the transactions contemplated hereby and thereby, and has duly authorized the execution, delivery and performance of each of the foregoing.

(c) Neither the execution nor delivery of the Borrower Documents, nor the consummation of the transactions contemplated hereby or thereby, nor the fulfillment of or compliance with the terms and conditions hereof or thereof, conflicts with or results in a breach of or will constitute a default under any of the terms, conditions or provisions or any legal restriction of any agreement or instrument to which the Borrower is now a party or by which it is bound, or constitutes a default under any of the

foregoing or violates any judgment, order, writ, injunction, decree, law, rule or regulation to which it is subject.

(d) The Borrower is knowledgeable in the operation of manufacturing facilities of the magnitude and nature of the Plant.

(e) The Borrower is not presently under any cease or desist order or other orders of a similar nature, temporary or permanent, of any federal or state authority which would have the effect of preventing or hindering performance of its duties hereunder, nor are there any proceedings presently in progress or to its knowledge contemplated which would, if successful, lead to the issuance of any such order.

(f) To the best of its knowledge, the Borrower has made, and will during the term of this Agreement make, all filings which it is obligated to make with, and has obtained, and will during the term of this Agreement obtain, all approvals and consents which it is obligated to obtain from all federal, state and

local regulatory agencies having jurisdiction to the extent, if any, required by applicable laws and regulations to be made or to be obtained in connection with the Project, the execution and delivery by the Borrower of the Borrower Documents, the transaction contemplated thereunder, and the performance by the Borrower of its obligations thereunder.

(g) To the best of the Borrower's knowledge, except to the extent disclosed to the Credit Enhancer, the operation and maintenance of the Plant does not conflict with any zoning, building, safety, health or environmental quality or other law, ordinance, order, rule or regulation applicable thereto.

(h) The Borrower will keep and perform faithfully all of its duties, obligations, covenants and undertakings contained herein and in the Borrower Documents.

(i) The Borrower will execute and deliver such additional instruments and perform such additional acts as may be necessary, in the opinion of the Issuer, to carry out the intent hereof and of the Borrower Documents or to perfect or give further assurances of any of the rights granted or provided for herein or in the Borrower Documents.

(j) The Borrower agrees that during the Loan Term it will maintain its existence, will not dissolve (other than a technical dissolution under State law so long as the Borrower is immediately reconstituted) or otherwise dispose of all or substantially all of its assets; provided that the Borrower may, without violating the agreement contained in this paragraph, merge or consolidate with another legal entity or sell or otherwise transfer to another legal entity all or substantially all of its assets as an entirety and thereafter dissolve, provided (i) that such merger, consolidation or transfer will not affect the excludability of the interest on the Bonds from gross income for federal income tax purposes; (ii) that if the successor or transferee legal entity is not the Borrower, then such legal entity shall be a legal entity, organized and existing under the laws of one of the States of the United States of America and shall be qualified to do business in the State; (iii) such successor or transferee entity shall assume all of the obligations of the Borrower under the Borrower Documents in which event the Borrower shall be released from its obligations under the Borrower Documents; and (iv) the Credit Enhancer consents thereto in writing.

(k) The Borrower will advise the Issuer, the Credit Enhancer and the Trustee promptly in writing of the occurrence of any Default hereunder or any event which, with the passage of time or service of notice, or both, would constitute an Event of Default hereunder, specifying the nature and period of existence of such event and the actions being taken or proposed to be taken with respect thereto.

(l) Any certificate signed by an Authorized Borrower Representative and delivered pursuant to this Loan Agreement or the Indenture shall be deemed a representation and warranty of the Borrower as to the statement made therein.

(m) Concurrently with the execution of this Loan Agreement, the Borrower will cause to be delivered to the Trustee, on behalf of the Issuer, the Credit Facility and the Credit Facility shall be in full force and effect and shall secure the payment of the principal and purchase price of, and interest on, the Bonds.

(n) The working capital constituting the Project will be used solely in connection with the Borrower's operation of the Plant or to pay costs of issuance of the Bonds.

(o) There is not now pending or, to the knowledge of the Borrower, threatened, any suit, action or proceeding against or affecting the Borrower by or before any court, arbitrator, administrator, administrative agency or other governmental authority which, if decided adversely to the Borrower, would materially and adversely affect the validity of any of the transactions contemplated by this Loan Agreement or the Indenture, or impair the ability of the Borrower to perform its obligations under this Loan Agreement or the Indenture, or as contemplated hereby or thereby, nor, to the knowledge of the Borrower, is there any basis therefor.

(p) The Project is of the type authorized and permitted by the Act, and the Project is substantially the same in all material respects to that described in the notice of public hearing published in The Darlington News and Post on June 1, 1994.

(q) The Plant is located wholly within Darlington County, South Carolina.

(r) The Borrower will not take any action or omit to take any action or permit any action which is within its control to be taken or omitted which would impair the excludability from gross income for federal income taxation purposes of interest on the Series 1994A Bonds.

[End of Article II]

ARTICLE III

THE LOAN; ISSUANCE OF THE BONDS

Section 3.1. Amount and Source of the Loan. The Issuer agrees to lend to the Borrower, upon the terms and conditions herein and in the Indenture specified, the net proceeds received by the Issuer from the sale of the Bonds (the "Loan"), and to cause such proceeds to be deposited in accordance with the Indenture.

Section 3.2. [Reserved].

Section 3.3. [Reserved].

Section 3.4. Disbursements from the Project Fund and the Cost of Issuance Fund.

(a) The Issuer has, in the Indenture, authorized and directed the Trustee, provided no Event of Default has occurred and is continuing, to make disbursements from the Project Fund and the Cost of Issuance Fund, to:

(i) provide working capital for the Borrower in connection with the operation of the Plant;

(ii) pay financing, legal, accounting, printing and engraving fees, charges and expenses, and all other such fees, charges and expenses incurred in connection with the authorization, sale, issuance and delivery of the Bonds and the preparation and delivery of this Loan Agreement and related documents; and

(iii) pay the fees and expenses of the Trustee, Registrar, Tender Agent and Paying Agent properly incurred in connection with the execution and delivery of the Indenture and of the Credit Enhancer properly incurred in connection with the issuance of the Credit Facility and the execution and delivery of the Letter of Credit Agreement.

(b) All moneys in the Project Fund (including moneys earned thereon by investment thereof) remaining after the completion of funding of the Project and payment, or provision for payment, in full of the costs provided in the preceding subsection of this Section, then due and payable, shall as soon as practicable be paid into the Revenue Fund to be used for the redemption of the Bonds, or a portion thereof, at the earliest possible date.

(c) All disbursements from the Project Fund for the items described in this Section shall be made only upon the written order of an Authorized Borrower Representative and the following conditions shall have been satisfied with respect to such disbursement:

(A) There shall have been delivered to the Trustee and the Credit Enhancer a certificate of an Authorized Borrower Representative in the form of Exhibit B attached hereto certifying, with respect to such disbursement, to the Credit Enhancer and the Trustee (1) the amount of working capital and/or cost of credit enhancement to be disbursed, (2) that such amount will be expended by the Borrower in connection with the operation of the Plant and (3) that none of the items for which the disbursement is

proposed to be made formed the basis for any disbursement theretofore made from the Project Fund;

(B) There shall be in existence no Event of Default or situation which, upon the giving of notice or the passage of time or both would become an Event of Default; and

(C) The Credit Enhancer shall have approved the requested disbursement from the Project Fund.

(d) Should the Borrower be unable to request final disbursement from the Project Fund as described above prior to a date which is five (5) years from the Bond Issuance Date, such funds remaining in the Project Fund shall be considered to be moneys remaining in the Project Fund after completion of the Project and shall be paid into the Revenue Fund and expended as described in Section 3.4(b) unless the Borrower delivers to the Trustee an opinion of Bond Counsel that such treatment is not necessary to retain the State tax-exempt status of the Bonds.

(e) All disbursements from the Cost of Issuance Fund for the items described above shall be made only upon the written order of the Authorized Borrower Representative in substantially the form attached hereto as Exhibit B.

Section 3.5. Investment of Fund Moneys. Any moneys held as part of the Funds under the Indenture shall be invested or reinvested by the Trustee as provided in the Indenture.

Section 3.6. Loan Payments. The Borrower shall pay the following amounts to the Trustee, all as “Loan Payments” under this Loan Agreement:

(a) The Borrower covenants and agrees during the Loan Term to make Loan Payments to the Trustee at its Principal Office, for the account of the Issuer, for deposit in the Revenue Fund, in federal or other immediately available funds, during normal business hours on or before 10:00 A.M., Trustee’s local time, on each Loan Payment Date, the amount of such payment being as follows:

(i) the amount of the principal, if any, of the Bonds due and payable on such Loan Payment Date, whether at stated maturity, by redemption prior to maturity or acceleration or otherwise;

(ii) the amount of interest on the Bonds due and payable on such Loan Payment Date;

(iii) the amount of redemption premium, if any, on the Bonds due and payable on such Loan Payment Date; and

(iv) the purchase price of any Bonds required to be purchased on such Loan Payment Date pursuant to Article III of the Indenture.

(b) The amounts received by the Trustee under the Credit Facility shall be credited against the Loan Payment due on the applicable Loan Payment Date. Any Loan Payment made by the Borrower and held by the Trustee in such event shall be delivered to the Credit Enhancer in reimbursement of the amounts so received by the Trustee under the Credit Facility, and any excess shall be returned to the Borrower as an overpayment.

(c) Except for such interest of the Borrower as may hereafter arise pursuant to Section 510 of the Indenture, the Borrower and the Issuer each acknowledge that neither the Borrower nor the Issuer has any interest in the Revenue Fund or the Debt Service Fund and any moneys deposited therein shall be in the custody of and held by the Trustee in trust for the benefit of the Bondowners and the Credit Enhancer.

Section 3.7. Additional Payments. The Borrower shall pay the following amounts to the following persons, all as “Additional Payments” under this Loan Agreement:

(a) To the Trustee, when due, all reasonable fees and charges for its services rendered under the Indenture, this Loan Agreement and the Borrower Documents, and all reasonable expenses (including without limitation reasonable fees and charges of the Paying Agent, the Bond Registrar, counsel, accountant, engineer or other person) incurred in the performance of the duties of the Trustee under the Indenture, this Loan Agreement and the other Borrower Documents, for which the Trustee and other persons are entitled to repayment or reimbursement;

(b) To the Issuer, upon demand, its regular administrative and issuance fees and charges, if any, and all expenses (including without limitation attorney's fees) incurred by the Issuer in relation to the transactions contemplated by this Loan Agreement and the Indenture, which are not otherwise to be paid by the Borrower under this Loan Agreement or the Indenture;

(c) To the appropriate Person, all taxes, assessments and charges required to be paid pursuant to Section 5.3 hereof;

(d) To the appropriate person, such payments as are required (i) as payment for or reimbursement of any and all reasonable costs, expenses and liabilities incurred by the Issuer, the Credit Enhancer or the Trustee or any of them in satisfaction of any obligations of the Borrower hereunder and under the other Borrower Documents that the Borrower does not perform, or incurred in the defense of any action or proceeding with respect to the Project, this Loan Agreement, the Indenture or the other Borrower Documents, or (ii) as reimbursement for expenses paid, or as prepayment of expenses to be paid, by the Issuer or the Trustee that are incurred as a result of a request by the Borrower or for which the Borrower is liable under this Loan Agreement;

(e) To the appropriate Person, any other amounts required to be paid by the Borrower under this Loan Agreement; and

(f) All Costs of Issuance and fees, charges and expenses, including agent and counsel fees, incurred in connection with the issuance of the Bonds, as and when the same become due.

Any past due Additional Payments shall continue as an obligation of the Borrower until they are paid and shall bear interest (except as may be otherwise provided in the Collateral Documents with respect to obligations owed to the Credit Enhancer) at the base rate of interest announced from time to time by the Trustee for variable rate commercial loans plus two percent (2%) during the period such Additional Payments remain unpaid.

Section 3.8. Obligations Unconditional. The obligations of the Borrower to make Loan Payments and Additional Payments on or before the date the same become due, and to perform all of its other obligations, covenants and agreements hereunder shall be absolute and unconditional, and the Borrower shall make such payments and perform such obligations without abatement, diminution or deduction regardless of any cause or circumstances whatsoever including, without limitation, any defense, set-off, recoupment or counterclaim which the Borrower may have or assert against the Issuer, the Trustee or any other Person.

Section 3.9. Credit Facility. Concurrently with the issuance of the Bonds, the Borrower shall cause the Credit Facility to be delivered to the Trustee to induce the purchase of the Bonds by the original purchasers thereof. The Borrower shall cause the Credit Facility or an Alternate Credit Facility to be continuously maintained until all of the Bonds have been fully paid or their payment provided for in accordance with Article XII of the Indenture.

Section 3.10. Alternate Credit Facility. The Borrower may (without penalty or premium) provide and the Trustee shall accept any Alternate Credit Facility, provided that any Alternate Credit Facility shall meet the requirements of Section 706 of the Indenture and an opinion of counsel acceptable to the Trustee has been delivered to the Trustee to substantially the same effect as the opinion of counsel to the Credit Enhancer delivered in connection with the issuance of the initial Credit Facility and, in addition, to the effect that the exemption of the Bonds (or any securities evidenced thereby) from the registration requirements of the Securities Act of 1933, as amended, shall not be impaired by the substitution of such Alternate Letter of Credit or that the applicable registration or qualification requirements of such Act have been satisfied.

Section 3.11. Issuance of Bonds. In order to provide funds for the Project, the Issuer agrees that it will issue, sell and deliver the Bonds to the original purchasers thereof. The proceeds of the sale of the Bonds shall be paid over to the Trustee for the account of the Issuer in accordance with the Indenture.

Section 3.12. Borrower Required to Pay Costs in Event Project Fund Insufficient. In the event that money in the Project Fund is not sufficient to pay all costs of providing the Project, the Borrower shall, nonetheless, complete the Project and shall pay all costs of such completion in full from its own funds. The Borrower shall not be entitled to any reimbursement for such completion costs from the Issuer, the Credit Enhancer or any Trustee, Registrar or Paying Agent, nor shall it be entitled to any abatement, diminution or postponement of Loan Payments.

Section 3.13. Completion Date. The Completion Date of the Project shall be evidenced to the Issuer, the Credit Enhancer and the Trustee by a certificate signed by an Authorized Borrower Representative substantially in the form attached hereto as Exhibit C.

[End of Article III]

ARTICLE IV

OPERATION OF THE PLANT

Section 4.1. Operation of the Plant. The Borrower represents, warrants, covenants and agrees that it has obtained or shall obtain all necessary or required permits, licenses, consents and approvals that are material for the operation and maintenance of the Plant and shall comply in all material respects

with all lawful requirements of any governmental body regarding the use or condition of the Plant, whether existing or later enacted, foreseen or unforeseen or whether involving any change in governmental policy or requiring structural or other changes to the Project and irrespective of the cost of so complying.

Neither the Issuer, the Trustee or the Credit Enhancer, nor their respective successors or assigns are the agents or representatives of the Borrower, and the Borrower is not the agent of the Issuer, the Trustee or the Credit Enhancer, and this Loan Agreement shall not be construed to make any of the Issuer, the Trustee or the Credit Enhancer liable to materialmen, contractors, subcontractors, craftsmen, laborers or others for goods or services delivered by them in connection with the expansion of the Plant, or for debts or claims accruing to the aforesaid parties against the Borrower. This Loan Agreement shall not create any contractual relation either expressed or implied between the Issuer, the Trustee or the Credit Enhancer and any materialmen, contractors, subcontractors, craftsmen, laborers or any other person supplying any work, labor or materials in connection with the expansion of the Plant.

Section 4.2. Environmental Compliance. The Borrower will comply in all material respects with the environmental provisions of the Credit Documents, the provisions of which (including relevant definitions) are incorporated herein by this reference and constitute a part of this Agreement.

Section 4.3. Payment of Project Costs. The proceeds from the sale of the Bonds shall be paid by the Trustee from the Project Fund in accordance with Section 3.4 of this Agreement to provide for the payment of the Project costs.

Section 4.4. Deficiency of Project Fund. The Issuer makes no warranty, either express or implied, that the amounts in the Project Fund shall be sufficient to fully provide for the costs of the Project. The Borrower shall not be entitled to any reimbursement for the payment of any such deficiency by the Issuer, the Trustee, the Credit Enhancer or any Bondowner, nor shall it be entitled to any diminution of any amounts otherwise payable under this Loan Agreement.

[End of Article IV]

ARTICLE V

MAINTENANCE; TAXES; INSURANCE

Section 5.1. Maintenance of Plant by Borrower. The Borrower agrees that during the term of this Agreement it will keep and maintain the Plant in good condition, repair and working order, ordinary wear and tear excepted, at its own cost, and will make or cause to be made from time to time all necessary repairs thereto (including external and structural repairs) and renewals and replacements thereto.

Section 5.2. Sale or Lease of Plant; Assignment of Loan Agreement by Borrower. Upon the written consent of the Credit Enhancer and the delivery of an Opinion of Bond Counsel to the Trustee and the Credit Enhancer that such action is permitted by the Borrower Documents and the Act, and shall not adversely affect the exclusion from gross income for federal income tax purposes of the interest on the Series 1994A Bonds, the Borrower may assign, mortgage, pledge, sell, lease, grant a security interest in, or in any other manner transfer, convey or dispose of the Plant or any interest therein or part thereof or assign any of its right, title and interest in, to and under this Loan Agreement in accordance with the Borrower Documents; provided that no such assignment with respect to this Loan Agreement shall be made unless a corresponding assignment is made with respect to the Series l994A Loan Agreement.

Section 5.3. Taxes, Assessments and Other Charges. The Borrower shall pay all taxes, assessments and charges of any kind whatsoever that may at any time be lawfully assessed or levied against or with respect to the Plant (including any tax upon or with respect to the income or profits of the Issuer from the Plant that, if not paid, would become a charge on the payments to be made under this Loan Agreement prior to or on a parity with the charge thereon created by the Indenture and including ad valorem, sales and excise taxes, assessments and charges upon the Borrower's interest in the Plant), all utility and other charges incurred in the operation, maintenance, use, occupancy and upkeep of the Plant and all assessments and charges lawfully made by any governmental body for public improvements that may be secured by lien on the Plant.

Section 5.4. Use of Plant. The Issuer will not take or cause the Trustee to take any action (other than as provided herein or in the Indenture) to interfere with the Borrower's interest in the Plant or to interfere with possession, custody, use and enjoyment of the Plant.

Section 5.5. Insurance Required. The Borrower shall cause the Plant to be kept continuously insured against such risks as are customarily insured against by companies conducting activities similar to those of the Borrower in connection with the Plant, and shall pay as the same become due all premiums in respect thereof, all as provided in the Credit Documents.

[End of Article V]

ARTICLE VI

PARTICULAR COVENANTS

Section 6.1. Access to the Plant and Inspection; Operation of the Plant. The duly authorized agents of the Issuer, the Credit Enhancer and the Trustee shall have the right, at all reasonable times upon the furnishing of reasonable notice under the circumstances, to enter upon the Plant and to examine and inspect the Plant, subject to any secrecy regulation or agreement or national security law or regulation of the government of the United States of America. The Borrower will execute, acknowledge and deliver all such further documents and do all such other acts and things as may be necessary to grant to the Issuer, the Credit Enhancer and the Trustee such right of entry. The duly authorized agents of the Issuer, the Credit Enhancer and the Trustee shall also be permitted, at all reasonable times upon reasonable notice under the circumstances, to examine the books and records of the Borrower with respect to the Plant, the working capital provided for herein, and the obligations of the Borrower hereunder.

Section 6.2. Financial Statements. The Borrower shall furnish the Credit Enhancer and the Trustee with copies of its audited financial statements for each of its fiscal years within 120 days after the end of the preceding fiscal year accompanied by a certificate of the Authorized Borrower Representative

stating (i) that the information contained in such statements is materially true and correct, and (ii) that, to the best of his knowledge after reasonable investigation, no Default exists, and if there is such a Default, specifying the nature and period of existence thereof and what action, if any, the Borrower is taking or proposes to take with respect thereto.

Section 6.3. Indemnification. (a) The Borrower releases the Issuer and the Trustee from, agrees that the Issuer and the Trustee shall not be liable for, and indemnifies the Issuer and the Trustee against, all liabilities, losses, damages (including reasonable attorneys' fees), causes of action, suits, claims, costs and expenses, demands and judgments of any nature imposed upon or asserted against the Issuer or the Trustee, on account of: (i) any loss or damage to property or injury to or death of or loss by any Person that may be occasioned by any cause whatsoever pertaining to the construction, maintenance, operation and use of the Plant; (ii) any breach or default on the part of the Borrower in the performance of any covenant or agreement of the Borrower under this Loan Agreement, the Borrower Documents or any related document, or arising from any act or failure to act by the Borrower, or any of its agents, contractors, servants, employees or licensees; (iii) violation by the Borrower or any Affiliate of any law, ordinance or regulation affecting the ownership, occupancy or use of the Plant; (iv) the authorization, issuance and sale of the Bonds, and the provision of any information furnished by the Borrower in connection therewith concerning the Project or the Borrower or arising from (1) any errors or omissions of any nature whatsoever such that the Bonds, when delivered to the Bondowners, are not validly issued and binding obligations of the Issuer, or (2) any fraud or misrepresentations or omissions contained in the proceedings of the Issuer or the Trustee with respect to, or as a result of, materials furnished in writing by the Borrower relating to the issuance of the Bonds which, if known to the original purchaser of the Bonds, would reasonably be a material factor in its decision to purchase the Bonds; and (v) any claim or action or proceeding with respect to the matters set forth in subsections (i), (ii), (iii) and (iv) above brought thereon; provided, however, that the Borrower does not hereby release the Issuer or the Trustee from, or agree that either of them shall not be liable for, or indemnify either of them against any liabilities, losses, damages (including attorneys' fees), causes of action, suits, claims, costs and expenses, demands and judgments of any nature imposed upon or asserted against either of them on account of, with respect to the Issuer, its willful misconduct, or, with respect to the Trustee, its negligence or willful misconduct.

(b) The Borrower agrees to indemnify the Trustee for and to hold it harmless against all liabilities, claims, costs and expenses incurred without negligence or willful misconduct on the part of the Trustee, on account of any action taken or omitted to be taken by the Trustee in accordance with the terms of this Loan Agreement, the Bonds or the Indenture or any action taken at the request of or with the consent of the Borrower, including the costs and expenses of the Trustee in defending itself against any such claim, action or proceeding brought in connection with the exercise or performance of any of its powers or duties under this Loan Agreement, the Bonds or the Indenture.

(c) In case any action or proceeding is brought against the Issuer or the Trustee in respect of which indemnity may be sought hereunder, the party seeking indemnity promptly shall give notice of that action or proceeding to the Borrower, and the Borrower upon receipt of that notice shall have the obligation and the right to assume the defense of the action or proceeding; provided, that failure of a party to give that notice shall not relieve the Borrower from any of its obligations under this Section unless that failure prejudices the defense of the action or proceeding by the Borrower. At its own expense, an indemnified party may employ separate legal counsel and participate in (but not control) the defense. The Borrower shall not be liable for any settlement without its consent.

(d) The indemnification set forth above is intended to and shall include the indemnification of all affected officials, directors, officers, staff and employees of the Issuer, and the Trustee, respectively. That indemnification is intended to and shall be enforceable by the Issuer to the full extent permitted by law.

Section 6.4. Further Assurances and Corrective Instruments. Subject to the Indenture, the Issuer and the Borrower from time to time will execute, acknowledge and deliver, or cause to be executed, acknowledged and delivered, Supplemental Loan Agreements and such further instruments as may reasonably be required for correcting any inadequate or incorrect description of the Project and for carrying out the intention or facilitating the performance of this Loan Agreement.

Section 6.5. Litigation Notice. The Borrower shall give the Trustee and the Credit Enhancer prompt notice of any action, suit or proceeding by it or against it at law or in equity, or before any governmental instrumentality or agency, or of any of the same which may be threatened, which, if adversely determined, would materially impair the right of the Borrower to carry on the business which is contemplated in connection with the Project, or would materially and adversely affect its business, operations, properties, assets or condition. Within five Business Days after the filing against the Borrower, and prior to the filing by the Borrower, of a petition in bankruptcy, the Borrower shall notify the Trustee and the Credit Enhancer in writing as to such occurrence.

Section 6.6. Annual Certificate. The Borrower will furnish to the Issuer, the Trustee and the Credit Enhancer, on or before September 1 of each year, a certificate, signed by an Authorized Borrower Representative, stating that the Borrower has made a review of its activities with respect to the Project during the preceding calendar year for the purpose of determining whether or not the Borrower has complied with all of the terms, provisions and conditions of the Borrower Documents and that the

Borrower has, to the best of its knowledge, kept, observed, performed and fulfilled each and every covenant, provision and condition of the Borrower Documents on its part to be performed and is not in default, in the performance or observance of any of the terms, covenants, provisions or conditions hereof. If the Borrower shall be in default such certificate shall specify all such defaults and the nature thereof.

[End of Article VI]

ARTICLE VII

ASSIGNMENT OF ISSUER'S RIGHTS UNDER LOAN AGREEMENT

Section 7.1. Assignment by the Issuer. The Issuer, by means of the Indenture and as security for the payment of the principal of, purchase price of, and redemption premium, if any, and interest on the Bonds, and the obligations payable to the Credit Enhancer under the Letter of Credit Agreement, will assign, pledge and grant a security interest in certain of its rights, title and interests in, to and under this Loan Agreement, including Loan Payments and Additional Payments and other revenues, moneys and receipts received by it pursuant to this Loan Agreement, to the Trustee (reserving its Unassigned Issuer's Rights).

Section 7.2. Restriction on Transfer of Issuer's Rights. The Issuer will not sell, assign, transfer or convey its interests in this Loan Agreement except pursuant to the Indenture.

Section 7.3. Credit Enhancer's Remedial Rights. The Issuer and the Borrower hereby acknowledge and agree that should the Credit Enhancer exercise certain of its remedial rights under the Credit Documents, the Credit Enhancer (or an affiliate or designee thereof) may become successor in interest to the Borrower hereunder. No such exercise of the Credit Enhancer's rights under the Credit Documents, or succession of the Credit Enhancer (or an affiliate or designee thereof) to the interest of the Borrower hereunder, shall require, as a condition precedent, either (i) the further consent of the Issuer, the Trustee or the Bondowners, or (ii) the acceleration of the Bonds (unless the Credit Enhancer elects such in its sole discretion).

[End of Article VII]

ARTICLE VIII

EVENTS OF DEFAULT AND REMEDIES

Section 8.1. Events of Default Defined. The term "Event of Default" shall mean any one or more of the following events:

(a) Failure by the Borrower to make timely payment of any Loan Payment or any Additional Payment when due.

(b) Failure by the Borrower to observe and perform any covenant, condition or agreement on the part of the Borrower under this Loan Agreement or the Indenture, other than as referred to in the preceding subparagraph (a) of this Section, for a period of 60 days after written notice of such default has been given to the Borrower and the Credit Enhancer by the Trustee during which time such default is neither cured by the Borrower or the Credit Enhancer nor waived in writing by the Credit Enhancer and the Trustee, provided that, if the failure stated in the notice cannot be corrected within said 60-day period, the Credit Enhancer and the Trustee may consent in writing to an extension of such time prior to its expiration and the Credit Enhancer and the Trustee will not unreasonably withhold their consent to such an extension if corrective action is instituted by the Borrower or the Credit Enhancer within the 60-day period and diligently pursued to completion and if such consent, in their judgment, does not materially adversely affect the interests of the Bondowners.

(c) Any representation or warranty by the Borrower herein or in any certificate or other instrument delivered under or pursuant to this Loan Agreement or the Indenture or in connection with the financing of the Project shall prove to have been false, incorrect, misleading or breached in any material respect on the date when made, unless waived in writing by the Issuer, the Credit Enhancer and the Trustee or cured by the Borrower or the Credit Enhancer within 30 days after the discovery thereof and notice has been given to the Borrower and the Credit Enhancer.

(d) The occurrence of an Act of Bankruptcy with respect to the Borrower.

(e) The occurrence of an Event of Default as defined in the Indenture.

(f) The occurrence of an Event of Default as defined in the Series 1994A Loan Agreement.

Section 8.2. Remedies on Default. Subject to the provisions of Section 8.8 hereof, whenever any Event of Default shall have occurred and be continuing, the Trustee, as the assignee of the Issuer, may take any one or more of the following remedial steps; provided that if the principal of all Bonds then Outstanding and the interest accrued thereon shall have been declared immediately due and payable pursuant to the provisions of Section 802 of the Indenture, all Loan Payments for the remainder of the Loan Term shall become immediately due and payable without any further act or action on the part of the Issuer or the Trustee and the Trustee may immediately proceed (subject to the provisions of Section 8.8 hereof) to take any one or more of the remedial steps set forth in subparagraph (b) of this Section:

(a) By written notice to the Borrower (with a copy to the Credit Enhancer) declare all Loan Payments to be immediately due and payable, together with interest on overdue payments of principal and redemption premium, if any, and, to the extent permitted by law, interest, at the rate or rates of interest specified in the respective Bonds, without presentment, demand or protest, all of which are expressly waived.

(b) Take whatever other action at law or in equity, including causing the appointment of a receiver or receivers for the Borrower and/or its assets, taking all actions necessary and appropriate to exercise or to cause the exercise the rights and powers set forth herein or in the Indenture, as may appear necessary or desirable to collect the amounts payable pursuant to this Loan Agreement then due and thereafter to become due or to enforce the performance and observance of any obligation, agreement or covenant of the Borrower under this Loan Agreement or the Indenture.

In the enforcement of the remedies provided in this Section, the Trustee may treat all expenses of enforcement, including reasonable legal, accounting and advertising fees and expenses, as Additional Payments then due and payable by the Borrower.

Any amount collected pursuant to action taken under this Section (other than payments on the Credit Facility) shall be paid to the Trustee and applied, first, to the payment of any costs, expenses and fees incurred by the Issuer or the Trustee as a result of taking such action and, next, any balance shall be used to satisfy any Loan Payments then due by payment into the Revenue Fund and applied in accordance with the Indenture and, then, to satisfy any other Additional Payments then due or to cure any other Event of Default.

Notwithstanding the foregoing, the Trustee shall not be obligated to take any remedial action described in (b) above that in its opinion will or might cause it to expend time or money or otherwise incur liability, unless and until indemnity satisfactory to it has been furnished to the Trustee at no cost or expense to the Trustee.

The provisions of this Section are subject to the limitation that the annulment of a declaration that the Bonds are immediately due and payable shall automatically constitute an annulment of any corresponding declaration made pursuant to subparagraph (a) of this Section and a waiver and rescission of the consequences of such declaration and of the Event of Default with respect to which such declaration has been made, provided that no such waiver or rescission shall extend to or affect any other or subsequent Default or impair any right consequent thereon. In the event any covenant, condition or agreement contained in this Loan Agreement shall be breached or any Event of Default shall have occurred and such breach or Event of Default shall thereafter be waived by the Trustee, such waiver shall be limited to such particular breach or Event of Default.

Section 8.3. No Remedy Exclusive. Subject to the provisions of Section 8.8 hereof, no remedy herein conferred or reserved is intended to be exclusive of any other available remedy or remedies, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given under this Loan Agreement or now or hereafter existing at law or in equity or by statute. No delay or omission to exercise any right or power accruing upon Default shall impair any such right or power or shall be construed to be a waiver thereof, but any such right and power may be exercised from time to time and as often as may be deemed expedient. In order to entitle the Trustee to exercise any remedy reserved to it in this Article, it shall not be necessary to give any notice, other than such notice as may be herein expressly required.

Section 8.4. Agreement to Pay Attorneys' Fees and Expenses. Subject to the provisions of Section 3.7 hereof, in correction with any Event of Default by the Borrower, if the Issuer or the Trustee employs attorneys or incurs other expenses for the collection of amounts payable hereunder or the enforcement of the performance or observance of any covenants or agreements on the part of the Borrower herein contained, the Borrower agrees that it will, on demand therefor, pay to the Issuer and the Trustee the reasonable fees of such attorneys and such other reasonable expenses so incurred by the Issuer and the Trustee.

Section 8.5. Issuer and Borrower to Give Notice of Default. The Issuer, the Trustee and the Borrower shall each, at the expense of the Borrower, promptly give to the Credit Enhancer and the other listed parties written notice of any Default of which the Issuer, the Trustee or the Borrower, as the case may be, shall have actual knowledge or written notice, but the Issuer shall not be liable for failing to give such notice.

Section 8.6. Performance Of Borrower's Obligations. If the Borrower shall fail to keep or perform any of its obligations as provided in this Loan Agreement in respect of (a) maintenance of insurance, (b) payments of taxes, assessments and other charges, (c) repairs and maintenance of the Plant, and (d) compliance with legal or insurance requirements, or in the making of any other payment or performance of any other obligation, then the Issuer, the Credit Enhancer or the Trustee, may (but shall not be obligated so to do) upon the continuance of such failure on the Borrower's part for 5 days after notice of such failure is given to the Borrower and the other listed parties by the Issuer, the Credit Enhancer or the Trustee, and without waiving or releasing the Borrower from any obligation hereunder, as an additional but not exclusive remedy, make any such payment or perform any such obligation, and all sums so paid by the Issuer, the Credit Enhancer or the Trustee and all necessary incidental costs and expenses incurred by the Issuer, the Credit Enhancer or the Trustee in performing such obligations shall be deemed to be Additional Payments or payments due under the Collateral Documents, as applicable, and shall be paid to the Issuer, the Credit Enhancer or the Trustee on demand.

Section 8.7. Remedial Rights Assigned to the Trustee. Upon the execution and delivery of the Indenture, the Issuer will thereby have assigned to the Trustee all rights and remedies conferred upon or reserved to the Issuer by this Loan Agreement, reserving only the Unassigned Issuer's Rights. Subject to the provisions of Section 8.8 hereof, the Trustee shall have the exclusive right to exercise such rights and remedies conferred upon or reserved to the Issuer by this Loan Agreement in the same manner and to the same extent, but under the limitations and conditions imposed thereby and hereby. The Trustee, the Credit Enhancer and the Bondowners shall be deemed third party creditor beneficiaries of all representations, warranties, covenants and agreements contained herein.

Section 8.8. Credit Enhancer to Direct Trustee. Any provision herein to the contrary notwithstanding, unless an Event of Default described in subparagraph (a), (b), (c) or (e)(i) of Section 801 of the Indenture, or an Event of Default described in subparagraph (g) of said Section 801 as the same relates to a default described in subparagraphs (a), (b), (c) or (e)(i) of Section 801 of the Series 1994A Indenture, shall have occurred and be continuing, the Issuer shall (subject to the requirements of Section 901(1) of the Indenture) exercise the remedies provided for hereunder only if and as directed in writing by the Credit Enhancer and shall not waive any Event of Default without the prior written consent

of the Credit Enhancer; provided that such direction shall not be otherwise than in accordance with the provisions of law and of the Indenture.

[End of Article VIII]

ARTICLE IX

PREPAYMENT AND ACCELERATION OF LOAN PAYMENTS

Section 9.1. Prepayment at the Option of the Borrower. Upon the exercise by the Borrower, with the prior written consent of the Credit Enhancer, of its option to cause the Bonds or any portion thereof to be redeemed pursuant to Section 401 of the Indenture, the Borrower shall prepay Loan Payments in whole or in part at the times and at the prepayment prices sufficient to redeem all or a corresponding portion of the Bonds then Outstanding in accordance with said Section. At the written direction of the Borrower such prepayments shall be applied to the redemption of the Bonds in whole or in part in accordance with said Section.

Section 9.2. Optional Prepayment Upon Certain Events. Upon the occurrence of any of the conditions or events set forth in Section 402(d) of the Indenture, the Borrower shall have the option, with the prior written consent of the Credit Enhancer, to prepay Loan Payments, in whole or in part at any time, at the time and at the prepayment price sufficient to redeem all or a corresponding portion of the Bonds then Outstanding in accordance with said Section.

Section 9.3. [Reserved].

Section 9.4. Mandatory Prepayment Upon Certain Defaults. Upon the occurrence of any event set forth in Section 402(c) of the Indenture, the Borrower shall prepay Loan Payments in whole at the time and at the prepayment price sufficient to redeem all of the Bonds then Outstanding in accordance with said Section.

Section 9.5. Mandatory Prepayment From Amounts Remaining in Project Fund. Redemption of Bonds with proceeds derived under Section 3.4(b) hereof shall be deemed a prepayment of the Loan Payments in the same amount as the amount of Bonds redeemed. The Borrower shall pay or cause to be paid to the Trustee from Available Moneys, at the time of a transfer from the Project Fund to the Revenue Fund, such amount as is necessary to cause the transferred amount to equal an Authorized Denomination.

Section 9.6. Right to Prepay at Any Time. The Borrower shall have the option at any time to prepay all of the Loan Payments, Additional Payments and other amounts it is required to pay hereunder by paying to the Trustee all such sums as are sufficient to satisfy and discharge the Indenture and paying or making provision for the payment of all other sums payable hereunder.

Section 9.7. Notice of Prepayment. To exercise an option granted by Section 9.1, Section 9.2 or Section 9.6, the Borrower shall give written notice to the Issuer, the Credit Enhancer and the Trustee which shall specify therein the date upon which a prepayment of Loan Payments will be made, which date shall be not less than 45 days from the date the notice is received by the Trustee, and which shall contain the written consent of the Credit Enhancer. In the Indenture, the Issuer has directed the Trustee to forthwith take all steps (other than the payment of the money required to redeem the Bonds) necessary under the applicable provisions of the Indenture to effect any redemption of the then Outstanding Bonds, in whole, or in part, pursuant to Section 402 of the Indenture.

Section 9.8. Precedence of this Article. The rights, options and obligations of the Borrower set forth in this Article may be exercised or shall be fulfilled, as the case may be, whether or not a Default exists hereunder, provided that such Default will not result in nonfulfillment of any condition to the exercise of any such right or option and provided further that no amounts payable pursuant to this Loan Agreement shall be prepaid in part during the continuance of an Event of Default described in subparagraph (a) of Section 8.1 hereof.

[End of Article IX]

ARTICLE X

MISCELLANEOUS

Section 10.1. Authorized Representatives. Whenever under this Loan Agreement the approval of the Issuer is required or the Issuer is required or permitted to take some action, such approval shall be given or such action shall he taken by an Authorized Issuer Representative, and the Borrower, the Credit Enhancer and the Trustee shall be authorized to act on any such approval or action. Any approval shall not he unreasonably withheld or delayed.

Whenever under this Loan Agreement the approval of the Borrower is required or the Borrower is required or permitted to take some action, such approval shall be given or such action shall be taken by an Authorized Borrower Representative, and the Issuer, the Credit Enhancer and the Trustee shall be authorized to act on any such approval or action.

Whenever under this Loan Agreement the approval of the Credit Enhancer is required or the Credit Enhancer is required or permitted to take some action, such approval shall be given or such action shall be taken by an authorized Credit Enhancer representative, and the Issuer, the Borrower and the Trustee shall be authorized to act on any such approval or action.

Section 10.2. Term of Loan Agreement. This Loan Agreement shall be effective from and after its execution and delivery and shall continue in full force and effect until the Bonds are deemed to be paid within the meaning of Article XII of the Indenture and provision has been made for paying all other sums payable by the Borrower to the Issuer, the Trustee, the Credit Enhancer and the Paying Agent to the date of the retirement of the Bonds. All agreements, covenants, representations and certifications by the Borrower as to all matters affecting the status of the interest on the Bonds and the indemnifications provided by Section 6.3 hereof shall survive the termination of this Loan Agreement for 12 months unless a claim has been made and then such indemnification shall continue with regard to that claim only.

Section 10.3. Notices. Except as otherwise provided herein, it shall be sufficient service of any notice, request, complaint, demand or other paper required by this Agreement to be given to or filed if the same shall be duly mailed by first-class mail, postage pre-paid, certified or registered mail, or sent by telegram, telecopy or telex or other similar communication, confirmed in writing by first-class mail, postage prepaid, certified or registered mail, or sent by telegram, telecopy or telex or other similar communication, on the same day, addressed as specified in Section 1302 of the Indenture. All notices given by first-class mail, certified or registered mail, postage prepaid, as aforesaid shall be deemed duly given as of the third day after they are so mailed; all notices given by telegram, telecopy or telex or other similar communication shall be deemed duly given as of the date the same are transmitted by such means to the recipient thereof; provided, however, that any notice deemed to be given on a date that is not a Business Day in the jurisdiction in which such notice is delivered to the addressee thereof, such notice shall not he deemed duly given until the next succeeding Business Day; provided, further, that notices to the Trustee shall he deemed given as of the date they are received by the Trustee. A duplicate copy of each notice, certificate or other communication given hereunder by either the Issuer or the Trustee to the other shall also be given to the Borrower, the Remarketing Agent and the Credit Enhancer. In the event of notice to any party other than the Issuer or the Trustee, a copy of the notice shall he provided to the Borrower, the Remarketing Agent and the Credit

Enhancer. In addition, the Trustee shall send to the Credit Enhancer, the Borrower, the Tender Agent and the Remarketing Agent a copy of each notice sent to the Bondowners. The Issuer, the Trustee, the Tender Agent, the Borrower, the Credit Enhancer

and the Remarketing Agent may from time to time designate, by notice given under the terms of the Indenture to the others of such parties, such other address to which subsequent notices, certificates or other communications shall be sent.

Section 10.4. Performance Date Not a Business Day. If the last day for performance of any act or the exercising of any right, as provided in this Loan Agreement, shall not be a Business Day, such payment may be made or act performed or right exercised on the next succeeding Business Day.

Section 10.5. Binding Effect. This Loan Agreement shall inure to the benefit of and shall be binding upon the Issuer, the Borrower and their respective successors and assigns, subject to the provisions contained in Section 5.2 hereof. The Issuer and the Borrower acknowledge that the Credit Enhancer is a third-party beneficiary of those provisions herein which relate to the making of payments or giving of notice to or consents by or following the directions of or the performance of other acts to benefit it and all such provisions shall be enforceable by the Credit Enhancer.

Section 10.6. Amendments, Changes and Modifications. Except as otherwise provided in this Loan Agreement or in the Indenture, subsequent to the issuance of Bonds and prior to all of the Bonds being deemed to be paid in accordance with Article XII of the Indenture and provision being made for the payment of all sums payable under the Indenture in accordance with Article XII thereof, this Loan Agreement may not be effectively amended, changed, modified, altered or terminated without the prior concurring written consent of the Trustee and the Credit Enhancer, given in accordance with the Indenture.

Section 10.7. Execution in Counterparts. This Loan Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Section 10.8. No Pecuniary Liability. No provision, representation, covenant or agreement contained in this Loan Agreement or in the Indenture, the Bonds, or any obligation herein or therein imposed upon the Issuer, or the breach thereof, shall constitute or give rise to or impose upon the Issuer a pecuniary liability (except to the extent of any loan repayments, revenues and receipts derived by the Issuer pursuant to this Loan Agreement). No provision hereof shall be construed to impose a charge against the general credit of the Issuer or the State or the taxing powers of the State within the meaning of any constitutional provision or statutory limitation, or any personal or pecuniary liability upon any director, official or employee of the Issuer.

Section 10.9. Extent of Covenants of the Issuer; No Personal or Pecuniary Liability. All covenants, obligations and agreements of the Issuer contained in this Loan Agreement and the Indenture shall be effective to the extent authorized and permitted by applicable law. No such covenant, obligation or agreement shall be deemed to be a covenant, obligation or agreement of any present or future member, officer, agent or employee of the Issuer in other than his official capacity, and no official executing the Bonds shall be liable personally on the Bonds or be subject to any personal liability or accountability by reason of the issuance thereof or by reason of the covenants, obligations or agreements of the Issuer contained in this Loan Agreement or in the Indenture. No provision, covenant or agreement contained in this Loan Agreement, the Indenture or the Bonds, or any obligation herein or therein imposed upon the Issuer, or the breach thereof, shall constitute or give rise to or impose upon the Issuer a pecuniary liability or a charge.

Section 10.10. Net Loan. The parties hereto agree (a) that the payments of Loan Payments are designed to provide the Issuer and the Trustee with moneys adequate in amount to pay all principal of, purchase price of, and redemption premium, if any, and interest accruing on the Bonds as the same become due and payable, (b) that to the extent that the payments of Loan Payments are not sufficient to provide the Issuer and the Trustee with funds sufficient for the purposes aforesaid, subject to the provisions of Section 3.8 hereof, the Borrower shall be obligated to pay, and it does hereby covenant and agree to pay, upon demand therefor, as Additional Payments, such further moneys, in cash, as may from time to time be required for such purposes, and (c) that if after the principal of, and redemption premium, if any, and interest on the Bonds and all costs incident to the payment of the Bonds have been paid in full the Trustee or the Issuer holds unexpended funds received in accordance with the terms hereof, such unexpended funds shall, after payment therefrom of all sums then due and owing by the Borrower under the terms of this Loan Agreement, be distributed in accordance with the Indenture.

Section 10.11. Security Interests. The Issuer and the Borrower agree to enter into all instruments (including financing statements and statements of continuation) necessary for perfection of and continuance of the perfection of the security interests of the Issuer and the Trustee in the Project. The Trustee shall file or cause to be filed all such instruments required to be so filed and shall continue or cause to be continued the liens of such instruments for so long as the Bonds shall be Outstanding.

Section 10.12. Complete Agreement. The Issuer and the Borrower understand that oral agreements or commitments to loan money, extend credit or to forbear from enforcing repayment of a debt including promises to extend or renew such debt are not enforceable. To protect the Issuer and the Borrower from misunderstanding or disappointment, any agreements the Issuer and the Borrower reach covering such matters are contained in this Loan Agreement, which is the complete and exclusive statement of the agreement between the Issuer and the Borrower, except as the Issuer and the Borrower may later agree in writing (subject to the provisions of Article XI of the Indenture) to modify this Agreement.

Section 10.13. Severability. If any provision of this Loan Agreement, or any covenant, stipulation, obligation, agreement, act or action, or part thereof made, assumed, entered into or taken thereunder, or any application of such provision, is for any reason held to be illegal or invalid, such illegality or invalidity shall not affect any other provision of this Loan Agreement or any other covenant, stipulation, obligation, agreement, act or action, or part thereof, made, assumed, entered into, or taken, each of which shall be construed and enforced as if such illegal or invalid portion were not contained herein. Such illegality or invalidity of any application thereof shall not affect any legal and valid application thereof, and each such provision, covenant, stipulation, obligation, agreement, act or action, or part thereof, shall be deemed to be effective, operative, made, entered into or taken in the manner and to the full extent permitted by law.

Section 10.14. Governing Law. This Loan Agreement shall be governed by and construed in accordance with the laws of the State of South Carolina.

Section 10.15. Not a Limitation. Nothing in this Loan Agreement contained is intended to be (and nothing herein shall be construed to be) a limitation on the obligations of the Borrower to the Credit Enhancer under the Credit Documents.

Section 10.16. Consent to Jurisdiction; Service of Process.

(a) The Borrower hereby agrees and consents that any action or proceeding arising out of or brought to enforce the provisions of this Loan Agreement or any of the other Borrower Documents may be brought in any appropriate court in the State or in any other court having jurisdiction over the subject matter, all at the sole election of the Issuer or the Trustee, and by the execution of this Loan Agreement, the Borrower irrevocably consents to the jurisdiction of each such court.

(b) If for any reason the Borrower should become not qualified to do business in the State, the Borrower hereby agrees to designate and appoint, without power of revocation, an agent for service of process within the State, as the agent for the Borrower upon whom may be served all process, pleadings, notice, or other papers, which may be served upon the Borrower as a result of any of the Borrower's obligations hereunder.

(c) The Borrower covenants that throughout the period during which any of the Bonds remain outstanding, if a new agent for service or process within the State is designated pursuant to the terms of subsection (1,) of this section, the Borrower will immediately file with the Issuer, the name and address of such new agent and the date on which its appointment is to become effective.

IN WITNESS WHEREOF, the Issuer and the Borrower have caused this Loan Agreement to be executed in their respective names.

SOUTH CAROLINA JOBS-ECONOMIC
DEVELOPMENT AUTHORITY

By /s/ [Illegible]
Chairman, Board of Directors

[SEAL]

ATTEST:

By /s/ [Illegible]
Executive Director

ROLLER BEARING COMPANY OF AMERICA,
INC.

By /s/ [Illegible]
Its CFO and TREASURER

[SEAL]

ATTEST:

By /s/ [Illegible]
Its

EXHIBIT A

DESCRIPTION OF PROJECT

The provision of working capital to be utilized in connection with an approximately 60,000 square foot expansion of an existing facility for the manufacture of roller bearings in Darlington County, South Carolina.

EXHIBIT B

Request No. Date:

WRITTEN REQUEST FOR DISBURSEMENT FROM
SOUTH CAROLINA JOBS-ECONOMIC DEVELOPMENT AUTHORITY

FUND
(ROLLER BEARING OF AMERICA, INC. PROJECT)
Series 1994B

To: Mark Twain Bank
Attention: Corporate Trust Department

as Trustee under the Trust Indenture, dated as of September 1, 1994, between the South Carolina Jobs-Economic Development Authority, and said Trustee

Pursuant to Section 3.4 of the Loan Agreement, dated as of September 1, 1994 (the "Loan Agreement"), between the South Carolina Jobs-Economic Development Authority and Roller Bearing Company of America, Inc. (the "Borrower"), the Borrower hereby requests payment from the Fund in accordance with this request and said Section 3.4 and hereby states and certifies as follows:

1. The date and number of this request are as set forth above. The amount of such request is $

2. All terms in this request shall have and are used with the meanings specified in the Loan Agreement.

3. The conditions to disbursement set forth in Section 3.4(c) of the Loan Agreement have been met and satisfied with respect to this request.

4. With respect to this request, the Borrower hereby certifies as to those items set forth in (2) and (3) of Section 3.4(c)(A) of the Loan Agreement.

ROLLER BEARING COMPANY OF
AMERICA, INC.

By: _____
Authorized Borrower Representative

Consented to this day of , 199 .

HELLER FINANCIAL, INC.

By _____
Authorized Signatory

EXHIBIT C

COMPLETION CERTIFICATE

To: Mark Twain Bank, Trustee

and

South Carolina Jobs-Economic Development Authority, Issuer and

Heller Financial Inc., Credit Enhancer

From: Authorized Borrower Representative

Subject: $3,000,000 South Carolina Jobs-Economic Development Authority Variable Rate Demand Industrial Development Revenue Bonds (Roller Bearing Company of America, Inc. Project) Series 1994B

The undersigned hereby certifies in connection with the Project, financed with the proceeds of the above-described Bonds issued by the South Carolina Jobs-Economic Development Authority (the "Issuer") pursuant to the Trust Indenture dated as of September 1, 1994 (the "Indenture") between the Issuer and (the "Trustee"), the proceeds of which have been loaned to Roller Bearing Company of America, Inc. (the "Borrower") pursuant to the Loan Agreement between the Borrower and the Issuer dated as of September 1, 1994 (the "Loan Agreement") (words capitalized herein have the meaning ascribed to them in the Loan Agreement):

1. The funding of the Project was completed as of , 19 (the "Completion Date").

2. The money in the Project Fund in excess of the total set forth in 1(a) above represents the surplus proceeds of the Bonds and the Trustee under the Indenture is hereby authorized and directed to deposit such money to the Revenue Fund to be used to redeem the principal amount of outstanding Revenue Bonds at the earliest possible time. Accompanying this Certificate (or otherwise to be made available to the Trustee as follows:) are Available Moneys sufficient to cause the amount to be deposited to equal an Authorized Denomination.

This certificate is given without prejudice to any rights against third parties which exist at the date hereof or which may subsequently come into being.

ROLLER BEARING COMPANY OF
AMERICA, INC.

By: _____
Authorized Borrower Representative

Date: , 19

Exhibit 10.14

CONFIDENTIAL

SOUTH CAROLINA JOBS-ECONOMIC DEVELOPMENT AUTHORITY

and

MARK TWAIN BANK,
as Trustee

TRUST INDENTURE

Dated as of September 1, 1994

Relating to

$3,000,000
Variable Rate Demand
Industrial Development Revenue Bonds
(Roller Bearing Company of America, Inc. Project)
Series 1994B

TABLE OF CONTENTS

TRUST INDENTURE

THIS TRUST INDENTURE (the "Indenture"), made and entered into as of September 1, 1994, by and between the SOUTH CAROLINA JOBS-ECONOMIC DEVELOPMENT AUTHORITY, a body corporate and politic and an agency of the State of South Carolina (the "Issue"), and Mark Twain Bank, a Missouri banking corporation duly organized and existing and authorized to accept and execute trusts of the character herein set out under the laws of the State of Missouri, and having its principal corporate trust office located in St. Louis, Missouri, as Trustee (the "Trustee");

WITNESSETH:

WHEREAS, the Issuer acting by and through its Board of Directors, is authorized and empowered under and pursuant to the provisions of Title 41, Chapter 43, Code of Laws of South Carolina 1976, as amended (the "Act"), to acquire and cause to be acquired properties that are projects under the Act through which the industrial, commercial, agricultural and recreational development of the State of South Carolina (the "State") will be promoted and trade developed by inducing business enterprises to locate in and remain in the State and thus provide maximum opportunities for the creation and retention of jobs and improvement of the standard of living of the citizens of the State; and

WHEREAS, the Issuer is further authorized by Section 41-43-110 of the Act to issue revenue bonds payable by the Issuer solely from revenues and receipts from any financing agreement between the Issuer and any business enterprise with respect to such project and secured by a pledge of said revenues and receipts and by an assignment of such financing agreement; and

WHEREAS, pursuant to the Act, the Authority is authorized to issue its Variable Rate Demand Industrial Development Revenue Bonds (Roller Bearing Company of America, Inc. Project) Series 1994B in the original aggregate principal amount of $3,000,000 (the "Bonds"), for the purpose of providing working capital ("the Project") with respect to an approximately 60,000 square foot expansion of an existing facility for the manufacture of roller

bearings in Darlington County, South Carolina which is owned and operated by Roller Bearing Company of America, Inc., a Delaware corporation (the "Borrower"); and

WHEREAS, the Borrower has requested that the Issuer issue the Bonds in order to finance the Project; and

WHEREAS, the Board of Directors of the Issuer passed and approved a Resolution on August 24, 1994, authorizing the Issuer to issue the Bonds pursuant to this Indenture for the above purposes; and

WHEREAS, pursuant to such Resolution, the Issuer is authorized (i) to execute and deliver this Indenture for the purpose of issuing and securing the Bonds as hereinafter provided, and (ii) to enter into a Loan Agreement of even date herewith (the "Agreement"), between the Issuer and the Borrower, under which the Issuer will loan the proceeds of the Bonds to the Borrower in accordance with the provisions of the Agreement to finance the Project, in consideration of payments to be made by the Borrower to the Trustee which are to be sufficient to pay the principal of, redemption premium, if any, and interest on the Bonds as the same become due; and

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WHEREAS, Heller Financial, Inc., a Delaware corporation (the "Credit Enhancer"), has agreed to execute and deliver an irrevocable direct-pay letter of credit (the "Credit Facility") in order to secure the timely payment of the principal of and interest on the Bonds; and

WHEREAS, all things necessary to make the Bonds, when authenticated by the Trustee and issued as in this Indenture provided, the valid, legal and binding obligations of the Issuer, and to constitute this Indenture a valid, legal and binding pledge and assignment of the property, rights, interests and revenues herein made for the security of the payment of the principal of, redemption premium, if any, and interest on the Bonds issued hereunder, have been done and performed, and the execution and delivery of this Indenture and the execution and issuance of the Bonds, subject to the terms hereof, have in all respects been duly authorized and approved by the Issuer; and

WHEREAS, THE BONDS AND THE PREMIUM, IF ANY, AND INTEREST THEREON (INCLUDING ANY AMOUNTS PAYABLE IN CONNECTION WITH ANY PREPAYMENT OR PURCHASE OF THE BONDS) ARE LIMITED OBLIGATIONS OF THE ISSUER; THE PRINCIPAL OF, PREMIUM, IF ANY, AND INTEREST ON THE BONDS ("INCLUDING ANY AMOUNTS PAYABLE IN CONNECTION WITH ANY PURCHASE OF THE BONDS) ARE PAYABLE SOLELY FROM THE REVENUES OR MONEYS TO BE RECEIVED IN CONNECTION WITH THE FINANCING OF THE PROJECT OR FROM ANY OTHER MONEYS MADE AVAILABLE TO THE ISSUER FOR SUCH PURPOSE; NEITHER THE BONDS NOR THE INTEREST THEREON (INCLUDING ANY AMOUNTS PAYABLE IN CONNECTION WITH ANY PURCHASE OF THE BONDS) SHALL EVER CONSTITUTE AN INDEBTEDNESS OR A CHARGE AGAINST THE GENERAL CREDIT OF THE STATE, THE ISSUER, OR ANY OTHER PUBLIC BODY, OR OF THE TAXING POWERS OF THE STATE WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY LIMITATION AND SHALL NEVER CONSTITUTE OR GIVE RISE TO ANY PECUNIARY LIABILITY OF THE STATE, THE ISSUER, OR ANY OTHER PUBLIC BODY; THE BONDS DO NOT CONSTITUTE AN INDEBTEDNESS TO WHICH THE FAITH OR CREDIT OF THE STATE, THE ISSUER, OR ANY OTHER PUBLIC BODY, OR TAXING POWER OF THE STATE, IS PLEDGED;

NOW THEREFORE, THIS INDENTURE WITNESSETH:

GRANTING CLAUSES

That the Issuer, in consideration of the premises, the acceptance by the Trustee of the trusts hereby created, the purchase and acceptance of the Bonds by the Owners thereof, and of other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, and in order to secure the payment of the principal of, redemption premium, if any, and interest on the Bonds according to their tenor and effect, to secure all obligations owed by the Borrower to the Credit Enhancer under the Letter of Credit Agreement, and to secure the performance and observance by the Issuer of all the covenants, agreements and conditions herein and in the Bonds contained, does hereby transfer, pledge and assign, without recourse, to the Trustee and its successors and assigns in trust forever, and does hereby grant a security interest unto the Trustee and its successors in trust and its assigns, in and to all and singular the property described in paragraphs (a) and (b) below (said property being herein referred to as the "Trust Estate"), to wit:

(a) All right, title and interest of the Issuer (including, but not limited to, the right to enforce any of the terms thereof) in, to and under all Revenues (as hereinafter defined) derived by

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the Issuer under and pursuant to and subject to the provisions of the Agreement but excluding the Unassigned Issuer's Rights as defined in the Agreement) and the Credit Facility; and

(b) All other moneys and securities from time to time held by the Trustee under the terms of this Indenture (excluding amounts held in the Purchase Fund (as hereinafter defined)), and any and all other property (real, personal or mixed) of every kind and nature from time to time hereafter, by delivery or by writing of any kind, pledged, assigned or transferred as and for additional security hereunder by the Issuer, or by anyone in its behalf or with its written consent, to the Trustee, which is hereby authorized to receive any and all such property at any and all times and to hold and apply the same subject to the terms hereof.

TO HAVE AND TO HOW, all and singular, the Trust Estate with all rights and privileges hereby transferred, pledged, assigned and/or granted or agreed or intended so to be, to the Trustee and its successors and assigns in trust forever;

IN TRUST NEVERTHELESS, upon the terms and conditions herein set forth for the equal and proportionate benefit, security and protection of all present and future Owners of the Bonds Outstanding, without preference, priority or distinction as to participation in the lien, benefit and protection hereof of one Bond over or from the others, except as herein otherwise expressly provided and on a subordinate basis thereto, to secure the obligations of the Borrower to the Credit Enhancer;

PROVIDED, NEVERTHELESS, and these presents are upon the express condition, that if the Issuer or its successors or assigns shall well and truly pay or cause to be paid the principal of and premium, if any, on such Bonds with interest, according to the provisions set forth in the Bonds, or shall provide

for the payment or redemption of such Bonds by depositing or causing to be deposited with the Trustee the entire amount of funds or securities requisite for payment or redemption thereof when and as authorized by the provisions of Article XII hereof (it being understood that any payment with respect to the principal of or interest on Bonds by the Borrower or any purchase of Bonds pursuant to Article III hereof shall not be deemed payment or provision for payment of principal of or interest on Bonds, except Bonds purchased and cancelled by the Trustee, all such uncancelled Bonds to remain Outstanding hereunder and principal of and interest thereon payable to the Owners thereof, whether such Owners be the Credit Enhancer or persons to whom Bonds are remarketed), and shall also pay or cause to be paid all other sums payable hereunder by the Issuer and if all amounts due and owing to the Credit Enhancer under the Letter of Credit Agreement shall have been paid in full, then these presents and the estate and rights hereby granted shall cease, terminate and become void, and thereupon the Trustee, on payment of its lawful charges and disbursements then unpaid, on demand of the Issuer and upon the payment by the Issuer of the cost and expenses thereof, shall duly execute, acknowledge and deliver to the Issuer such instruments of satisfaction or release as may be necessary or proper to discharge this Indenture of record, and if necessary shall grant, reassign and deliver to the Issuer, with a copy to the Credit Enhancer and the Borrower, all and singular the property, rights, privileges and interests by it hereby granted, conveyed and assigned, and all substitutes therefor, or any part thereof, not previously disposed of or released as herein provided; otherwise this Indenture shall be and remain in full force;

THIS INDENTURE FURTHER WITNESSETH, and it is hereby expressly declared, covenanted and agreed by and between the parties hereto, that all Bonds issued and secured hereunder are to be issued, authenticated and delivered and that all the Trust Estate is to be held and applied under, upon and subject to the terms, conditions, stipulations, covenants, agreements, trusts, uses and purposes as hereinafter expressed, and the Issuer does hereby agree and covenant with the Trustee, for the benefit of the respective Owners from time to time of the Bonds and the Credit Enhancer, as follows:

ARTICLE I

DEFINITIONS; RULES OF CONSTRUCTION

Section 101. Definitions of Words and Terms. In addition to words and terms elsewhere defined herein and therein, the following words and terms as used in this Indenture and in the Agreement shall have the following meanings, unless some other meaning is plainly intended:

“Accounts” means the accounts created pursuant to Section 501 hereof.

“Act” means Title 41, Chapter 43, Code of Laws of South Carolina 1976, as amended.

“Act of Bankruptcy” means, as to the Borrower, any of the following: (a) the commencement by the Borrower of a voluntary case under the federal bankruptcy laws, as now in effect or hereafter amended, or any other applicable federal or state bankruptcy, insolvency or similar laws; (b) the filing of a petition with a court having jurisdiction over the Borrower to commence an involuntary case against the Borrower under the federal bankruptcy laws, as now in effect or hereafter amended, or any other applicable federal or state bankruptcy, insolvency or similar laws, and such petition is not discharged within 60 days of the filing thereof; (c) the Borrower shall admit in writing its inability to pay its debts generally as they become due; (d) a receiver, trustee or liquidator of the Borrower shall be appointed in any proceeding brought against the Borrower; (e) assignment by the Borrower of all or substantially all of its assets for the benefit of its creditors; or (f) the entry by the Borrower into an agreement of composition with its creditors, and, as to the Issuer, the commencement by the Issuer of a voluntary case under the federal bankruptcy laws, as now in effect or hereafter amended, or any other applicable federal or state bankruptcy, insolvency or similar laws.

“Affiliated Party” or “Affiliate” means any Related Person as to a particular Person, and any other Person directly or indirectly controlling or controlled by or under direct or indirect common control with such specified Person. “Control”, when used with respect to a particular Person, means the possession, directly or indirectly, of the power to direct or cause the direction of management and policies of such Person whether through the ownership of voting stock, by contract or otherwise, and the terms “controlling” and “controlled” have meanings correlative to the foregoing.

“Agreement” or “Loan Agreement” means the Loan Agreement, including the Exhibits attached thereto, dated as of the date of this Indenture, between the Issuer and the Borrower, with respect to the Bonds, as such Agreement may be from time to time amended, restated or supplemented in accordance with the provisions of Section 10.6 of the Agreement and Article XI hereof.

“Alternate Credit Facility” means any alternate credit facility designated and qualified as such and provided pursuant to Section 706 hereof no later than the twenty-fifth (25th) day prior to the then applicable Termination Date.

“Alternate Credit Facility Date” means a Business Day on or prior to the Termination Date on which the Borrower has complied with all requirements of this Indenture, including Section 706, regarding the substitution of an Alternate Credit Facility for the Credit Facility then in effect.

“Annual Mode” means an Interest Mode during which the interest rate on the Bonds is determined at twelve month intervals, as provided in Section 203(e) hereof.

“Authorized Borrower Representative” means either the Chief Financial Officer or the Vice President of the Borrower, or such other official of the Borrower at the time designated to act on behalf of the Borrower as evidenced by written certificate furnished to the Issuer, the Credit Enhancer and the Trustee containing the specimen signature of such person and signed on behalf of the Borrower by its Chief Executive Officer or its Chief Financial Officer. Such certificate may designate an alternate or alternates, each of whom shall be entitled to perform all duties of and exercise all powers of an Authorized Borrower Representative.

“Authorized Denominations” means (i) in the case of Bonds in a Weekly Mode or Monthly Mode, $100,000 and any integral multiple of $5,000 in excess thereof; (ii) in the case of Bonds in a Semiannual Mode, Annual Mode or Multiyear Mode, $5,000 or any integral multiple thereof, provided that if the Credit Facility is not exempt from registration under the Securities Act of 1933, as amended, and has not been registered thereunder then the Authorized Denomination shall be $100,000 and any integral multiple of $5,000 in excess thereof; or (iii) in the case of a Bond which is a Pledged Bond, $100,000 or any integral multiple of $5,000 in excess thereof.

"Authorized Issuer Representative" means the Chairman of the Board of Directors or the Executive Director of the Issuer, or such other person at the time designated to act on behalf of the Issuer as evidenced by written certificate furnished to the Borrower, the Credit Enhancer and the Trustee containing the specimen signature of such person and signed on behalf of the Issuer by its Executive Director. Such certificate may designate an alternate or alternates, each of whom shall be entitled to perform all duties of and exercise all powers of an Authorized Issuer Representative.

"Available Moneys" means (i) proceeds from the initial sale of the Bonds by the Issuer that have not been commingled with other funds that do not constitute Available Moneys and proceeds from the investment thereof; (ii) moneys that have been paid to the Trustee pursuant to payments on the Credit Facility and that have been held in the Credit Facility Account and not commingled with other funds that do not constitute Available Moneys, and proceeds from the investment thereof; and (iii) moneys with respect to which the Trustee has received an unqualified opinion of nationally recognized counsel expert on bankruptcy matters to the effect that payment of such proceeds to the Owners would not constitute a voidable preference under Section 547 of the United States Bankruptcy Code which could be recovered under Section 550(a) of the Bankruptcy Code in the event of the filing of a petition thereunder by or against the Issuer, the Borrower or any Affiliated Party of the Borrower.

"Available Moneys Account" means the account by that name in the Revenue Fund created pursuant to Section 501 hereof.

"Bond" or "Bonds" means any bond or bonds authenticated and delivered under and pursuant to this Indenture.

"Bond Counsel" means any attorney or firm of attorneys designated by the Issuer and reasonably acceptable to the Borrower, the Trustee and the Credit Enhancer having a national reputation for skill in connection with the authorization and issuance of municipal obligations in the State.

"Bond Issuance Date" means the date of initial issuance and delivery of the Bonds.

"Bond Pledge Agreement" means the Pledge and Security Agreement dated as of September 1, 1994, by and among the Borrower, the Trustee and the Credit Enhancer, as amended, restated and supplemented from time to time.

"Bond Register" means the registration books of the Issuer kept by the Trustee to evidence the registration and transfer of Bonds.

"Bond Registrar" means the Trustee when acting as such.

"Bondowner" or "Owner" or "Registered Owner" means the person in whose name a Bond is registered on the Bond Register.

"Borrower" means Roller Bearing Company of America, Inc., a Delaware corporation, and any successor or assign thereto permitted under the Agreement.

"Borrower Bonds" means (i) Bonds owned or held by the Borrower or any Affiliate of the Borrower, or by the Trustee or the Tender Agent, or the agent of either of them, for the account of the Borrower or any Affiliate of the Borrower, including, but not limited to, Pledged Bonds, or (ii) Bonds which the Borrower has notified the Trustee, or which the Trustee knows, were purchased by another Person for the account of the Borrower or any Affiliate of the Borrower, including, but not limited to, Pledged Bonds.

"Business Day" means a day which is not (a) a Saturday, Sunday or any other day on which banking institutions in New York, New York, or the city or cities in which the principal corporate trust office of the Trustee, and the principal office of the Tender Agent, the Remarketing Agent or the Credit Enhancer is located, are required or authorized to close or (b) a day on which the New York Stock Exchange is closed.

"Collateral Documents" means the Letter of Credit Agreement, the Bond Pledge Agreement and any other document securing the obligations of the Borrower to the Credit Enhancer in connection with the Letter of Credit Agreement, in each case as the same may be amended, restated or supplemented from time to time.

"Costs of Issuance Fund" means the fund by that name created in Section 501 hereof.

"Credit Enhancer" means initially Heller Financial, Inc., a Delaware corporation, and any provider or providers of an Alternate Credit Facility.

"Credit Documents" means the documents described by said term in the Letter of Credit Agreement, in each case as the same may be amended, restated or supplemented from time to time.

"Credit Facility means the letter of credit initially issued by Heller Financial, Inc. and any Alternate Credit Facility issued by the Credit Enhancer in addition to or in substitution therefor, as the same may be amended, restated, supplemented, extended or renewed from time to time in accordance with the Agreement and this Indenture.

"Credit Facility Account" means the account by that name created in Section 501(c) of this Indenture.

"Debt Service Fund" means the fund by that name created in Section 501 hereof.

"Default" means any event or condition which constitutes, or with the giving of any requisite notice or upon the passage of any requisite time period or upon the occurrence of both, would constitute, an Event of Default under the Agreement or this Indenture.

"Event of Default" means any event or occurrence as defined in Section 801 hereof.

"Financial Institution" means any qualified institutional buyer, as that term is defined from time to time in 17 C.F.R. ss.230.144A(a)(i) ("Rule 144A").

"Funds" means the funds created pursuant to Article V hereof.

"General Fund" means the fund by that name created in Section 501 hereof.

"Government Securities" means direct obligations of, or obligations the payment of the principal of and interest on which are unconditionally guaranteed by, the United States of America.

"Immediate Notice" means notice by telephone, telegram, telex, telecopier or other telecommunication device to such phone numbers or addresses as are specified in Section 1302 hereof or such other phone number or address as the addressee shall have directed in writing, promptly followed by written notice by first-class mail postage prepaid to such addresses.

"Indenture" means this Trust Indenture as originally executed by the Issuer and the Trustee, as from time to time amended and supplemented by Supplemental Indentures in accordance with the provisions of Article X of this Indenture.

"Interest Mode" means a period of time relating to the frequency with which the interest rate on the Bonds is determined pursuant to Section 203 hereof, which Interest Mode may be a Weekly Mode, a Monthly Mode, a Semiannual Mode, an Annual Mode or a Multiyear Mode. Pledged Bonds bear interest at the Pledged Bond Rate and are not subject to such Interest Mode descriptions.

"Interest Mode Adjustment Date" means a date on which the Interest Mode of the Bonds is changed from one Interest Mode to a different Interest Mode, and such date shall be an Interest Payment Date.

"Interest Mode Adjustment Notice" means the notice of a new Interest Mode with respect to any Bonds in accordance with Section 204 hereof in substantially the form of Exhibit F attached hereto.

"Interest Payment Date" means the date on which an interest installment is required to be paid on the Bonds to the Owners thereof, (i) with respect to all Bonds other than Pledged Bonds, (1) as to the first Interest Period, October 3, 1994; (2) as to any Weekly Mode or Monthly Mode, the first Business Day of each month; (3) as to any Semiannual Mode, Annual Mode or Multiyear Mode, each March 1 and September 1, commencing with the first such March 1 or September 1 following the Interest Mode Adjustment Date, or the next succeeding Business Day thereafter if any such March 1 or September 1 is not a Business Day; and (4) an Interest Mode Adjustment Date; and (ii) with respect to Pledged Bonds, the first Business Day of each calendar month and the date of sale of Pledged Bonds.

"Interest Period" means, with respect to the Bonds in any Interest Mode, the period from and including each Interest Payment Date for such Interest Mode to and including the day immediately preceding the following Interest Payment Date for such Interest Mode, except that the first Interest Period shall be the period from and including the date of original delivery of the Bonds to and including the day immediately preceding the first Interest Payment Date for the Bonds.

"Investment Securities" means any of the following securities purchased in accordance with Section 602 hereof, if and to the extent the same are at the time legal for investment of the funds being invested:

(a) Government Securities;

(b) deposits which are fully insured by the Federal Deposit Insurance Corporation ("FDIC") in one or more of the following institutions: banks with a rating of A-1 or higher (including without limitation, the Trustee or any bank affiliated with the Trustee) organized under the laws of the United States of America or any state thereof;

(c) federal funds, unsecured certificates of deposit, time deposits and bankers acceptances (having maturities of not more than 365 days) of any bank, the short-term obligations of which are in the highest short-term rating category of the Rating Agency (if the Bonds are rated by Standard & Poor's, such category is A-1+);

(d) any shares in money market mutual funds provided such money market funds are rated AAAm or AAAmG by the Rating Agency; and

(e) repurchase agreements with (A) any institution described in clause (b) above or (B) any other entity that is under the jurisdiction of the Bankruptcy Code, provided that, with respect to a repurchase agreement with such other entity, the terms of such repurchase agreement shall be less than one year, shall be with respect to Government Securities which meet the Investment

Securities Collateral Requirement and shall mature at least 30 days before the time or times that such investments shall be needed for the purposes for which they were deposited.

"Investment Securities Collateral Requirement" means Government Securities which meet the requirements set forth in Exhibit B attached hereto and incorporated herein by this reference.

"Investor's Representation Letter" means the Investor's Representation Letter in substantially the form attached to this Indenture as Exhibit H.

"Issuer" means the South Carolina Jobs-Economic Development Authority, a body corporate and politic and an agency of the State, or any body, agency or instrumentality of the State succeeding to or charged with the powers, duties and functions of the Issuer.

"Letter of Credit Agreement" means the Letter of Credit Agreement dated as of the date of this Indenture, between the Borrower and the initial Credit Enhancer, and any similar agreement between the Borrower and the Credit Enhancer with respect to the issuance of an Alternate Credit Facility.

"Loan Payment Date" means the day established for a Loan Payment under the Agreement.

"Loan Term" means the period from the date of initial delivery and authentication of the Bonds until such time as the Bonds are no longer Outstanding and all other amounts payable by the Borrower under the Agreement and the Letter of Credit Agreement shall have been paid.

"Mandatory Purchase Date" means each date designated by the Credit Enhancer for purchase of the Bonds in accordance with the provisions of Section 302(d) of this Indenture.

"Maximum Rate" means the lesser of (i) 15% per annum or (ii) the rate utilized in the Credit Facility for purposes of computing the interest component thereof.

"Monthly Mode" means an Interest Mode during which the interest rate on the Bonds is determined in monthly intervals as set forth in Section 203(d) hereof.

"Moody's" means Moody's Investors Service, a corporation organized and existing under the laws of the State of Delaware, and its successors and assigns, and, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, "Moody's" shall be deemed to refer to any other nationally recognized securities rating agency designated by the Issuer, with the prior written approval of the Credit Enhancer and the Borrower, by notice to the Trustee.

"Multiyear Mode" means an Interest Mode during which the interest rate on the Bonds is determined at intervals of integral (greater than one) multiples of twelve months, as provided in Section 203(e) hereof.

"New York Time" means the time on any given day in the City of New York, New York, whether such time be Eastern Standard Time or Eastern Daylight Savings Time.

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

"Notice of Election to Tender/Retain Bonds" means the Notice of Election to Tender/Retain Bonds in substantially the form attached hereto as Exhibit D delivered by a Bondowner to the Tender Agent (i) pursuant to Section 301 hereof which contains a demand for the purchase of Bonds on the Tender Date, or (ii) following receipt of a notice of a mandatory tender of Bonds as specified in Section 302 hereof which contains an election to retain Bonds. "Notice of Election to Tender Bonds" shall refer to those provisions of the Notice of Election to Tender/Retain Bonds which relate to the election to tender Bonds as hereinafter provided. "Notice of Election to Retain Bonds" shall refer to those provisions of the Notice of Election to Tender/Retain Bonds which relate to the election to retain Bonds.

"Opinion of Bond Counsel" means a written opinion of Bond Counsel addressed to the Trustee, for the benefit of the Owners of the Bonds, and the Credit Enhancer.

"Opinion of Counsel" means a written opinion of an attorney or firm of attorneys addressed to the Trustee, for the benefit of the Owners of the Bonds and the Credit Enhancer, who may (except as otherwise expressly provided in this Indenture) be counsel to the Issuer, the Borrower, the Owners of the Bonds, the Credit Enhancer or the Trustee, and who is acceptable to the Trustee and the Credit Enhancer.

"Outstanding when used with reference to Bonds, means, as of a particular date, all Bonds theretofore authenticated and delivered under this Indenture except:

(a) Bonds theretofore cancelled by the Trustee or delivered to the Trustee for cancellation pursuant to Section 209 hereof;

(b) Bonds which are deemed to have been paid in accordance with Article XII hereof;

(c) Bonds in exchange for or in lieu of which other Bonds have been authenticated and delivered pursuant to Article II of this Indenture;

(d) Undelivered Bonds; and

(e) For purposes of any consent or other action to be taken by the Owner of a specified percentage of Bonds under this Indenture or the Agreement, Bonds owned or held for the account of the Issuer or Borrower Bonds. Notwithstanding the foregoing, Bonds so owned which have been pledged in good faith shall not be disregarded as aforesaid if the pledgee establishes to the satisfaction of the Trustee the pledgee's right so to act with respect to such Bonds and that the pledgee is not the Issuer, the Borrower or any Affiliated Party.

"Paying Agent" means the Tender Agent as to all Tendered Bonds, the Trustee as to all other Bonds, and any other bank or trust institution organized under the laws of any state of the United States of America or any national banking association designated by this Indenture or any Supplemental Indenture as paying agent for the Bonds at which the principal of, and redemption premium, if any, and interest on, such Bonds shall be payable.

"Person" means an individual, a corporation, a partnership, an association, a joint stock company, a joint venture, a trust, an unincorporated organization, a limited liability company, or a government or any agency or political subdivision thereof.

"Placement Date" means any date on which a Pledged Bond is purchased from the Borrower by a Person designated by the Remarketing Agent pursuant to the Remarketing Agreement or is sold by the Borrower.

"Plant" means the facility, including machinery and equipment, for the manufacture of roller bearings in Darlington County, South Carolina, operated by the Borrower.

"Pledged Bonds" means any Bonds purchased by the Borrower with payments made on the Credit Facility, which Bonds are registered in the name of the Borrower and held by the Trustee on behalf of the Credit Enhancer pursuant to the terms of the Bond Pledge Agreement, until such time as such Bonds are sold by the Borrower or by the Remarketing Agent.

"Pledged Bond Rate" means the rate of interest per annum payable with respect to each Pledged Bond, which shall be equal to the Interest Rate set forth in Section 2.9 of the Letter of Credit Agreement.

"Preliminary Rate" means Preliminary Rate as defined in Section 203(e) hereof.

"Principal Office" means, with respect to the Trustee and the Tender Agent, its principal corporate trust office, initially 8820 Ladue Road, St. Louis, Missouri 63124, Attention: Corporate Trust Division.

"Principal Payment Date" means the maturity date or redemption date (including as a result of acceleration) of any Bond.

"Project" means the working capital described in Exhibit A to the Agreement.

"Project Fund" means the fund by that name created by Section 501 hereof.

"Purchase Fund" means the fund by that name created by Section 501 hereof.

"Rate Adjustment Date" means the date as of which the interest rate determined for an Interest Mode shall be effective, which (i) during a Weekly Mode shall be Thursday of each week (whether or not a Business Day); (ii) during a Monthly Mode shall be the first calendar day of each month; (iii) during a Semiannual Mode shall be the first calendar day of such Semiannual Mode which shall be March 1 or September 1 and the first day following each six-month period thereafter; and, (iv) during an Annual Mode or a Multiyear Mode shall be the first calendar day of such Annual Mode or Multiyear Mode, which shall be September 1, and thereafter the first calendar day following the completion of the then current Annual Mode or Multiyear Mode. The initial Rate Adjustment Date is September 15, 1994.

"Rate Adjustment Notice" means the Rate Adjustment Notice in substantially the form of Exhibit E hereto to be mailed by the Trustee in accordance with Section 203(e) hereof.

"Rate Determination Date" means no later than 4:00 P.M., New York Time, on the Business Day immediately preceding a Rate Adjustment Date for a Weekly or a Monthly Mode, and on the third (3rd) Business Day immediately preceding a Rate Adjustment Date for a Semiannual Mode, Annual Mode or Multiyear Mode.

"Rate Period" means the period from a Rate Adjustment Date to, but not including, the next Rate Adjustment Date.

"Rating Agency" means (collectively, as required) Moody's, if the Bonds are then rated by Moody's, Standard & Poor's, if the Bonds are then rated by Standard & Poor's, and any other national rating service which has outstanding credit rating on the Bonds.

"Record Date" means, with respect to Bonds in a Semiannual Mode, an Annual Mode or a Multiyear Mode, the fifteenth calendar day, whether or not a Business Day, of the month preceding such Interest Payment Date, and, with respect to Bonds in a Weekly Mode or Monthly Mode, the fifth calendar day, whether or not a Business Day, immediately preceding such Interest Payment Date.

"Related Documents" means the Collateral Documents and the Credit Documents.

"Remarketing Agent" means the remarketing agent at the time serving as such under the Remarketing Agreement and designated as the Remarketing Agent for purposes of this Indenture. The initial Remarketing Agent is Stern Brothers & Co., St. Louis, Missouri.

"Remarketing Agreement" means the Remarketing Agreement dated as of September 1,1994, between the Borrower and the Remarketing Agent or, if such Remarketing Agreement shall be terminated, such other agreement, approved by the Credit Enhancer, which may from time to time be entered into with any Remarketing Agent with respect to the remarketing or placement of the Bonds.

"Remarketing Proceeds" means proceeds from the resale by the Remarketing Agent of Bonds delivered for purchase pursuant to Section 301 or 302 hereof that have not been commingled with other funds which do not constitute Remarketing Proceeds, and proceeds from the investment thereof, provided that Remarketing Proceeds cannot include any moneys provided by the Borrower, the Issuer, any guarantor of the Bonds (excluding the issuer of the Credit Facility, but only with respect to moneys provided pursuant to the Credit Facility), any Affiliated Party of the foregoing, or any Person which is an "insider" of the Borrower or any such guarantor within the meaning of Title 11 of the United States Code, as amended.

"Resolution" means the resolution of the Board of Directors of the Issuer authorizing the execution and delivery of the Agreement, this Indenture and the issuance of the Bonds.

"Revenue Fund" means the fund by that name created in Section 501 hereof.

"Revenues" means the amounts pledged hereunder to the payment of principal of, and premium, if any, and interest on the Bonds, consisting of the following: (i) all income, revenues, proceeds and other amounts, to which the Issuer is entitled, derived from the Borrower (except the

Unassigned Issuer's Rights as defined in the Agreement), including all scheduled payments under the Agreement, payments received on the Credit Facility and all receipts of the Trustee credited under the provisions of this Indenture against said amounts payable, and (ii) moneys held in the Funds and Accounts, together with investment earnings thereon, other than funds held for the payment of specific Bonds pursuant to Section 510 hereof or amounts held in the Purchase Fund.

"Series 1994A Bonds" means the Issuer's $7,700,000 original principal amount Variable Rate Demand Industrial Development Revenue Bonds (Roller Bearing Company of America, Inc. Project) Series 1994A, issued pursuant to the Series 1994A Indenture.

"Series 1994A Indenture" means the Indenture of Trust dated as of September 1, 1994 between the Issuer and the Trustee, delivered with respect to the Series 1994A Bonds.

"Semiannual Mode" means an Interest Mode during which the interest rate on the Bonds is determined at six-month intervals as set forth in Section 203(e) hereof.

"Standard & Poor's" means Standard & Poor's Ratings Group, A Division of McGraw-Hill, Inc., a corporation organized and existing under the laws of the State of New York, and its successors and assigns, and, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, Standard & Poor's shall be deemed to refer to any other nationally recognized securities rating agency designated by the Issuer, with the prior written approval of the Credit Enhancer, by notice to the Trustee and the Borrower.

"State" means the State of South Carolina.

"Supplemental Indenture" means any indenture supplemental or amendatory to this Indenture entered into by the Issuer and the Trustee pursuant to Article X of this Indenture.

"Tender Agent" means initially the Trustee, and any successor tender agent appointed pursuant to Section 914 hereof. The Tender Agent shall act as Paying Agent as to Tendered Bonds.

"Tender Date" means (a) each date designated by a Bondowner for purchase of any Bonds in accordance with the provisions of Section 301 hereof, and (b) each date on which Bonds are required to be tendered in accordance with the provisions of Section 302 hereof, including any Mandatory Purchase Date, whether or not such Bonds are actually tendered.

"Tender Price" means 100% of the principal amount of any Bond tendered pursuant to the provisions of Section 301 or Section 302 of this Indenture plus interest accrued and unpaid thereon to, but not including, the Tender Date.

"Tendered Bonds" means (a) any Bonds tendered by a Bondowner for purchase pursuant to Section 301 hereof, and (b) any Bonds required to be tendered for purchase pursuant to Section 302 hereof, unless a proper waiver has been made by the Owner of such Bonds, in each case whether or not such Bonds are actually tendered.

"Termination Date" means (i) if the Credit Facility is not a letter of credit, the maturity or expiration date of the Credit Facility or, if such day is not a Business Day, the next preceding

Business Day or (ii) if the Credit Facility is a letter of credit, the last Interest Payment Date which is at least five (5) days preceding the date on which the Credit Facility is to expire pursuant to its terms, in each case including any extension of such maturity or expiration date.

"Trust Estate" means the Trust Estate described in the granting clauses of this Indenture.

"Trustee" means Mark Twain Bank a banking corporation duly organized and existing under the laws of the State of Missouri, and its successor or successors and any other association or corporation which at any time may be substituted in its place pursuant to and at the time serving as trustee under this Indenture.

"Unavailable Moneys Account" means the account by that name in the Revenue Fund created pursuant to Section 501 of this Indenture.

"Undelivered Bonds" means Bonds which are deemed to have been tendered to the Trustee or Tender Agent, as applicable, for purchase pursuant to Section 301 or 302 hereof but which have not been surrendered to the Trustee or Tender Agent, as applicable.

"Weekly Mode" means an Interest Mode during which the interest rate on the Bonds is determined in weekly intervals as set forth in Section 203(c) hereof.

"Written Request" with reference to the Issuer means a request in writing signed by an Authorized Issuer Representative and with reference to the Borrower means a request in writing signed by an Authorized Borrower Representative.

Section 102. Rules of Interpretation.

For all purposes of this Indenture, except as otherwise expressly provided or unless the context otherwise requires:

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

(b) Words importing the singular number shall include the plural and vice versa and words importing person shall include firms, associations and corporations, including public bodies, as well as natural persons.

(c) The table of contents hereto and the headings and captions herein are not a part of this document.

(d) Terms used in an accounting context and not otherwise defined shall have the meaning ascribed to them by generally accepted principles of accounting.

(e) Notwithstanding anything herein, in the Series 1994A Indenture or in the Borrower Documents to the contrary, each of the "Borrower", the "Credit Enhancer", the "Paying Agent(s)", the "Remarketing Agent", the "Tender Agent" and the "Trustee" (including, for such purpose, each

co-trustee) shall, as between the documents relating to the Bonds and the Series 1994A Bonds be one and the same Person.

[End of Article I]

ARTICLE II

THE BONDS

Section 201. Authorization. Issuance and Terms of Bonds.

(a) Authorized Amount of Bonds. No Bonds may be issued under the provisions of this Indenture except in accordance with this Article. The total aggregate principal amount of the Bonds that may be issued hereunder and at any time Outstanding is hereby expressly limited to $3,000,000.

(b) Tide of Bonds. The Bonds authorized to be issued under this Indenture shall be designated "Variable Rate Demand Industrial Development Revenue Bonds (Roller Bearing Company of America, Inc. Project) Series 1994B".

(c) Form of Bonds. The Bonds shall be substantially in the form set forth in Exhibit A attached hereto, with such appropriate variations, omissions and insertions as are permitted or required by this Indenture, and may have endorsed thereon such legends or text as may be necessary or appropriate to conform to any applicable rules and regulations of any governmental authority or any usage or requirement of law with respect thereto.

(d) Denominations. The Bonds shall be issuable as fully registered Bonds without coupons in Authorized Denominations only.

(e) Numbering. Unless the Issuer shall otherwise direct, the Bonds shall be numbered from R-1 upward.

(f) Dating. The Bonds shall be dated as of the Bond Issuance Date, be issuable in Authorized Denominations, and bear interest from the most recent Interest Payment Date to which interest has been paid or for which due provision has been made or if no Interest Payment Date has occurred therefor, the dated date thereof.

(g) Maturity. The Bonds shall mature on September 1, 2017, subject to optional and mandatory redemption as provided in Article IV hereof.

(h) Tender and Purchase of Bonds. The Bonds are subject to optional and mandatory tender for purchase as provided in Article III hereof.

(i) Method and Place of Payment. Except as provided herein, the principal of, and redemption premium, if any, and interest on the Bonds shall be payable in any coin or currency of the United States of America which, at the respective dates of payment thereof, is legal tender for the payment of public and private debts, and such principal and premium, if any, shall be payable at the Principal Office of the Trustee or at the office of any alternate Paying Agent, and, with respect to the Tender Price, at the Principal Office of the Tender Agent, upon presentation and surrender of such Bonds. Payment of interest on any Bond shall be made by check or draft of the Trustee mailed to the person in whose name such Bond is registered on the Bond Register as of the close of business of the Trustee on the Record Date for such Interest Payment Date, except that

interest not duly paid or provided for when due shall be payable to the person in whose name such Bond is registered at the close of business on the Business Day immediately preceding the date of payment of such defaulted interest. In the case of an interest payment to any Owner of $1,000,000 or more in aggregate principal amount of Bonds as of the commencement of business of the Trustee on the Record Date for a particular Interest Payment Date or in the case of the purchase from an Owner of $1,000,000 or more in aggregate principal amount of Bonds on the Tender Date, payment of interest or the Tender Price, as applicable, shall be made by wire transfer to such Owner upon written notice to the Trustee from such Owner containing the wire transfer address (which shall be in the continental United States) to which such Owner wishes to have such wire directed and, with regard to interest payments, such written notice is given by such Owner to the Trustee not less than fifteen (15) days prior to such Record Date and regarding payment of the Tender Price, which written notice accompanies such Owner's Notice of Election to Tender Bonds.

Section 202. Nature of Obligations.

(a) The Bonds and the interest thereon shall be limited obligations of the Issuer payable solely from Bond proceeds, the Revenues and other moneys pledged thereto and held by the Trustee as provided herein, and are secured by a transfer, pledge and assignment of and a grant of a security interest in the Trust Estate to the Trustee and in favor of the Owners of the Bonds, as provided in this Indenture.

(b) The Bonds and the interest thereon do not constitute a debt or general obligation of the Issuer, the State, or any political subdivision thereof, and do not constitute an indebtedness or a charge against the general credit of the State or the Issuer within the meaning of any constitutional or statutory limitation or restriction. The Bonds are not payable in any manner by taxation.

(c) No recourse shall be had for the payment of the principal of, or premium, if any, or interest on, any of the Bonds or for any claim based thereon or upon any obligation, provision, covenant or agreement contained in this Indenture contained, against any past, present or future director, trustee, officer, official, employee or agent of the Issuer, or any director, trustee, officer, official, employee or agent of any successor to the Issuer, as such, either directly or through the Issuer or any successor to the Issuer, under any rule of law or equity, statute or constitution or by the enforcement of any assessment or penalty or otherwise, and all such liability of any such director, trustee, officer, official, employee or agent as such is hereby expressly waived and released as a condition of and in consideration for the execution of this Indenture and the issuance of any of the Bonds. Neither the officers of the Issuer nor any person executing the Bonds shall be personally liable on the Bonds by reason of the issuance thereof.

Section 203. Interest Rates and Interest Payment Provisions.

(a) Calculation of Interest. Subject to the provisions of Section 802 (a) hereof, the Bonds shall bear interest from and including the date thereof until payment of the principal or redemption price thereof shall have been made or provided for in accordance with the provisions hereof, whether at maturity, upon redemption or otherwise. Anything herein to the contrary notwithstanding, in no event shall the interest rate borne by the Bonds, other than Pledged Bonds, at any time exceed the Maximum Rate. Subject to such limitation, the interest rates on the Bonds

shall be determined as provided in this Section. Interest accrued on the Bonds during each Interest Period shall be paid on the next succeeding Interest Payment Date and, while the Bonds are in a Weekly Mode or a Monthly Mode, shall be computed on the basis of a year of 365 or 366 days, as appropriate, for the actual number of days elapsed and, while the Bonds are in a Semiannual Mode, an Annual Mode or a Multiyear Mode, shall be computed on the basis of a year of 360 days and twelve 30-day months. The Trustee shall calculate the amount of interest to be paid on each Interest Payment Date, and the Remarketing Agent shall confirm such interest amount calculation, and the Trustee shall notify the Borrower and the Credit Enhancer of such amount by 10:00 a.m., New York Time, on the Business Day next preceding each Interest Payment Date.

(b) Standard for Determination of Interest Rate. The Remarketing Agent shall determine the interest rate for the Rate Period commencing with each Rate Adjustment Date to be the lowest rate which, in the best judgment of the Remarketing Agent, on the Rate Determination Date, would result in the market value of such Bonds on the Rate Adjustment Date being equal to 100% of their principal amount. In determining such interest rate, the Remarketing Agent shall have due regard for general financial conditions and such other conditions as, in the judgment of the Remarketing Agent, have a bearing on the interest rate on the Bonds, including then prevailing market conditions, the yields at which comparable securities are then being sold and the tender provisions applicable thereto during the forthcoming Rate Period. Each determination of the interest rate for the Bonds, as provided herein, shall be conclusive and binding upon the Bondowners, the Issuer, the Borrower, the Tender Agent, the Remarketing Agent, the Credit Enhancer and the Trustee. Upon request, the Remarketing Agent shall give the Issuer, the Trustee, the Credit Enhancer, the Borrower, the Tender Agent or any Bondowner Immediate Notice of the interest rate on the Bonds at any time.

(c) Weekly Mode. The interest rate for Bonds in a Weekly Mode shall be determined in the following manner. On each Rate Determination Date, the Remarketing Agent shall determine the interest rate which such Bonds shall bear during the Rate Period following such Rate Determination Date. The interest rate so determined shall be effective on the Rate Adjustment Date. Promptly after each Rate Determination Date, the Remarketing Agent shall give written notice of the interest rate so set to the Trustee, the Credit Enhancer and the Borrower. On each Interest Payment Date the Trustee shall mail to each Bondowner a written statement showing the interest rates for such Bonds during the preceding Interest Period.

(d) Monthly Mode. The interest rate for any Bonds in a Monthly Mode shall be determined in the following manner. On each Rate Determination Date, the Remarketing Agent shall determine the interest rate which such Bonds shall bear during the Rate Period following such Rate Determination Date. The interest rate so determined shall be effective on the Rate Adjustment Date. Promptly after each Rate Determination Date, the Remarketing Agent shall give written notice of the interest rate so set to the Borrower, the Credit Enhancer and the Trustee. On each Interest Payment Date the Trustee shall mail to each Bondowner a written statement showing the interest rates for such Bonds during the preceding Interest Period.

(e) Semiannual Mode. Annual Mode or Multiyear Mode. The interest rate for Bonds in a Semiannual Mode, an Annual Mode or a Multiyear Mode shall be determined in the following manner. Not less than 30 days nor more than 35 days before each Rate Adjustment Date, the Remarketing Agent shall determine the interest rate (the “Preliminary Rate”) which the Bonds would

bear if such day were a Rate Determination Date. The Remarketing Agent shall give Immediate Notice of the Preliminary Rate to the Borrower, the Credit Enhancer and the Trustee. The Trustee shall thereupon mail, not less than 25 days prior to the Rate Adjustment Date, to each Bondowner a Rate Adjustment Notice in substantially the form attached hereto as Exhibit E. On the Rate Determination Date the Remarketing Agent shall determine the interest rate which each of such Bonds shall bear for each such Rate Period, which rate may be less than, equal to or greater than the Preliminary Rate. By Immediate Notice on such Rate Determination Date the Remarketing Agent shall give written notice of the interest rate so set to the Borrower, the Credit Enhancer, the Tender Agent and the Trustee, and the Trustee shall mail to all Bondowners written notice of the interest rate so determined.

(f) Alternative Rate Calculation. If for any reason the interest rate for the Bonds is not or cannot be established as provided in the preceding paragraphs, or is held invalid or unenforceable by a court of law, all Bonds shall immediately convert to a Weekly Mode, anything in this Indenture to the contrary notwithstanding, and the interest rate shall be a rate equal to the lesser of (i) 135% of the 90-day U.S. Treasury Bill rate, determined on the basis of the average per annum rate at which 90-day U.S. Treasury Bills have been sold on a bond-equivalent basis at the most recent U.S. Treasury auction preceding the Rate Determination Date, or (ii) the Maximum Rate.

(g) Pledged Bonds. Notwithstanding the above provisions of this Section 203 the Pledged Bonds shall bear interest at the Pledged Bond Rate during the period that such Bonds are Pledged Bonds. The Credit Enhancer shall use its best efforts to notify the Trustee on the Business Day preceding each Interest

Payment Date in respect of such a period of the Pledged Bond Rate in effect from time to time during such period. The Credit Facility shall not be drawn on to pay any Pledged Bond.

Section 204. Changes in Interest Modes.

(a) The Bonds shall initially be in a Weekly Mode. The Interest Mode for the Bonds may be changed from time to time at the option of the Borrower, with the prior written consent of the Credit Enhancer exercised as provided in this Section, to another Interest Mode selected by the Borrower, on an Interest Payment Date on which the Bonds are subject to redemption pursuant to Section 401 hereof at a redemption price equal to the principal amount thereof, plus accrued interest, without premium. The Borrower may exercise such option at any time by giving written notice not more than 60 nor less than 45 days prior to the Interest Mode Adjustment Date, to the Issuer, the Trustee, the Tender Agent, the Remarketing Agent and the Credit Enhancer stating its election to convert the Interest Mode for the Bonds to another Interest Mode, which notice shall specify the new Interest Mode and the Interest Mode Adjustment Date. Such Interest Mode Adjustment Date shall be a Rate Adjustment Date for the Bonds in such new Interest Mode. Upon the exercise of such option by the Borrower and upon the Trustee's receipt of the prior written consent of the Credit Enhancer to the exercise of such option, the Trustee shall mail, not less than thirty (30) days prior to the Interest Mode Adjustment Date, an Interest Mode Adjustment Notice to each Owner of Bonds, and, in the event of a conversion to a Weekly Mode or a Monthly Mode from any other Interest Mode, a Notice of Election to Tender/Retain Bonds in substantially the form attached hereto as Exhibit D.

(b) No change in the Interest Mode shall occur unless (i) the Trustee shall have received, prior to sending the Interest Mode Adjustment Notice, an Opinion of Bond Counsel stating that the change in the Interest Mode is authorized and permitted by this Indenture and the Act and such Opinion of Bond Counsel is confirmed as of the Interest Mode Adjustment Date, and (ii) the Credit Enhancer shall have given its prior written consent to the change in the Interest Mode and shall have fully and timely made any payment due under the Credit Facility made in connection with the related Interest Mode Adjustment Date pursuant to Section 508 hereof. Further, no change from a Weekly Mode to any other Interest Mode may occur unless a corresponding change in Interest Mode with respect to the Series 1994A Bonds occurs on the same date.

Section 205. Execution. Authentication and Delivery of Bonds.

(a) The Bonds shall be executed on behalf of the Issuer by the manual or facsimile signature of the Chairman of the Board of Directors of the Issuer and attested by the manual or facsimile signature of its Executive Director, Secretary or Assistant Secretary, and shall have the corporate seal of the Issuer affixed thereto or imprinted thereon. In case any officer whose signature or facsimile thereof appears on any Bonds shall cease to be such officer before the delivery of such Bonds, such signature or facsimile thereof shall nevertheless be valid and sufficient for all purposes, the same as if such person had remained in office until delivery. Any Bond may be signed by such persons who at the actual time of the execution of such Bond shall be the proper officers to sign such Bond although at the date of such Bond such persons may not have been such officers.

(b) The Bonds shall have endorsed thereon a Certificate of Authentication substantially in the form set forth in Exhibit A hereto, which shall be manually executed by the Trustee. No Bond shall be entitled to any security or benefit under this Indenture or shall be valid or obligatory for any purpose unless and until such Certificate of Authentication shall have been duly executed by the Trustee. Such executed Certificate of Authentication upon any Bond shall be conclusive evidence that such Bond has been duly authenticated and delivered under this Indenture. The Certificate of Authentication on any Bond shall be deemed to have been duly executed if signed by any authorized officer or employee of the Trustee, but it shall not be necessary that the same officer or employee sign the Certificate of Authentication on all of the Bonds that may be issued hereunder at any one time.

(c) Prior to or simultaneously with the authentication and delivery of the Bonds by the Trustee there shall be filed with the Trustee the following:

(1) A copy of the Resolution, certified by the Executive Director of the Issuer.

(2) An original executed counterpart of this Indenture, the Agreement and the Credit Facility.

(3) An Opinion of Bond Counsel, dated the date of initial delivery of the Bonds, to the effect that the Bonds are valid and binding special limited obligations of the Issuer and that interest on the Bonds is exempt from income taxation in the State of South Carolina.

(4) A request and authorization to the Trustee on behalf of the Issuer, executed by the Authorized Issuer Representative, to authenticate the Bonds and deliver said Bonds

to the purchasers therein identified upon payment to the Trustee, for the account of the Issuer, of the purchase price thereof. The Trustee shall be entitled to rely conclusively upon such request and authorization as to the names of the purchasers and the amount of such purchase price.

(5) Evidence satisfactory to the Issuer, the Credit Enhancer and the Trustee that the Bonds have been purchased by "qualified institutional buyers" as defined in Rule 144A of the 1933 Act.

(6) Such other certificates, statements, receipts, documents and Opinions of Counsel as the Trustee shall reasonably require for the delivery of the Bonds.

(d) When the documents mentioned in paragraph (c) of this Section shall have been filed with the Trustee, and when the Bonds shall have been executed and authenticated as required by this Indenture, the Trustee shall deliver the Bonds to or upon the order of the purchasers thereof, but only upon payment to the Trustee of the purchase price of the Bonds. The proceeds of the sale of the Bonds, including premium thereon, if any, shall be immediately paid over to the Trustee, and the Trustee shall deposit and apply such proceeds as set forth in Section 502 hereof.

Section 206. Registration. Transfer and Exchange of Bonds.

(a) The Trustee is hereby appointed Bond Registrar and as such shall keep the Bond Register at its principal corporate trust office. No later than the second Business Day following each Record Date, the Trustee shall send a copy of the Bond Register to the Tender Agent by first-class mail.

(b) Any Bond may be transferred only upon the Bond Register upon surrender thereof to the Trustee duly endorsed for transfer or accompanied by an assignment duly executed by the registered Owner or such Owner's attorney or legal representative in such form as shall be satisfactory to the Trustee. Subject to Section 210 hereof, upon any such transfer, the Issuer shall execute and the Trustee shall authenticate and deliver in exchange for such Bond a new Bond or Bonds, registered in the name of the transferee, of any Authorized Denomination.

(c) Any Bonds, upon surrender thereof at the principal corporate trust office of the Trustee, together with an assignment duly executed by the Owner or such Owner's attorney or legal representative in such form as shall be satisfactory to the Trustee, may, at the option of the Owner thereof, be exchanged for an equal aggregate principal amount of the Bonds, of any Authorized Denomination.

(d) In all cases in which Bonds shall be exchanged or transferred hereunder, the Issuer shall execute and the Trustee shall authenticate and deliver at the earliest practicable time Bonds in accordance with the provisions of this Indenture. All Bonds surrendered in any such exchange or transfer shall forthwith be cancelled by the Trustee.

(e) The Issuer or the Trustee may make a charge against each Bondowner requesting a transfer or exchange of Bonds for every such transfer or exchange of Bonds sufficient to reimburse it for any tax or other governmental charge required to be paid with respect to such transfer or

exchange, the cost of printing, if any, each new Bond issued upon any transfer or exchange and the reasonable expenses of the Issuer and the Trustee in connection therewith, and such charge shall be paid before any such new Bond shall be delivered.

(f) At reasonable times and under reasonable regulations established by the Trustee, the Bond Register may be inspected and copied by the Borrower, the Issuer, the Credit Enhancer or the Owners (or a designated representative thereof) of 10% or more in aggregate principal amount of Bonds then Outstanding, such ownership and the authority of any such designated representative to be evidenced to the satisfaction of the Trustee.

(g) The person in whose name any Bond shall be registered on the Bond Register shall be deemed and regarded as the absolute Owner of such Bond for all purposes, and payment of or on account of the principal of and redemption premium, if any, and interest on any such Bond shall be made only to or upon the order of the registered Owner thereof or such Owner's attorney or legal representative (except that any such payments on Pledged Bonds shall be made to the Credit Enhancer). All such payments shall be valid and effectual to satisfy and discharge the liability upon such Bond, including the interest thereon, to the extent of the sum or sums so paid.

Section 207. Temporary Bonds.

(a) Until definitive Bonds are ready for delivery, the Issuer may execute and, upon request of the Issuer, the Trustee shall authenticate and deliver in lieu of definitive Bonds, but subject to the same limitations and conditions as definitive Bonds, temporary printed, engraved, lithographed or typewritten Bonds.

(b) If temporary Bonds shall be issued, the Issuer shall cause the definitive Bonds to be prepared and to be executed and delivered to the Trustee, and the Trustee, upon presentation to it at its principal corporate trust office of any temporary Bond shall cancel the same and authenticate and deliver in exchange therefor, without charge to the Owner thereof, a definitive Bond or Bonds in the same aggregate amount as the temporary Bond surrendered in Authorized Denominations. Until so exchanged the temporary Bonds shall in all respects be entitled to the same benefit and security of this Indenture as the definitive Bonds to be issued and authenticated hereunder.

Section 208. Mutilated, Lost, Stolen, Destroyed or Undelivered Bonds. In the event any Bond shall become mutilated, or be lost, stolen or destroyed, the Issuer shall execute and the Trustee shall authenticate and deliver a new Bond of like date and tenor as the Bond mutilated, lost, stolen or destroyed; provided that, in the case of any mutilated Bond, such mutilated Bond shall first be surrendered to the Trustee, and in the case of any lost, stolen or destroyed Bond, there shall be first furnished to the Issuer and the Trustee evidence of such loss, theft or destruction satisfactory to the Issuer and the Trustee, together with indemnity satisfactory to them, the Borrower and the Credit Enhancer. In the event any such Bond shall have matured or been called for redemption, instead of issuing a substitute Bond the Issuer may pay or authorize the payment of the same without surrender thereof. Upon the issuance of any substitute Bond, the Issuer and the Trustee may require the payment of an amount by the Bondowner sufficient to reimburse the Issuer and the Trustee for any tax or other governmental charge that may be imposed in relation thereto and any other reasonable fees and expenses incurred in connection therewith.

In the event that there are Undelivered Bonds, the Trustee shall authenticate and deliver, with such delivery to occur at the Principal Office of the Trustee to the new Owner or Owners thereof a new Bond or Bonds of like amount in Authorized Denominations registered in the name of the new Owner or Owners thereof. It shall be the duty of the Trustee to hold the moneys received from the remarketing of a replacement Bond issued in place of an Undelivered Bond, without liability for interest thereon, for the benefit of the former Bondowner, who shall thereafter be restricted exclusively to such moneys for any claim of whatever nature under this Indenture or with respect to the Undelivered Bond and so long as the moneys held by the Trustee equal the full amount due on such Bond on the tender date, whether from such remarketing or payment on the Credit Facility, such Bond shall thereafter no longer be secured by this Indenture or the Credit Facility (except for such moneys so held). Such moneys shall be held by the Trustee in the Purchase Fund, along with any other monies deposited in such Fund pursuant to said Section, and no moneys held in the Purchase Fund shall be invested.

Section 209. Cancellation and Destruction of Bonds Upon Payment. All Bonds which have been paid or redeemed or which the Trustee has purchased or which have otherwise been surrendered to the Trustee under this Indenture, either at or before maturity, shall be cancelled and destroyed by the Trustee immediately upon the payment, redemption or purchase of such Bonds and the surrender thereof to the Trustee. The Trustee shall execute a certificate in triplicate describing the Bonds so cancelled and destroyed, and shall file executed counterparts of such certificate with the Issuer, the Borrower and the Credit Enhancer. Bonds at any time held by the Issuer shall be surrendered to the Trustee for cancellation in accordance with the provisions of this Section.

Section 210. Limitation on Transfer and Exchange. The Bonds have not been registered or qualified under the 1933 Act or the securities laws of any state. Notwithstanding Section 206 hereof, so long as the Credit Facility secures the Bonds, no transfer of any Bond shall be made unless such transfer is made in a transaction which does not require registration or qualification under the 1933 Act or under any applicable state securities laws. The Trustee shall not register any transfer or exchange of a Bond unless (i) such Bondholder's prospective transferee delivers to the Trustee an investment letter substantially in the form set forth as Exhibit H to this Indenture; or (ii) an opinion of counsel in form and substance reasonably satisfactory to the Trustee and the Credit Enhancer that such transfer or exchange is made in accordance with an applicable exemption from the 1933 Act and applicable state securities laws and such opinion is addressed to and delivered to the Trustee, the Borrower and the Credit Enhancer; or (iii) such transferee is an Eligible Transferee (as defined below) and the Remarketing Agent has delivered a certificate stating that such transfer complies with the exemption from registration provided by Rule 144A under the 1933 Act. As used in this Section, an "Eligible Transferee" is an entity that appears on a list provided by the Remarketing Agent and which has delivered an investment letter to the Trustee substantially in the form set forth as Exhibit H to this Indenture, provided, however, that such list and investment letter are dated as of a date within the preceding twelve months. Any such holder desiring to effect such transfer shall, and does hereby, agree to indemnify the Trustee, the Borrower and the Credit Enhancer against any liability, cost or expense (including attorneys' fees) that may result if the transfer is not so exempt, or is not made in accordance with such federal and state laws. The provisions of this paragraph shall not be applicable in the event that the Issuer, the Trustee, the Borrower and the Credit Enhancer shall have received an opinion of counsel in form and substance satisfactory to the Issuer, the Trustee and the Credit Enhancer that the Bonds and

the Credit Facility are exempt from registration under the 1933 Act and any applicable state securities laws.

[End of Article II]

ARTICLE III

TENDER AND PURCHASE OF BONDS

Section 301. Optional Tender of Bonds During Weekly Mode or Monthly Mode.

(a) General. While the Bonds are in a Weekly Mode or Monthly Mode, the Owner of any Bond shall have the right to have such Bond purchased in whole or in part (which portion shall be in a principal amount equal to an Authorized Denomination) on the dates specified in paragraph (b) below at the Tender Price. An Owner's exercise of the option to have such Bond purchased is irrevocable and binding on such Owner and cannot be withdrawn. If any Owner of Bonds shall fail to deliver the Bonds described in such Owner's Notice of Election to Tender Bonds in accordance with this Section 301, such Bonds shall constitute Undelivered Bonds. Replacement Bonds shall be executed, authenticated and delivered in the place of such Undelivered Bonds as provided in Section 208 hereof and such replacement Bonds may be offered and sold by the Remarketing Agent in accordance with this Indenture and the Remarketing Agreement.

(b) Notice of Tender by Bondowners. Any Bond, or portion thereof, shall be purchased on the Tender Date by the Tender Agent on the demand of the Owner thereof, at the Tender Price, upon delivery to the Tender Agent on a Business Day at its Principal Office of an irrevocable written notice in the form of the Notice of Election to Tender Bonds which states (A) the principal amount and number of such Bond (and the portion of such Bond to be purchased if less than the full principal amount is to be purchased), the name and the address of such Owner and the taxpayer identification number, if any, of such Owner and (B) that such Bond, or portion thereof, is to be purchased on a day (which shall be the Tender Date), which day will be a Business Day which is at least seven (7) calendar days after the receipt by the Tender Agent of such Notice of Election to Tender Bonds. Such Notice of Election to Tender Bonds shall be deemed received on a Business Day if received by the Tender Agent no later than 3:00 p.m., New York Time, on such Business Day. Any Notice of Election to Tender Bonds received by the Tender Agent after 3:00 p.m., New York Time, shall be deemed received on the next succeeding Business Day.

Any Owner of Bonds who has demanded purchase of its Bond, or portion thereof, as described in this Section 301 shall deliver such Bond (with an appropriate transfer of registration form executed in blank, together with a signature guaranty) (together with, in the case of any Bond with a specified Tender Date prior to an Interest Payment Date and after the related Record Date, a due-bill check in form satisfactory to the Tender Agent for interest due on such Bond on such Interest Payment Date) to the Tender Agent at its Principal Office prior to 10:30 A.M., New York Time, on the Tender Date specified in the aforesaid written notice.

(c) Failure to Give Notice. Failure by the Tender Agent to redeliver a Notice of Election to Tender Bonds or a Tendered Bond as provided in Section 303 hereof shall not extend the period for making elections, in any way change the rights of the Owners of Bonds to elect to have their Bonds purchased pursuant to this Section or in any way change the conditions which must be satisfied in order for such election to be effective or for payment of the purchase price to be made after an effective election.

Section 302. Mandatory Tender of Bonds.

(a) On Termination Date or Interest Mode Adjustment Date. All Bonds are required to be tendered to the Tender Agent for purchase on the Termination Date or an Interest Mode Adjustment Date; provided, however, that there shall not be so tendered on the Termination Date or the Interest Mode Adjustment Date, as applicable, any Bonds, or portion thereof, which will be in Authorized Denominations with respect to which the Owners thereof have delivered to the Tender Agent by hand or by mail at its Principal Office a properly completed Notice of Election to Retain Bonds, together with a signature guaranty, on or prior to the fifth Business Day next preceding the Termination Date or the Interest Mode Adjustment Date, as applicable, subject to the provisions of Section 204(b) hereof (with respect to the Interest Mode Adjustment Date) and Section 302(g) hereof (with respect to the Termination Date). Any Bondowner required to tender Bonds under this subsection (a) shall tender its Bonds to the Tender Agent for purchase at its Principal Office prior to 10:30 A.M., New York Time, on the Termination Date or the Interest Mode Adjustment Date, as applicable. The failure to tender Bonds on any such date is the equivalent of a tender, and such Bonds shall be converted to Undelivered Bonds and replacement Bonds shall be executed, authenticated and delivered in

the place of such Undelivered Bonds as provided in Section 208 hereof and such replacement Bonds may be offered and sold by the Remarketing Agent in accordance with this Indenture and the Remarketing Agreement, subject to the provisions of Section 204(b) and Section 302(g) hereof, as applicable.

(b) On Alternate Credit Facility Date. While the Bonds are in an Interest Mode other than a Multiyear Mode, all Bonds are required to be tendered to the Tender Agent for purchase on an Alternate Credit Facility Date; provided, however, that there shall not be so tendered on the Alternate Credit Facility Date any Bonds or portion thereof which will be in Authorized Denominations with respect to which the Owners thereof have delivered to the Tender Agent by hand or by mail at its Principal Office a properly completed Notice of Election to Retain Bonds, together with a signature guaranty, on or prior to the fifth Business Day next preceding the Alternate Credit Facility Date. Any Bondowner required to tender Bonds under this subsection (b) shall tender its Bonds to the Tender Agent for purchase at its Principal Office prior to 10:30 A.M., New York Time, on the Alternate Credit Facility Date. The failure to tender Bonds on any such date is the equivalent of a tender and such Bonds shall be converted to Undelivered Bonds and replacement Bonds shall be executed, authenticated and delivered in the place of such Undelivered Bonds as provided in Section 208 hereof and such Replacement Bonds may be offered and sold by the Remarketing Agent in accordance with this Indenture and the Remarketing Agreement.

(c) On Rate Adjustment Date During Semiannual Mode, Annual Mode and Multiyear Mode. While the Bonds are in a Semiannual Mode, Annual Mode or Multiyear Mode, all Bonds are required to be tendered to the Tender Agent for purchase on each Rate Adjustment Date; provided, however, that there shall not be so tendered on any Rate Adjustment Date any Bonds or portion thereof which will be in Authorized Denominations with respect to which the Owners thereof have delivered to the Tender Agent by hand or by mail at its Principal Office a properly completed Notice of Election to Retain Bonds, together with a signature guaranty, on or prior to the fifth Business Day next preceding such Rate Adjustment Date. Any Bondowner required to tender Bonds under this subsection (c) shall tender Bonds to the Tender Agent for purchase at its Principal Office prior to 10:30 A.M., New York Time, on the Rate Adjustment Date. The failure to tender its Bonds on any such date is the equivalent of a tender and such Bonds shall be converted to Undelivered Bonds

and Replacement Bonds shall be executed, authenticated and delivered in the place of such Undelivered Bonds as provided in Section 208 hereof and such Replacement Bonds may be offered and sold by the Remarketing Agent in accordance with this Indenture and the Remarking Agreement.

(d) Mandatory Tender in Lieu of Acceleration on Default. Additionally, all Bonds shall be subject to mandatory tender for purchase on the Mandatory Purchase Date from the Bondowners by the Trustee for the account of the Credit Enhancer, as set forth in Section 802(b) hereof in lieu of acceleration of the Bonds as set forth in Section 802(a) hereof, and mandatory redemption of Bonds as set forth in Section 402(c) and upon the occurrence of an Event of Default under Section 801(e) hereof. Upon receipt of notice from the Credit Enhancer directing the Trustee to purchase the Bonds and the establishment by the Trustee of the Mandatory Purchase Date, which shall be a Business Day which is at least three (3) and no more than ten (10) calendar days after the receipt by the Trustee of such notice, the Trustee shall immediately request a payment under the Credit Facility pursuant to Section 508 hereof in the amount required by Section 802(b) to be received no later than 3:00 o'clock P.M., New York Time, on the Mandatory Purchase Date, and shall also send notice to the Bondowners of the mandatory purchase. On the Mandatory Purchase Date, the Tender Agent shall pay to the Bondowners the purchase price for the Bonds, which shall be an amount equal to 100% of the principal amount of any Bond tendered or deemed tendered plus accrued and unpaid interest thereon to the Mandatory Purchase Date. Any Bondowner required to tender Bonds under this subsection (d) shall tender its Bonds to the Tender Agent for purchase at its Principal Office prior to 10:30 o'clock A.M., New York Time, on the Mandatory Purchase Date. The failure to tender Bonds on any such date is the equivalent of a tender and such Bonds shall be converted to Undelivered Bonds and replacement Bonds shall be executed, authenticated and delivered in the place of such Undelivered Bonds as provided in Section 208 hereof.

(e) Notice of Mandatory Tender. The Trustee shall give notice to Bondowners of the mandatory tender for purchase of Bonds (i) on an Interest Mode Adjustment Date in accordance with Section 204 hereof, (ii) on an Alternate Credit Facility Date in accordance with Section 706 hereof, (iii) if the Bonds are in a Multiyear Mode, Annual Mode or Semiannual Mode, on a Rate Adjustment Date in accordance with Section 203(e) hereof, (iv) on the Termination Date not less than 25 or more than 60 calendar days prior to such Termination Date and (v) on the Mandatory Purchase Date in accordance with Section 302(d) hereof.

(f) Failure to Give Notice. Failure by the Trustee to give any notice as provided in paragraph (e) of this Section, any defect therein or any failure by any Bondowner to receive any such notice shall not in any way change such Owner's obligation to tender the Bonds for purchase on any mandatory Tender Date.

(g) No Remarketing. No Bond purchased on the Termination Date pursuant to Section 302(a) shall be remarketed on any date on or prior to the delivery of an Alternate Credit Facility. All Bonds transferred hereunder shall be in compliance with the provisions of Section 210 hereof.

Section 303. Irrevocability of Elections; Return of Improperly Completed Documents. The Tender Agent, to whom a Notice of Election to Tender Bonds or a Notice of Election to Retain Bonds has been delivered, shall determine whether such Notice has been properly completed and such determination shall be binding on the Owner of such Bond. Any election by a Bondowner to

exercise the option to have its Bond or Bonds purchased, or any election by a Bondowner to retain its Bond or Bonds upon any mandatory Tender Date, shall be irrevocable upon delivery to the Tender Agent of the Notice of Election to Tender Bonds (together with, if required at the time of delivery of such notice, the Tendered Bonds) or of the Notice of Election to Retain Bonds, as the case may be. The Tender Agent shall promptly return any incomplete or improperly completed Notice of Election to Tender Bonds (together with, if required, the Tendered Bonds) or Notice of Election to Retain Bonds to the Person or Persons submitting such documents.

Section 304. Notice of Principal Amount of Bonds Tendered. Promptly upon its receipt of any Notice of Election to Tender Bonds pursuant to Section 301 hereof, the Tender Agent shall (i) verify the information contained in such Notice against the Bondholder list provided to the Tender Agent by the Trustee, which list shall be delivered by the Trustee to the Tender Agent no later than the second Business Day prior to each Tender Date, (ii) verify that both the Tendered Bonds and the Bonds retained by the Owner are in Authorized Denominations, and (iii) give Immediate Notice to the Trustee, the Remarketing Agent, the Credit Enhancer and the Borrower of its receipt of such Notice and specifying the total principal amount of Bonds to be tendered for purchase on the applicable Tender Date. Promptly after the requisite time by which Notices of Election to Retain Bonds are required to be delivered pursuant to Section 302 hereof, the Tender Agent shall give Immediate Notice to the Trustee, the Remarketing Agent, the Credit Enhancer and the Borrower of its receipt

of such Notices and specifying the total principal amount of Bonds required to be tendered for purchase on the applicable Tender Date and the aggregate Tender Price therefor. The written portion of such Immediate Notice given by the Tender Agent shall include copies of such Notices of Election to Tender Bonds or Notices of Election to Retain Bonds.

Section 305. Remarketing of Tendered Bonds. Pursuant to the terms hereof and of the Remarketing Agreement, and upon receipt of notice from the Tender Agent, specifying the principal amount of Tendered Bonds, as provided in Section 304 hereof, the Remarketing Agent shall exercise its best efforts to sell all of such Tendered Bonds as provided in the Remarketing Agreement subject to the provision of Section 210 hereof; provided, however, that the Remarketing Agent shall not remarket any Bonds at a price below par plus accrued interest thereon. The Remarketing Agent shall transfer, by wire transfer in immediately available funds, an amount equal to the proceeds derived from such sale of Tendered Bonds to the Tender Agent at or before 10:00 A.M., New York Time, on the Tender Date. The Tender Agent shall immediately notify the Trustee in writing of any amount received by the Tender Agent from the Remarketing Agent. The Trustee shall transfer from the Purchase Fund from the proceeds received from the Credit Facility, by wire transfer in immediately available funds to the Tender Agent at or before 4:00 P.M., New York Time, on the Tender Date, any additional amount needed by the Tender Agent to pay the full Tender Price on the Tender Date. The Trustee shall, on the Tender Date, remit to the Credit Enhancer the remainder of the funds in the Purchase Fund (other than any funds being held for the benefit of former Owners of Undelivered Bonds) which were not transferred to the Tender Agent on such Tender Date including all investment earnings thereon as soon thereafter as available. The Tender Agent shall, on the Tender Date, remit to the Credit Enhancer the amount (if any) by which the sum of the amounts transferred to the Tender Agent by the Remarketing Agent and the amounts transferred to the Tender Agent by the Trustee exceed the Tender Price of the Tendered Bonds to the extent such funds are owed to the Credit Enhancer; and if no funds are owed to the Credit Enhancer, such amount shall be remitted to the Borrower.

Section 306. Notice of Principal Amount of Bonds Remarketed.

(a) Prior to 10:00 A.M., New York Time, on the second Business Day immediately preceding the Tender Date, or such later time as shall be agreed to by the Tender Agent and the Credit Enhancer, the Remarketing Agent shall give Immediate Notice to the Trustee, the Tender Agent, the Credit Enhancer and the Borrower specifying the new interest rate, if any, to become effective as of such Tender Date (if such Tender Date is a Rate Adjustment Date) and the aggregate principal amount of Tendered Bonds which (i) have been remarketed other than to the Issuer, the Borrower or any Affiliated Party of the Borrower and the Tender Price therefor, (ii) have not been remarketed and the Tender Price therefor, (iii) have been remarketed to the Issuer, the Borrower or any Affiliated Party of the Borrower, and (iv) the amount of money, if any, to be paid over to the Tender Agent by the Remarketing Agent on the Tender Date, which amount shall be equal to the proceeds of the sale of the Tendered Bonds so remarketed (other than the remarketing of Tendered Bonds to the Issuer, the Borrower or any Affiliated Party of the Borrower). Proceeds of the sale of Tendered Bonds to the Issuer, the Borrower or any Affiliated Party of the Borrower shall be deposited and applied in accordance with Section 505(d) hereof. Concurrently with the notice described in the second preceding sentence, the Remarketing Agent shall also give the Trustee (with a copy to the Tender Agent) instructions as to the registration and delivery, with such delivery to occur at the Principal Office of the Tender Agent, to the Remarketing Agent of any Tendered Bonds for whose purchase the Remarketing Agent will make a deposit of funds with the Tender Agent on the Tender Date.

(b) Prior to 10:00 a.m., New York Times on the Business Day immediately preceding the Tender Date, the Tender Agent shall give Immediate Notice to the Trustee, the Borrower and the Credit Enhancer specifying the amount of proceeds from the remarketing of tendered Bonds on deposit with the Tender Agent. The Trustee shall make a demand for payment on the Credit Facility in accordance with Section 508(b) hereof in an amount equal to the Tender Price of all Tendered Bonds less the proceeds of the remarketing of Tendered Bonds then on deposit with the Tender Agent. The Trustee shall cause the proceeds of the payment under the Credit Facility to be delivered to the Tender Agent for purchase of Tendered Bonds as described in Section 307 hereof.

Section 307. Purchase of Tendered Bonds.

(a) Tendered Bonds shall be purchased from the Owners thereof on the Tender Date at the Tender Price which shall be payable solely from the following sources in the order of priority listed:

(1) Remarketing Proceeds;

(2) proceeds of a payment under the Credit Facility to purchase such Tendered Bonds;

(3) Available Moneys from any other source; and

(4) moneys from any other source.

(b) On each Tender Date, all Bonds purchased out of Remarketing Proceeds shall be delivered and registered as directed by the Remarketing Agent pursuant to Section 306(a) hereof.

(c) The Tender Agent shall pay the Tender Price for each Tendered Bond prior to the Tender Agent's close of business on the Tender Date only after receipt of such Bond, properly endorsed in blank, together with a signature guaranty (together with, in the case of any Bond with a specified Tender Date prior to an Interest Payment Date and after the related Record Date, a due-bill check in form satisfactory to the Tender Agent for interest due on such Bond on such Interest Payment Date). Payment of the Tender Price of any Bond tendered for purchase shall be made: (1) by check or draft mailed to the Owner thereof at the Owner's address as it appears on the Bond Register or at such other address as is furnished to the Tender Agent in writing by such Owner; or (2) in the case of the purchase from an Owner of $1,000,000 or more in aggregate principal amount of Bonds, by wire transfer to such Owner upon written notice from such Owner containing the wire transfer address (which shall be in the continental United States) to which such Owner wishes to have such wire directed which written notice accompanies such Owner's Notice of Election to Tender Bonds.

(d) The Trustee shall take the following actions with respect to Tendered Bonds: (1) with respect to Bonds which have been remarketed and for which the Tender Agent has received payment, on the written advice of the Remarketing Agent, authenticate said Bonds in the names of the purchasers thereof and in the appropriate denominations, and deliver said Bonds to the Remarketing Agent upon the Tender Agent's receipt of payment therefor; (2) with

respect to Tendered Bonds which have not been remarketed and which are to be purchased by the Borrower and pledged to the Credit Enhancer pursuant to the Bond Pledge Agreement, register said Bonds as owned by the Borrower and pledged to the Credit Enhancer and hold such Bonds as agent and bailee for the Credit Enhancer in accordance with the terms of the Bond Pledge Agreement; and (3) with respect to all Bonds which have been physically tendered, cancel such certificates. Tendered Bonds which have been purchased by the Trustee on behalf of the Borrower shall be registered in the name of the Borrower subject to the security interest of the Credit Enhancer, and held on behalf of the Credit Enhancer.

(e) Notwithstanding anything in this Indenture to the contrary, the Tender Agent shall pay the Tender Price with respect to an Undelivered Bond only upon the actual receipt of such Bond, and such Tender Price shall be equal to the par amount of such Bond plus accrued interest to the Tender Date. An Undelivered Bond shall not be considered Outstanding pursuant to this Indenture and shall no longer be secured by the Credit Facility.

Section 308. Remarketing of Pledged Bonds. When a purchaser for Pledged Bonds is found, the Remarketing Agent will (a) give Immediate Notice prior to 10:00 A.M., New York Time, on the second Business Day next preceding the Placement Date, or such earlier or later time as shall be agreed to by the Credit Enhancer, the Trustee and the Borrower, to the Credit Enhancer, the Borrower and the Trustee specifying the principal amount of Pledged Bonds to be purchased, the purchase price thereof and the Placement Date on which such purchase is to occur and (b) instruct the purchasers thereof to deliver an amount (in immediately available funds) equal to the purchase price of such Pledged Bonds to the Trustee by 10:30 A.M., New York Time, on the Placement Date for the same day transfer to the Credit Enhancer. No Pledged Bonds shall be released to new Owners unless the Trustee and the Tender Agent have received written notice from the Credit

Enhancer that the Credit Facility has been reinstated by an amount equal to the principal of and interest portion of such Pledged Bonds and that the Credit Enhancer has been reimbursed for the amount of the draw to purchase such Pledged Bonds. The Pledged Bonds shall be purchased, subject to the provisions of Section 210 hereof, from the Borrower on the Placement Date at a purchase price equal to the principal amount thereof. In addition, until the purchase price therefor is received by the Credit Enhancer, Bonds shall not be delivered to the purchaser of Pledged Bonds and such Pledged Bonds to be so purchased shall remain Pledged Bonds.

Section 309. Purchase Fund.

(a) The Purchase Fund has not been pledged or assigned under this Indenture and is not subject to the lien created by this Indenture. Upon receipt by the Tender Agent of the proceeds of a remarketing of Tendered Bonds (other than Bonds remarketed to the Issuer, the Borrower or an Affiliated Party of the Borrower, which will be placed in a separate trust account in the Purchase Fund), the Tender Agent shall deposit such funds in a segregated escrow account maintained by the Tender Agent and designated “Undelivered Bond Account” which funds shall not be invested, and the Tender Agent shall not be liable to the Issuer or the Borrower for any interest thereon, and any moneys shall be held and applied as provided herein. The Trustee shall deposit moneys received from the Credit Enhancer pursuant to a payment on the Credit Facility in accordance with Section 508(b)(4) or (5) hereof in the Purchase Fund for application to the Tender Price of the Tendered Bonds. Upon receipt by the Trustee of the proceeds of the placement of Pledged Bonds on a Placement Date, the Trustee shall deposit such moneys in the Purchase Fund for payment to the Credit Enhancer to the extent such Pledged Bonds were purchased out of funds provided by the Credit Facility and not reimbursed to the Credit Enhancer by the Borrower and, thereafter, to the Borrower. Moneys from the remarketing of Tendered Bonds to the Issuer, the Borrower or an Affiliated Party of the Borrower, shall be applied solely to the purchase price of Pledged Bonds.

(b) On any Tender Date or Placement Date, the Trustee shall transfer on the Bond Register ownership of all of the Tendered Bonds to the names of the respective purchasers thereof. From and after such date, the principal of, redemption premium, if any, and interest on such Bonds shall be payable solely to such purchasers, their transferees or the successors thereto. The Owners of Tendered Bonds immediately prior to a Tender Date with respect to which a Notice of Election to Tender Bonds has been given pursuant to Section 301 hereof or a Notice of Election to Retain Bonds has not been given pursuant to Section 302 hereof shall be entitled solely to payment of the Tender Price for such Bonds upon delivery thereof to the Tender Agent as herein provided and shall not be entitled to the payment of any principal, redemption premium, if any, or interest thereon thereafter.

Section 310. No Sales After Certain Defaults. Notwithstanding any provision of this Indenture to the contrary, there shall be no sales of Bonds pursuant to this Article III if there shall have occurred and be continuing an Event of Default described in Section 801(a), (b), (c), (e) or (g) (except, with respect to paragraph (g), a default under Section 801(d) or (f) of the Series 1994A Indenture) hereof. The Trustee shall give Immediate Notice to the Paying Agent, the Remarketing Agent, the Tender Agent, the Credit Enhancer, the Borrower and the Bondowners of (i) the occurrence and continuation of any of the events set forth in the preceding sentence and that such event results in no purchase or sales of Bonds being permitted pursuant to this Article III

and (ii) the curing of any of such events and that in consequence purchases and sales are again permitted pursuant to this Article III.

Section 311. Remarketing Agent. The Issuer, upon instructions from the Borrower, with the written consent of the Credit Enhancer, or upon instructions from the Credit Enhancer if an event of default under the Letter of Credit Agreement exists, shall appoint the Remarketing Agent for the Bonds, subject to the conditions set forth in Section 312 hereof. The Issuer hereby appoints Stern Brothers & Co. as the initial Remarketing Agent. The Remarketing Agent shall designate to the Trustee its principal office and signify its acceptance of the duties and obligations imposed upon it hereunder by a written instrument of acceptance or a remarketing agent agreement delivered to the Issuer, the Borrower and the Credit Enhancer under which the Remarketing Agent will also agree to keep such books and records as shall be consistent with prudent industry practice and to make such books and records available for inspection by the Issuer, the Trustee, the Tender Agent, the Borrower and the Credit Enhancer at all reasonable times. The Borrower and the Remarketing Agent shall enter into a Remarketing Agreement the terms of which shall be subject to the written approval of the Credit Enhancer.

Section 312. Qualifications of Remarketing Agent. The Remarketing Agent shall be a member of the National Association of Securities Dealers, Inc. and shall meet such capitalization and/or credit requirements as are acceptable to the Rating Agency, and authorized by law to perform all the duties imposed upon it by this Indenture. The Remarketing Agent may at any time resign and be discharged of the duties and obligations created by this Indenture by giving at least 30 days’ written notice to the Issuer, the Borrower, the Tender Agent, the Trustee and the Credit Enhancer. The Remarketing Agent may be removed at any time, without cause, upon at least 30 days’ written notice to the Remarketing Agent, at the direction of the Credit Enhancer or the Borrower by an instrument signed by an Authorized Borrower Representative, with the written consent of the Credit Enhancer, filed with the Trustee, the Credit Enhancer, the

Tender Agent, the Issuer and the Remarketing Agent. In no event shall the resignation or removal of the Remarketing Agent be effective until a qualified successor has accepted appointment as such.

In the event of the resignation or removal of the Remarketing Agent, the Remarketing Agent shall pay over, assign and deliver any moneys and Bonds held by it in such capacity to its successor. In the event that the Issuer shall fail to appoint a replacement Remarketing Agent hereunder, the Credit Enhancer with the written consent of the Borrower, or the Borrower with the written consent of the Credit Enhancer, may do so.

[End of Article III]

ARTICLE IV

REDEMPTION OF BONDS

Section 401. Optional Redemption.

(a) Optional Redemption of Bonds Not in Multiyear Mode. Bonds (other than Bonds in a Multiyear Mode) shall be subject to redemption and payment prior to maturity, at the option of the Issuer upon instructions from the Borrower with the prior written consent of the Credit Enhancer, on any Interest Payment Date, in whole or in part in Authorized Denominations, at the principal amount thereof plus accrued interest to the redemption date, first, from proceeds of a payment under the Credit Facility and, second, from other Available Moneys.

(b) Optional Redemption of Bonds in Multiyear Mode. The Bonds in a Multiyear Mode shall be subject to redemption and payment prior to maturity, at the option of the Issuer upon instructions from the Borrower with the prior written consent of the Credit Enhancer, on any Interest Payment Date, in whole or in part in Authorized Denominations, at the redemption prices (expressed as percentages of the principal amount) set forth below, plus accrued interest to the redemption date, first, from proceeds of a payment under the Credit Facility and, second, from other Available Moneys as follows:

OPTIONAL REDEMPTION IN MULTIYEAR MODE

Length of Multiyear Mode (In Years)*	**Redemption Prices as a Percentage of Principal Amounts**	**Call Protection Period***
Greater than 10	102% after 7 years declining 1/2% per 12 months to 100%	7 years
Less than or equal to 10 and greater than 7	102% after 4 years declining 1/2% per 12 months to 100%	4 years
Less than or equal to 7 and greater than 5	102% after 3 years declining 1% per 12 months to 100%	3 years
Less than or equal to 5 and greater than 2	101% after 2 years declining 1/2% per 6 months to 100%	2 years
Less than or equal to 2 and greater than 1	100 1/2% after 1 year declining 1/2% per 6 months to 100%	1 year

* Measured from and including the first day of such Rate Period.

(c) Any provision herein to the contrary notwithstanding, no notice of the redemption of Bonds pursuant to this Section 401 shall be given unless sufficient Available Moneys are available and have been irrevocably deposited into the Available Moneys Account or the Credit Facility Account of the Revenue Fund with the Trustee, or if the Credit Enhancer commits to make a payment under the Credit Facility to the Trustee pursuant to Section 508(b)(3) hereof.

Section 402. Mandatory and Extraordinary Redemption.

(a) [Reserved.]

(b) [Reserved.]

(c) Redemption Upon Letter of Credit Agreement Default. The Bonds shall be subject to immediate mandatory redemption by the Issuer in whole in the event the Trustee shall receive from the Credit Enhancer written notice of the occurrence of an event of default under the Letter of Credit Agreement and direction to accelerate the Bonds and irrevocable instructions to obtain a payment under the Credit Facility in accordance with the terms of the Credit Facility, first, from proceeds of a payment under the Credit Facility and, second, from other Available Moneys at the principal amount thereof, without premium, plus

accrued interest to the date of redemption, and the Bonds shall cease to bear interest on such date, which shall be a Business Day that is at least three and no more than ten calendar days after receipt by the Trustee of said notice; provided that pursuant to Section 802(b) hereof the Credit Enhancer may direct the purchase of Bonds in such event in lieu of mandatory redemption. The receipt of such notice shall be conclusive and binding upon the Trustee, the Issuer and the Bondholders as to the occurrence of a default under the Letter of Credit Agreement.

(d) Redemption in Event of Condemnation, Deficiency of Title, Fire or Other Casualty. The Bonds shall be subject to redemption by the Issuer, at the option of and upon instructions from the Borrower with the prior written consent of the Credit Enhancer, in whole or in part at any time on the earliest practicable date for which notice can be given, upon the occurrence of a condemnation, loss of Title or casualty loss to the "Project" as defined in the Series 1994A Indenture, first, from proceeds of a payment under the Credit Facility, and second, from other Available Moneys at the principal amount thereof, without premium, plus accrued interest to the redemption date.

(e) [Reserved.)

(f) Redemption from Excess Moneys in Project Fund. The Bonds are subject to mandatory redemption in part on the earliest practicable date after the Completion Date for the Project as certified by the Borrower in accordance with the Agreement, to the extent of excess moneys remaining in the Project Fund, at the principal amount thereof, without premium, plus accrued interest to the redemption date. If the amount of moneys remaining in the Project Fund is not sufficient to redeem an Authorized Denomination of Bonds, the Borrower shall arrange for the deposit with the Trustee of sufficient Available Moneys to effect the redemption of a minimum Authorized Denomination of Bonds.

Section 403. Selection of Bonds to be Redeemed.

(a) Bonds shall be redeemed pursuant to Sections 401 and 402 only in Authorized Denominations. When less than all of the Outstanding Bonds are to be redeemed and paid prior to maturity pursuant to Section 401 or 402 hereof, such Bonds or portions of Bonds to be redeemed shall be selected by the Trustee by lot in Authorized Denominations in such equitable manner as it may determine; provided that Bonds shall be redeemed in the following order of priority: (1) Pledged Bonds; (2) Tendered Bonds that cannot be remarketed; and (3) any other Bonds.

(b) In the case of a partial redemption of Bonds when Bonds of denominations greater than the applicable Authorized Denominations are then Outstanding, then for all purposes in connection with such redemption each unit of face value of the applicable Authorized Denomination shall be treated as though it was a separate Bond of the applicable Authorized Denomination. If one or more, but not all, of the units of principal amount of the applicable Authorized Denomination represented by any Bond are selected for redemption, then upon notice of intention to redeem such unit or units, the Owner of such Bond or such Owner's attorney or legal representative shall forthwith present and surrender such Bond to the Trustee (i) for payment of the redemption price (including the redemption premium, if any, and interest to the date fixed for redemption) of the unit or units of principal amount called for redemption, and (ii) for exchange, without charge to the Owner thereof, for a new Bond or Bonds of the aggregate principal amount of the unredeemed portion of the principal amount of such Bond. If the Owner of any such Bond of a denomination greater than the applicable Authorized Denominations shall fail to present such Bond to the Trustee for payment and exchange as aforesaid, said Bond shall, nevertheless, become due and payable on the redemption date to the extent of the unit or units of principal amount called for redemption and shall cease to accrue interest on such amount.

(c) No Bond may be redeemed in part if the principal amount thereof to remain outstanding following such partial redemption is not itself an Authorized Denomination.

Section 404. Notice of Redemption of Bonds in Weekly or Monthly Mode. Notice of the call of Bonds in the Weekly Mode or the Monthly Mode for any redemption identifying the Bonds or portions thereof to be redeemed shall be given by the Trustee, in the name of the Issuer, to the Remarketing Agent, the Credit Enhancer, the Borrower and the Owner of each Bond to be redeemed at the address shown on the Bond Register by mailing a copy of the redemption notice by first-class mail, postage prepaid, at least 15 days and not more than 30 days prior to the redemption date; provided, however, that failure to give such notice by mailing as aforesaid to any Bondowner or any defect therein as to any particular Bond shall not affect the validity of any proceedings for the redemption of any other Bonds; and provided further that no such prior notice of redemption is required for a redemption pursuant to Section 402(c) hereof. As provided in Section 405 hereof, any notice of redemption shall state the date and place of redemption, the numbers of the Bonds or portions of Bonds to be redeemed (and in the case of the redemption of a portion of any Bond the principal amount thereof being redeemed), the redemption prices and that interest will cease to accrue from and after the redemption date. Following each redemption of Bonds, the Trustee shall mail by first-class mail to the Borrower and the Credit Enhancer a notice of the principal amount of Bonds redeemed.

Section 405. Notice of Redemption of Bonds in Semiannual. Annual or Multiyear Mode.

(a) Unless waived by any Owner of Bonds to be redeemed, official notice of any redemption of Bonds in a Semiannual, Annual or Multiyear Mode shall be given by the Trustee on behalf of the Issuer by mailing a copy of an official redemption notice by first class mail, postage prepaid, at least 15 days and not more than 30 days prior to the redemption date to the Remarketing Agent, the Credit Enhancer and the Owner of the Bond or Bonds to be redeemed at the address shown on the Bond Register or at such other address as is furnished in writing by such Owner to the Trustee; provided, however, that failure to give such notice by mailing as aforesaid to any Bondowner or any defect therein as to any particular Bond shall not affect the validity of any proceedings for the redemption of any other Bonds; and provided further that no such prior notice of redemption is required for a redemption pursuant to Section 402(c) hereof. The Trustee shall not give the notice described above with respect to redemption of the Bonds pursuant to Section 401 (a) or (b) or Section 402(d) hereof without the prior written consent of the Credit Enhancer.

(b) All official notices of redemption pursuant to this Section and Section 404 hereof shall be dated and shall state:

(1) the redemption date,

(2) the redemption price,

(3) if less than all outstanding Bonds are to be redeemed, the identification (and, in the case of partial redemption, the respective principal amounts) of the Bonds to be redeemed,

(4) that on the redemption date the redemption price will become due and payable upon each such Bond or portion thereof called for redemption, and that interest thereon shall cease to accrue from and after said date, and

(5) the place where such Bonds are to be surrendered for payment of the redemption price, which place of payment shall be the Principal Office of the Trustee.

(c) In addition to the foregoing notice, further notice pursuant to this Section and Section 404 hereof shall be given by the Trustee on behalf of the Issuer as set out below, but no defect in said further notice nor any failure to give all or any portion of such further notice shall in any manner defeat the effectiveness of a call for redemption if notice thereof is given as above prescribed.

(1) Each further notice of redemption given hereunder shall contain the information required above for an official notice of redemption plus (i) the CUSIP numbers of all Bonds being redeemed; (ii) the date of issue of the Bonds as originally issued; (iii) the rate of interest borne by each Bond being redeemed; (iv) the maturity date of each Bond being redeemed; and (v) any other descriptive information needed to identify accurately the Bonds being redeemed.

(2) Each further notice of redemption shall be sent at least 35 days before the redemption date by registered or certified mail or overnight delivery service to Depository Trust Company, Midwest Securities Trust Company, Pacific Securities Depository Trust Company and Philadelphia Depository Trust Company and to one or more national information services that disseminate notices of redemption of obligations such as the Bonds.

(d) With respect to all Bonds redeemed pursuant to this Indenture, upon the payment of the redemption price of Bonds being redeemed, each check or other transfer of funds issued for such purpose shall bear the CUSIP number identifying, by issue and maturity, the Bonds being redeemed with the proceeds of such check or other transfer.

(e) With respect to all Bonds redeemed pursuant to this Indenture, following each redemption of Bonds, the Trustee shall mail by first-class mail to the Credit Enhancer and the Borrower a notice of the principal amount of Bonds redeemed.

Section 406. Effect of Call for Redemption. On or prior to the date fixed for redemption, Available Moneys available solely for such redemption in accordance with the requirements of Sections 401 and 402 hereof shall be deposited with the Trustee to pay the principal of the Bonds called for redemption and accrued interest thereon to the redemption date and the redemption premium, if any, thereon. Upon the happening of the above conditions, and notice having been given as provided in Section 404 or 405 hereof, as applicable, the Bonds or the portions of the principal amount of Bonds thus called for redemption shall cease to bear interest on the specified redemption date, provided moneys (which must be Available Moneys when required by Section 401 or 402 hereof) sufficient for the payment of the redemption price of the Bonds called for redemption are on deposit at the place of payment at the time fixed for such redemption, and shall no longer be entitled to the protection, benefit or security of this Indenture and shall not be deemed to be Outstanding under the provisions of this Indenture.

[End of Article IV]

ARTICLE V

REVENUES AND FUNDS

Section 501. Creation of Funds and Accounts. The following Funds and Accounts of the Issuer are hereby created and established with the Trustee:

(a) the Project Fund;

(b) the Costs of Issuance Fund;

(c) the Revenue Fund, consisting of the Unavailable Moneys Account, the Available Moneys Account and the Credit Facility Account;

(d) the Debt Service Fund, consisting of the Interest Account, the Principal Account and the Redemption Account;

(e) the General Fund; and

(f) the Purchase Fund and the Undelivered Bond Account therein.

Each Fund and Account shall be maintained by the Trustee as a separate and distinct trust fund or account to be held, managed, invested, disbursed and administered as provided in this Indenture. All moneys deposited in the Funds and Accounts shall be used solely for the purposes set forth in this Indenture. The Trustee shall keep and maintain adequate records pertaining to each Fund and Account and all disbursements therefrom.

Section 502. Initial Deposits. On the Bond Issuance Date, as shall be more fully specified in a written request from the Issuer, the Trustee shall deposit $2,976,168 from the proceeds received from the sale of the Bonds into the Project Fund and $23,832 to the Costs of Issuance Fund.

Section 503. Project Fund.

(i) Moneys in the Project Fund shall be disbursed in accordance with the provisions of the Agreement to provide working capital for the Borrower as provided in the Agreement.

(ii) The Trustee shall cause to be kept and maintained adequate records pertaining to the Project Fund and all disbursements from such Fund. If requested by the Issuer, the Credit Enhancer or the Borrower, the Trustee shall file copies of the records pertaining to the Project Fund and all disbursements from such fund with the Issuer, the Credit. Enhancer and the Borrower.

Section 504. Costs of Issuance Fund. The Trustee shall deposit into the Costs of Issuance Fund the amount required by Section 502. Moneys in the Costs of Issuance Fund shall be disbursed from time to time for the payment of the costs of issuing the Bonds upon the direction of the

Borrower as evidenced by a requisition in the form of Exhibit B to the Agreement executed by an Authorized Borrower Representative and approved by the Credit Enhancer. Moneys in the Costs of Issuance Fund shall be expended no later than 180 days after the Bond Issuance Date. Any moneys remaining therein on such date shall be transferred to the General Fund and the Costs of Issuance Fund shall be closed.

Section 505. Revenue Fund.

(a) The Trustee shall deposit into the Revenue Fund all Revenues (except as otherwise provided in Section 509 hereof) and any other amounts received by the Trustee which are subject to the lien and pledge of this Indenture, to the extent not required to be deposited in other Funds and Accounts in accordance with the terms of this Indenture. The Trustee shall first apply those moneys on deposit in the Credit Facility Account which represent payments received with respect to the Credit Facility and any earnings thereon and then, if needed, investment earnings on Funds and Accounts (to the extent such moneys constitute Available Moneys) on each Interest Payment Date and Principal Payment Date on the Bonds, in the order of priority and for the purposes as follows:

(1) First, to the Interest Account of the Debt Service Fund, an amount sufficient to pay the interest becoming due and payable on the Bonds on such date;

(2) Second, to the Principal Account of the Debt Service Fund, an amount sufficient to pay the principal of the Bonds maturing on such date, if any; and

(3) Third, to the Redemption Account of the Debt Service Fund, the balance of such moneys.

(b) Moneys in the Credit Facility Account remaining after the transfers made pursuant to paragraph (a) above shall be returned to the Credit Enhancer as a reimbursement of the amounts paid under the Credit Facility.

(c) The Trustee shall deposit into the Unavailable Moneys Account principal, interest and premium payments made by the Borrower pursuant to Section 3.6(a)(i), (ii), (iii) and (iv) of the Loan Agreement. Upon the Credit Enhancer's payment to the Trustee under the Credit Facility pursuant to a request under Section 508(b) (1), (2) or (3) hereof, the Trustee shall transfer to the Credit Enhancer the amount on deposit in the Unavailable Moneys Account. In the event of an Event of Default described in paragraphs (a), (b), (c), (e) or (g) (except with respect to paragraph (g), a default under Section 801(d) or (f) of the Series 1994A Indenture) of Section 801 hereof, any moneys on deposit in the Unavailable Moneys Account which constitute Available Moneys shall be transferred to the Available Moneys Account and applied in accordance with this Indenture.

(d) The Trustee shall also deposit into the Unavailable Moneys Account moneys to be applied to the purchase of Bonds pursuant to Section 307 hereof or the redemption of Bonds, as provided in this Section, pursuant to Sections 401 and 402. When moneys deposited pursuant to the preceding sentence shall become Available Moneys, such Available Moneys shall be transferred to the Available Moneys Account. Moneys on deposit in the Available Moneys Account to be applied to the payment of the Bonds at maturity shall be transferred to the Principal Account on

the maturity date to pay the principal of the Bonds and to the Interest Account to pay accrued interest. Moneys on deposit in the Available Moneys Account to be applied to the redemption of Bonds pursuant to Sections 401 and 402 shall be transferred to the Redemption Account on the date fixed for such redemption to the extent necessary to pay the premium, if any, on and principal of the Bonds as the same shall become due and payable by such redemption and to the Interest Account to pay accrued interest. Available Moneys on deposit in the Available Moneys Account, to be applied to the purchase of Bonds pursuant to Section 307, shall be transferred to the Purchase Fund on the Tender Date to the extent necessary to pay the Tender Price of the Bonds as the same shall become due and payable on such Tender Date. Any moneys remaining in the Available Moneys Account following the redemption or purchase of Bonds with respect to which such deposit was made shall first be applied to pay the Credit Enhancer any amounts due and payable under the Letter of Credit Agreement and thereafter shall be transferred to the General Fund.

Section 506. Debt Service Fund.

(a) The Trustee shall deposit into the Interest Account the amounts required by Section 505 of this Indenture. Moneys on deposit in the Interest Account shall be applied solely to pay the interest on the Bonds as the same becomes due and payable. On each date fixed for redemption of the Bonds and on each scheduled Interest Payment Date on the Bonds, the Trustee shall remit to the respective Bondowners of such Bonds an amount from the Interest Account sufficient to pay the interest on the Bonds becoming due and payable on such date.

(b) The Trustee shall deposit into the Principal Account the amounts required by Section 505 of this Indenture. Moneys on deposit in the Principal Account shall be applied solely to pay the principal of the Bonds as the same becomes due and payable at maturity. On each Principal Payment Date of the Bonds, the Trustee shall set aside and hold in trust an amount from the Principal Account sufficient to pay the principal of the Bonds becoming due and payable on such date.

(c) The Trustee shall deposit into the Redemption Account the amounts required by Section 505 of this Indenture. Moneys on deposit in the Redemption Account shall be applied solely to pay the principal and premium, if any, on the Bonds as the same become due and payable by redemption. On each date fixed for such redemption, the Trustee shall set aside and hold in trust an amount from the Redemption Account sufficient to pay the principal of and premium, if any, on the Bonds becoming due and payable on such date.

Section 507. General Fund. The Trustee shall deposit into the General Fund the amounts required by Sections 504 and 505 and all moneys deposited by the Borrower with the Trustee as payment of the fees and expenses of the Trustee, any Paying Agent, the Issuer and the Remarketing Agent. The Trustee shall apply moneys on deposit in the General Fund solely for the following purposes, in the following order of priority and in accordance with the following conditions:

(a) first, to the Trustee for the reasonable cost of ordinary expenses incurred and ordinary services rendered, and to the Issuer for its actual expenses incurred in connection with the administration of the Bond financing for the Project, upon the Trustee's receipt of a statement that the amount indicated thereon is justly due and owing and has not been the subject of another written request which has been paid;

(b) to the Trustee for the reasonable cost of extraordinary expenses incurred and extraordinary services rendered if said extraordinary expenses and extraordinary services are necessary and reasonable and are not occasioned by the negligence or willful misconduct of the Trustee;

(c) to the Remarketing Agent, an amount equal to any amounts due and payable under the Remarketing Agreement; and

(d) to the Credit Enhancer, an amount equal to any amounts due and payable under the Letter of Credit Agreement.

Section 508. Payments Under Credit Facility.

(a) The Credit Facility shall be held by the Trustee. Payments on the Credit Facility shall be made or requested in accordance with its terms consistent with the provisions of this Indenture and the Agreement. Payments on the Credit Facility (other than pursuant to subparagraphs (b)(4) and (5) of this Section, which amount will be deposited into the Purchase Fund) shall be deposited in the Credit Facility Account and applied by the Trustee in accordance with Section 505.

(b) The Trustee shall request payments under the Credit Facility, in accordance with and to the extent, if any, required by the terms thereof, in the amounts and at such time as may be necessary to make timely payments of the principal of and interest, but not premium, on the Bonds required to be made from the Debt Service Fund. In accordance with the preceding sentence, the Trustee shall request payments under the Credit Facility by presenting a conforming request to the Credit Enhancer (to the extent, if any, required by the terms of the Credit Facility) two (2) Business Days prior to the applicable Interest Payment Date, Principal Payment Date or redemption date referenced in subsections (1), (2) and (3) herein, and prior to 11:00 A.M., New York Time, on the applicable Tender Date referenced in subsections (4) and (5) herein, in order for moneys to be received in the amounts and at the times as follows:

(1) No later than 3:30 P.M., New York Time, one (1) Business Day prior to each Interest Payment Date, an amount equal to interest due on the Bonds on such Interest Payment Date;

(2) No later than 3:30 P.M., New York Time, one (1) Business Day prior to each Principal Payment Date, an amount equal to the full principal amount of the Bonds coming due on such Principal Payment Date because of the maturity of the Bonds;

(3) No later than 3:30 P.M., New York Time, one (1) Business Day prior to each date fixed for (A) the mandatory redemption of the Bonds pursuant to Section 402 hereof, other than as provided in Section 508(b)(2) hereof, or (B) the optional redemption of the Bonds pursuant to Section 401 hereof, in each case an amount which, when added to anyAvailable Moneys (other than payments under the Credit Facility) in excess of the amount of the applicable redemption premium and then available for such purpose, will be equal to the full principal amount plus accrued interest on the Bonds to be redeemed (other than the amount owing as aredemption premium, if any);

(4) No later than 3:00 P.M., New York Time, on the Tender Date for any Bonds in accordance with Section 301 hereof, an amount which, when added to any other Remarketing Proceeds available for such purpose in the Purchase Fund, is equal to the Tender Price of Bonds for which Notices of Election to Tender Bonds have been timely received; and

(5) No later than 3:00 P.M., New York Time, on the Tender Date for any Bonds in accordance with Section 302 hereof, an amount which, when added to any other Remarketing Proceeds then available for such purpose in the Purchase Fund, is equal to the Tender Price of all of the Bonds required to be tendered on such date pursuant to Section 302 and for which no Notices of Election to Retain Bonds have been received.

(6) Notwithstanding the provisions of this Section 508 pursuant to Section 802 hereof, the Trustee shall immediately demand payment under the Credit Facility upon any acceleration of the maturity of the Bonds, or upon any direction by the Credit Enhancer to the Trustee to purchase the Bonds for the Credit Enhancer's own account.

(c) No payments shall be made under the Credit Facility for the payment of the principal of and interest on the Borrower Bonds.

(d) The Borrower shall be permitted to provide the Trustee with an Alternate Credit Facility in accordance with the requirements of Section 706 hereof and Section 3.9 of the Agreement.

Section 509. [Reserved].

Section 510. Final Balances. Upon the deposit with the Trustee of moneys sufficient to pay all principal of, premium, if any, and interest on the Bonds, and upon satisfaction of all clams against the Issuer hereunder, including all fees, charges and expenses of the Trustee, the Issuer, the Remarketing

Agent and any Paying Agent which are properly due and payable hereunder, or upon the making of adequate provisions for the payment of such amounts as permitted hereby, all moneys remaining in all Funds and Accounts, except moneys necessary to pay principal of, premium, if any, and interest on the Bonds, which moneys shall be held by the Trustee and (after 5 years) paid to the Credit Enhancer or the Borrower, as appropriate, pursuant to Section 511 hereof, shall be remitted first, to the Credit Enhancer to the extent of any amounts remaining unpaid under any of the Collateral Documents and, second, to the Borrower.

Section 511. Non-Presentment of Bonds. In the event any Bond shall not be presented for payment when the principal thereof becomes due, either (i) at maturity or at the date fixed for redemption thereof, or (ii) on the Tender Date therefor, if moneys sufficient to pay such Bond shall have been deposited in the Debt Service Fund or, with respect to Bonds becoming due pursuant to clause (ii), the Purchase Fund or the Undelivered Bond Account held by the Tender Agent in accordance with Section 309 hereof, all liability of the Issuer to the holder thereof for the payment of such Bond shall forthwith cease, terminate and be completely discharged, and thereupon it shall be the duty of the Trustee or the Tender Agent as applicable to hold such moneys, without liability for interest thereon, for the benefit of the holder of such Bond who shall thereafter be restricted

exclusively to such moneys, for any claim of whatever nature of such holder under this Indenture or on, or with respect to, said Bond.

Any moneys so deposited with and held by the Trustee not so applied to the payment of Bonds within five (5) years after the date on which the same shall have become due shall be paid by the Trustee or the Tender Agent first, to the Credit Enhancer to the extent of any amounts remaining unpaid under any of the Collateral Documents and second, to the Borrower, free from the trusts created by this Indenture. Thereafter, Bondowners shall be entitled to look only to the Borrower for payment, and then only to the extent of the amount so repaid to the Credit Enhancer or the Borrower by the Trustee or the Tender Agent. The Credit Enhancer and the Borrower shall not be liable for any interest on the sums paid to it pursuant to this Section and shall not be regarded as a trustee of such money.

[End of Article V]

ARTICLE VI

DEPOSITARIES OF MONEYS, SECURITY FOR DEPOSITS AND INVESTMENT OF FUNDS

Section 601. Moneys to be Held in Trust. All moneys deposited with or paid to the Trustee for the account of any Fund or Account under any provision of this Indenture, and all moneys deposited with or paid to any Paying Agent under any provision of this Indenture shall be held by the Trustee or Paying Agent in trust and shall be applied only in accordance with the provisions of this Indenture and, until used or applied as herein provided, shall constitute part of the Trust Estate (except for the Purchase Fund) and be subject to the lien, terms and provisions hereof and shall not be commingled with any other funds of the Issuer, the Credit Enhancer or the Borrower except as provided under Section 602 for investment purposes. Neither the Trustee nor any Paying Agent shall be under any liability for interest on any moneys received hereunder except such as may be agreed upon.

Section 602. Investment of Moneys.

(a) Moneys in all Funds and Accounts (except the Purchase Fund) shall be continuously invested and reinvested by the Trustee at the written direction of the Borrower (with the written consent of the Credit Enhancer) as provided in this Section 602. Moneys in the Purchase Fund shall not be invested. Moneys on deposit in all Funds and Accounts may be invested only in Investment Securities; provided that (1) amounts received under the Credit Facility shall be invested and reinvested by the Trustee only in Government Securities maturing on the earlier of 30 days after the date on which such obligations are acquired or such time or times as said money shall be needed for the purposes for which they were deposited, and (2) Available Moneys (other than payments under the Credit Facility) to be applied in accordance with Section 505(d) shall be invested and reinvested by the Trustee only in Government Securities maturing on the earlier of 30 days after the date on which such obligations are acquired or such time or times as said money shall be needed for the purposes for which they were deposited; and provided, further, that the Borrower's direction to so invest shall be received by 12:00 noon, New York Time, on the day prior to any such investment. All such investments shall mature not later, nor, to the extent reasonably practicable subject to the restrictions above, earlier, than the date such moneys or investment proceeds are required for the purposes of the respective Funds and Accounts.

(b) All investments shall constitute a part of the Fund or Account from which the moneys used to acquire such investments have come. The Trustee shall sell and reduce to cash a sufficient amount of investments in a Fund or Account whenever the cash balance therein is insufficient to pay the amounts then required to be paid therefrom. The Trustee may transfer investments from any Fund or Account to any other Fund or Account in lieu of cash when required or permitted by the provisions of this Indenture.

Section 603. Record Keeping. The Trustee shall maintain records designed to show compliance with the provisions of this Article and with the provisions of Article V for at least six (6) years after the payment of the Bonds.

[End of Article VI]

ARTICLE VII

Section 701. Issuer to Issue Bonds and Execute Indenture. The Issuer covenants that it is duly authorized under the Act to execute and deliver this Indenture, to issue the Bonds and to pledge and assign the Trust Estate in the manner and to the extent herein set forth; that all action on its part for the execution and delivery of this Indenture and the issuance of the Bonds has been duly and effectively taken; and that the Bonds in the hands of the Owners thereof are and will be valid and enforceable obligations of the Issuer according to the import thereof.

Section 702. Performance of Covenants. The Issuer covenants that it will faithfully perform, or cause to be performed, at all times any and all covenants, undertakings, stipulations and provisions contained in this Indenture, in the Bonds and in all proceedings pertaining thereto.

Section 703. Instruments of Further Assurance. The Issuer covenants that it will do, execute, acknowledge and deliver, or cause to be done, executed, acknowledged and delivered, such Supplemental Indentures and such further acts, instruments, financing statements and other documents as the Trustee may reasonably require for the better assuring, transferring, pledging and assigning to the Trustee, and granting a security interest unto the Trustee in and to the Trust Estate and the other property and revenues herein described. The Agreement and all other documents, instruments or policies of insurance required by the Trustee shall be delivered to and held by the Trustee.

Section 704. Credit Facility. The Trustee shall hold and maintain the Credit Facility for the benefit of the Bondowners until the Credit Facility terminates or expires in accordance with its terms. The Trustee shall diligently enforce all terms, covenants and conditions of the Credit Facility. If at any time during the term of the Credit Facility any successor Trustee shall be appointed and qualified under this Indenture, the resigning or removed Trustee shall request that the Credit Enhancer transfer the Credit Facility to the successor Trustee, to the extent such action is necessary, and shall comply with the applicable provisions of the Credit Facility. If the resigning or removed Trustee fails to make this request, the successor Trustee shall do so before accepting appointment. On the Termination Date the Trustee shall immediately surrender the Credit Facility then in effect to the Credit Enhancer unless an event of default thereunder shall have occurred and is continuing.

Section 705. Enforcement of Credit Facility. The Trustee, for the benefit of the Owners of Bonds, subject to the provisions of Section 901(1) hereof, shall diligently enforce and take all reasonable steps, actions and proceedings necessary for the enforcement of all terms, covenants and provisions of the Credit Facility as contemplated herein and therein. The Trustee shall not consent to or permit any amendment or modification of the Credit Facility which would materially adversely affect the rights or interests of the Owners of Bonds.

Any provisions herein requiring notice to or from the Credit Enhancer or the consent of the Credit Enhancer prior to any action by the Trustee or the Issuer shall have no force or effect (1) following the later of (i) the Termination Date and (ii) the repayment of all amounts owed to the Credit Enhancer pursuant to the Collateral Documents or (2) during any period an event of default

under the Credit Facility shall have occurred and is continuing, except with respect to all rights accruing to the Credit Enhancer with respect to unreimbursed draws on the Credit Facility.

Section 706. Alternate Credit Facility. An Alternate Credit Facility, in substitution for the Credit Facility then in effect, may be provided prior to any Termination Date if the Borrower shall give written notice not more than 60 nor less than 30 calendar days prior to the Alternate Credit Facility Date to the Issuer, the Trustee, the Tender Agent, the Remarketing Agent, the Rating Agency and the Credit Enhancer stating its election to provide an Alternate Credit Facility. Any such Alternate Credit Facility must be either (a) an irrevocable direct pay letter of credit, or (b) bond insurance contract, in both cases constituting an unconditional and irrevocable commitment to pay principal of and interest on the Bonds. If the Bonds are in any Interest Mode other than a Multiyear Mode, the Alternate Credit Facility Date must be a Rate Adjustment Date.

(a) Upon the exercise of such option by the Borrower, in the event the Bonds are in any Interest Mode other than a Multiyear Mode, the Trustee shall send to the Bondowners a Notice of Alternate Credit Facility in substantially the form of Exhibit G not later than 20 calendar days prior to the Alternate Credit Facility Date. The Trustee shall not accept such Alternate Credit Facility unless the Trustee shall have received, (1) prior to sending the Notice of Alternate Credit Facility (i) an Opinion of Bond Counsel stating that the delivery of such Alternate Credit Facility to the Trustee is authorized under this Indenture and the Act and complies with the terms hereof, and (ii) a certificate from an Authorized Borrower Representative and a written acknowledgment by the Credit Enhancer stating that all amounts owing to the Credit Enhancer under the Collateral Documents have been paid and that there are no Pledged Bonds outstanding, and (2) on or before the Alternate Credit Facility Date a supplemental opinion of Bond Counsel stating that the delivery of the Alternate Credit Facility is authorized under this Indenture and the Act and complies with the terms hereof.

(b) Upon the exercise of such option by the Borrower, in the event the Bonds are in a Multiyear Mode, the Trustee shall send to the Bondowners a Notice of Alternate Credit Facility in substantially the form of Exhibit G not later than 20 calendar days prior to the Alternate Credit Facility Date. The Trustee shall not accept such Alternate Credit Facility unless the Trustee shall have received, (1) prior to sending the Notice of Alternate Credit Facility (i) an Opinion of Bond Counsel stating that the delivery of such Alternate Credit Facility to the Trustee is authorized under this Indenture and the Act, complies with the terms hereof and will not adversely affect the exclusion of interest on the Bonds from gross income for federal income tax purposes, (ii) written evidence from the Rating Agency that the Bonds will be rated no lower than the then existing ratings on the Bonds by the Rating Agency, and (iii) a certificate from an Authorized Borrower Representative and a written acknowledgment by the Credit Enhancer stating that all amounts owing to the Credit Enhancer under the Collateral Documents have been paid and that there are no Pledged Bonds outstanding, and (2) on or before the Alternate Credit Facility Date a supplemental opinion of Bond Counsel stating that the delivery of the Alternate Credit Facility is authorized under this Indenture and the Act, complies with the terms hereof and will not adversely affect the exclusion of interest on the Bonds from gross income for federal income tax purposes.

Section 707. General Limitation on Issuer Obligations. ANY OTHER TERM OR PROVISION OF THIS INDENTURE OR ANY OTHER DOCUMENT EXECUTED IN CONNECTION WITH THE TRANSACTION WHICH IS THE SUBJECT HEREOF TO THE CONTRARY NOTWITHSTANDING, THE ISSUER SHALL NOT BE REQUIRED TO TAKE OR OMIT TO TAKE, OR REQUIRE ANY OTHER PERSON OR

ENTITY TO TAKE OR OMIT TO TAKE, ANY ACTION WHICH WOULD CAUSE IT OR ANY PERSON OR ENTITY TO BE, OR RESULT IN IT OR ANY PERSON OR ENTITY BEING, IN VIOLATION OF ANY LAW OF THE STATE.

Section 708. Recording and Filing. Subject to Section 901(c) hereof, the Trustee shall use its best efforts to keep and file or cause to be kept and filed all financing statements related to this Indenture and all supplements hereto, the Agreement and all supplements thereto, the Credit Facility and all supplements thereto and such other documents as may be necessary to be kept and filed in such manner and in such places as may be required by law in order to preserve and protect fully the security of the Owners and the rights of the Trustee hereunder. In carrying out its duties under this Section, the Trustee shall be entitled to rely on an opinion of its counsel specifying what actions are required to comply with this Section.

Section 709. Possession and Inspection of Books and Documents. The Issuer and the Trustee covenant and agree that all books and documents in their possession relating to the Agreement and the Credit Facility and to the distribution of proceeds thereof shall at all times be open to inspection by such accountants or other agencies or persons as the Credit Enhancer or the Borrower may from time to time designate.

Section 710. Rights and Duties Under Agreement and Credit Facility. The Trustee hereby acknowledges and agrees to the terms, conditions, appointments and agencies of the Agreement and the Credit Facility as they relate to it and its participation in the transactions contemplated hereby and thereby. Subject to the provisions of Section 901(1) hereof, the Trustee shall perform all obligations and duties of the Issuer under the Agreement (and the Issuer hereby appoints the Trustee as the Issuer's agent and attorney-in-fact for all such purposes). The Trustee, as assignee hereunder, in its name or to the extent permitted by law, in the name of the Issuer, may enforce all rights of the Issuer but only with the prior written consent of the Credit Enhancer unless the Credit Enhancer is in default under the Credit Facility) and all obligations of the Credit Enhancer and the Borrower under the Agreement and the Credit Facility (and waive the same with the consent of the Credit Enhancer, except for rights expressly granted to the Borrower) on behalf of the Bondowners whether or not the Issuer is in default hereunder.

Section 711. Tax Covenants.

(a) The Trustee and the Issuer will not take any action or omit to take any action or permit any action which is within its control to be taken or omitted which would to its knowledge impair (i) the applicable exemptions from taxation in the State with respect to the Bonds or (ii) the excludability from gross income for federal taxation purposes of interest on the Series 1994A Bonds.

(b) The Issuer and the Trustee shall at all times do and perform all acts and things permitted by law and this Indenture which are necessary or desirable in order to preserve the applicable exemptions from taxation in the State with respect to the Bonds.

[End of Article VII]

ARTICLE VIII

DEFAULT AND REMEDIES

Section 801. Events of Default. If any one or more of the following events occur, it is hereby defined as and declared to be and to constitute an "Event of Default":

(a) default in the due and punctual payment of any interest on any Bond;

(b) default in the due and punctual payment of the principal of or redemption premium, if any, on any Bond, whether at the stated maturity or accelerated maturity thereof, or upon proceedings for redemption thereof or otherwise;

(c) default in the payment of the Tender Price of any Tendered Bond (the substance of which must be communicated by Immediate Notice by the Trustee to the Credit Enhancer, the Borrower and the Issuer);

(d) the occurrence of an event of default under Article VIII of the Agreement;

(e) the occurrence of either or both of the following:

(i) the Trustee has received written notice from the Credit Enhancer, within the period provided for in the Credit Facility, that the Credit Enhancer will not reinstate the interest portion of the Credit Facility; or

(ii) the Trustee's receipt of written notice from the Credit Enhancer that an "Event of Default" has occurred under the Letter of Credit Agreement together with a direction from the Credit Enhancer to the Trustee requiring either (A) the acceleration of the Bonds pursuant to Section 802(a) or (B) the mandatory purchase of the Bonds pursuant to Section 802(b) hereof;

(f) default in the performance or observance of any other of the covenants, agreements or conditions on the part of the Issuer in this Indenture or in the Bonds contained, and the continuance thereof for a period of thirty (30) days after written notice thereof shall have been given to the Issuer, the Credit Enhancer and the Borrower by the Trustee, or to the Trustee, the Issuer, the Credit Enhancer and the Borrower by the Owners of not less than twenty-five percent (25%) in aggregate principal amount of Bonds then Outstanding; provided, however, if any default shall be such that it cannot be corrected within such 30-day period, it shall not constitute an Event of Default if corrective action is instituted by the Issuer or the Borrower within such period and diligently pursued until the default is corrected; or

(g) the occurrence of an event of default pursuant to Article VIII of the Series 1994A Trust Indenture.

The Trustee shall give Immediate Notice of any Event of Default to the Issuer, the Borrower and the Credit Enhancer as promptly as practicable after the occurrence of an Event of Default becomes known to the Trustee.

Section 802. Acceleration: Mandatory Purchase.

(a) If an Event of Default described in paragraph (a), (b), (c), (e)(i) or (g) (except, with respect to paragraph (g), a default under Section 801(d), (e)(ii) or (f) of the Series 1994A Indenture) of Section 801 hereof shall have occurred and be continuing, the Trustee shall, by notice in writing delivered to the Issuer, the Borrower and the Credit Enhancer, declare the principal of all Bonds then Outstanding and the interest accrued thereon immediately due and payable, and the Bonds shall cease to bear interest on such date; subject, however, to subparagraph (b) hereof. The principal and interest shall thereupon become due and payable on a date established by the Trustee, which date shall not be more than ten (10) calendar days after such acceleration.

If an Event of Default described in paragraph (e)(ii) or (g) (but, with respect to paragraph (g), only with respect to a default under Section 803(e)(ii) of the Series 1994A Indenture) of Section 801 hereof shall have occurred and be continuing, the Trustee shall, by notice in writing delivered to the Issuer, the Borrower and the Credit Enhancer, declare the principal of all Bonds then Outstanding and the interest accrued thereon due and payable on such date as the Trustee shall establish pursuant to Section 402(c) hereof, and the Bonds shall cease to bear interest on such date; subject, however, to subparagraph (b) hereof.

If an Event of Default described in paragraph (d), (f) or (g) (but, with respect to paragraph (g), only with respect to a default under Section 801(d) or (f) of the Series 1994A Indenture) of Section 801 hereof, shall have occurred and be continuing, the Trustee may upon the written request of the Owners of not less than 25% in aggregate principal amount of the Bonds then Outstanding shall, but only with the prior written consent of the Credit Enhancer (unless the Credit Enhancer is in default under the Credit Facility in which case no such consent shall be required), by notice in writing delivered to the Issuer, the Borrower and the Credit Enhancer declare the principal of all Bonds then Outstanding and the interest accrued thereon immediately due and payable, and such principal and interest shall thereupon become and be immediately due and payable.

Upon any acceleration of the maturity of the Bonds hereunder, the Trustee shall immediately demand payment under the Credit Facility to the extent permitted by the terms thereof and pursue the remedies of the Trustee thereunder.

If, at any time after such declaration, but before the Bonds shall have matured by their terms, all overdue installments of principal of and interest on the Bonds, together with the reasonable and proper expenses of the Trustee, and all other sums then payable by the Issuer under this Indenture shall either be paid or provision satisfactory to the Trustee shall be made for such payment, then and in every such case the Trustee shall, but only with the approval of the Credit Enhancer and the Owners of not less than a majority in aggregate principal amount of the Bonds Outstanding, and upon the reinstatement of the Credit Facility, rescind such declaration and annul such default in its entirety. In such event, the Trustee shall rescind any declaration of acceleration 6f the Loan Payments as provided in Section 8.2 of the Agreement.

In case of any rescission, then and in every such case the Issuer, the Trustee and the Bondowners shall be restored to their former positions, rights and obligations hereunder, respectively, but no such rescission shall extend to any subsequent or other default or Event of Default or impair any right consequent thereon.

(b) Mandatory Purchase. Upon the occurrence and continuance of an Event of Default under paragraph (e)(ii) or (g) (but, with respect to paragraph (g), only with respect to a default under Section 801(e)(ii) of the Series 1994A Indenture) of Section 801 hereof, as provided in Section 302(d) hereof the Credit Enhancer in its notice to the Trustee may direct the Trustee to purchase the Bonds for the Credit Enhancer’s own account, rather than to accelerate the Bonds as provided in Section 802(a) hereof. In such case, the Trustee shall draw upon the Credit Facility in accordance with the provisions of Section 302(d) hereof to pay the purchase price for the Bonds, which shall be an amount equal to the principal of all Outstanding Bonds and accrued interest thereon to the Mandatory Purchase Date, and upon receipt of the proceeds of such draw, shall immediately purchase the Bonds in accordance with Section 302 hereof.

Section 803. Surrender of Possession of Trust Estate: Rights and Duties of Trustee in Possession. If an Event of Default shall have occurred and be continuing, the Issuer, upon demand of the Trustee, shall forthwith surrender the possession of, and it shall be lawful for the Trustee, by such officer or agent as it may appoint, to take possession of all or any part of the Trust Estate, together with the books, papers and accounts of the Issuer pertaining thereto, and including the rights and the position of the Issuer under the Agreement and to hold and manage the same and to collect, receive and sequester the payments, revenues and receipts derived under the Agreement, and out of the same and any moneys received from any receiver of any part thereof pay and set up proper reserves for the payment of all proper costs and expenses of so taking, holding and managing the same, including (i) reasonable compensation to the Trustee, its agents and counsel, (ii) any reasonable charges of the Trustee hereunder, and (iii) any taxes and assessments, and other charges, prior to the lien of this Indenture which the Trustee may deem it wise to pay, and the Trustee shall apply the remainder of the moneys so received in accordance with Section 808. Whenever all that is due upon the Bonds shall have been paid and all defaults made good and all payments pursuant to Section 509 hereof have been made, the Trustee shall surrender possession of the Trust Estate to the Issuer, its successors or assigns, the same right of entry, however, to exist upon any subsequent Event of Default, subject to the provisions of Article V hereof. While the Credit Facility is in force and effect, if no Bonds are outstanding, the Trustee and the Issuer have been fully recompensed for all their costs and expenses, the Credit Enhancer is not in default under the Credit Facility, and any amounts remain unreimbursed with respect thereto, the Issuer shall thereafter transfer possession of the Trust Estate to the Credit Enhancer.

While in possession of the Trust Estate, the Trustee shall render annually (or more often if requested in writing) to the Issuer, the Borrower and the Credit Enhancer a summarized statement of receipts and expenditures in connection therewith.

Section 804. Appointment of Receivers in Event of Default. If an Event of Default shall have occurred and be continuing, and upon the filing of a suit or other commencement of judicial proceedings to enforce the rights of the Trustee and of the Bondowners under this Indenture, the Trustee shall be entitled, with the approval of the Credit Enhancer if the Credit Enhancer is not in

default under the Credit Facility, as a matter of right, to the appointment of a receiver or receivers of the Trust Estate and of the earnings, income, products and profits thereof, pending such proceedings, with such powers as the court making such appointment shall confer.

Section 805. Exercise of Remedies by the Trustee. If an Event of Default shall have occurred and be continuing, the Trustee may, with the approval of the Credit Enhancer if the Credit Enhancer is not in default under the Credit Facility, pursue any available remedy at law or equity by suit, action, mandamus or other proceeding to enforce the payment of the principal of and redemption premium, if any, and interest on the Bonds then Outstanding, and to enforce and compel the performance of the duties and obligations of the Issuer as herein set forth.

If an Event of Default shall have occurred and be continuing, and if requested so to do by the Credit Enhancer or by the Owners of not less than 25% in aggregate principal amount of the Bonds then Outstanding and indemnified as provided in paragraph (1) of Section 901 with the approval of the Credit Enhancer if the Credit Enhancer is not in default under the Credit Facility, the Trustee shall be obligated to exercise such one or more of the rights and powers conferred by this Article as the Trustee, being advised by counsel, shall deem most expedient in the interests of the Bondowners.

All rights of action under this Indenture or under any of the Bonds may be enforced by the Trustee without the possession of any of the Bonds or the production thereof in any trial or other proceedings relating thereto, and any such suit or proceeding instituted by the Trustee shall be brought in its name as Trustee without the necessity of joining as plaintiffs or defendants any Bondowner, and any recovery or judgment shall, subject to Section 808 be for the equal benefit of all the Owners of the Outstanding Bonds.

Section 806. Limitation on Exercise of Remedies by Bondowners. No Bondowner shall have any right to institute any suit, action or proceeding in equity or at law for the enforcement of this Indenture or for the execution of any trust hereunder or for the appointment of a receiver or any other remedy hereunder, unless:

(1) a default has occurred of which the Trustee has notice or is deemed to have notice as provided in subparagraph (h) of Section 901, and

(2) such default shall have become an Event of Default, and

(3) the Owners of not less than 25% in aggregate principal amount of the Bonds then Outstanding or the Credit Enhancer (with respect to an Event of Default described in paragraph (e) or (g) (but, with respect to paragraph (g), only with respect to a default under Section 801(e) of theSeries 1994A Indenture) of Section 801 hereof) shall have made written request to the Trustee, shall have offered it reasonable opportunity either to proceed to exercise the powers hereinbefore granted or to institute such action, suit or proceeding in its own name, and shall have provided to the Trustee indemnity as provided in subparagraph (1) of Section 901 and

(4) the Trustee shall thereafter fail or refuse to exercise the powers herein granted or to institute such action, suit or proceeding in its own name, and

(5) the Credit Enhancer shall have consented thereto if the Credit Enhancer is not in default under the Credit Facility;

and such notification, request and indemnity are hereby declared in every case, at the option of the Trustee (with the exception of any duty to make demand on, and proceed under, the Credit Facility, cause an acceleration of the Bonds or make payments when due), to be conditions precedent to the execution of the powers and trusts of this Indenture, and to any action or cause of action for the enforcement of this Indenture, or for the appointment of a receiver or for any other remedy hereunder, it being understood and intended that no one or more Bondowners shall have any right in any manner whatsoever to affect, disturb or prejudice this Indenture by such Bondowners action or to enforce any right hereunder except in the manner herein provided, and that all proceedings at law or in equity shall be instituted, had and maintained in the manner herein provided and for the equal benefit of the Owners of all Bonds then Outstanding. Nothing in this Indenture, however, shall affect or impair the right of any Bondowner to payment of the principal of, redemption premium, if any, and interest on any Bond at and after its maturity or the obligation of the Issuer to pay the principal of, and redemption premium, if any, and interest on each of the Bonds to the respective Owners thereof at the time and place, from the source and in the manner herein and in such Bond expressed.

Section 807. Right of Bondowners to Direct Proceeding. Any other provision herein to the contrary notwithstanding, the Owners of a majority in aggregate principal amount of the Bonds then Outstanding shall have the right, at any time, with the approval of the Credit Enhancer if the Credit Enhancer is not in default under the Credit Facility, by an instrument or instruments in writing executed and delivered to the Trustee, to direct the time, method and place of conducting all proceedings to be taken in connection with the enforcement of this Indenture, or for the appointment of a receiver or any other proceedings hereunder; provided that the Trustee shall have been provided indemnity satisfactory to it in accordance with Section 901(1) hereof and provided that such direction shall not be otherwise than in accordance with the provisions of law and of this Indenture, and provided, further, that the Trustee shall have the right to decline to follow any such direction if the Trustee in good faith shall determine that the proceeding so directed would involve it in personal liability.

Section 808. Application of Moneys in Event of Default. Upon an Event of Default all moneys held or received by the Trustee pursuant to this Indenture, the Agreement or the Credit Facility or pursuant to any right given or action taken under this Article shall, after payment of the reasonable costs and expenses of the proceedings resulting in the collection of such moneys, be deposited in the Debt Service Fund (provided, however, Available Moneys shall be used only for payment of principal or interest on the Bonds) and all moneys so deposited in the Debt Service Fund shall be applied as follows:

(a) If the principal of all the Bonds shall not have become or shall not have been declared due and payable, all such moneys shall be applied:

First — To the payment to the persons entitled thereto of all installments of interest then due and payable on the Bonds, other than the Borrower Bonds, in the order in which such installments of interest became due and payable, with interest thereon at the rate or rates specified in the respective Bonds to the extent permitted by law, and, if the amount

available shall not be sufficient to pay in full any particular installment, then to the payment ratably, according to the amounts due on such installment, to the persons entitled thereto, without any discrimination or privilege;

Second — To the payment to the persons entitled thereto of the unpaid principal of and redemption premium, if any, on any of the Bonds, other than Borrower Bonds, that shall have become due and payable (other than Bonds called for redemption for the payment of which moneys or securities are held pursuant to this Indenture), in the order of their due date, with interest on such principal and redemption premium, if any, at the rate or rates specified in the respective Bonds from the respective dates upon which they became due and payable, and, if the amount available shall not be sufficient to pay in full such principal and redemption premium, if any, due on any particular date, together with such interest, then to the payment ratably, according to the amounts of principal and redemption premium, if any, due on such date, to the persons entitled thereto without any discrimination or privilege;

Third — To the payment to the Credit Enhancer, the unpaid principal and interest due on the Pledged Bonds;

Fourth — To the payment of the reasonable expenses, liabilities and advances incurred or made by the Trustee;

Fifth — To the Credit Enhancer any amounts due and owing under the Collateral Documents;

Sixth — To pay principal and interest on the Borrower Bonds; and

Seventh — To the Borrower.

(b) If the principal of all the Bonds shall have become due or shall have been declared due and payable, all such moneys shall be applied to the payment of the principal, redemption premium, if any, and interest then due and unpaid on all of the Bonds, with interest on such principal and redemption premium, if any, and, to the extent permitted by law, on such interest, at the rate or rates specified in the respective Bonds, without preference or priority of principal, redemption premium or interest over principal, redemption premium or interest or of any installment of interest over any other installment of interest or of any Bond over any other Bond, ratably, according to, the amounts due respectively for principal, redemption premium, if any, and interest, to the persons entitled thereto, without any discrimination or privilege; provided however principal of and interest on Borrower Bonds shall only be paid after the amounts due the Credit Enhancer under the Related Documents shall have been paid in full.

(c) If the principal of all the Bonds shall have been declared due and payable, and if such declaration shall thereafter have been rescinded and annulled under this Article then, subject to paragraph (b) of this Section, in the event that the principal of all the Bonds shall later become due or be declared due and payable, the moneys shall be applied in accordance with paragraph (a) of this Section.

Whenever moneys are to be applied pursuant to this Section, such moneys shall be applied at such times and from time to time as the Trustee shall determine, having due regard to the amount of such moneys available and which may become available for such application in the future.

Whenever all of the Bonds and interest thereon have been paid under this Section, and all expenses and charges of the Trustee have been paid, any balance remaining in the Funds shall be paid first to the Credit Enhancer and second to the Borrower as provided in Section 510.

Section 809. Remedies Cumulative. No remedy conferred by this Indenture upon or reserved to the Trustee, to the Credit Enhancer or to the Bondowners is intended to be exclusive of any other remedy, but each and every such remedy shall be cumulative and shall be in addition to any other remedy given to the Trustee, to the Credit Enhancer or to the Bondowners hereunder or now or hereafter existing at law or in equity or by statute.

Section 810. Delay or Omission Not Waiver. No delay or omission to exercise any right, power or remedy accruing upon any Event of Default shall impair any such right, power or remedy or shall be construed to be a waiver of any such Event of Default or acquiescence therein, and every such right, power or remedy may be exercised from time to time and as often as may be deemed expedient.

Section 811. Effect of Discontinuance of Proceeding. In case the Trustee shall have proceeded to enforce any right under this Indenture by the appointment of a receiver, by entry, or otherwise, and such proceedings shall have been discontinued or abandoned for any reason, or shall have been determined adversely, then and in every such case the Issuer, the Borrower, the Trustee, the Credit Enhancer and the Bondowners shall, with the written consent of the Credit Enhancer, be restored to their former positions and rights hereunder, and all rights, remedies and powers of the Trustee shall continue as if no such proceedings had been taken.

Section 812. Waivers of Events of Default. The Trustee shall waive any Event of Default and its consequences and rescind any declaration of maturity of principal upon the written request of the Owners of a majority in aggregate principal amount of the Bonds then Outstanding; provided that there shall not be waived without the written consent of the Owners of all the Bonds Outstanding (a) any Event of Default in the payment of the principal of any Outstanding Bonds at their maturity, upon the redemption (including as a result of acceleration) or tender thereof, (b) any Event of Default under Section 801(e) or (g) hereof (but, with respect to paragraph (g), only with respect to a default under Section 801(e) of the Series 1994A Indenture) unless the Credit Enhancer shall have given written notice to the Trustee that the Credit Facility has been reinstated in full, or (c) any Event of Default in the payment when due of the interest on any such Bonds unless, prior to such waiver or rescission, all arrears of interest, with interest (to the extent permitted by law) at the rate borne by the Bonds on overdue installments of interest in respect of which such default shall have occurred, or all arrears of payments of principal when due, as the case may be, and all expenses of the Trustee in connection with such Event of Default shall have been paid or provided for; provided further that there shall not be waived without the written consent of the Credit Enhancer any Event of Default under Section 801(e)(ii) or (g) hereof (but, with respect to paragraph (g), only with respect to a default under Section 801(e)(ii) of the Series 1994A Indenture); and provided further that no Event of Default shall be waived without the

written consent of the Credit Enhancer if it has honored all its obligations under the Credit Facility. In case of any such waiver or rescission, or in case any proceeding taken by the Trustee on account of any such Event of Default shall have been discontinued or abandoned or determined adversely, then and in every such case the Issuer, the Borrower, the Trustee, the Bondowners and the Credit Enhancer shall be restored to their former positions, rights and obligations hereunder, respectively, but no such waiver or rescission shall extend to any subsequent or other default, or impair any right consequent thereon.

Section 813. Pledged Bonds. For the purposes of this Article VIII. Pledged Bonds shall not be deemed Outstanding under this Indenture until the payment in full of the principal of and interest on all other Bonds or the provision for the payment thereof shall have been duly made. In the event any vote or consent of the Bondowners is required hereunder, all Pledged Bonds shall be deemed Outstanding for such purpose hereunder and the Credit Enhancer shall be deemed the Owner thereof for purposes of voting or consenting thereto.

[End of Article VIII]

ARTICLE IX

THE TRUSTEE

Section 901. Acceptance of Trusts. The Trustee hereby accepts the trusts imposed upon it by this Indenture, and agrees to perform said trusts, but only upon and subject to the following express terms and conditions:

(a) The Trustee, prior to the occurrence of an Event of Default and after the curing of all Events of Default which may have occurred, undertakes to perform such duties and only such duties as are specifically set forth in this Indenture and no implied covenants or obligations shall be read into this Indenture against the Trustee. Subject to the limitations on liability of the Trustee contained in Section 901(l), in case an Event of Default shall have occurred of which the Trustee is deemed hereunder to have knowledge (and which has not been cured or waived), the Trustee shall exercise such of the rights and powers vested in it by this Indenture, and shall use the same degree of care and skill in their exercise, as a prudent person would exercise or use under the circumstances in the conduct of such person’s affairs.

(b) The Trustee may execute any of the trusts or powers hereunder or perform any duties hereunder either directly or through agents, attorneys or receivers. The Trustee shall be entitled to act upon the opinion or advice of counsel in the exercise of reasonable care, who may be counsel to the Issuer, the Credit Enhancer or the Borrower, concerning all matters of trusts hereof and the duties hereunder, and may in all cases pay such reasonable compensation to all such agents, attorneys and receivers as may reasonably be employed in connection with the trusts hereof. The Trustee shall not be responsible for any loss or damage resulting from any action or nonaction by it taken or omitted to be taken in good faith in reliance upon such opinion or advice of counsel.

(c) The Trustee shall not be responsible for any recital herein or in the Bonds (except with respect to the Certificate of Authentication of the Trustee endorsed on the Bonds), or for the recording or rerecording, filing or refiling of this Indenture or any security agreements or financing statements in connection therewith (except with respect to the filing of continuation statements), or for insuring the Project or collecting any insurance moneys or taxes, or for the validity of the execution by the Issuer of this Indenture or of any Supplemental Indentures or instruments of further assurance, or for the sufficiency of the security for the Bonds. The Trustee shall not be responsible or liable for any loss suffered in connection with any investment of funds made by it in accordance with Article VI hereof.

(d) The Trustee shall not be accountable for the use of any Bonds authenticated and delivered hereunder. The Trustee, in its individual or any other capacity, may become the Owner or pledgee of Bonds with the same rights which it would have if it were not Trustee.

(e) The Trustee may rely and shall be protected in acting or refraining from acting upon any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, affidavit, letter, telegram or other paper or document provided for under this Indenture believed by it to be genuine and correct and to have been signed, presented or sent by the proper person or persons. Any action taken by the Trustee pursuant to and in accordance with this Indenture upon the request or authority or consent of any person who, at the time of making such

request or giving such authority or consent is the Owner of any Bond, shall be conclusive and binding upon all future Owners of the same Bond and upon Bonds issued in exchange therefor or upon transfer or in place thereof.

(f) As to the existence or nonexistence of any fact or as to the sufficiency or validity of any instrument, paper or proceeding, or whenever in the administration of this Indenture the Trustee shall deem it desirable that a matter be provided or established prior to taking, suffering or omitting any action hereunder, the Trustee shall be entitled to rely upon a certificate signed by an Authorized Issuer Representative as sufficient evidence of the facts therein contained.

(g) The permissive right of the Trustee to do things enumerated in this Indenture shall not be construed as a duty, and the Trustee shall not be answerable for other than its negligence or willful misconduct.

(h) The Trustee shall not be required to take notice or be deemed to have notice of any Default hereunder except an Event of Default under Section 801(a), (b), (c), (e) or (g) hereof (but, with respect to paragraph (g), only with respect to a default under Section 801(a), (b), (c) or (e) of the Series 1994A Indenture), or failure by the Issuer to cause to be made any of the payments to the Trustee required to be made in Article V hereof, unless the Trustee shall be specifically notified in writing of such Default by the Issuer, the Credit Enhancer or the Owners of at least 25% in aggregate principal amount of all Bonds then Outstanding. All notices or other instruments required by this Indenture to be delivered to the Trustee shall be delivered at the Principal Office of the Trustee, and, in the absence of such notice so delivered, the Trustee may conclusively assume there is no Default except as aforesaid. The Trustee shall notify the Credit Enhancer and the Borrower of any Default known to the Trustee that has not yet become a matured Event of Default.

(i) At any and all reasonable times the Trustee and its duly authorized agents, attorneys, experts, engineers, accountants and representatives shall have the right, but shall not be required, to inspect the Project, including all books, papers and records of the Issuer pertaining to the Project, the loan made pursuant to the Agreement and the Bonds, and to take such memoranda from and in regard thereto as may be desired.

(j) The Trustee shall not be required to give any bond or surety in respect of the execution of its trusts and powers hereunder or otherwise in respect of the Project.

(k) The Trustee shall have the right, but shall not be required, to demand, in respect of the authentication of any Bonds, the withdrawal of any cash, the release of any property, or any action whatsoever within the purview of this Indenture, any showings, certificates, opinions, appraisals or other information, or corporate or partnership action or evidence thereof, in addition to that by the terms hereof required, as a condition of such action by the Trustee as are deemed desirable for the purpose of establishing the right of the Issuer to the authentication of any Bonds, the withdrawal of any cash, the release of any property or the taking of any other action by the Trustee.

(l) Before taking any action under this Indenture, the Trustee may require that satisfactory indemnity be furnished to it for the reimbursement of all costs and expenses to which it may be put and to protect it against all liability, except liability which is adjudicated to have

resulted from its negligence or willful misconduct by reason of any action so taken. Notwithstanding the foregoing, the Trustee shall be required, without indemnity, to make drawings on the Credit Facility, to pay the principal and purchase price of, and premium, if any and interest on the Bonds from moneys available in the Funds and Accounts hereunder, to accelerate the maturity of the Bonds pursuant to Section 802(a) or to call the Bonds for mandatory purchase pursuant to Section 802(b) and, upon the acceleration of the maturity of the Bonds or the mandatory purchase of the Bonds, to immediately demand payment under the Credit Facility to the extent permitted by the terms thereof and pursue the remedies of the Trustee thereunder.

(m) All moneys received by the Trustee shall, until used, applied or invested as herein provided, be held in trust for the purposes for which they were received but need not be segregated from other funds, except to the extent required by law or this Indenture. The Trustee shall be under no liability for interest on any moneys received hereunder, except such as may be agreed upon.

(n) Notwithstanding the effective date of this Indenture or anything to the contrary in this Indenture, the Trustee shall have no liability or responsibility for any act or event relating to this Indenture which occurs prior to the date the Trustee formally executes this Indenture and commences acting as Trustee hereunder.

(o) No provision of this Indenture shall be deemed to require the Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder, or in the exercise of its rights or powers, if the Trustee shall have reasonable grounds for believing that repayment of such funds or, in the alternative, adequate indemnity against such risk or liability is not reasonably assured to it.

(p) The Trustee has no obligation or liability to the Bondowners for the payment of interest or premium, if any, on or principal of the Bonds, but rather the Trustee's sole obligations are to administer, for the benefit of the Issuer, the Credit Enhancer, the Borrower and the Bondowners, the Funds established hereunder.

(q) In the event the Trustee shall receive inconsistent or conflicting requests and indemnity from two or more groups of Bondowners, each representing less than a majority of the aggregate principal amount of the Bonds then outstanding, the Trustee, in its sole discretion, may determine what action, if any, shall be taken; provided, that, the Trustee shall follow the direction of the Credit Enhancer if the Credit Enhancer is not in default under the Credit Facility.

(r) Except for information provided by the Trustee concerning the Trustee, the Trustee shall have no responsibility with respect to any information in any offering memorandum or other disclosure material distributed with respect to the Bonds. The Trustee shall have no responsibility for compliance with securities laws in connection with issuance of the Bonds.

(s) The Trustee's immunities and protections from liability, and its right to payment of compensation and indemnification in connection with performance of its duties and obligations under the Indenture and the Agreement, shall survive the Trustee's resignation or removal, or the final payment of the Bonds.

(t) In acting or omitting to act pursuant to the provisions of the Agreement, the Trustee shall be entitled to all of the rights, protections and immunities accorded to the Trustee under the terms of this Indenture, including but not limited to those set out in this Article IX.

(u) Notwithstanding anything otherwise provided in this Indenture, and without regard to whether or not an Event of Default may have occurred and be continuing, the Trustee may notify the Credit Enhancer and the Bondowners of environmental hazards that the Trustee in its reasonable judgment has reason to believe exist with respect to the Project, and the Trustee has the right to take no further action and in such event no fiduciary duty exists which imposes any obligation for further action with respect to the Project; provided, that if the Trustee is directed by the Owners of a majority in aggregate principal amount of Bonds then Outstanding (with the written consent of the Credit Enhancer) or the Credit Enhancer to take further action, the Trustee may (i) take such further action upon being furnished with indemnity and security satisfactory to it for all reasonable costs, expenses, reimbursable fees, liabilities and losses, including, without limitation, losses and liabilities in connection with hazardous substances and environmental contamination, and the clean up thereof, and reasonable attorney's fees and expenses, or (ii) elect not to proceed in accordance with the directions of the Bondowners or the Credit Enhancer without incurring any liability to the Bondowners or the Credit Enhancer if in the sole opinion of the Trustee such direction may result in environmental or other liability to the Trustee, the Credit Enhancer or the Bondowners, and the Trustee may rely upon an opinion of its counsel in determining whether any such action directed by Bondowners may result in such liability.

Section 902. Fees, Charges and Expenses of the Trustee. The Trustee shall be entitled to payment of and/or reimbursement for reasonable fees for its ordinary services rendered hereunder and all advances, agent and counsel fees and other ordinary expenses reasonably and necessarily made or incurred by the Trustee in connection with such ordinary services and, in the event that it should become necessary that the Trustee perform extraordinary services, it shall be entitled to reasonable extra compensation therefor and to reimbursement for reasonable and necessary extraordinary expenses in connection therewith; provided that if such extraordinary services or extraordinary expenses are occasioned by the neglect or willful misconduct of the Trustee it shall not be entitled to compensation or reimbursement therefor. The Trustee shall be entitled to payment and reimbursement for the reasonable fees and charges of the Trustee as Paying Agent for the Bonds and as Bond Registrar. Pursuant to the provisions of Section 3.6 of the Agreement, the Borrower has agreed to pay to the Trustee all reasonable fees, charges and expenses of the Trustee under this Indenture. The Trustee agrees that the Issuer shall have no liability for any fees, charges, advances, costs and expenses of the Trustee, and the Trustee agrees to look only to the Borrower for the payment of all fees, charges and expenses of

the Trustee as provided in the Agreement. Upon the occurrence of an Event of Default and during its continuance, the Trustee shall have a lien with right of payment prior to payment on account of principal of, redemption premium, if any, or interest on any Bond, upon all moneys in its possession under any provisions hereof for the foregoing advances, fees, costs and expenses incurred, other than moneys received under the Credit Facility, or deposit in the Purchase Fund or Rebate Fund, and which constitute Available Moneys for the payment of redemption premium.

Section 903. Notice to the Bondowners if Default Occurs. If a Default occurs of which the Trustee is by Section 901(h) hereof required to take notice or if notice of Default be given as in said Section provided, then the Trustee shall give written notice thereof by mail, within 30 days of the receipt of notice by the Trustee of such Default, to the Borrower, the Credit Enhancer and to the Owners of all Bonds then Outstanding as shown by the Bond Register in the same manner as required by Section 1302 hereof; provided that the Trustee shall further give prompt notice of such Default to the Issuer and the Credit Enhancer by such means as is practicable under the circumstances.

Section 904. Intervention by the Trustee. In any judicial proceeding to which the Issuer is party and which, in the opinion of the Trustee and its counsel, has a substantial bearing on the interests of Owners of the Bonds or the Credit Enhancer, the Trustee may intervene on behalf of Bondowners and the Credit Enhancer and shall do so if requested in writing by the Credit Enhancer or the Owners of at least 25% in the aggregate principal amount of Bonds then Outstanding (with the written consent of the Credit Enhancer), and if provided with indemnity satisfactory to it.

Section 905. Successor Trustee Upon Merger. Consolidation or Sale. Any corporation or association with or into which the Trustee may be merged or converted or with or into which it may be consolidated, or to which the Trustee may sell or transfer its corporate trust business and assets as a whole or substantially as a whole, or any corporation or association resulting from any merger, conversion, sale, consolidation or transfer to which it is a party, shall be and become successor Trustee hereunder and shall be vested with all the trusts, powers, rights, obligations, duties, remedies, immunities and privileges hereunder as was its predecessor, without the execution or filing of any instrument or any further act on the part of any of the parties hereto.

Section 906. Trustee Required: Eligibility. (a) There shall at all times be a Trustee hereunder which shall be a trust institution or bank duly organized under the laws of the United States of America or any state or territory thereof, in good standing and qualified to accept such trust having a combined capital stock, surplus and undivided profits of not less than $50,000,000. If such institution publishes reports of condition at least annually pursuant to law or regulation, then for the purposes of this Section the capital, surplus and undivided profits of such institution shall be deemed to be its capital, surplus and undivided profits as set forth in its most recent report of condition so published. If at any time the Trustee shall cease to be eligible in accordance with the provisions of this Section, it shall resign immediately in the manner provided in Section 907. No resignation or removal of the Trustee and no appointment of a successor Trustee shall become effective until the successor Trustee has accepted its appointment under Section 909.

(b) Notwithstanding anything herein, in the Series 1994A Indenture or in the Borrower Documents to the contrary, each of the “Borrower”, the “Credit Enhancer”, the “Paying Agent(s)”, the “Remarketing Agent”, the “Tender Agent” and the “Trustee” (including, for such purpose, each co-trustee) shall, as between the documents relating to the Bonds and the Series 1994A Bonds be one and the same Person. In this regard:

(i) the Trustee, including any successor Trustee, shall at all times hereunder also serve as Trustee pursuant to the Series 1994A Indenture;

(ii) the Trustee agrees to resign hereunder contemporaneously with any resignation under the Series 1994A Indenture; and

(iii) any removal of the Trustee pursuant to the Series 1994A Indenture shall result in the contemporaneous removal of the Trustee hereunder.

Section 907. Resignation of Trustee. The Trustee and any successor Trustee may at any time resign from the trusts hereby created by giving 30 days’ written notice to the Credit Enhancer, the Remarketing Agent, the Issuer, the Borrower and the Bondowners, and such resignation shall take effect at the end of such 30 days, or upon the earlier appointment of a successor Trustee by the Issuer or by the Owners of a majority in aggregate principal amount of the Bonds then outstanding in accordance with Section 908 hereof; provided, however, that in no event shall the resignation of a Trustee or successor Trustee become effective until such time as a successor Trustee has been appointed and has accepted appointment.

Section 908. Removal of Trustee. The Trustee may be removed for cause at any time or without cause upon thirty days written notice by an instrument or concurrent instruments in writing delivered to the Trustee and the Issuer and signed by the Borrower (with the consent of the Credit Enhancer), the Credit Enhancer or the Owners of a majority in aggregate principal amount of Bonds then Outstanding (with the consent of the Credit Enhancer); provided, however, that any such removal shall not be effective until such time as a successor Trustee has been appointed and has accepted such appointment. The Issuer, the Borrower, the Credit Enhancer or any Bondowner may at any time petition any court of competent jurisdiction for the removal for cause of the Trustee.

Section 909. Appointment of Successor Trustee. In case the Trustee hereunder shall resign or be removed, or shall otherwise become incapable of acting hereunder, or in case it shall be taken under the control of any public officer or officers or of a receiver appointed by a court, a successor Trustee, approved in writing by the Credit Enhancer and the Borrower, may be appointed by the Owners of a majority in aggregate principal amount of Bonds then Outstanding, by an instrument or concurrent instruments in writing; provided, nevertheless, that in case of such vacancy the Issuer, by an instrument executed and signed by the Chairman of the Board of Directors of the Issuer and attested by its Executive Director under its seal, may appoint a temporary Trustee, approved by the Credit Enhancer, to fill such vacancy; or if such vacancy has continued for 60 days, the Credit Enhancer and the Borrower may appoint such temporary Trustee, until a successor Trustee shall be appointed by the Bondowners in the manner above provided; and any such temporary Trustee so appointed by the Issuer or the Credit Enhancer shall immediately and without further acts be superseded by the successor Trustee so appointed by such Bondowners. Any successor Trustee or temporary Trustees must have the qualifications provided for in Section 906.

Section 910. Vesting of Trusts in Successor Trustee. Every successor Trustee appointed hereunder shall execute, acknowledge and deliver to its predecessor and also to the Issuer, the Credit Enhancer and the Borrower an instrument in writing accepting such appointment hereunder, and thereupon such successor shall become fully vested with all the trusts, powers, rights, obligations, duties, remedies, immunities and privileges of its predecessor; but such

predecessor shall, nevertheless, on the written request of the Issuer, the Credit Enhancer or its successor, execute and deliver an instrument transferring to such successor Trustee all the trusts, powers, rights, obligations, duties, remedies, immunities and privileges of such predecessor hereunder; and every

predecessor Trustee shall deliver all securities and moneys and documents held by it as Trustee hereunder to its successor. Should any instrument in writing from the Issuer be required by any successor Trustee for more fully and certainly vesting in such successor the trusts, powers, rights, obligations, duties, remedies, immunities and privileges hereby vested in the predecessor, any and all such instruments in writing shall, on request, be executed, acknowledged and delivered by the Issuer.

Section 911. Trust Estate May be Vested in Co-Trustee. It is the purpose of this Indenture that there shall be no violation of any law of any jurisdiction (including particularly the State) denying or restricting the right of banking corporations or associations to transact business as trustee in such jurisdiction. It is recognized that in case of litigation under this Indenture or the Agreement, and in particular in case of the enforcement with respect to any default, or in case the Trustee deems that by reason of any present or future law of any jurisdiction it may not exercise any of the powers, rights or remedies herein granted to the Trustee, or take any other action which may be desirable or necessary in connection therewith, it may be necessary or desirable that the Trustee appoint an individual or institution as a co-trustee or separate trustee, and the Trustee is hereby authorized to appoint such co-trustee or separate trustee, with the written consent of the Issuer and the Credit Enhancer.

In the event that the Trustee appoints an additional individual or institution as co-trustee or separate trustee, each and every remedy, power, right, claim, demand, cause of action, immunity, tide, interest and lien expressed or intended by this Indenture to be exercised by the Trustee with respect thereto shall be exercisable by such co-trustee or separate trustee but only to the extent necessary to enable such co-trustee or separate trustee to exercise such powers, rights and remedies, and every covenant and obligation necessary to the exercise thereof by such co-trustee or separate trustee shall run to and be enforceable by either of them.

Should any deed, conveyance or instrument in writing from the Issuer be required by the co-trustee or separate trustee so appointed by the Trustee for more fully and certainly vesting in and confirming to him or it such properties, rights, powers, trusts, duties and obligations, any and all such deeds, conveyances and instruments in writing shall, on request, be executed, acknowledged and delivered by the Issuer.

In case any co-trustee or separate trustee shall die, become incapable of acting, resign or be removed, all the properties, rights, powers, trusts, duties and obligations of such co-trustee or separate trustee, so far as permitted by law, shall vest in and be exercised by the Trustee until the appointment of a successor to such co-trustee or separate trustee.

Section 912. Accounting. The Trustee shall render a monthly accounting, for each calendar month, to the Borrower, the Credit Enhancer and to any Bondowner requesting the same at the cost of such Bondowner, and an annual (or more often if requested) accounting, for each calendar year ended December 31, to the Issuer showing in reasonable detail all financial transactions relating to the Trust Estate during the accounting period and the balance in any funds or accounts created by this Indenture as of the beginning and close of such accounting period.

Section 913. Paying Agents; Bond Registrar; Appointment and Acceptance of Duties; Removal. The Trustee is hereby designated and agrees to act as Paying Agent and as Bond

Registrar for and in respect of the Bonds. The Tender Agent shall be the Paying Agent with respect to Tendered Bonds.

Section 914. The Tender Agent.

(a) The Trustee is hereby appointed as the initial Tender Agent for the Bonds and with respect to Tendered Bonds, the Paying Agent, and hereby agrees to carry out its responsibilities described herein. If the Tender Agent is other than the Trustee, the Tender Agent shall signify its acceptance of the duties and obligations imposed upon it hereunder by a written instrument of acceptance delivered to the Issuer, the Credit Enhancer, the Borrower, the Trustee and the Remarketing Agent, under which the Tender Agent will agree to particularly:

(1) hold all Bonds delivered to it for purchase hereunder as agent and bailee of, and in escrow for the benefit of, the respective Owners which have so delivered such Bonds; until moneys representing the Purchase Price of such Bonds shall have been delivered to or for the account of or to the order of such Owners; and

(2) keep such books and records as shall be consistent with prudent industry practice, and make such books and records available for inspection by the other parties.

The parties hereto shall each cooperate to cause the necessary arrangements to be made and to be thereafter continued whereby funds from the sources specified herein will be made available for the purchase of Bonds presented at the Principal Office of the Tender Agent, and to otherwise enable the Tender Agent to carry out its duties hereunder.

The Tender Agent, the Trustee and the Remarketing Agent shall cooperate to the extent necessary to permit the preparation, execution, issuance, authentication and delivery by the Tender Agent of replacement Bonds in connection with the tender and remarketing of Bonds hereunder.

The Issuer, the Trustee and the Borrower acknowledge that, in carrying out its responsibilities hereunder, the Tender Agent shall be acting solely for the benefit of and as agent for the Owners from time to time of the Bonds. No delivery of the Bonds to the Tender Agent or any agent of the Tender Agent or purchase of Bonds by the Tender Agent shall constitute a redemption of the Bonds or any extinguishment of the debt evidenced thereby.

(b) The Tender Agent shall be a commercial bank or trust company, duly organized under the laws of the United States of America or any state or territory thereof having a combined capital stock, surplus and undivided profits of at least $20,000,000 and authorized by law to perform all of the duties imposed upon it by this Indenture. The Tender Agent may resign and be discharged of the duties and obligation created by this Indenture by giving at least

thirty (30) days' notice by mail to the Trustee, the Borrower, the Remarketing Agent, and the Credit Enhancer; provided, however, that such resignation shall not take effect unless and until a successor Tender Agent shall be appointed by the Trustee with the consent of the Credit Enhancer. The Trustee shall use its best efforts to appoint a successor Tender Agent during such thirty (30) day period and in the event a successor Tender Agent has not taken office prior to the expiration of such thirty (30) day period, the Tender Agent may petition a court of applicable jurisdiction to appoint a successor Tender Agent. The Tender Agent may be removed at any time by an instrument signed by the

Borrower, with the written consent of the Credit Enhancer, or the Credit Enhancer, and filed with the Borrower, the Credit Enhancer, the Issuer, the Tender Agent, the Remarketing Agent and the Trustee; provided, however, that such removal shall not take effect unless and until a successor Tender Agent shall be appointed by the Trustee with the approval of the Borrower and the Credit Enhancer, or by the Borrower and the Credit Enhancer if the Trustee has not made such appointment within thirty (30) days from such filing. In the event of the resignation or removal of the Tender Agent, the Tender Agent shall deliver any moneys and Bonds held by it to its successor, and if there be no successor, to the Trustee.

(c) In accordance with Section 906(b) hereof:

(i) the Tender Agent, including any successor Tender Agent, shall at all times hereunder also serve as Tender Agent pursuant to the Series 1994A Indenture;

(ii) the Tender Agent agrees to resign hereunder contemporaneously with any resignation under the Series 1994A Indenture; and

(iii) any removal of the Tender Agent pursuant to the Series 1994A Indenture shall result in the contemporaneous removal of the Tender Agent hereunder.

Section 915. Notice to Rating Agency. The Trustee shall notify the Rating Agency (until such time as the Rating Agency no longer maintains a rating on the Bonds) as soon as practicable (i) after the Trustee becomes aware of (1) any expiration, termination or renewal of the Credit Facility, (2) any redemption or purchase of all of the Bonds, (3) any change in the Credit Facility, the Agreement or this Indenture, or (4) the interest portion of the Credit Facility will not be reinstated, or (ii) if (1) the Trustee resigns or is removed or a new Trustee is appointed, (2) the Remarketing Agent resigns or is removed or a new Remarketing Agent is appointed, (iii) an Alternate Credit Facility is provided, (iv) there is a mandatory tender of all Bonds, (v) there is a call for the redemption of all Bonds, or (vi) there is a change in the Interest Mode pursuant to Section 204 hereof.

Section 916. Right of Trustee to Pay Taxes and Other Charges. In case any tax, assessment or governmental or other charge upon, or insurance premium with respect to, any part of the [Plant] is not paid as required herein or in the Agreement, the Trustee may pay such tax, assessment or governmental charge, insurance premium, or rebate amount, without prejudice, however, to any rights of the Trustee or the Bondowners hereunder arising in consequence of such failure; and any amount at any time so paid under this Section, with interest thereon from the date of payment at a rate per annum equal to the Trustee's base rate for variable rate commercial loans in effect at the time plus two percent (2%), shall become an additional obligation secured by this Indenture, and the same shall be given a preference in payment over any payment of principal of, premium, if any, or interest on the Bonds, and shall be paid out of the proceeds of rents, revenues and receipts collected from the Project, not including payments on the Credit Facility, if not otherwise caused to be paid; but the Trustee shall be under no obligation to make any such payment unless it shall have been requested to do so by the Credit Enhancer or the Owners of at

least twenty-five percent (25%) of the aggregate principal amount of Bonds then Outstanding and shall have been provided adequate funds for the purpose of such payment.

[End of Article IX]

ARTICLE X

SUPPLEMENTAL INDENTURES

Section 1001. Supplemental Indentures Not Requiring Consent of Bondowners. The Issuer and the Trustee may from time to time, with the prior written consent of the Credit Enhancer and the Borrower, if required pursuant to Section 1003 hereof, but without the consent of or notice to any of the Bondowners or the owner of the Series 1994A Bonds, enter into such Supplemental Indenture or Supplemental Indentures as shall not be inconsistent with the terms and provisions hereof, so long as such Supplemental Indenture or Supplemental Indentures does not cause the then-current rating on the Bonds to be lowered, for any one or more of the following purposes:

(a) To cure any ambiguity, formal defect or omission in this Indenture or to make any other change not materially prejudicial to the Bondowners or the owners of the Series 1994A Bonds;

(b) To grant to or confer upon the Trustee for the benefit of the Bondowners any additional rights, remedies, powers or authority that may lawfully be granted to or conferred upon the Bondowners or the Trustee or either of them;

(c) To subject to this Indenture additional revenues, properties or collateral;

(d) To modify, amend or supplement this Indenture or any indenture supplemental thereto in such manner as to permit the qualification of the Indenture under the Trust Indenture Act of 1939, as then amended, or any similar federal statute hereafter in effect or to permit the qualification of the Bonds for sale under the securities laws of any state of the United States;

(e) To evidence the appointment of a separate trustee or the succession of a new trustee hereunder;

(f) To make any other change which will become effective on a date on which the Bonds are subject to mandatory tender pursuant to Section 302 hereof, provided the substance of such change is described in the Trustee's notice to Bondowners in connection with an election to retain Bonds;

(g) To make any other change which, in the sole judgment of the Trustee, does not materially adversely affect the interests of the Bondowners or the owners of the Series 1994A Bonds; it being understood that in exercising such judgment the Trustee may rely on the opinion of such counsel as it may select; and

(h) To more precisely identify the Project or to substitute or add additional property thereto;

provided that, in the event a Supplemental Indenture is entered into with respect to any of the matters referred to in (a) through (h) above, a corresponding supplemental indenture, if appropriate under the circumstances, shall be entered into with respect to the Series 1994A Indenture.

Section 1002. Supplemental Indentures Requiring Consent of Bondowners. Exclusive of Supplemental Indentures covered by Section 1001 hereof and subject to the terms and provisions contained in this Section, and not otherwise, the Owners (within the meaning of this Indenture and the Series 1994A Indenture) of not less than 51% in aggregate principal amount of the Bonds and the Series 1994A Bonds then outstanding shall have the right from time to time, with the prior written consent of the Credit Enhancer and, if required pursuant to Section 1003 hereof, the Borrower, anything contained in this Indenture to the contrary notwithstanding, to consent to and approve the execution by the Issuer and the Trustee of such other Supplemental Indenture or Supplemental Indentures as shall be deemed necessary and desirable by the Issuer for the purpose of modifying, amending, adding to or rescinding, in any particular, any of the terms or provisions contained in this Indenture or in any Supplemental Indenture (including any consents that may be given in connection with an exchange or tender offer); provided, however, that nothing in this Section contained shall permit or be construed as permitting without the consent of the Owners (within the meaning of this Indenture and the Series 1994A Indenture) of 100% of the Bonds and the Series 1994A Bonds then outstanding, the Issuer, the Trustee and the Credit Enhancer, (a) an extension of the maturity of the principal of or the scheduled date of payment of interest on any Bond issued hereunder, or (b) a reduction in the principal amount, redemption premium or any interest payable on any Bond, or (c) a privilege or priority of any Bond or Bonds over any other Bond or Bonds, or (d) a reduction in the aggregate principal amount of Bonds the Owners of which are required for consent to any such Supplemental Indenture, or (e) any modification of the redemption or tender features of the Bonds, or (f) any change which results in the lowering of the then-current rating on the Bonds; and provided, further, that in the event a Supplemental Indenture is entered into in accordance with this Section, a corresponding supplemental indenture, if appropriate under the circumstances, shall be entered into with respect to the Series 1994A Indenture.

If at any time the Issuer shall request the Trustee to enter into any such Supplemental Indenture for any of the purposes of this Section, the Trustee shall cause notice of the proposed execution of such Supplemental Indenture to be mailed to each Bondowner, each owner of the Series 1994A Bonds and the Credit Enhancer (and a copy of such proposed Supplemental Indenture shall be mailed with such notice to the Credit Enhancer. Such notice shall briefly set forth the nature of the proposed Supplemental Indenture and shall state that copies thereof are on file at the Principal Office of the Trustee for inspection by all Bondowners and owners of the Series 1994A Bonds and a copy of such proposed supplemental Indenture shall be mailed with such notice t6 the Credit Enhancer. If within 60 days or such longer period as shall be prescribed by the Issuer following the mailing of such notice, the Credit Enhancer and the Owners (within the meaning of this Indenture and the Series 1994A Indenture) of not less than fifty-one percent (51%) in aggregate principal amount of the Bonds and the Series 1994A Bonds then outstanding at the time of the execution of any such Supplemental Indenture shall have consented to and approved the execution thereof as herein provided, no Owner of any Bond shall have any right to object to any of the terms and provisions contained therein, or the operation thereof, or in any manner to question the propriety of the execution thereof, or to enjoin or restrain the Trustee or the Issuer from executing the same or from taking any action pursuant to the provisions thereof. Upon the execution of any such Supplemental Indenture as in this Section permitted and provided, this Indenture shall be and be deemed to be modified and amended in accordance therewith.

Section 1003. Borrower's Consent to Supplemental Indentures. Anything herein to the contrary notwithstanding, a Supplemental Indenture under this Article which affects any rights or obligations of the Borrower shall not become effective unless and until the Borrower shall have consented in writing to the execution and delivery of such Supplemental Indenture. In this regard, the Trustee shall cause notice of the proposed execution and delivery of any such Supplemental Indenture together with a copy of the proposed Supplemental Indenture to be mailed to the Borrower at least 15 days prior to the proposed date of execution and delivery of any such Supplemental Indenture. Under no circumstances shall a failure by the Borrower to respond to such notice be construed as a consent for these purposes.

Section 1004. Opinion of Bond Counsel. Notwithstanding anything to the contrary in Sections 1001 or 1002. before the Issuer or the Trustee enter into any supplemental indenture pursuant to Section 1001 or 1002, there shall have been delivered to the Issuer, the Trustee, the Borrower and the Credit Enhancer an Opinion of Bond Counsel stating that such supplemental indenture is authorized or permitted by this Indenture and the Act, complies with their respective terms, will, upon the execution and delivery thereof, be valid and binding upon the Issuer in accordance with its terms.

[End of Article X]

ARTICLE XI

AMENDMENT OF AGREEMENT AND CREDIT FACILITY

Section 1101. Amendments, Changes or Modifications to the Agreement and Credit Facility Not Requiring Consent of Bondowners. So long as such does not cause the then-current rating on the Bonds to be lowered, the Trustee, with the prior written consent of the Credit Enhancer, may, without the consent

of or notice to the Bondowners or the owners of the Series 1994A Bonds, consent to any amendment, change or modification of the Agreement and the Credit Facility, as may be required (i) by the provisions of such documents and this Indenture, (ii) for the purpose of curing any ambiguity or formal defect or omission in such documents, or in connection with any other change therein which, in the judgment of the Trustee, is not to the material prejudice of the Trustee, the Bondowners or the owners of the Series 1994A Bonds, (iii) so as to more precisely identify the Project, or (iv) in connection with any other change therein which, in the sole judgment of the Trustee, does not materially adversely affect the interests of the Bondowners or the owners of the Series 1994A Bonds, provided that, in the event a Supplemental Indenture is entered into with respect to any of the matters referred to in (i) through (iv) above, a corresponding supplemental indenture, if appropriate under the circumstances, shall be entered into with respect to the Series 1994B Indenture. In exercising such judgment, the Trustee may rely on the opinions of such counsel as it may select.

Section 1102. Amendments, Changes or Modifications to the Agreement and Credit Facility Requiring Consent of Bondowners. Except as provided for in Section 1101 hereof, the Trustee shall not consent to any amendment, change or modification of the Agreement or the Credit Facility without the mailing of notice and the obtaining of the written approval or consent of the Credit Enhancer and the Owners (within the meaning of this Indenture and the Series 1994A Indenture) of not less than fifty-one percent (51%) in aggregate principal amount of the Bonds and the Series 1994A Bonds at the time outstanding given and obtained as provided in Section 1002 hereof (including any consents that may be given in connection with an exchange or tender offer); provided, however, that no such amendment, change or modification to such documents shall be entered into which permits, without the consent of the Owners (within the meaning of this Indenture and the Series 1994A Indenture) of 100% of the Bonds and the Series 1994A Bonds then outstanding, the Issuer, the Trustee and the Credit Enhancer, (a) a reduction of the maturity or expiration date of the Credit Facility, or (b) a change in the timing of payments under or the amounts required to be paid under the Credit Facility, or (c) a lowering of the then-current credit rating on the Bonds; and provided, further, that in the event a Supplemental Indenture is entered into in accordance with this Section, a corresponding supplemental indenture, if appropriate under the circumstances, shall be entered into with respect to the Series 1994A Indenture. If at any time the Issuer, the Credit Enhancer and the Borrower shall request the consent of the Trustee to any such proposed amendment, change or modification to such documents, the Trustee shall cause notice of such proposed amendment, change or modification to such documents to be given in the same manner as provided by Section 1002 hereof with respect to Supplemental Indentures and the corresponding supplemental indentures with respect to the Series 1994A Bonds. Such notice shall briefly set forth the nature of such proposed amendment, change or modification to such documents and shall state that copies of the same are on file at the Principal Office of the Trustee for inspection by all Bondowners and a copy of such proposed amendment, change or modification to such document shall be mailed with such notice to the Credit Enhancer.

Section 1103. Opinion of Bond Counsel. Anything to the contrary in Sections 1101 or 1102 notwithstanding, before the Trustee shall consent to any amendment of the Agreement or the Credit Facility there shall have been delivered to the Trustee, the Borrower and the Credit Enhancer an Opinion of Bond Counsel stating that such amendment is authorized or permitted by this Indenture and the Act, complies with their respective terms, will, upon the execution and delivery thereof, be valid and binding upon the Issuer (if the Issuer is a party thereto) in accordance with its terms.

[End of Article XI]

ARTICLE XII

SATISFACTION AND DISCHARGE OF INDENTURE

Section 1201. Defeasance. If the Bonds are in an Interest Mode other than a Weekly Mode or Monthly Mode and if the Issuer shall pay or provide for the payment (other than by the Credit Enhancer) of any Bond or Bonds Outstanding in any one or more of the following ways:

(a) by paying or causing to be paid, from Available Moneys, the principal of (including redemption premium, if any) and interest on such Bonds, as and when the same become due and payable;

(b) by depositing with the Trustee, in trust and irrevocably setting aside exclusively for such payment, at or before maturity, Available Moneys in an amount sufficient to pay or redeem (when redeemable) Bonds (including the payment of redemption premium, if any, and interest payable on such Bonds to the maturity or redemption date thereof), provided that such moneys, if invested, shall be invested in Government Securities which are not subject to redemption and payment prior to maturity except at the option of the holder thereof ("Non-Callable Government Securities") in an amount and with maturities, without consideration of any income or increment to accrue thereon, sufficient to pay or redeem (when redeemable) and discharge the indebtedness on such Bonds at or before their respective maturity dates, to pay the interest thereon as it comes due;

(c) by delivering to the Trustee, for cancellation by it, such Bonds; or

(d) by depositing with the Trustee, in trust, Non-Callable Government Securities acquired with Available Moneys in such amounts as are certified to the Trustee to be fully sufficient, together with other Available Moneys deposited therein and together with the income or increment to accrue thereon, without consideration of any reinvestment thereof, to pay or redeem (when redeemable) and discharge the indebtedness on such Bonds at or before their respective maturity dates, to pay the interest thereon as it comes due; then such Bond or Bonds shall be deemed to be paid within the meaning of this Article and shall cease to be entitled to any lien, benefit or security under this Indenture, except for the purposes of any such payment from such moneys or Government Securities and except for the purposes of registration, transfer and exchange of such Bonds. If all the Bonds are not to be redeemed within 30 days, the Trustee shall mail, as soon as practicable, in the manner prescribed by Article IV hereof, a notice to the owners of such Bonds that the deposit required by (b) or (d) above has been made with the Trustee and that said Bonds are deemed to have been paid in accordance with this Article and stating the maturity or redemption date upon which moneys are to be available for the payment of the principal of or redemption price, if applicable, on said Bonds as specified in (b) or (d) above.

Notwithstanding the foregoing, in the case of the Bonds which by their terms may be redeemed prior to the stated maturities thereof, no deposit under clauses (b) or (d) of the immediately preceding paragraph shall be deemed a payment of such Bonds as aforesaid until, as to all such Bonds which are to be redeemed prior to their respective stated maturities and as to

Bonds subject to interest rate adjustment prior to maturity which shall be redeemed prior to the next Interest Adjustment Date, proper notice of such redemption shall have been given in accordance with Article IV of this Indenture or irrevocable instructions shall have been given to the Trustee to give such notice at the time when such notice may be given pursuant to the provisions of this Indenture.

Notwithstanding any provisions of any other Section of this Indenture which may be contrary to the provisions of this Section, all Available Moneys or Non-Callable Government Securities or other investments acceptable to the Credit Enhancer set aside and held in trust pursuant to the provisions of this Section for the payment of Bonds (including redemption premium thereon, if any, and interest) shall be applied to and used solely for the payment of the particular Bonds (including redemption premium thereon, if any, and interest) with respect to which such Available Moneys and Non-Callable Government Securities or other investments acceptable to the Credit Enhancer have been so set aside in trust.

The Issuer may at any time surrender to the Trustee for cancellation by it any Bond previously authenticated and delivered which the Issuer may have acquired in any manner whatsoever, and such Bonds, upon such surrender and cancellation, shall be deemed to be paid and retired.

Section 1202. Satisfaction and Discharge of the Indenture. If the Issuer shall pay the principal of, redemption premium, if any, and interest on all of the Bonds Outstanding in accordance with their terms, or shall provide for such payment as provided in Section 1201 hereof, and if the Issuer shall also pay or cause to be paid all other sums payable hereunder by the Issuer, then and in that case this Indenture and the estate and rights granted hereunder shall cease, terminate and become null and void, and thereupon the Trustee shall, upon Written Request of the Issuer, and an Opinion of Counsel, each stating that in the opinion of the signers all conditions precedent to the satisfaction and discharge of this Indenture have been complied with, forthwith execute proper instruments acknowledging satisfaction of and discharging this Indenture and the lien hereof; provided that, with respect to Bonds for which payment has been provided at the time but which has not in fact been paid, the liability of the Issuer in respect of such Bonds shall continue provided that the Owners thereof shall thereafter be entitled to payment only out of the moneys or Government Securities deposited with the Trustee as provided in this Article. The satisfaction and discharge of this Indenture shall be without prejudice to the rights of the Trustee to charge and be reimbursed by the Issuer and the Borrower for any expenditures which it may thereafter incur in connection herewith.

Notwithstanding the release and discharge of the lien of this Indenture as provided above, those provisions of this Indenture relating to the maturity of the Bonds, interest payments and dates thereof, tender and purchase provisions, exchange and transfer of Bonds, replacement of mutilated, destroyed, lost, stolen or Undelivered Bonds, the safekeeping and cancellation of Bonds, nonpresentment of Bonds, the holding of moneys in trust, redemption of Bonds and the duties of the Trustee, the Bond Registrar, the Paying Agent and the Remarketing Agent in connection with all of the foregoing, remain in effect and shall be binding upon the Trustee and the Bondowners.

The Issuer is hereby authorized to accept a certificate by the Trustee that the whole amount of the principal, redemption premium, if any, and interest so due and payable upon all of the Bonds

then Outstanding has been paid or such payment provided for in accordance with Section 1201 hereof as evidence of satisfaction of this Indenture, and upon receipt thereof shall cancel and erase the inscription of this Indenture from its records.

All moneys, funds, securities or other property remaining on deposit in all Funds or Accounts established under this Indenture (other than said moneys or Government Securities or other investments deposited in trust as above provided) shall, upon the full satisfaction of this Indenture, forthwith be transferred, paid over and distributed to the Credit Enhancer and the Borrower in the manner provided in Section 510 hereof.

If there is a release and discharge of the lien of this Indenture as provided above, the Trustee shall so notify the Rating Agency.

[End of Article XII]

ARTICLE XIII

MISCELLANEOUS PROVISIONS

Section 1301. Consents and Other Instruments by Bondowners. Any consent, request, direction, approval, objection or other instrument required by this Indenture to be signed and executed by the Bondowners may be in any number of concurrent writings of similar tenor and may be signed or executed by such Bondowners in person or by agent appointed in writing. Proof of the execution of any such instrument or of the writing appointing any such agent and of the ownership of Bonds, if made in the following manner, shall be sufficient for any of the purposes of this Indenture except for the assignment of the ownership of any Bond which proof shall be made by signature guaranty, and shall be conclusive in favor of the Trustee with regard to any action taken, suffered or omitted under any such instrument, namely:

(a) The fact and date of the execution by any person of any such instrument may be proved by the certificate of any officer in any jurisdiction who by law has power to take acknowledgments within such jurisdiction that the person signing such instrument acknowledged before him the execution thereof, or by affidavit of any witness to such execution.

(b) The fact of ownership of Bonds and the amount or amounts, numbers and other identification of such Bonds, and the date of holding the same shall be proved by the Bond Register.

In determining whether the Owners of the requisite principal amount of Bonds Outstanding have given any request, demand, authorization, direction, notice, consent or waiver under this Indenture, Bonds owned by, or held by or for the account of, the Issuer, the Borrower or any Affiliated Party of the

Borrower shall be disregarded and deemed not to be Outstanding under this Indenture, except that, in determining whether the Trustee shall be protected in relying upon any such request, demand, authorization, direction, notice, consent or waiver, only Bonds which the Trustee knows to be so owned shall be so disregarded. Notwithstanding the foregoing, Bonds (including Pledged Bonds) so owned which have been pledged in good faith shall not be disregarded if the pledgee establishes to the satisfaction of the Trustee the pledgee's right so to act with respect to such Bonds and that the pledgee is not the Issuer, the Borrower or any Affiliated Party of the Borrower.

Section 1302. Notices. Except as otherwise provided herein, it shall be sufficient service of any notice, request, complaint, demand or other paper required by this Indenture to be given to or filed with the Issuer, the Trustee, the Credit Enhancer, the Remarketing Agent, the Borrower or the Bondowners if the same shall be duly mailed by first-class mail, postage pre-paid, certified or registered mail, or sent by telegram, telecopy or telex or other similar communication, or when given by telephone, confirmed in writing by first-class mail, postage pre-paid, certified or registered mail, or sent by telegram, telecopy or telex or other similar communication, on the same day, addressed:

(a) To the Issuer at:

South Carolina Jobs-Economic Development Authority
1201 Main Street, Suite 1750
Columbia, South Carolina 29201
Attention: Executive Director
Telephone: (803) 737-0079
Telecopier: (803) 737-0016

(b) To the Trustee and Tender Agent at:

Mark Twain Bank
8820 Ladue Road
St. Louis, Missouri 63124
Attention: Corporate Trust Division
Telephone: (314) 889-0753
Telecopier: (314) 889-0736

(c) To the Credit Enhancer at:

Heller Financial, Inc.
500 West Monroe Street, 12th Floor
Chicago, Illinois 60661
Attention: Portfolio Manager, Portfolio Organization,
Corporate Finance Group
Telephone: (312) 441-7500
Telecopier: (312) 441-7367

With a copy to Legal Department, Portfolio Operation, Corporate Finance Group

(d) To the Remarketing Agent at:

Stern Brothers & Co.
8000 Maryland Avenue, Suite 1020
St. Louis, Missouri 63105
Attention: Mr. Terrence M. Finn
Telephone: (314) 727-5519
Telecopier: (314) 727-7313

(e) To the Borrower at:

Roller Bearing Company of America, Inc.
140 Terry Drive
Newtown, Pennsylvania 18940
Attention: Chief Financial Officer
Telephone: (215) 579-4300
Telecopier: (215) 579-4318

With a copy to:

Gibson, Dunn & Crutcher
2029 Century Park East, Suite 4000
Los Angeles, California 90067
Attention: Bruce D. Meyer
Telephone: (310) 552-8686

Telecopier.: (310) 277-5827

(f) To the Bondowners:

Addressed to each of the Owners of all Bonds at the time Outstanding, as shown by the Bond Register.

(g) Initially, to the Rating Agency at:

Standard & Poor's Ratings Group
25 Broadway
New York, New York 10004
Attention: LOC Rating Surveillance
Telephone: (212) 208-1846
Telecopier: (212) 208-0031

All notices given by first-class mail, certified or registered mail, postage prepaid, as aforesaid shall be deemed duly given as of the third day after the same are so mailed; provided that notices shall be deemed given as of the date they are sent by telecopy or otherwise received. A duplicate copy of each notice, certificate or other communication given hereunder by either the Issuer or the Trustee to the other shall also be given to the Borrower, the Remarketing Agent and the Credit Enhancer. In the event of notice to any party other than the Issuer or the Trustee, a copy of the notice shall be provided to the Borrower, the Remarketing Agent and the Credit Enhancer. In addition, the Trustee shall send to the Credit Enhancer, the Borrower, the Tender Agent and the Remarketing Agent a copy of each notice sent to the Bondowners. The Issuer, the Trustee, the Tender Agent, the Borrower, the Credit Enhancer and the Remarketing Agent may from time to time designate, by notice given hereunder to the others of such parties, such other address to which subsequent notices, certificates or other communications shall be sent.

Section 1303. Limitation of Rights Under the Indenture. With the exception of rights herein expressly conferred and as otherwise provided in this Section, nothing expressed or mentioned in or to be implied from this Indenture or the Bonds is intended or shall be construed to give any person other than the parties hereto, the Borrower, the Credit Enhancer and the Owners of the Bonds, any right, remedy or claim under or in respect to this Indenture. This Indenture and all of the covenants, conditions and provisions hereof are, except as otherwise provided in this Section, intended to be and are for the sole and exclusive benefit of the parties hereto, the Borrower, the Credit Enhancer and the Owners of the Bonds as herein provided.

The Trustee and the Issuer acknowledge and agree that each of the Borrower, the Credit Enhancer, the Remarketing Agent and the Tender Agent is a third-party beneficiary of those

provisions herein which relate to the making of payments or giving of notice to or consents by or following the directions of or the performance of other acts to benefit it, and all such provisions shall be enforceable by such parties, and in addition acknowledge and agree that the Credit Enhancer shall for all purposes hereunder be treated as the Owner of Pledged Bonds.

Section 1304. Suspension of Mail Service. If, because of the temporary or permanent suspension of mail service or for any other reason, it is impossible or impractical to mail any notice in the manner herein provided, then such delivery of notice in lieu thereof as shall be made with the approval of the Trustee shall constitute a sufficient notice.

Section 1305. Business Days. If any date for the payment of principal of, redemption premium, if any, or interest on the Bonds or the taking of any other action hereunder is not a Business Day, then such payment shall be due, or such action shall be taken, on the first Business Day thereafter with the same force and effect as if made on the date fixed for payment or performance.

Section 1306. Immunity of Officers, Employees and Members of Issuer. No recourse shall be had for the payment of the principal of or redemption premium, if any, or interest on any of the Bonds or for any claim based thereon or upon any obligation, covenant or agreement in this Indenture contained against any past, present or future officer, member, employee or agent of the Issuer, or of any successor body, as such, either directly or through the Issuer or any successor body, under any rule of law or equity, statute or constitution, or by the enforcement of any assessment or penalty or otherwise, and all such liability of any such officers, members, employees or agents as such is hereby expressly waived and released as a condition of and consideration for the execution of this Indenture and the issuance of such Bonds.

Section 1307. Credit Enhancer's Remedial Rights. The Issuer and the Trustee on behalf of the Bondowners hereby acknowledge and agree that should the Credit Enhancer exercise certain of its remedial rights under the Credit Documents, the Credit Enhancer (or an Affiliate or designee thereof) may become successor in interest to the Borrower under the Agreement. No such exercise of the Credit Enhancer's rights under the Credit Documents, or succession of the Credit Enhancer (or an affiliate or designee thereof) to the interest of the Borrower under the Agreement, shall require, as a condition precedent, either (i) the further consent of the Issuer, the Trustee or the Bondowners, or (ii) the acceleration of the Bonds (unless the Credit Enhancer elects such in its sole discretion).

Section 1308. Severability. If any provision of this Indenture shall be held or deemed to be invalid, inoperative or unenforceable as applied in any particular case in any jurisdiction or jurisdictions or in all jurisdictions, or in all cases because it conflicts with any other provision or provisions hereof or any constitution or statute or rule of public policy, or for any other reason, such circumstances shall not have the effect of rendering the provision in question inoperative or unenforceable in any other case or circumstances, or of rendering any other provision or provisions herein contained invalid, inoperative or unenforceable to any extent whatever. The invalidity of any one or more phrases, sentences, clauses or Sections in this Indenture contained shall not affect the remaining portions of this Indenture, or any part thereof.

Section 1309. Complete Agreement. The Issuer and the Trustee understand that oral agreements or commitments to loan money, extend credit or to forbear from enforcing repayment of a debt including promises to extend or renew such debt are not enforceable. To protect the Issuer and the Trustee from

misunderstanding or disappointment, any agreements the Issuer and the Trustee reach covering such matters are contained in this Indenture, which is the complete and exclusive statement of the agreement between the Issuer and the Trustee, except as the Issuer and the Trustee may later agree in writing (subject to the provisions of Article X of this Indenture) to modify this Indenture.

Section 1310. Execution in Counterparts. This Indenture may be simultaneously executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Section 1311. Governing Law. This Indenture shall be governed exclusively by and construed in accordance with the applicable laws of the State of South Carolina.

[End of Article XIII]

IN WITNESS WHEREOF, the South Carolina Jobs-Economic Development Authority has caused these presents to be signed in its name and behalf and its corporate seal to be hereunto affixed and attested by its duly authorized officers, and to evidence its acceptance of the trusts hereby created, the Trustee, has caused these presents to be signed in its name and behalf and its corporate seal to be hereunto affixed and attested by its duly authorized officers, all as of the day and year first above written.

SOUTH CAROLINA JOBS-ECONOMIC
DEVELOPMENT AUTHORITY

By /s/ [ILLEGIBLE] [SEAL]

Chairman, Board of Directors
ATTEST:

/s/ [ILLEGIBLE]
Executive Director

MARK TWAIN BANK, as Trustee

By /s/ [ILLEGIBLE] [SEAL]

Vice President

ATTEST:

/s/ [ILLEGIBLE]
Assistant Secretary

EXHIBIT A

BOND FORM

(Form of Face of Bond)

REGISTERED REGISTERED NO. R-
$

UNITED STATES OF AMERICA
State of South Carolina

SOUTH CAROLINA JOBS-ECONOMIC DEVELOPMENT AUTHORITY
VARIABLE RATE DEMAND
INDUSTRIAL DEVELOPMENT REVENUE BOND
(Roller Bearing Company of America, Inc. Project)
Series 1994B

Interest Rate:	Maturity Date:	Dated Date:	CUSIP:
	September 1, 2017		

Registered Owner:

Principal Amount: Dollars

THIS BOND AND THE RELATED CREDIT FACILITY INITIALLY HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933 (THE “SECURITIES ACT”) OR THE SECURITIES LAWS OF ANY STATE. ACCORDINGLY, BONDS THAT ARE SUBJECT TO THE BENEFITS OF THE CREDIT FACILITY MAY BE SOLD, REMARKETED, OR OTHERWISE TRANSFERRED ONLY IN TRANSACTIONS IN

WHICH THE BONDS AND THE RELATED CREDIT FACILITY ARE REGISTERED UNDER THE SECURITIES ACT AND ANY APPLICABLE STATE SECURITIES STATES OR IN TRANSACTIONS IN WHICH THE BONDS AND THE RELATED CREDIT FACILITY ARE EXEMPT FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND ANY APPLICABLE STATE SECURITIES LAWS. THE ISSUER AND THE CREDIT ENHANCER HAVE NO OBLIGATION TO CAUSE THE BONDS OR THE CREDIT FACILITY TO BE REGISTERED UNDER THE SECURITIES ACT OR ANY APPLICABLE STATE SECURITIES LAWS OR TO COMPLY WITH ANY EXEMPTION THAT MAY BE AVAILABLE UNDER THE SECURITIES ACT OR ANY APPLICABLE STATE SECURITIES LAWS, INCLUDING, WITHOUT LIMITATION, RULE 144A UNDER THE SECURITIES ACT. THE TRANSFER RESTRICTIONS DESCRIBED HEREIN DO NOT PRECLUDE THE REGISTERED OWNER OF THIS BOND FROM TENDERING THIS BOND TO THE TENDER AGENT AS DESCRIBED HEREIN. THE HOLDER HEREOF AGREES THAT ANY TRANSFER OF THIS BOND WILL BE IN ACCORDANCE WITH THE INDENTURE (AS DESCRIBED HEREIN).

THIS BOND IS SUBJECT TO MANDATORY TENDER FOR PURCHASE AT THE TIME AND IN THE MANNER HEREINAFTER DESCRIBED, AND MUST BE SO TENDERED OR WILL BE

DEEMED TO HAVE BEEN SO TENDERED UNDER CERTAIN CIRCUMSTANCES DESCRIBED HEREIN.

The South Carolina Jobs-Economic Development Authority (the “Issuer”), a body politic and corporate and an agency of the State of South Carolina, for value received hereby acknowledges itself obligated to, and promises to pay, the Registered Owner identified above, or registered assigns, but only out of the sources pledged for that purpose as hereinafter provided, and not otherwise, on the Maturity Date set forth above or on prior redemption of the Principal Amount above and interest thereon from the most recent Interest Payment Date (as hereinafter defined) to which interest has been paid or for which due provision has been made or, if no interest has been paid, from the Dated Date set forth above, at the rate of interest per annum determined as set forth herein, until the Issuer’s obligation with respect to payment of said Principal Amount is discharged.

Principal of, redemption premium, if any, and interest on this Bond are payable in any coin or currency of the United States of America which, at the respective dates of payment thereof, is legal tender for the payment of public and private debts, and such principal and premium, if any, on this Bond shall be payable at the Principal Office of Mark Twain Bank, St. Louis, Missouri, as trustee (the “Trustee”), and, with respect to Tender Price, at the Principal Office of Mark Twain Bank, St. Louis, Missouri, as tender agent (the “Tender Agent”) upon presentation and surrender of this Bond. Payment of interest on this Bond will be made by check or draft of the Trustee mailed to the person in whose name this Bond is registered on the Bond Register as of the close of business of the Trustee on the Record Date for such Interest Payment Date, except that interest not duly paid or provided for when due will be payable to the person in whose name this Bond is registered at the close of business on the Business Day immediately preceding the date of payment of such defaulted interest as provided for in the hereinafter referred to Indenture. In the case of an interest payment to any Owner of $1,000,000 or more in aggregate principal amount of Bonds as of the commencement of business of the Trustee on the Record Date for a particular Interest Payment Date or in the case of the purchase from an Owner of $1,000,000 or more in aggregate principal amount of Bonds on the Tender Date, payment of interest or the Tender Price, as applicable, will be made by wire transfer to such Owner upon written notice to the Trustee from such Owner containing the wire transfer address (which shall be in the continental United States) to which such Owner wishes to have such wire directed and, with regard to interest payments, such written notice is given by such Owner to the Trustee not less than fifteen (15) days prior to such Record Date and regarding payment of the Tender Price, which written notice accompanies such Owner’s Notice of Election to Tender Bonds.

Interest on this Bond will be includable in gross income of the Owner hereof for federal income tax purposes.

The Bonds and the interest thereon are limited obligations of the Issuer payable solely out of the Revenues and other moneys pledged thereto and held by the Trustee as provided in the Indenture and are secured by a transfer, pledge and assignment of and a grant of a security interest in the Trust Estate to the Trustee and in favor of the Owners of the Bonds, as provided in the Indenture. THE BONDS AND THE PREMIUM, IF ANY, AND INTEREST THEREON (INCLUDING ANY AMOUNTS PAYABLE IN CONNECTION WITH ANY PREPAYMENT OR PURCHASE OF THE BONDS) ARE LIMITED OBLIGATIONS OF THE ISSUER; THE PRINCIPAL OF, PREMIUM, IF ANY, AND INTEREST ON THE BONDS (INCLUDING ANY AMOUNTS PAYABLE IN CONNECTION WITH

ANY PURCHASE OF THE BONDS) ARE PAYABLE SOLELY FROM THE REVENUES OR MONEYS TO BE RECEIVED IN CONNECTION WITH THE FINANCING OF THE PROJECT OR FROM ANY OTHER MONEYS MADE AVAILABLE TO THE ISSUER FOR SUCH PURPOSE; NEITHER THE BONDS NOR THE INTEREST THEREON (INCLUDING ANY AMOUNTS PAYABLE IN CONNECTION WITH ANY PURCHASE OF THE BONDS) SHALL EVER CONSTITUTE AN INDEBTEDNESS OR A CHARGE AGAINST THE GENERAL CREDIT OF THE STATE, THE ISSUER, OR ANY POLITICAL SUBDIVISION OF THE STATE, OR OF THE TAXING POWERS OF THE STATE WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY LIMITATION AND SHALL NEVER CONSTITUTE OR GIVE RISE TO ANY PECUNIARY LIABILITY OF THE STATE, THE ISSUER, OR ANY POLITICAL SUBDIVISION OF THE STATE, THE BONDS DO NOT CONSTITUTE AN INDEBTEDNESS TO WHICH THE FAITH OR CREDIT OF THE STATE, THE ISSUER, OR ANY POLITICAL SUBDIVISION OF THE STATE, OR TAXING POWER OF THE STATE, IS PLEDGED.

No recourse shall be had for the payment of the principal of, premium, if any or interest on, any of the Bonds or for any claim based thereon or upon any obligation, covenant or agreement in the Indenture contained, against any past, present or future director, trustee, officer, official, employee or agent of the Issuer, or any director, trustee, officer, official, employee or agent of any successor to the Issuer, as such, either directly or through the Issuer or any successor to the Issuer, under any rule of law or equity, statute or constitution or by the enforcement of any assessment or penalty or otherwise, and all such liability of any director, trustee, officer, official, employee or agent, as such, is hereby expressly waived and released as a condition of and consideration for the execution of the Indenture and the issuance of any of the Bonds.

Capitalized terms used herein shall have the meanings set forth in the Trust Indenture, dated as of September 1, 1994 (the “Indenture”), by and between the Issuer and the Trustee with respect to the Bond unless otherwise defined herein.

ADDITIONAL PROVISIONS OF THIS BOND ARE SET FORTH ON THE REVERSE HEREOF.

This Bond shall not be valid or become obligatory for any purpose or be entitled to any security or benefit under the Indenture until the Certificate of Authentication hereon shall have been manually signed by an authorized officer of the Trustee.

IT IS HEREBY CERTIFIED AND RECITED that all acts, conditions and things required to exist, to happen and to be performed precedent to and in the issuance of this Bond have existed, have happened and have been performed in due form, time and manner as required by law.

IN WITNESS WHEREOF, the Issuer has caused this Bond to be executed and attested by the printed facsimile signatures of its duly authorized officers, and its corporate seal to be printed hereon, all as of the Dated Date shown above.

[SEAL]

SOUTH CAROLINA JOBS-ECONOMIC DEVELOPMENT AUTHORITY

By (Facsimile Signature)
Chairman, Board of Directors

ATTEST:

By (Facsimile Signature)
Executive Director

AUTHENTICATION CERTIFICATE

The undersigned hereby certifies that this is one of the Bonds described in the within-mentioned Indenture.

Date of Authentication:

MARK TWAIN BANK, as Trustee

By
Authorized Signatory

(Form of Reverse of Bond)

CERTAIN DEFINITIONS

Unless otherwise defined herein, capitalized words and terms used in this Bond shall have the meanings ascribed to such terms in the Indenture. In addition, the following words and terms as used in this Bond shall have the following meanings:

"Agreement" means the Loan Agreement, including the Exhibits attached thereto, dated as of the date of the Indenture, between the Issuer and the Borrower, with respect to the Bonds, as such Agreement may be from time to time amended, restated or supplemented in accordance with the provisions of the Agreement and the Indenture.

"Alternate Credit Facility" means any alternate credit facility designated and qualified as such and provided in accordance with the Indenture.

"Alternate Credit Facility Date" means a Business Day on or prior to the Termination Date on which the Borrower has complied with all requirements of the Indenture regarding the substitution of an Alternate Credit Facility for the Credit Facility then in effect.

"Annual Mode" means an Interest Mode during which the interest rate on the Bonds is determined at twelve month intervals, as provided in the Indenture.

"Authorized Denominations" means (i) in the case of Bonds in a Weekly Mode or Monthly Mode, $100,000 and any integral multiple of $5,000 in excess thereof; (ii) in the case of Bonds in a Semiannual Mode, Annual Mode or Multiyear Mode, $5,000 or any integral multiple thereof, provided that if the Credit Facility is not exempt from registration under the Securities Act of 1933 and has not been registered thereunder, as amended, then the Authorized Denomination shall be $100,000 and any integral multiple of $5,000 in excess thereof; or (iii) in the case of a Bond which is a Pledged Bond, $100,000 or any integral multiple of $5,000 in excess thereof.

"Bond Registrar" means the Trustee, when acting as such.

"Business Day" means any day which is not (i) a Saturday, a Sunday or any other day on which banking institutions in the City of New York, New York or the city in which the principal corporate trust office of the Trustee, and the principal office of the Remarketing Agent, the Tender Agent or the Credit Enhancer is located, are required or authorized to close or (ii) a day on which the New York Stock Exchange is closed.

"Credit Facility" means the letter of credit initially issued by Heller Financial, Inc. or any Alternate Credit Facility issued by the Credit Enhancer in substitution therefor in accordance with the Indenture, as the same may be amended, supplemented, extended or renewed from time to time in accordance with the Loan Agreement and the Indenture.

"Financial Institution" means any qualified institutional buyer, as that term is defined from time to time in 17 C.F.R. ss.230.144A(a)(i) ("Rule 144A").

"Immediate Notice" means notice by telephone, telegram, telex, telecopier or other telecommunication device to such phone numbers or addresses as are specified in the Indenture or such other phone number or address as the addressee shall have directed in writing, promptly followed by written notice by first-class mail postage prepaid to such addresses.

"Interest Mode" means a period of time relating to the frequency with which the interest rate on the Bonds is determined pursuant to the Indenture, which Interest Mode may be a Weekly Mode, a Monthly Mode, a Semiannual Mode, an Annual Mode or a Multiyear Mode.

"Interest Mode Adjustment Date" means a date on which the Interest Mode of the Bonds is changed from one Interest Mode to a different Interest Mode, and such date shall be an Interest Payment Date.

"Interest Mode Adjustment Notice" means the notice of a new Interest Mode with respect to any Bonds in accordance with the Indenture.

"Interest Payment Date" means the date on which an interest installment is required to be paid on the Bonds to the Owners thereof, (i) with respect to all Bonds other than Pledged Bonds, (1) as to the first Interest Period, October 3, 1994; (2) as to any Weekly Mode or Monthly Mode, the first Business Day of each month; (3) as to any Semiannual Mode, Annual Mode or Multiyear Mode, each September 1, and March 1, commencing with the first such September 1, or March 1 following the Interest Mode Adjustment Date, or the next succeeding Business Day thereafter if any such September 1, or March 1, is not a Business Day; and (4) an Interest Mode Adjustment Date; and (ii) with respect to Pledged Bonds, the first Business Day of each calendar month and the date of sale of Pledged Bonds.

"Interest Period" means, with respect to the Bonds in any Interest Mode, the period from and including each Interest Payment Date for such Interest Mode to and including the day immediately preceding the following Interest Payment Date for such Interest Mode, except that the first Interest Period shall be the period from and including the date of original delivery of the Bonds to and including the day immediately preceding the first Interest Payment Date for the Bonds.

"Mandatory Purchase Date" means each date designated by the Credit Enhancer for purchase of the Bonds in accordance with the Indenture.

"Maximum Rate" means the lesser of (i) 15% per annum or (ii) the rate utilized in the Credit Facility for purposes of computing the interest component thereof.

"Monthly Mode" means an Interest Mode during which the interest rate on the Bonds is determined in monthly intervals as set forth in the Indenture.

"Multiyear Mode" means an Interest Mode during which the interest rate on the Bonds is determined at intervals of integral (greater than one) multiples of twelve months, as provided in the Indenture.

"Notice of Election to Tender/Retain Bonds" means the Notice of Election to Tender/Retain Bonds in substantially the form attached to the Indenture delivered by a Bondowner to the Tender

Agent (i) which contain a demand for the purchase of Bonds on the Tender Date, or (ii) following receipt of a notice of a mandatory tender of Bonds which contain an election to retain Bonds. "Notice of Election to Tender Bonds" shall refer to those provisions of the Notice of Election to Tender/Retain Bonds which relate to the election to tender Bonds as provided in the Indenture. "Notice of Election to Retain Bonds" shall refer to those provisions of the Notice of Election to Tender/Retain Bonds which relate to the election to retain Bonds.

"Rate Adjustment Date" means the date as of which the interest rate determined for an Interest Mode shall be effective, which (i) during a Weekly Mode shall be Thursday of each week (whether or not a Business Day); (ii) during a Monthly Mode shall be the first calendar day of each month; (iii) during a Semiannual Mode shall be the first calendar day of such Semiannual Mode which shall be September 1 or March 1 and the first day following each six-month period thereafter; and, (iv) during an Annual Mode or a Multiyear Mode shall be the first calendar day of such Annual Mode or Multiyear Mode, which shall be September 1, and thereafter the first calendar day following the completion of the then current Annual Mode or Multiyear Mode. The initial Rate Adjustment Date is September 15, 1994.

"Rate Adjustment Notice" means the Rate Adjustment Notice to be mailed by the Trustee in the form and in accordance with the Indenture.

"Rate Determination Date" means no later than 4:00 p.m., New York Time, on the Business Day immediately preceding a Rate Adjustment Date for a Weekly or a Monthly Mode, and on the third (3rd) Business Day immediately preceding a Rate Adjustment Date for a Semiannual Mode, Annual Mode or Multiyear Mode.

"Rate Period" means the period from a Rate Adjustment Date to, but not including, the next Rate Adjustment Date.

"Record Date" means, with respect to Bonds in a Semiannual Mode, an Annual Mode or a Multiyear Mode, the fifteenth calendar day, whether or not a Business Day of the month, preceding such Interest Payment Date, and, with respect to Bonds in a Weekly Mode or Monthly Mode, the fifth calendar day immediately preceding such Interest Payment Date.

"Semiannual Mode" means an Interest Mode during which the interest rate on the Bonds is determined at six-month intervals as set forth in the Indenture.

"Tender Agent" means initially the Trustee and any successor tender agent appointed pursuant to the Indenture. The Tender Agent shall act as Paying Agent as to Tendered Bonds.

"Tender Date" means (a) each date designated by a Bondowner for purchase of any Bonds in accordance with the provisions of the Indenture, and (b) each date on which Bonds are required to be tendered in accordance with the provisions of the Indenture, including any Mandatory Purchase Date, whether or not such Bonds are actually tendered.

"Tender Price" means 100% of the principal amount of any Bond tendered pursuant to the provisions of the Indenture plus interest accrued and unpaid thereon to, but not including, the Tender Date.

"Tendered Bonds" means (a) any Bonds tendered by a Bondowner for purchase pursuant to the optional redemption provisions of the Indenture, and (b) any Bonds required to be tendered for purchase pursuant to the mandatory tender provisions of the Indenture, in each case whether or not such Bonds are actually tendered.

"Termination Date" means (i) if the Credit Facility is not a letter of credit, the maturity or expiration date of the Credit Facility or (ii) if the Credit Facility is a letter of credit, the Interest Payment Date which is at least five (5) days preceding the date on which the Credit Facility is to expire pursuant to its terms, in each case including any extension of such maturity or expiration date.

"Weekly Mode" means an Interest Mode during which the interest rate on the Bonds is determined in weekly intervals as set forth in the Indenture.

GENERAL PROVISIONS

This Bond is one of a series of Bonds of the Issuer limited in aggregate original principal amount to $3,000,000 and designated as Variable Rate Demand Industrial Development Revenue Bonds (Roller Bearing Company of America, Inc. Project) Series 1994B (the "Bonds"). All of the Bonds are issued under a Trust Indenture dated as of September 1, 1994 (the "Indenture"), between the Issuer and the Trustee, to provide funds to make a loan (the "Loan") to Roller Bearing Company of America, Inc., a Delaware corporation (the "Borrower"), under a Loan Agreement dated as of September 1, 1994 (the "Agreement"), between the Issuer and the Borrower. The Loan shall provide funds to finance the Project (as defined in the Agreement) and to pay certain costs of issuance, all by the authority of and in full compliance with the provisions, restrictions and limitations of the Constitution and statutes of the State of South Carolina, including particularly Title 41, Chapter 43, Code of Laws of South Carolina 1976, as amended, and pursuant to proceedings duly had by the Issuer.

Concurrently with the original issuance herewith, the issuer has delivered its $7,700,000 aggregate original principal amount Variable Rate Demand Industrial Development Revenue Bonds (Roller Bearing Company of America, Inc. Project) Series 1994A (the "Series 1994A Bonds").

TO INITIALLY SECURE THE PAYMENT OF THE PRINCIPAL OF AND INTEREST ON THE BONDS, THE BORROWER HAS CAUSED HELLER FINANCIAL, INC., A DELAWARE CORPORATION (THE "CREDIT ENHANCER"), TO DELIVER AN IRREVOCABLE TRANSFERABLE DIRECT-PAY LETTER OF CREDIT (THE "CREDIT FACILITY") TO THE TRUSTEE. SUBJECT TO CERTAIN CONDITIONS, THE CREDIT FACILITY MAY BE REPLACED BY AN ALTERNATE CREDIT FACILITY. UNDER THE CREDIT FACILITY, THE CREDIT ENHANCER IS OBLIGATED TO PAY AMOUNTS SUFFICIENT FOR THE PAYMENT OF (A) THE PRINCIPAL OF THE BONDS OR THE PORTION OF THE TENDER PRICE CORRESPONDING TO THE PRINCIPAL OF THE BONDS, AND (B) ACCRUED INTEREST ON THE BONDS OR THE PORTION OF THE TENDER PRICE OF THE BONDS CORRESPONDING TO ACCRUED INTEREST THEREON. THE CREDIT FACILITY IS SCHEDULED TO TERMINATE ON SEPTEMBER 15, 1999, UNLESS EXTENDED OR TERMINATED EARLIER PURSUANT TO ITS TERMS.

Counterparts or copies of the Indenture and the other documents referred to herein are on file at the Principal Office of the Trustee in St. Louis, Missouri, and reference is hereby made thereto and to the documents referred to therein for the provisions thereof, including the provisions with respect to the rights, obligations, duties and immunities of the Issuer, the Trustee, the Credit Enhancer, the Borrower and the Registered Owners of the Bonds under such documents, to all of which the Registered Owner hereof, by acceptance of this Bond, assents. The Registered Owner of this Bond shall have no right to enforce the provisions of the Indenture or to institute, appear in or defend any suit or other proceedings with respect thereto, except as provided in the Indenture. The Indenture and other documents referred to therein may be modified or amended to the extent permitted by and as provided therein. Upon the occurrence of certain Events of Default (as defined in the Indenture), all Bonds may be declared immediately due and payable as provided in the Indenture. Interest on the Bonds shall cease to accrue on the date of such declaration. Subject to the limitations provided for in the Indenture, this Bond may be exchanged for a like aggregate principal amount of Bonds in Authorized Denominations. Bonds are transferable by the Registered Owner thereof in person or by such Owner's attorney duly authorized in writing at the Principal Office of the Bond Registrar, but only in the manner and subject to the limitations provided for in the Indenture and upon surrender and cancellation of this Bond. Such limitations include a requirement that Bonds that are subject to the benefits of the Credit Facility may be sold, remarketed or otherwise transferred only in transactions in which the Bonds and the related Credit Facility are registered wider the Securities Act and any applicable state securities statutes or in transactions in which the Bonds and the related Credit Facility are except from the registration requirements of the Securities Act and any applicable state securities laws, and any Bondowner desiring to effect such transfer is required to indemnify the Issuer, the Trustee and the Credit Enhancer against any liability, cost or expense (including attorneys' fees) that may result if the transfer is not so exempt, or is not made in accordance with such federal and state law. Upon such transfer a new Bond or Bonds in Authorized Denominations for the same aggregate principal amount will be issued to the transferee in exchange. The Bond Registrar may require a Registered Owner, among other things, to furnish appropriate endorsements and transfer documents and to pay any taxes and fees required by law or permitted by the Indenture in connection with the exchange or transfer. The Issuer, the Tender Agent and the Trustee may treat the Registered Owner of this Bond as the absolute Owner for the purpose of receiving payment as herein provided and for all other purposes and none of them shall be affected by any notice to the contrary.

INTEREST RATE PROVISIONS

(a) Generally. The interest rate on the Bonds shall be separately determined by Stern Brothers & Co., St. Louis, Missouri, or any successor or assign (the "Remarketing Agent"), as provided in the Indenture and as summarized below. In no event shall the interest rate borne by the Bonds at any time exceed the Maximum Rate. Interest accrued on the Bonds during each Interest Period shall be paid on the next succeeding Interest Payment Date and, while the Bonds are in a Weekly Mode or a Monthly Mode, shall be computed on the basis of a year of 365 or 366 days, as appropriate, for the actual number of days elapsed and, while the Bonds are in a Semiannual Mode, an Annual Mode or a Multiyear Mode, shall be computed on the basis of a year of 360 days and

twelve 30-day months. Each determination of the interest rate for the Bonds, as provided in the Indenture, shall be conclusive and binding upon the Bondowners, the Issuer, the Borrower, the Tender Agent, the Remarketing Agent, the Credit Enhancer and the Trustee. Upon request, the Remarketing Agent shall give the Issuer, the Trustee, the Tender Agent, the Credit

Enhancer, the Borrower or any Bondowner Immediate Notice of the interest rate on the Bonds at any time.

(b) Weekly Mode. The interest rate for Bonds in a Weekly Mode shall be determined in the following manner. On each Rate Determination Date, the Remarketing Agent shall determine the interest rate which such Bonds shall bear during the Rate Period following such Rate Determination Date. The interest rate so determined shall be effective on the Rate Adjustment Date. Promptly after each Rate Adjustment Date, the Remarketing Agent shall give written notice of the interest rate so set to the Trustee, the Credit Enhancer and the Borrower. On each Interest Payment Date the Trustee shall mail to each Bondowner a written statement showing the interest rates for such Bonds during the preceding Interest Period.

(c) Monthly Mode. The interest rate for any Bonds in a Monthly Mode shall be determined in the following manner. On each Rate Determination Date, the Remarketing Agent shall determine the interest rate which such Bonds shall bear during the Rate Period following such Rate Determination Date. The interest rate so determined shall be effective on the Rate Adjustment Date. Promptly after each Rate Determination Date, the Remarketing Agent shall give written notice of the interest rate so set to the Borrower, the Credit Enhancer and the Trustee. On each Interest Payment Date the Trustee shall mail to each Bondowner a written statement showing the interest rates during the preceding Interest Period.

(d) Semiannual Mode. Annual Mode or Multiyear Mode. The interest rate for Bonds in a Semiannual Mode, an Annual Mode or a Multiyear Mode shall be determined in the following manner. Not less than 30 days nor more than 35 days before each Rate Adjustment Date, the Remarketing Agent shall determine the interest rate (the “Preliminary Rate”) which the Bonds would bear if such day were a Rate Determination Date. The Remarketing Agent shall give Immediate Notice of the Preliminary Rate to the Borrower, the Credit Enhancer and the Trustee. The Trustee shall thereupon mail, not less than 25 days prior to the Rate Adjustment Date, to each Bondowner a Rate Adjustment Notice. On the Rate Determination Date the Remarketing Agent shall determine the interest rate which each of such Bonds shall bear for each such Rate Period, which rate may be less than, equal to, or greater than the Preliminary Rate. By Immediate Notice on such Rate Determination Date, the Remarketing Agent shall give written notice of the interest rate so set to the Borrower, the Credit Enhancer, the Tender Agent and the Trustee, and the Trustee shall mail to all Bondowners written notice of the interest rate so determined.

(e) Interest Modes. The Bonds shall initially be in a Weekly Mode. The Interest Mode for the Bonds may be changed from time to time at the option of the Borrower, with the prior written consent of the Credit Enhancer exercised as provided in the Indenture, to another Interest Mode on an Interest Payment Date on which the Bonds are subject to optional redemption pursuant to the Indenture at a redemption price equal to the principal amount thereof, plus accrued interest, without premium, as selected by the Borrower. The Borrower may exercise such option at any time by giving written notice not more than 60 nor less than 45 days prior to the Interest Mode Adjustment Date to the Issuer, the Trustee, the Remarketing Agent, the Tender Agent and the Credit Enhancer stating its election to convert the Interest Mode for the Bonds to another Interest Mode, which notice shall specify the new Interest Mode and the Interest Mode Adjustment Date. Such Interest Mode Adjustment Date shall be a Rate Adjustment Date for the Bonds in such new Interest Mode. Upon the exercise of such option by the Borrower and upon the Trustee’s receipt of the

prior written consent of the Credit Enhancer to the exercise of such option, not less than 30 days prior to the Interest Mode Adjustment Date, the Trustee shall mail an Interest Mode Adjustment Notice to each Owner of Bonds, and, in the event of a conversion to a Weekly Mode or a Monthly Mode from any other Interest Mode, a Notice of Election to Tender Bonds in substantially the form as provided in the Indenture.

REDEMPTION PROVISIONS

The Bonds are subject to redemption prior to maturity as provided in the Indenture which redemption provisions are summarized as follows:

Optional Redemption. Bonds (other than any Bonds in a Multiyear Mode) are subject to redemption prior to maturity at the option of the Issuer upon instructions from the Borrower with the prior written consent of the Credit Enhancer, in whole or in part in Authorized Denominations, on any Interest Payment Date at 100% of the principal amount thereof plus accrued interest to the redemption date, first, from proceeds of a payment under the Credit Facility and, second, from other Available Moneys. Bonds in a Multiyear Mode are subject to redemption prior to maturity at the option of the Issuer upon instructions from the Borrower with the prior written consent of the Credit Enhancer, in whole or in part in Authorized Denominations, on any Interest Payment Date at the redemption prices set forth below plus accrued interest to the redemption date, first, from proceeds of a payment under the Credit Facility and, second, from other Available Moneys:

OPTIONAL REDEMPTION IN MULTIYEAR MODE

Length of Multiyear Mode (In Years) *	Redemption Prices as a Percentage of Principal Amounts	Call Protection Period*
Greater than 10	102% after 7 years declining 1/2% per 12 months to 100%	7 years
Less than or equal to 10 and greater than 7	102% after 4 years declining 1/2% per 12 months to 100%	4 years
Less than or equal to 7 and greater than 5	102% after 3 years declining 1% per 12 months to 100%	3 years

Less than or equal to 5 and greater than 2	101% after 2 years declining 1/2% per 6 months to 100%	2 years
Less than or equal to 2 and greater than 1	100 1/2% after 1 year declining 1/2% per 6 months to 100%	1 year

* Measured from and including the first day of such Rate Period.

Mandatory Redemption. The Bonds are also subject to mandatory redemption by the Issuer in each case, first, from proceeds of a payment under the Credit Facility and, second, from other Available Moneys at 100% of the principal amount thereof, without premium, plus accrued interest to the date of redemption, (i) immediately in whole, in the event the Trustee shall receive notice from the Credit Enhancer of the occurrence of a default under the Letter of Credit Agreement and irrevocable instructions to draw on the Credit Facility, such notice being conclusive and binding as to the occurrence of a default under the Letter of Credit Agreement and (ii) in part on the earliest practicable date for which notice can be given, from proceeds of the Bonds remaining in the Project Fund on the Completion Date. In addition, the Bonds shall be subject to redemption by the Issuer, at the option and upon instructions from the Borrower with the prior written consent of the Credit Enhancer, ‘in whole or in part at any time on the earliest practicable date for which notice can be given, upon the occurrence of a condemnation, loss of Title or casualty loss to the “Project”, as defined in the Trust Indenture pertaining to the Series 1994A Bonds, at 100% of the principal amount thereof, without premium, plus accrued interest to the date of redemption.

The Trustee shall select Bonds for redemption as provided in the Indenture. The Trustee shall cause notice of any such redemption to be given as provided in the Indenture to the Registered Owner of the Bonds designated for redemption in whole or in part, at its address as shown on the Bond Register by mailing a copy of the redemption notice by first-class mail, postage prepaid, at least 15 and not more than 30 days prior to the redemption date. The failure of the Trustee to give notice to any Bondowner or any defect of such notice shall not affect the validity of the redemption of any other Bonds and provided further that no such prior notice of redemption is required for a mandatory redemption because of a default under the Letter of Credit Agreement. On the date fixed for redemption by notice given as provided in the Indenture, the Bonds so called for redemption shall become and be due and payable at the redemption price provided for redemption of such Bonds on such date.

TENDER PROVISIONS

Optional Tender. While the Bonds are in a Weekly Mode or Monthly Mode, any Bond or portion thereof shall be purchased on the Tender Date by the Tender Agent on the demand of the Owner thereof, at the Tender Price, upon delivery to the Tender Agent on a Business Day at its Principal Office of an irrevocable written notice in the form of the Notice of Election to Tender Bonds which states (A) the principal amount and number of such Bond (and the portion of such Bond to be purchased if less than the full principal amount is to be purchased), the name and the address of such Owner and the taxpayer identification number, if any, of such Owner and (B) that such Bond, or portion thereof, is to be purchased on a day (which shall be the Tender Date), which day will be a Business Day which is at least seven (7) calendar days after the receipt by the Tender Agent of such Notice of Election to Tender Bonds. Such Notice of Election to Tender Bonds shall be deemed received on a Business Day if received by the Tender Agent no later than 3:00 p.m., New York Time, on such Business Day. Any Notice of Election to Tender Bonds received by the Tender Agent after 3:00 p.m., New York Time, shall be deemed received on the next succeeding Business Day.

Any Owner of Bonds who has demanded purchase of its Bond or portion thereof as described above shall deliver such Bond (with an appropriate transfer of registration form executed

in blank, together with a signature guaranty) (together with, in the case of any Bond with a specified Tender Date prior to an Interest Payment Date and after the related Record Date, a due-bill check in form satisfactory to the Tender Agent for interest due on such Bond on such Interest Payment Date) to the Tender Agent at its Principal Office prior to 10:30 a.m., New York Time, on the Tender Date specified in the aforesaid written notice.

Mandatory Tender.

(1) On Termination Date or Interest Mode Adjustment Date. All Bonds are required to be tendered to the Tender Agent for purchase on the Termination Date or an Interest Mode Adjustment Date; provided, however, that if the credit enhancement requirements of the Indenture are met, there shall not be so tendered on the Termination Date or the Interest Mode Adjustment Date, as applicable, any Bonds or portion thereof which will be in Authorized Denominations with respect to which the Owners thereof have delivered to the Tender Agent by hand or by mail at its Principal Office a properly completed Notice of Election to Retain Bonds, together with a signature guaranty, on or prior to the fifth Business Day next preceding the Termination Date or the Interest Mode Adjustment Date, as applicable. Any Bondowner required to tender Bonds under this subsection (1) shall tender its Bonds to the Tender Agent for purchase at its Principal Office prior to 10:30 a.m., New York Time, on the Termination Date or the Interest Mode Adjustment Date, as applicable. The failure to tender Bonds on any such date is the equivalent of a tender and such Bonds shall be converted to Undelivered Bonds and replacement Bonds shall be executed, authenticated and delivered in the place of such Undelivered Bonds and such replacement Bonds may be offered and sold by the Remarketing Agent in accordance with the Indenture and Remarketing Agreement if the credit enhancement requirements of the Indenture are met.

(2) On Alternate Credit Facility Date. While the Bonds are in an Interest Mode other than a Multiyear Mode, all Bonds are required to be tendered to the Tender Agent for purchase on an Alternate Credit Facility Date; provided, however, that there shall not be so tendered on the Alternate Credit Facility Date any Bonds or portion thereof which will be in Authorized Denominations with respect to which the Owners thereof have delivered to the Tender Agent by hand or by mail at its Principal Office a properly completed Notice of Election to Retain Bonds, together with a signature guaranty, on or prior to the fifth Business Day next preceding the Alternate Credit Facility Date. Any Bondowner required to tender

Bonds under this subsection (2) shall tender its Bonds to the Tender Agent for purchase at its Principal Office prior to 10:30 a.m., New York Time, on the Alternate Credit Facility Date. The failure to tender its Bonds on any such date is the equivalent of a tender and such Bonds shall be converted to Undelivered Bonds and replacement Bonds shall be executed, authenticated and delivered in the place of such Undelivered Bonds and such replacement Bonds may be offered and sold by the Remarketing Agent in accordance with the Indenture and Remarketing Agreement if the credit enhancement requirements of the Indenture are met.

(3) On Rate Adjustment Date During Semiannual Mode, Annual Mode and Multiyear Mode. While the Bonds are in a Semiannual Mode, Annual Mode or Multiyear Mode, all Bonds are required to be tendered to the Tender Agent for purchase on a Rate

Adjustment Date; provided, however, that there shall not be so tendered on the Rate Adjustment Date any Bonds or portions thereof which will be in Authorized Denominations with respect to which the Owners thereof have delivered to the Tender Agent by hand or by mail at its Principal Office a properly completed Notice of Election to Retain Bonds, together with a signature guaranty, on or prior to the fifth Business Day next preceding a Rate Adjustment Date. Any Bondowner required to tender Bonds under this subsection (3) shall tender its Bonds to the Tender Agent for purchase at its Principal Office prior to 10:30 a.m., New York Time, on the Rate Adjustment Date. The failure to tender its Bonds on any such date is the equivalent of a tender and such Bonds shall be converted to Undelivered Bonds and replacement Bonds shall be executed, authenticated and delivered in the place of such Undelivered Bonds as provided in the Indenture and such replacement Bonds may be offered and sold by the Remarketing Agent in accordance with the Indenture and Remarketing Agreement if the credit enhancement requirements of the Indenture are met.

(4) Mandatory Tender in Lieu of Acceleration on Default. Additionally, all Bonds are subject to mandatory tender for purchase on the Mandatory Purchase Date from the Bondowners by the Trustee for the account of the Credit Enhancer in lieu of acceleration of the Bonds and mandatory redemption, upon the occurrence of an event of default under the Letter of Credit Agreement and notice from the Credit Enhancer requiring the mandatory purchase of the Bonds. Upon receipt of notice from the Credit Enhancer directing the Trustee to purchase the Bonds and setting the Mandatory Purchase Date, which shall be a Business Day which is at least three (3) and no more than ten (10) calendar days after the receipt by the Trustee of such notice, the Trustee shall immediately request a payment under the Credit Facility to be received no later than 3:00 P.M., New York Time, on the Mandatory Purchase Date, and shall also send notice to the Bondowners of the mandatory purchase. On the Mandatory Purchase Date, the Tender Agent shall pay to the Bondowners the purchase price for the Bonds, which shall be an amount equal to 100% of the principal amount of any Bond tendered or deemed tendered plus accrued and unpaid interest thereon to the Mandatory Purchase Date. Any Bondowner required to tender Bonds under this subsection (4) shall tender its Bonds to the Tender Agent for purchase at its Principal Office prior to 10:30 A.M., New York Time, on the Mandatory Purchase Date. The failure to tender its Bonds on any such date is the equivalent of a tender and such Bonds shall be converted to Undelivered Bonds and replacement Bonds shall be executed, authenticated and delivered in the place of such Undelivered Bonds if the credit enhancement requirements of the Indenture are met.

Notice of Mandatory Tender. The Trustee shall give notice to Bondowners of the mandatory tender for Bonds on an Interest Mode Adjustment Date, on an Alternate Credit Facility Date, if the Bonds are in a Multiyear Mode, Annual Mode or Semiannual Mode on a Rate Adjustment Date, on the Termination Date and on the Mandatory Purchase Date in accordance with the provisions of the Indenture.

Failure to Give Notice. Failure by the Trustee to give any notice regarding a mandatory tender as provided in the Indenture, any defect therein or any failure by any Bondowner to receive any such notice shall not in any way change such Owner’s obligation to tender the Bonds for purchase on any mandatory Tender Date.

Irrevocability of Election. Any election by a Bondowner to exercise the option to have its Bond or Bonds purchased, or any election by a Bondowner to retain its Bond or Bonds upon any mandatory Tender Date, shall be irrevocable upon delivery to the Tender Agent of the Notice of Election to Tender Bonds (together with, if required at the time of delivery of such notice, the Tendered Bonds) or of the Notice of Election to Retain Bonds, as the case may be. If any Owner of Bonds fails to deliver the Bonds described in such Owner’s Notice of Election to Tender Bonds, such Bonds shall be converted to Undelivered Bonds. Replacement Bonds shall be executed, authenticated and delivered in place of such Undelivered Bonds as provided in the Indenture and such replacement Bonds may be offered and sold by the Remarketing Agent in accordance with the Indenture and Remarketing Agreement if the credit enhancement requirements of the Indenture are met.

Purchase of Tendered Bonds. Tendered Bonds shall be purchased from the Owners thereof on the Tender Date at the Tender Price which shall be payable solely from the following sources in the order of priority listed: (1) proceeds of the remarketing of such Tendered Bonds pursuant to the Remarketing Agreement and the Indenture which constitute Available Moneys; and (2) proceeds of a payment under the Credit Facility to purchase such Tendered Bonds.

Notwithstanding any provision of the Indenture to the contrary, there shall be no purchases (other than a mandatory tender on the Termination Date or a mandatory purchase on the Mandatory Purchase Date) or sales of Bonds pursuant to the provisions of the Indenture relating to the tender of Bonds if there shall have occurred and be continuing certain Events of Default under the Indenture.

FORM OF ASSIGNMENT

FOR VALUE RECEIVED, the undersigned hereby sells, assigns and transfers unto

(Please Print or Typewrite Name, Address and Social Security Number or Taxpayer Identification Number of Transferee) the within Bond and all rights therein, and hereby irrevocably constitutes and appoints Attorney to transfer the within Bond on the books kept for registration thereof, with full power of substitution in the premises.

Dated: _____

NOTICE: The signature to this Assignment must correspond with the name as it appears upon the face of the within Bond in every particular, without alteration or enlargement or any change whatever.
Signature Guaranteed By:

NOTICE: Signature(s) must be guaranteed by an eligible guarantor institution as defined by SEC Rule l7Ad-15 (17 CFR 240.l7Ad-15).

By _____
Title _____

The following abbreviations, when used in the inscription on the face of the within Bond, shall ,be construed as though they were written out in full according to applicable laws or regulations.

TEN COM	as tenants in common
TEN ENT	as tenants by the entireties
JT TEN	as joint tenants with right of survivorship and not as tenants in common

UNIF TRANS MIN ACT _____
(Cust)

Custodian _____
(Minor)

under Uniform Transfers to Minors Act

_____
(State)

Additional abbreviations may also be used though not in the above list.

LEGAL OPINION

I, the undersigned, Executive Director of the South Carolina Jobs-Economic Development Authority, hereby certify that the following is a true and correct copy of the approving legal opinion of Sinkler & Boyd, P.A., on the within Bond and the series of which said Bond is a part, except that it omits the date of such opinion; that said legal opinion was manually executed and was dated and issued as of the date of delivery of and payment for such Bonds, and is on file with , the Trustee.

facsimile
Executive Director
South Carolina Jobs-Economic Development Authority

(Legal Opinion)

EXHIBIT B

INVESTMENT SECURITIES COLLATERAL REQUIREMENT

Collateral securing Investment Securities must comply with the following requirements:

(i) The Trustee or a third party acting solely as agent for the Trustee has possession of the collateral;

(ii) The Trustee or a third party acting as agent for the Trustee shall have a first perfected security interest in the collateral free and clear of the claims of any third parties;

(iii) The collateral will consist of Government Securities and will have a minimum market value (expressed as a percentage of the obligation) on a valuation date as follows:

Remaining Maturity

Frequency of Valuation	0*–1 yrs	1*–5 yrs	5*–10 yrs	10*–15 yrs	15*–30 yrs
Daily	103%	106%	107%	109%	116%
Weekly	104	112	114	120	125
Monthly	107	123	130	133	143
Quarterly	108	125	135	140	150

* Not inclusive

(iv) In the event the collateral does not meet the requisite collateral percentage set forth in (iii) above on a valuation date, the party supplying the collateral shall have the following number of days to provide additional collateral in order to meet the requisite percentage:

(a) one business day for daily valuations,

(b) two business days for weekly valuations, and

(c) one month for monthly and quarterly valuations; and

(v) The Trustee will liquidate the collateral and reinvest the proceeds in Investment Securities if the requisite collateral percentage is not maintained after the period set forth in (iv) above.

EXHIBIT C

[RESERVED.]

South Carolina Jobs-Economic Development Authority
Variable Rate Demand
Industrial Development Revenue Bonds
(Roller Bearing Company of America, Inc. Project)
Series 1994B

EXHIBIT D

NOTICE OF ELECTION TO TENDER/RETAIN BONDS

The undersigned hereby irrevocably notifies , as Tender Agent, of its election to (check one)

o (i) present the Bonds described below and have such Bonds purchased by the Tender Agent on , (the "Tender Date") at the Tender Price equal to 100% of the principal amount plus interest accrued and unpaid thereon, to, but not including, the Tender Date.

o (ii) retain the Bonds described below. The undersigned hereby acknowledges that any rating on the Bonds may be reduced or withdrawn after the date hereof. [If the Interest Mode is being adjusted from a Weekly Mode or Monthly Mode to any other Interest Mode add the following: "and that the tender option terminates on such Interest Mode Adjustment Date"]

This Notice shall not be accepted by the Tender Agent unless it is properly completed and received at its offices (specified below). Such Notice must be delivered to the Tender Agent on a Business Day by hand or by mail, at , Attention: Corporate Trust Department.

Provisions Relating to Election to Retain Bonds. This Notice must be delivered to the Tender Agent on a Business Day by hand or by mail, at , Attention: Corporate Trust Department, on or prior to the fifth Business Day next preceding (i) a Rate Adjustment Date, (ii) an Interest Mode Adjustment Date, or (iii) an Alternate Credit Facility Date, as such terms are defined in the Indenture.

AN OWNER'S EXERCISE OF THE OPTION TO RETAIN SUCH BOND IS IRREVOCABLE AND BINDING ON SUCH OWNER AND CANNOT BE WITHDRAWN.

Provisions Relating to Election To Tender Bonds: The undersigned hereby agrees to sell, assign and transfer the Bonds to the Tender Agent, and hereby irrevocably constitutes and appoints the Tender Agent, as duly authorized attorney, to authorize the Trustee to transfer the Bonds on the books kept for registration thereof and to register such Bonds, with full power of substitution. The undersigned agrees to deliver to the Tender Agent, at , Attention: Corporate Trust Department, the Bonds at or before 10:30 a.m., New York Time, on the Tender Date.

AN OWNER'S EXERCISE OF THE OPTION TO HAVE SUCH BOND PURCHASED IS IRREVOCABLE AND BINDING ON SUCH OWNER AND CANNOT BE WITHDRAWN. IF ANY OWNER OF BONDS SHALL FAIL TO DELIVER THE BONDS DESCRIBED IN SUCH OWNER'S NOTICE, SUCH BONDS SHALL CONSTITUTE UNDELIVERED BONDS. REPLACEMENT BONDS

SHALL BE EXECUTED, AUTHENTICATED AND DELIVERED IN THE PLACE OF SUCH UNDELIVERED BONDS AS PROVIDED IN THE INDENTURE AND SUCH REPLACEMENT BONDS MAY BE OFFERED AND SOLD BY THE REMARKETING AGENT IN ACCORDANCE WITH THE REMARKETING AGREEMENT.

The undersigned hereby directs the Tender Agent to make payment to the undersigned of the Tender Price of the Bonds, together with accrued interest thereon, and elects to receive payment of the Tender Price of the Bonds, in one of the following manners (check the desired method):

MANNER A o by check or draft mailed to the Owner on the applicable Tender Date, upon surrender of the Bonds (if not submitted herewith) to the Tender Agent at the address specified above for hand delivery.

MANNER B o by wire transfer of immediately available funds to account number at (must be in continental United States) on the applicable Tender Date; provided however, that the undersigned may not utilize this Manner B to receive the Tender Price unless the undersigned is the Owner of and is tendering at least $1,000,000 aggregate principal amount of the Bonds and the wire transfer instructions are provided to the Tender Agent with this Notice.

General Provisions. The Tender Agent's determination of whether this Notice is properly completed and the compliance with the delivery requirements set forth herein shall be binding on the undersigned.

Bond or Bonds (or Portions Thereof)
Presented For Purchase/To Be Retained

Bond Number(s)	**Amount thereof being Tendered(1)/Amount thereof being Retained(2)**
Total Amount:	

(1) Unless Bondowner is having all of his Bonds purchased, principal amount must be $100,000 or integral multiples of $5,000 in excess thereof if in the Weekly Mode or the Monthly Mode and $5,000 or integral multiples thereof if in the Semiannual Mode, Annual Mode and Multiyear Mode, with remaining principal of retained Bonds in Authorized Denominations.

(2) Must be a principal amount which is $100,000 or integral multiples of $5,000 in excess thereof if in the Weekly Mode or the Monthly Mode and $5,000 or integral multiples thereof if in the Semiannual Mode, Annual Mode and Multiyear Mode.

Signature(s)* _____

_____

Signature guaranteed by _____

_____
Print or Type Name

_____
Street Address

_____
City, State and zip Code

_____
Area Code and Telephone Number

_____
Social Security Number or Taxpayer ID Number:

* The signature(s) to this Notice must correspond with to the name(s) of the Owner of any Bond(s) submitted herewith, as it appears on the books of the Tender Agent, in every particular without alteration, enlargement or any change whatsoever and such signature must be guaranteed by an eligible guarantor institution as defined by SEC Rule l7Ad-15 (17 CFR 240.l7Ad-15).

EXHIBIT E

RATE ADJUSTMENT NOTICE

This notice is being sent pursuant to the provisions of the Trust Indenture dated as of September 1, 1994 (the "Indenture") between the South Carolina Jobs-Economic Development Authority (the "Issuer") and , as Trustee (the "Trustee"). Capitalized terms used in this notice shall have the same meanings as in your Bond, unless otherwise defined. You are hereby notified as follows:

1. The interest rate on the Issuer's Variable Rate Demand Industrial Development Revenue Bonds (Roller Bearing Company of America, Inc. Project) Series 1994B (the "Bonds"), will be adjusted on (the "Rate Adjustment Date"). Your Bond will be purchased on the Rate Adjustment Date at a price of 100% of the principal amount thereof plus interest accrued and unpaid thereon to, but not including, the Tender Date, unless you elect to retain your Bond.

2. The Remarketing Agent has notified the Trustee that the Preliminary Rate determined in accordance with the Indenture is % (the "Preliminary Rate"). The actual interest rate for the Bonds shall be determined on the Rate Adjustment Date, which rate may be less than, equal to or greater than the Preliminary Rate. In order to retain all or any portion of your Bond (which portion shall be [$100,000] [$5,000] or an integral multiple thereof), you must deliver to , at its principal corporate trust office at , Attention: Corporate Trust Department, on or prior to the fifth (5th) Business Day preceding such date the attached Notice of Election to Retain Bonds.

3. In addition, you are further notified that on the Rate Adjustment Date, the interest on your Bond will be established at a new interest rate and interest on your Bond will be payable at such newly established interest rate for the Interest Period commencing on the Rate Adjustment Date.

_____

Title: _____

EXHIBIT F

INTEREST MODE ADJUSTMENT NOTICE

This notice is being sent pursuant to the provisions of the Trust Indenture dated as of September 1, 1994 (the "Indenture"), between the South Carolina Jobs-Economic Development Authority (the "Issuer"), and , as Trustee. Capitalized terms used in this notice shall have the same meanings as in the Indenture.

You are hereby notified as follows:

1. An option has been exercised to convert the Interest Rate Mode applicable to the Issuer's Variable Rate Demand Industrial Development Revenue Bonds (Roller Bearing Company of America, Inc. Project) Series 1994B (the "Bonds"), from a(n) Weekly/Monthly/Semiannual/Annual/ Multiyear ( )-Year Mode to a(n) Weekly/Monthly/Semiannual/ Annual/Multiyear ( )-Year) Mode on (the "Interest Mode Adjustment Date"). Unless you deliver a Notice of Election to Retain Bonds to (the "Tender Agent"), at its principal corporate trust office, at , Attention: Corporate Trustee Department, in the form which is attached, your Bond will be purchased on such date at a price of 100% of the principal amount thereof plus interest accrued and unpaid thereon to, but not including, the Tender Date.

2. If your Bond or any portion thereof is so purchased, payment therefor will be made on or after the tender date thereof upon presentation and surrender at the principal corporate trust office of the Tender Agent at , Attention: Corporate Trust Department, of such Bond, duly endorsed in blank for transfer (with all signatures guaranteed by an eligible guarantor institution as defined by SEC Rule l7Ad-15 (17 CFR 240.l7Ad-15)).

3. In addition, you are further notified that:

(A) Interest will no longer accrue to you on your Bond on and after the tender date thereof unless the Tender Agent has received directions from you not to so purchase your Bond as herein provided, and, other than the right to receive payment of the purchase price for your Bond, you shall then cease to have further rights under the Indenture;

(B) You have the right to direct the Tender Agent not to purchase all or any portion of your Bond, which portion shall be $ (the minimum authorized denomination for the new Interest Mode) or any integral multiple thereof, if you deliver the attached Notice of Election to Retain Bonds to the Tender Agent at its address above on or before the date occurring S days prior to the Interest Mode Adjustment Date; and

(C) In the event you properly file a Notice of Election to Retain Bonds, the following will occur:

(i) After the Interest Mode Adjustment Date, the interest rate on the portion of your Bond not purchased will be determined in accordance with the Weekly/Monthly/Semiannual/Annual/Multiyear (-year) Mode, with interest being paid on the [first Business Day of each month] [September 1 and March 1 of each year]; [and]

(ii) The Trustee will inform you of the Interest Rate on the portion of your Bond not purchased, on or soon after the Interest Mode Adjustment Date[; and] [.]

[THE FOLLOWING SHALL BE INSERTED ONLY IF THE BONDS WILL BE IN A WEEKLY MODE OR MONTHLY MODE]

[(iii) After the Interest Mode Adjustment Date, you may require the portion of your Bond not previously purchased to be purchased pursuant to Section 301 of the Indenture on a Tender Date specified by you as further described in the Indenture.]

Date:

_____,
as Trustee

By: _____
Title: _____

EXHIBIT G

NOTICE OF ALTERNATE CREDIT FACILITY

THIS NOTICE WILL NOT BE GIVEN IF THE BONDS
ARE IN A MULTIYEAR MODE

NOTICE TO BONDOWNERS

This notice is being sent pursuant to the provisions of the Trust Indenture dated as of September 1, 1994 (the "Indenture"), between the South Carolina Jobs-Economic Development Authority (the "Issuer") and , as Trustee. Capitalized terms used in this notice shall have the same meanings as in the Indenture.

You are hereby notified as follows:

1. An Alternate Credit Facility issued by and relating to the Issuer's Variable Rate Demand Industrial Development Revenue Bonds (Roller Bearing Company of America, Inc. Project) Series 1994B (the "Bonds"), will become effective on (the "Alternate Credit Facility Date"). Unless you deliver a Notice of Election to Retain Bonds as described below, your Bond will be purchased on such date at a price of 100% of the principal amount thereof. A copy of the proposed form of Alternate Credit Facility and certain financial information relating to the issuer thereof are on file at the office of the Trustee and are available for inspection at your request.

2. If your Bond or any portion thereof is so purchased, payment therefor will be made on the Alternate Credit Facility Date upon presentation and surrender at the Principal Office of the Tender Agent (, Attention: Corporate Trust Department) prior to 10:30 A.M., New York Time on the Alternate Credit Facility Date, of such Bond, duly endorsed in blank for transfer (with all signatures guaranteed by an eligible guarantor institution as defined by SEC Rule 17Ad-15 (17 CFR 240.l7Ad-15)).

3. In addition, you are further notified that:

(A) Interest will no longer accrue to you on your Bond on and after the Alternate Credit Facility Date unless the Trustee has received directions from you not to so purchase your Bond as herein provided, and, other than the right to receive payment of the purchase price for your Bond, you shall then cease to have further rights under the Indenture; and

(B) You have the right to direct that all or any portion of your Bond not be purchased, which portion shall be $ (the minimum authorized denomination for the Interest Rate Mode to be in effect on the Alternate Credit Facility Date) or any integral multiple thereof, if you deliver the Notice of Election to Retain Bonds to the Tender Agent at its address above on or before the fifth Business Day next preceding the Alternate Credit Facility Date.

Dated: _____

_____
as Trustee

By: _____
Title: _____

EXHIBIT H

REPRESENTATION LETTER

,

[Trustee]
[Trustee Address]

[Remarketing Agent]
[Remarketing Agent Address]

[Credit Enhancer]
[Credit Enhancer Address)

Re: $3,000,000 Variable Rate Demand Industrial Development Revenue Bonds (Roller Bearing Company of America, Inc. Project) Series 1994B of the South Carolina Jobs-Economic Development Authority

Ladies and Gentlemen:

The undersigned (the "Investor") hereby represents and warrants to you as follows:

[THE FOLLOWING PARAGRAPH 1 IS FOR USE PURSUANT TO SECTION 210(i) OF THE INDENTURE.]

1. The Investor proposes to purchase $ aggregate principal amount of the above-referenced bonds (the "Bonds") issued pursuant to that certain Trust Indenture dated as of September 1, 1994 (the "Indenture"), between the South Carolina Jobs-Economic Development Authority and , as trustee. The Investor understands that the Bonds and the credit enhancement with respect thereto have not been registered under the Securities Act of 1933, as amended (the "1933 Act") or the securities laws of any state and will be sold to the Investor in reliance upon certain exemptions from registration and in reliance upon the representations and warranties of the Investor set forth herein.

[THE FOLLOWING PARAGRAPH 1 IS FOR USE PURSUANT TO SECTION 210(iii) OF THE INDENTURE.]

1. The Investor understands that [Remarketing Agent) may offer to the Investor for purchase in a secondary market transaction the above-referenced bonds (the "Bonds") issued pursuant to that certain Trust Indenture dated as of September 1, 1994 (the "Indenture"), between the South Carolina Jobs-Economic Development Authority and , as trustee. The Investor understands that the Bonds and the credit enhancement with respect thereto have not been registered under the Securities Act of 1933, as amended (the "1933 Act") or the securities laws of any state and may be sold to the Investor in reliance upon certain exemptions from registration and in reliance upon the representations and warranties of the Investor set forth herein.

2. The Investor has sufficient knowledge and experience in business and financial matters in general, and investments such as the Bonds in particular, to enable the Investor to evaluate the risks involved in an investment in the Bonds.

3. The Investor confirms that its investment in the Bonds constitutes an investment that is suitable for and consistent with its investment program and that the Investor is able to bear the economic risk of an investment in the Bonds, including a complete loss of such investment.

4. The Investor is purchasing the Bonds solely for its own account for investment purposes only, and not with a view to, or in connection with, any distribution, resale, pledging, fractionalization, subdivision or other disposition thereof (subject to the understanding that disposition of Investor's property will remain at all times within its control).

5. The Investor agrees that it will only offer, sell, pledge, transfer or exchange any of the Bonds it purchases (i) in accordance with an available exemption from the registration requirements of Section 5 of the 1933 Act, (ii) in accordance with any applicable state securities laws and (iii) in accordance with the provisions of the Indenture.

6. The Investor is familiar with Rule 144A promulgated under the 1933 Act and is a "qualified institutional buyer" as defined in Rule 144A; it is aware that [the] [any] sale of Bonds to it [is] [may be] made in reliance on Rule 144A and understands that such Bonds may be offered, resold, pledged or transferred only (i) to a person who the Investor reasonably believes is a qualified institutional buyer that purchases for its own account or for the account of a qualified institutional buyer to whom notice is given that the resale, pledge or transfer is being made in reliance on Rule 144A, or (ii) pursuant to another exemption from registration under the 1933 Act.

7. If the Investor sells any of the Bonds other than pursuant to a mandatory or optional tender and purchase provided for in and complying with the Indenture, the Investor or its agent will obtain from any subsequent purchaser the same representations contained in this Representation Letter.

8. The Investor acknowledges and understands that you, any trustee under the Indenture and each of the "issuers" (as such term is used in the 1933 Act) of the Bonds and any security related thereto are relying and will continue to rely on the statements made herein. The Investor agrees to notify you immediately of any changes in the information and conclusions herein.

Very truly yours,

[Name of Investor]

Dated: _____

By: _____
Name: _____
Title: _____
[Must be President, Chief Financial Officer or other Executive Officer]

INDEX

ARTICLE	SUBJECT
11	Arbitration Procedure
	Assignability
14	Bereavement Pay
10	Call Time
D	Check-Off
16	Discharge Notice
D	Dues, Fees – Union
22	Duplication of compensation
22	Educational Assistance
A	Employees Covered
22	Equal Pay Equal Work
11	Grievance Committee
12	Health and Safety
2	Holidays/Holiday Pay
1	Hours of work
23	Insurance Program Changes
6	Job Posting
15	Jury Duty
8	Layoff-Recalls
13	Leadperson
9	Leave of Absense
19	Lockouts
18	Management
C	Membership in Union
	Memos of Understanding
9	Military Service
21	Non-covered Employees
22	Non-discrimination
1	Overtime
20	Paid Sick or Personal Leave
22	Part Time Employees
24	Plant Closure Agreement
	Preamble
23	Premium Conversion
5	Probationary Employees
8	Recall
B	Recognition Clause
5	Seniority
3	Shift Premium
22	Subcontracting
8	Super Seniority
22	Supervisory Representatives
7	Temporary Transfers
25	Termination Date
5	Trans. Out of Bargaining Unit
22	Union Business
17	Union Cooperation
C	Union Security
4	Vacations
3	Wages and Rates of Pay
Appendix A	Wage Schedules

TABLE OF CONTENTS

ARTICLE

STATEMENT OF EEO POLICY

It is the policy of Heim Bearings and the UAW to uphold and maintain a continuing nondiscriminatory "Equal Employment Opportunity" policy. Our goal shall be a realistic attempt to insure genuine equal opportunity, in every sense of its meaning, in every operational area.

"Equal Employment Opportunity" will be maintained for all present employees, as well as applicants applying for positions with this company, through the following Corporation policy: "It is the policy through a positive and continuing program, to provide equal opportunity in employment for all qualified persons, to prohibit discrimination in employment because of age, race, creed, color, sex, handicap, national origin, disabled veterans and veterans of the Vietnam era, and to promote the full realization of equal employment opportunity. The program also extends to and encompasses the providing of equal opportunity in employment for all qualified personnel without regard to politics or marital status.

It is our intent to incorporate a strong EEO policy throughout virtually every personnel activity or function to assure full utilization of all available human resources and to review these policies on a semi-annual basis."

PREAMBLE

This Agreement is entered into this **11th day of February, 2005** by and between Heim Bearing division, Roller Bearing Company, hereinafter called the COMPANY, AND THE INTERNATIONAL UNION, UNITED AUTOMOBILE, AEROSPACE AND AGRICULTURAL IMPLEMENT WORKERS OF AMERICA, U.A.W., AND AMALGAMATED LOCAL 376, UAW, the certified bargaining representative of all employees in the appropriate unit, a signatory party hereto, hereinafter referred to as the UNION.

ASSIGNABILITY

This Agreement shall be binding upon the Successors and Assignees of the parties hereto, and no provisions, terms, or obligations herein contained shall be affected, modified, altered or changed in any respect whatsoever by any change in the regular status, ownership or management of either party herein, provided the plant and facilities of the Company remain within the State of Connecticut. In the event the present owners sell or assign the plant, or sell their interest in the business, the present owners agree to make this Agreement a condition of such sale or assignment, provided such sale or assignment contemplates that the plant and facilities of the Company will remain within the State of Connecticut, and the present owners shall be relieved of any personal liability whatsoever under the Agreement thereafter.

ARTICLE A
EMPLOYEES COVERED BY THIS AGREEMENT

Section 1. The Company recognizes the Union as the sole and exclusive bargaining agency of the following employees: all production and maintenance employees, including stockroom employees and tool clerks, also shipping and receiving clerks, excluding, however, engineering and clerical employees and supervisory employees as defined in the Labor-Management Relations Act of 1947, and any amendments thereto.

ARTICLE B
RECOGNITION

Section 1. The Union represents that it has been authorized by a majority of the Company's employees in a unit appropriate for such purposes, as the representative designated or selected for the purpose of collective bargaining in respect to rates of pay, wages, hours of employment, or other conditions of employment.

ARTICLE C
UNION SECURITY

Section 1. All present employees within the Bargaining Unit on the effective date of this Agreement shall, within thirty days thereafter, as a condition of employment, become and/or remain members of the Union in good standing to the extent of paying membership dues and initiation fees.

Section 2. Employees in the bargaining Unit who have not on the effective date of this Agreement completed thirty days of employment with the Company shall, as a condition of employment, within thirty days after the effective date of this Agreement or at the expiration of thirty days of employment, whichever period is longer, become and remain members of the Union in good standing to the extent of paying membership dues and initiation fees.

Section 3. All new employees hired during the life of this Agreement shall, as a condition of employment, within thirty days after date of hire or thirty days after the signing of this Agreement, whichever period is longer, become and remain members of the Union in good standing to the extent of paying membership dues and initiation fees.

Section 4. The Company will give to each present employee a printed copy of this Agreement.

Section 5. The Company will give a printed copy of this agreement, together with an authorization form for check-off of dues to all new hires.

ARTICLE D
CHECK-OFF

Section 1. The Company shall deduct, for employees covered by this Agreement who are members of the Union, their Union membership dues and initiation fees levied against all Union members in accordance with the Constitution and Bylaws of the Union and promptly remit the same, together with a list of employees for whom deductions were made, to the Financial Secretary of the Union who is authorized to receive said payments, provided that the Company has received from such employees individual and voluntary signed authorizations. Authorization cards shall be in the following form:

AUTHORIZATION FOR CHECK-OFF OF DUES

To Heim Bearings Division, Roller Bearing Company, Inc.

Date

I hereby assign to Local Union No. 376, International Union, United Automobile Aerospace and Agricultural Implement Workers of America (UAW), from any wages earned or to be earned by me as your employee (in my present or in any future employment by you), such sums as the Financial Officer of said Local Union No. 376 may certify as due and owing from me as membership dues, including an initiation or reinstatement fee and monthly dues in such sum as may be established from time to time as union dues in accordance with the Constitution of the International Union, UAW. I authorize and direct you to deduct such amounts from my pay and to remit same to the Union at such times and in such manner as may be agreed upon between you and the Union at any time while this authorization is in effect.

This assignment, authorization and direction shall be irrevocable for the period of one (1) year from the date of delivery hereof to you, or until the termination of the collective agreement between the Company and the Union which is in force at the time of delivery of this authorization, whichever occurs sooner; and I agree and direct that this assignment, authorization and direction shall be automatically renewed and shall be irrevocable for successive periods of one (1) year each or for the period of each succeeding applicable collective period of each

succeeding applicable collective agreement between the Company and the Union, whichever shall be shorter, unless written notice is given by me to the Company and the Union, not more than twenty (20) days and not less than ten (10) days prior to the expiration of each period of one (1) year, or of each applicable collective agreement between the Company and the Union whichever occurs sooner.

This authorization is made pursuant to the provisions of Section 392 (c) of the Labor Management Relations Act of 1947 and otherwise.

_____
(Signature of Employee here)

_____
(Type of print name of employee here)

_____
(Date of sign.) (Emp. Clock No.)

_____
(Address of Employee)

_____
(City) (State) (Zip)

_____
(Soc. Sec. No.) (Date of del. to Employer)

Section 2. All deductions covered by this Agreement shall be made in a manner agreed upon with the Union, except that dues and initiation fees will be on a monthly basis. However, local practices, relative to number of hours per month to be worked before dues deductions shall be made, shall be in accord with the Constitution of the International Union. If in any month full dues are not deducted, the Company and Union may agree upon an orderly manner of collection in the succeeding month or months.

Section 3. All sums deducted under the Agreement shall be remitted to the Financial Secretary of the local Union, prior to the first of the month following the deduction and the Company will furnish the financial Secretary of the local Union, monthly, a record of those for whom deductions have been made, together with the amount of such deductions and also a record of all terminations and employees absent during the week of the check-off.

ARTICLE 1
HOURS AND OVERTIME

Section 1. The normal work week shall be:

(a) Forty (40) hours, based on eight (8) hours per day, five (5) days per week, Monday through Friday inclusive.

(b) The normal work week shall begin on Sunday night at 11:00 p.m. with the start of the third (3rd) shift and end 168 hours later.

(c) The first day shall be the 24 hour period beginning with the employees regular scheduled shift starting time.

(1) First shift hours 6:00 a.m. to 2:30 p.m.

(2) Second shift hours 3:30 p.m. to midnight

(3) Third shift hours 11:00 p.m. to 7:00 a.m.

(d) Third shift employees will be entitled to a paid 20 minute lunch.

(e) Friday will be the third shift's "Saturday" for overtime pay calculation purposes.

(f) Saturday will be the third shift's "Sunday" for overtime pay calculation purposes.

(g) Third shift employees will not be required to work overtime prior to the start of the shift on Sunday night.

(h) First and second shift employees presently working twelve (12) hour shifts will revert to the schedules in paragraph (c) respectively in the event that the twelve (12) hour shifts are discontinued for any reason.

Section 2. Time and one-half shall be paid for all work performed.

(a) In excess of eight (8) hours in any one day.

(b) In excess of forty (40) hours in any one week.

(c) On Saturdays as such.

(d) Any employee called in to work outside of the regularly scheduled shift hours shall be paid not less than four (4) hours at his/her base rate as follows:

(1) Time actually worked at prevailing rate, plus

(2) The remaining of the four (4) hours not worked at straight time pay unless it is a premium day and the premium rate shall prevail.

(e) Double time will be paid for all work performed on Sundays.

Section 3. Notification of Overtime

(a) Employees shall not be required to work overtime when insufficient notice is given. Notification at any time prior to the close of the prior day's shift will be considered sufficient notice for daily overtime.

(b) Employees will be charged for all overtime hours where proper notification has been given, whether the employee works or not.

(c) Employees shall not be required to work Saturday or Sunday overtime when insufficient notice is given or when there is a reasonable excuse for not working. Notice of Saturday of Sunday overtime must be given to the employee no later than the end of the shift on the preceding Thursday.

Section 4.

(a) Overtime will be equally distributed among those employees within the departments by classification provided they have the ability to perform the available overtime work.

(b) Overtime records will be maintained in each department next to the work instructions for employees to inspect at any time. All records will be updated weekly.

(c) Employees with the lowest overtime hours will be asked to work first within their department by job classification.

(d) Employees working overtime outside their departments shall be charged for actual hours worked back to their department for overtime equalization.

(e) The company shall keep a record of overtime worked and overtime refused by employees and shall furnish the Union with a copy of such record at the end of each month. If the difference in overtime hours worked between the employee with the greatest number of overtime hours and the other employees in the same work classification shall exceed ten (10) hours at the end of every three (3) month period, such difference shall be paid at time and one-half the other employee's regular hourly rate, except when such difference results from the other employee's refusal to work in accordance with this article.

Section 5. Overtime hours available will be recorded according to the following:

(a) Overtime hours offered and refused will be considered hours worked for the purpose of equalizing overtime.

(b) Employees absent for any reason will be charged for all overtime hours they would have been offered had they been at work.

Section 6. There shall be no duplication of compensation for overtime for the same hours worked by an employee by reason of daily, weekly or other overtime provisions of any kind.

ARTICLE 2
HOLIDAYS

Section 1.

(a) Except as hereinafter provided, all work done on the holidays set forth below shall be paid for at the rate of double time plus holiday pay. The specified holidays shall also be considered as days worked for the purpose of computing overtime pay only.

ML. King Day
Good Friday
Memorial Day
Independence Day
Labor Day
Thanksgiving Day
Friday after Thanksgiving
Employee's Birthday

The Company will provide the following Christmas and New Year's Holidays with pay per the following schedule:

2005 Dec, 26, 27, 28, 29, 30	**Jan, 2, 20006**
2006 Dec. 25, 26, 27, 28, 29,	**Jan. 1, 2007**
2007 Dec. 24, 25, 26, 27, 28, 31	

(b) It is understood between the parties that an employee who is off work receiving sick and accident benefits during a week in which a holiday falls will be paid such holiday pay in addition to S & A benefits. Similarly, employees receiving Workers' Compensation will receive holiday pay for a period not to exceed the agreed upon time limits for S & A coverage.

Section 2. When a holiday falls on a Saturday, it shall be celebrated on the preceding Friday. When a holiday falls on a Sunday, such holiday shall be celebrated on the following Monday, excluding Christmas and New Year's week.

Section 3. The holidays mentioned above shall be with pay. Consequently, all employees shall receive an amount equal to eight (8) hours pay at their hourly rate for the specified holiday even though no work is performed. In order to be eligible for holiday pay, the employees must:

(a) Have been in attendance on the work days preceding and following the holiday unless the absence is for:

(1) Death in the immediate family as defined in Article 9.

(2) Jury Duty.

(3) Important Union business on the part of stewards, Shop Committee persons, Officers or Appointees made known to and approved by the Company prior to such holidays.

(4) An employee who is laid off and again recalled within thirty (30) days, during which period a paid holiday falls, shall receive holiday pay for that holiday.

(5) For other reasonable cause.

(b) Employees on twelve (12) hour shifts will revert to their normal eight (8) hour shifts and will not be required to work overtime on the day prior to Good Friday, Thanksgiving and Independence Day.

Section 4. When a holiday falls within a scheduled vacation period, another day off be between Monday and Friday will be granted for that vacation day not taken or paid for during the vacation period.

Section 5. Employees on leave of absence shall not be entitled to any holiday pay during such leave.

ARTICLE 3
WAGES AND RATES OF PAY

Section 1.

(a) **Effective February 1, 2005, a general wage increase of 3.5%**

Effective February 1, 2006, a general wage increase of 3%

Effective February 1, 2007, a general wage increase of 3%

The hourly rates of pay shown in Appendix A, and Appendix B attached hereto and made a part hereof, shall remain in effect for the life of this Agreement.

(b) It is agreed that during the period of this Agreement, each employee covered by this Agreement, shall receive a guaranteed cost of living allowance which will be added to the employee's straight time hourly earnings as set forth in Appendix A of the Agreement. The guaranteed cost of living increases will be as follows:

	Hired before 2/1/96	Hired after 2/1/96
August 1, 2005	**10 cents**	**20 cents**
August 7, 2006	**10 cents**	**15 cents**
August 6, 2007	**10 cents**	**15 cents**

(c) Should the effective date of the increases mentioned above fall on a Monday, Tuesday or Wednesday, the increase specified shall revert to Monday. Should the increases specified above fall on a Thursday or Friday, the increases shall become effective on the following Monday.

Section 2.

Employees required to work on a shift other than the day shift will be paid a shift premium equal to 10% of their hourly rate in addition to their regular earnings for such hours worked.

Section 3.

(a) The Company and the Union have negotiated job descriptions and evaluations by Labor Grade. Such descriptions and evaluations are apart of this Agreement.

(b) Newly hired employees will start at the hire rate unless their training, knowledge or experience justify hiring at a higher rate. They will progress to the maximum rate by receiving a twenty (20) cent per hour increase after each sixty (60) days worked, payable starting in the nearest Monday. It is recognized that the last raise may be less than twenty (20) cents per hour.

Employees, still in progression, who are successful bidders on another job in a higher labor grade will receive a twenty (20) cent per hour increase when they start the new job and then will progress in twenty (20) cent increments after each sixty (60) days worked until they reach the maximum. Rate changes will be made on the nearest Monday. The last raise may be less than twenty (20) cents.

(c) Employees who are promoted from the maximum rate of one job to a higher paying job will receive the maximum rate of the higher job on the date of promotion.

(d) Employees who are at maximum and have been transferred to a higher rated job and are later transferred back to a lower rated job will receive the maximum of the lower rated job.

(e) Employees who have not progressed to the maximum and who move from a higher rated job to a lower rated job will go down to a rate in the lower grade that is equivalent to the progression point that they were in the higher rated job.

(f) All employees currently in Labor Grade 1 will be promoted to Labor Grade 2.

ARTICLE 4
VACATIONS

Section 1. Effective February 1, 1996, the continuous service requirements and earned vacation with pay at straight time as detailed in the following vacation schedule table shall apply. The service requirement will be based upon seniority as of August 1st of the vacation year.

Service Requirement Earned Vacation

1 year but less than 2 years	1 week (40 hrs)
2 years but less than 5 years	2 weeks (80 hrs)
5 years but less than 10 years	2-1/2 weeks (100 hrs)
10 years but less than 15 years	3 weeks (120 hrs)
15 years but less than 20 years	3-1/2 weeks (140 hrs)
20 years but less than 25 years	4 weeks (160 hrs)
25 years and over	5 weeks (200 hrs)

Section 2. A vacation shutdown period of up to two weeks may be designated by the Company upon notice to the Union by January 31 of each calendar year. If an employee has scheduled a vacation relying on the Company's shutdown notice, the employee will not be compelled to work.

Section 3. Employees entitled to at least two (2) weeks of vacation must take the same during the plant shutdown. Employees entitled to more than two (2) weeks of vacation may take same at a time of their choice but seniority and Company production schedules shall be taken into consideration.

Section 4. Employees must have worked a minimum of 1000 hours in order to qualify for full vacation pay as provided in Section 1 above. Employees working less than 1000 hours shall be paid on a pro-rated basis. The period for determining hours worked shall be from August 1 of the prior year through July 31 of the current year. Employees terminated for any reason shall receive a pro-rated vacation pay. Absence due to sickness or injury shall be counted as hours worked.

Section 5. The Company agrees to provide a vacation bonus of $100 to all employees with 20 years of service. The Company agrees to provide a vacation bonus of $200 to all employees with 25 years service or more. **The vacation bonus shall be paid prior to Christmas.**

Section 6. Employees who are entitled to and wish to schedule a vacation should notify their supervisor in writing by March 15. Permission will be granted based upon Company seniority and Company production schedules and specific written responses will be made by April 1.

Once an employee's vacation has been approved, it will not be changed unless circumstances mandate a change and more senior employees may not displace an employee's approved vacation.

An employee who does not request vacation by March 15 or who requests additional vacation time must submit a request in writing no later than three weeks prior to the time requested. This three week notice requirement will not apply in emergencies.

Section 7. The employee can elect, by June 30th to be paid all of their vacation time in a lump sum on or about August 1st, or as they take vacation time.

ARTICLE 5
SENIORITY

Section 1. A seniority list including date of birth, hiring date, job classification, department, labor grade, total points and social security number shall be maintained and a copy shall be furnished to the Union quarterly.

(a) The Company shall furnish the Union with a monthly report showing the names and dates of new hires, layoffs, recalls, quits, discharges, leaves of absence (granted and expired) and adjustments in the seniority listings with respect to dates. Any errors in the seniority lists, layoffs and recalls that are discovered due to this submission shall be corrected immediately.

(b) The Shop Chairperson shall be notified promptly of any additions or deletions.

Section 2. Employees will lose their seniority status if they:

(a) Quit.

(b) Are discharged for justifiable cause.

(c) Do not report for work within five (5) working days following a notification by certified letter of restoration after a layoff, except where a reasonable excuse is provided.

(d) Are absent without a leave of absence or excused absence for three (3) consecutive working days without notifying the Company, except where reasonable cause is provided.

(e) Are on layoff in excess of thirty-six (36) months. Probationary employees who are laid-off will not be listed on the layoff list.

(f) Are absent from work because of a non-occupational disability for a continuous period in excess of eighteen (18) months.

Section 3. New employees shall be regarded as temporary or probationary employees for the first sixty (60) calendar days of their employment.

Section 4. Employees advanced from hourly status to salary status shall lose seniority and privileges under this contract thirty (30) calendar days after such appointment unless returned to the Bargaining Unit within said period.

Section 5. Employees who are absent from work because of illness or injury will be returned to their "original" job upon presenting the Company with a copy of their unconditional medical release to return to work.

If their "original" job is no longer available, they will exercise their contract rights in accordance with Article 8 of this contract.

Jobs that become vacant, because the employee in that job classification has been absent from work because of injury or illness for a period of more than thirty (30) days and,

In the judgment of the Company, that job needs to be filled it shall be handled as follows:

1. The Company shall offer recall rights to all eligible employees in an equal or higher labor grade in accordance with Article 8, Section 1 (b) of the contract.

2. If no employee(s) have recall rights as describe in item 1 above, the Company, at its discretion may post the job as "Temporary" job.

   Bids on the "Temporary" job shall be handled in accordance with Article 6 of the contract.

3. If there are no successful bids on the "Temporary" job, the Company shall offer recall rights to all eligible employees in a lower labor grade.

4. If there is a reduction in force in a department where a "Temporary" job exists, the employee in the "Temporary" job must be returned to the same status he/she had prior to accepting the "Temporary" job before the layoff commences.

5. If the "Temporary" job is not filled after the above three actions have been taken and, in the judgement of the Company, the job needs to be filled, the Company may hire "from the street" to fill the job with the understanding that it is a "Temporary" job. The person hired from the street to fill the "Temporary" job shall exercise his/her rights, if any, under Article 8 of the contract when such "Temporary" job ceases to exist.

6. When it is determined the disabled employee will not or cannot return to work the opening will be posted in accordance to Article 6.

ARTICLE 6
JOB POSTING

Section 1. Job openings will be filled based on plantwide seniority and basic qualifications regardless of shift.

(a) New jobs and vacancies in existing jobs to which no employee has recall rights will be posted on the plant bulletin board for a period of three (3) working days. A general description of each job responsibility will be shown on the posting.

(b) If the same job opening occurs within a period of thirty (30) days from the first date of an original job posting, no new posting will be required. The new job opening will be filled from the original bidding list. If there are no remaining qualified bidders on the original list, the new job opening shall be posted immediately. However, a new posting will be required at the end of the original thirty (30) day job posting.

(c) During the posting period, eligible employees may bid on the posted jobs by completing a Bid Slip and submitting it to their Supervisor. The Company will notify the Union in writing and state the reason for withdrawing the posting for any job.

(d) Employees will be eligible to bid on higher, equal or lower paying job provided:

   (1) They have completed the probationary period.

   (2) Those who have bid and been accepted on lower paying jobs under this procedure must remain in the new department for a period of at least six (6) months before being eligible to again bid on another job outside their department. However, these employees may bid upward or lateral through all labor grades within their department at any time.

(e) Following the closing of the posting, bidders will be considered and interviewed by the Personnel Department for each job opening in order of seniority; a Shop Commiteeperson shall be present. The most senior employee who has the basic qualifications to perform the required work will be promoted to the job within a period of thirty (30) calendar days. Unsuccessful bidders will be notified by the company in writing. A copy of the notice of disaward which will include the grounds for disaward will be given to the Shop Chairperson. Bidders may withdraw their bids at any time before starting the new job by signing a refusal slip provided by the Company, a copy of which will be given to the Shop Chairperson.

(f) Job openings in a "Training Program" will also be filled under this procedure.

(g) Should an employee with basic qualifications grieve the Company's selection in filling the vacancy, the employee must be shown the basic requirements of the job and have the assistance of the Leadperson and/or Supervisor for a five (5) day period in order to prove his/her ability to meet the basic qualifications.

(h) The shop chairperson or an appointee will be notified prior to all permanent transfers and promotions within the Bargaining Unit.

ARTICLE 7
TEMPORARY TRANSFERS

Section 1. The Union will be notified at the time when temporary transfers become necessary.

Temporary work assignments:

(a) Employees may be temporarily transferred from one department to another for a period not to exceed six (6) days per month, and provided that during the transfer, the job he/she left shall not be filled and he/she shall be returned to his/her permanent job upon completion of temporary assignment or for longer periods of time if agreed by the Union and the Company.

(b) Employees shall be transferred by seniority, lowest senior person first within the department to a lower rated job.

(c) Employees shall be transferred by seniority, highest senior person first within the department to a higher rated job.

(d) No employee will be required to perform work in a higher labor grade on any basis (temporary or permanent) unless they are paid according to the prevailing rate of pay on said higher labor grade. No employee will be forced or coerced into taking a promotion.

(e) No employee will be required to perform work in a lower labor grade on a temporary basis at the rate of pay in said lower labor grade. That is, employees will be guaranteed their former (higher) rate of pay while working on a temporary transfer in a lower labor grade.

(f) The shop Committeeperson in the area involved in a transfer will receive a copy of a transfer notice. This transfer notice will state the department, job title and labor grade to which the employee is being transferred. The Shopcommittee-person will be notified immediately by a written transfer notice in any of the following conditions:

A. Any transfer lasting more than one day.

B. Any change in labor grade at any time.

(g) Employees shall have the privilege of exchanging shifts temporarily by individual arrangement provided they notify their supervisor in advance and have the necessary qualifications to perform the work. The change must be effected without additional cost or penalty to the Company. If the period of such exchange of shifts is in excess of one (1) week, the Company and the Union must mutually agree to such arrangements.

Section 2. An employee with one (1) year of seniority or more shall be permitted to use this seniority to exercise shift preference in writing one week in advance to displace another employee with less seniority in the same job classification and department on another shift. The shift change option is limited to only one (1) time per year.

ARTICLE 8
LAYOFF RECALLS

Section 1.

(a) All layoffs, recalls, transfers and promotions within the Bargaining Unit shall be made on the basis of plantwide seniority provided the employee has the basic qualifications to perform the required work.

(b) When it becomes necessary to reduce the workforce it shall be done as follows by laying off all probationary and part-time employees first.

(c) The Company shall, in the event of layoff, provide notification to affected employees early enough to furnish at least three (3) working days notice to the Shop Committee and employees affected by any layoff for any period of time, or pay such employees hourly base rates in lieu of said notice. This requirement shall not apply to interruption resulting from any condition beyond the Company’s controls. All layoffs must commence on the last working day of the week (Friday).

(d) Employees in classifications affected by layoff will have an option to accept a lay-off slip stating lack-of-work or bump a junior service employee provided they have the basic qualifications to perform the work. The initial notification mentioned in paragraph (c) will begin the bumping process and employees must make their bumping decision immediately. Upon request by the employee, the bumping decision can be delayed, but not beyond two (2) hours and then is bound by that choice.

(e) Employees will have five (5) days in which to demonstrate their ability to perform a job in case of layoff and recall. Employee must be shown basic requirements of job and have assistance of Leadperson and/or Foreperson for a five (5) day period.

(f) There shall be no upward bumping.

(g) In the event of a layoff, the Shop Chairperson, the members of the Shop Committee and Company employees who are Executive Officers of the Local Union shall be accorded top seniority, but they must have the basic qualifications to perform the available work.

(h) Recalls shall be in reverse order of layoff. The most senior employee with basic qualifications on the layoff list will be recalled for available work. Employees recalled to fill a temporary job vacancy may refuse this assignment without prejudicing their recall rights.

(i) Employees affected by bumping procedure must return to their original job when such opening occurs.

ARTICLE 9
LEAVE OF ABSENCE-EMERGENCY TIME OFF

Section 1. When the requirements of the Company will permit, employees upon written request on account of illness or death in their immediate family or other reasonable cause approved by the Company, will be granted a leave of absence without pay for a period of not more than ninety (90) days, which shall be renewable if production requirements permit. Any such employees on leave who engaged in other employment, or who fail to report for work on the expiration of their leave, will be considered as having quit. All such leaves of absences shall be granted in writing by the Company.

Section 2. Employees granted a leave of absence must prepay all insurance premiums prior to their departure for said leave. This prepayment must also be made in the event the leave is extended by mutual agreement.

Section 3. Any employee who enters the Armed Forces shall be entitled to a leave of absence, accumulations of seniority and re-employment rights, in accordance with Federal and State Laws. In addition, an employee who is a member of the Military Reserve or National Guard shall be granted leave for annual training or special tour not to exceed three (3) weeks per calendar year. Such employee during this period shall receive the difference in pay, if any, between their normal rate of pay and wages paid by the service branch.

Section 4. Seniority will be accumulated during leaves of absences as described above.

Section 5. Employees may be granted emergency time off of not more than fourteen (14) calendar days by contacting the Company by telephone or telegram within three (3) working days giving the reasons for such request. Such time off will be granted for

legitimate emergency reasons. Extensions of emergency time off may be requested under the provisions of Section 1 of the Article 9.

Section 6. Employees will be granted pregnancy leave of absence and such leaves will be treated as any other type of medical leave of absence.

ARTICLE 10
CALL TIME

Section 1.

(a) Employees reporting for work on their regular shift without notice from the Company that no work will be available for them, shall be offered other work for at least four (4) hours or shall be paid the base rate of their regular job for four (4) hours if there is no other work for them. If they refuse the work offered, they shall forfeit the right to receive reporting pay.

(b) Notice to the employees by the company will be given not later that the end of their regular shift.

(c) This Article shall not apply where the lack of work is due to conditions beyond the control of the Company, or in the case of an employee who has been absent and has not given the Company adequate notice of return to work.

ARTICLE 11
COMMITTEE PERSONS, GRIEVANCE AND
ARBITRATION PROCEDURE

Section 1. In addition to the Shop Chairperson, the Union shall have a Committee-Person for each sixty (60) employees, except that there shall be a minimum of three (3) Committeepersons on the first shift, two (2) on the second shift and one (1) on the third shift. The Union will provide the Company with a current list of the Committeepersons and their departmental responsibilities.

Section 2. Time necessarily spent during the normal working hours (and during scheduled overtime) by the Shop Chairperson, Committeeperson, grievant and Union employees of the Company on negotiations, grievances or arbitration hearings will be paid for by the Company. If in the opinion of the Company such time becomes unreasonable, the Company will notify and confer with the Union.

(a) The Company shall pay the Shop Chairperson for all time spent during the normal working hours (and during scheduled overtime) on Union business including the handling and investigations of grievances as set out in this Agreement, for time spent on arbitration hearings and for negotiations.

Section 3. A grievance is a difference of opinion between the Company and the Union or an employee involving the interpretation of application of the terms of this Agreement.

Section 4. Grievances shall be processed as follows:

(a) The grievance must be submitted within fifteen (15) working days after the employee and the Union are aware of it.

(b) The Shop Chairperson or Committeeperson and employee shall discuss the grievance with the immediate Supervisor of the department in which the grievance has occurred. If the immediate Supervisor’s oral answer is not satisfactory, the grievance shall be submitted to Step 1.

(c) Step 1: The grievance shall be reduced to writing and presented to the employee’s immediate Supervisor by the Union within three (3) working days from the date of the oral answer. The Supervisor shall write the answer on the grievance form and return three (3) copies to the Union

Committeeperson before the end of the third (3rd) working day after receipt of the grievance. Failing a satisfactory settlement, the Union will have three (3) working days in which to appeal to the Supervisor for referral to Step 2.

(d) Step 2. The Union Shop Chairperson shall meet with the Company representative designated to handle the second step within three (3) days from the date of the appeal. The Company will give its written answer within three (3) working days after the meeting. Failing a satisfactory settlement, the Union will have three (3) working days in which to appeal to the Personnel Manager for referral to Step 3.

(e) Step 3: The President of the Local Union and/or the Business Agent and/or the International Representative, together with the Union Shop Committee shall take up the grievance with the Committee of Management which shall include an executive of the Company. This meeting will be scheduled within seven (7) working days after the date of the appeal.

The Company will have five (5) working days following the date of the meeting in which to make a written disposition of the grievance. Failing a satisfactory settlement, the Union will have fourteen (14) days in which to notify the Company in writing of its intent to arbitrate the issue.

(f) Upon receipt of the Union's notice of their intention to arbitrate, a prearbitration hearing shall be scheduled within thirty (30) working days. After the pre-arbitration hearing, the Company General Manager will have ten (10) working days to answer. If the answer is not satisfactory, the Union will have thirty (30) days following that answer in which to appeal for arbitration. If the Union does not appeal within said time limit, the grievance shall be considered as being satisfactorily settled.

(g) All of the above stated time limits may be extended by mutual agreement.

(h) The Grievant may be present upon request of either party at any of the steps outlined above.

(i) If grievances are appealed to arbitration, the parties will alternate between the American Arbitration Association and the State Board of Mediation and Arbitration.

(j) If submitted to the Connecticut State Board of Mediation and Arbitration, the parties shall operate under the procedures set forth by said Board, whose decision shall be final and binding upon the parties.

(k) If submitted to the American Arbitration Association, the parties shall operate under the procedure set forth by the American Arbitration Association, whose decision shall be final and binding upon the parties.

(l) The Arbitrator may interpret this agreement and apply it to the particular case under consideration but shall, however, have no authority to add to, subtract from or modify the terms of this agreement in any way.

(m) The cost of Arbitration shall be shared equally by the Company and the Union.

(n) Arbitration cases involving time study, job evaluation and job standards shall be submitted only to the American Arbitration Association.

(o) The Company shall not be required to pay back pay for any period in excess of thirty (30) working days prior to the time a written grievance is properly filed with the Company.

Section 5. The local Union President and/or two (2) appointees, and/or a representative of the International UAW Engineering Department, shall be permitted to enter the plant for the purpose of investigating, advising or negotiating on grievances. However, they shall first make known their intent to the Company and shall receive permission for said visit. This shall be restricted to entrance during working hours only.

ARTICLE 12
HEALTH AND SAFETY

Section 1.

(a) The Company agrees it will provide proper safety devices and sanitary conditions in the plant. Failure to do so may be a matter of grievance. Furthermore, the Company agrees that it will pay the full cost of Company mandated safety equipment.

(b) Once each month starting in February, 1989, at a time to be scheduled by management, a safety tour between two (2) members of management and two (2) employee representatives of the Union will make a plant safety tour. At the end of the tour, unsafe practices and conditions found in the plant will be listed. Appropriate actions will be taken by management to correct unsafe conditions found. This committee will jointly plan to prevent accidents, investigate accidents, review accident reports, and OSHA compliance. Regular meetings will be scheduled to facilitate the promotion of health and safety in the plant.

(c) The Company will issue and fill out accident forms on all injuries and give the Shop Committeeperson a copy immediately.

Section 2. The Company shall provide first aid facilities and a qualified attendant to perform first aid duties.

Section 3. Employees who are injured on the job can be sent home and receive pay for the balance of their day only if authorized by written instruction from the Medical Department or the Company doctor. The Company will issue a form to be used in such cases, a copy of which will be given to the employee's Foreperson and to the Union.

Section 4. Where possible, employees sustaining injuries at work, or affected by occupational diseases during the course of their employment, and who are physically handicapped as a result thereof, shall be given other suitable employment as may be then available.

ARTICLE 13
LEADPERSON'S SCOPE

Section 1. To relay general instructions from Foreperson to operators with reference to product, operations, tools, equipment and duties.

Section 2. All matters involving personnel problems are to be handled by the Forepersons who have full supervisory authority over all employees in their departments, including Leadpersons.

Section 3. Leadpersons shall not have the right to hire, fire, or recommend disciplinary action or recommend promotions or demotions.

ARTICLE 14
BEREAVEMENT PAY

Section 1. Employees (including probationary) shall be entitled to three (3) working days off with pay in the event of a death within the "immediate family."

Section 2. Immediate family shall be limited to spouse, child, mother, father, sister, brother, grandparent, mother or father-in-law, brother or sister-in-law, daughter or son-in-law, legal guardian or stepchild.

ARTICLE 15
JURY DUTY

Section 1. Employees who have completed their probationary period, and who are called and report for Jury Duty on days they would have otherwise worked for the Company, shall be paid regular wages for thirty (30) days. Should Jury Duty continue past 30 days, the employee shall be paid the difference between the payment they receive for such service and the amount calculated by multiplying eight (8) times their regular hourly rate for each day involved limited, however, to Monday through Friday.

Section 2. In order to receive Jury Duty make-up payment, the employees must give Management prior notice of said Duty and furnish evidence that they actually performed such service, showing the amount of payment received accordingly. These provisions are not applicable to employees who, without being called, volunteer for Jury Duty.

ARTICLE 16
NOTICE OF DISCHARGE

Section 1. The Company agrees to give immediate written notice to the Shop Committeeperson and the employee involved of all discharges and suspensions made within the unit, except in emergencies.

Section 2. The Chairperson and/or Committeeperson shall be present at time of employee discharge and suspension except in emergencies.

Section 3. If an employee is discharged or suspended, he/she shall have the right to a hearing within twenty-four (24) hours after suspension or discharge. He/she shall be represented by the Shop Chairperson and Committeeperson and/or Business Agent and/or International Representative.

Section 4. When employees are discharged or suspended and file a complaint claiming that they were unjustly discharged or suspended, the Shop Committeeperson may invoke the grievance procedure at the third step within (5) days after the discharge or suspension.

Section 5. If, upon appeal, any discharge or suspension shall be found to be unfair or discriminatory, the employee will be reinstated with seniority rights unimpaired and will be given retroactive pay for all time lost due to the discharge or suspension, less the earnings he/she may have received from gainful employment or unemployment insurance obtained in the interim.

ARTICLE 17
UNION COOPERATION

The Union agrees that in exchange for a fair day's pay for a fair day's work, it must maintain a high level of productivity. The Union and its members will cooperate in attaining such a level of productivity as is consistent with the health and welfare of its members. The Union and its members will seek to assist in effectuating economies and the utilization of improved methods and machinery.

ARTICLE 18
MANAGEMENT

It is understood and agreed that with the exception of the specific provisions of this contract, nothing in this Agreement shall be considered to limit or restrict the Company in the exercise of the customary functions of Management.

ARTICLE 19
NO STRIKES OR LOCKOUTS

Section 1. The Union agrees that there shall be no strikes during the term of this Agreement on any issues which may be the subject of arbitration or on which the contract is silent.

Section 2. The Company agrees that there shall be no lockouts during the terms of this Agreement on any issues which may be the subject of arbitration or on which the contract is silent.

ARTICLE 20
PAID SICK AND/OR
PERSONAL LEAVE ALLOWANCE

Section 1. Each employee, upon vacation eligibility date, shall be credited with six (6) days (48 hours) paid sick and or personal leave allowance in accordance with the following provisions:

(a) Employee must have worked at least 1000 hours in the prior twelve (12) month period. The period for determining hours worked shall be from August 1st of the prior year through July 31st of the current year.

(b) In the event an employee worked less than 1000 hours in said period, paid sick and/or personal leave allowance will be credited in the same proportion as the hours worked are to 1000. New employees must have worked at least 1000 hours in order to be eligible for paid sick and/or personal leave allowance. Employees terminated for any reason shall receive a pro-rated sick or personal pay.

Section 2. Any employee with credited sick and/or personal leave allowance, as provided in Section 1 above, may use such allowance during the following twelve (12) month period for illness (when not receiving accident and health insurance benefits), or personal reasons, but provided that absence from work has been excused, is for not less

than four (4) continuous hours and has at least four (4) hours paid sick and/or personal leave allowance credit remaining. Employees shall notify the Company when electing to take personal days off.

Section 3. Paid sick and/or personal leave allowance shall be computed on the basis of the employee's regular rate of pay as of the day of absence and shall be paid on the pay check for said period so long as application for same has been submitted on a timely basis. Application for payment shall be made through the employee's supervisor on forms so provided.

Section 4. Unused sick and/or personal leave allowance, at the time of the employee's next eligibility date, will be paid to the employee in a lump sum calculated on the basis of the employee's regular rate of pay at such time.

ARTICLE 21
NON-COVERED EMPLOYEES

Section 1. Persons excluded from the Bargaining Unit shall not perform work of the type customarily performed by employees of the Bargaining Unit, except in the following situations:

(a) In emergencies when employees are not available.

(b) In the bona fide instruction or training of employees.

(c) Duties of an experimental nature or in the case of vendors or warrantees, tryouts.

Section 2. When it is determined that bargaining Unit work has been performed by a non-bargaining unit employee in violation of Section 1, the employee in the appropriate job description with the least amount of accumulated overtime hours will receive pay at the applicable rate for the hours of work performed.

Section 3. The Company shall notify the Union Chairperson and/or the Committee person in the section affected prior to the assignment of any persons excluded from the Bargaining Unit to any of the situations listed in Section 1.

Section 4. Any grievance involving interpretation of this Article may be submitted in writing directly to Step 3.

ARTICLE 22
GENERAL PROVISIONS

Section 1. The Company shall notify the Union of its supervisory representatives; the Union shall notify the Company of its Committee members operating under the Contract.

Section 2. Employees will be paid equal pay for equal work.

Section 3. The Company and the Union agree that they will not discriminate against any employee or applicant for employment because of age, race, color, religious creed, sex, national origin, ancestry or physical disability, disabled veterans, and veterans of the Vietnam era.

Section 4. Part time employees shall have seniority only among other part-time employees, and shall share in monetary benefits under the contract on a prorated basis only, with the exception of general wage rates which they shall share fully.

Section 5. Officers, Stewards and Committee persons of the Union shall be permitted to leave work in connection with official Union business whenever authorized by the President or the Business Agent of the Amalgamated Local Union, and members elected or appointed to official Union conventions or conferences, or authorized by the Local Union to attend any official Union functions shall be permitted to leave work for such purposes provided permission shall be obtained in advance from the Company, which permission will not unreasonably be withheld and provided further that the Company shall not be liable for any pay during the period of absence.

Section 6. Except as provided herein, it is understood between the parties that there shall be no duplication of Compensation for the same hours for any reason.

Section 7. The Company and the Union agree to institute a mutually agreeable training or apprenticeship program.

Section 8. The Company shall print and distribute copies of this contract to all Bargaining Unit employees within one hundred twenty (120) days of the effective date of this Agreement.

Section 9. The Company will offer educational assistance to any employee with three or more years of service under the following conditions:

(a) Courses must be job related and approved by Management prior to starting the program of instruction for which payment will be made.

(b) Courses must be successfully passed prior to payment.

(c) There will be a semester limitation of assistance not to exceed $200 per individual, effective February 1, 1992.

Section 10. Bargaining unit work within the plant shall not be sub-contracted when the work is normally and usually performed by bargaining unit employees with appropriate equipment and qualified employees are available, except where circumstances demand or economics warrant it. If such decision is based on cost, the Company will notify and discuss with the Union as soon as possible the reasons why it believes such action to be necessary, so the parties may explore alternatives to such transfer of work.

ARTICLE 23
INSURANCE PROGRAM

Section 1. Health Maintenance Organization

Each employee covered by this Agreement shall have their hospital, medical, surgical, and related insurance coverage under **the Health Net Charter HMO $1,500 hospital/outpatient deductible per covered family member per calendar year (employee pays first $400, and company pays the next $1,100). No change in current employee premium this year (through 2/28/06); 2002 contract formula applies thereafter.**

Section 2. The Company agrees to provide insurance coverage as outlined in the Health Net plan description as provided to all employees upon enrollment Details are explained in the insurance contract.

Section 3. Employee Contributions

Effective 3/1/05 the employee contribution will be $45.49 per week.

Effective 3/1/06 the employee contribution will be $45.49 per week plus 50% of the premium increase up to a maximum of $5.00 from the prior contribution.

Effective 3/1/07 the employee contribution will be the existing contribution plus 50% of the premium increase up to a maximum of $5.00 from the prior contribution.

If during the life of the contract the projected cost of premium increases would result in an increase of more than $5.00 above the previous year's employee contribution, the Company and the Union will meet to develop an alternate plan which will not result in an increase in Company cost. If the parties agree on a plan which results in a lesser premium cost the parties will share the savings.

If the parties do not agree on an alternate plan, the Company and the employee will share the increased cost of the premium on a 50%/50% basis.

Premium Conversion

Current tax laws allow us to provide you with a tax-advantaged way to pay your share of Medical premiums. You may elect to contribute toward the cost of your coverage on a pre-tax basis. That means your premiums will be deducted from your paycheck before Social Security, federal, and state taxes are taken out. This lowers your taxable income and, in effect, lowers your share of the premiums.

Section 4. Accident and Sickness weekly benefits for employees with accidents or sickness will be paid as follows:

2/1/05 - $255 per week
2/1/06 - $265 per week
2/1/07 - $275 per week

Section 5. **The Company shall pay $40 per month per employee for dental insurance to Local 376, UAW Dental Plan effective February 1, 2005. Effective February 1, 2007 the Company shall pay $30 per month per employee.**

Section 6. Employees who retire early may continue their life and/or medical insurance at group rates until age sixty-five (65). In order to receive retiree life paid for by the company and $50/month towards retiree medical and/or Medicare Part B Reimbursement paid for by the Company at age sixty-five (65), the employee must elect to carry the retiree life and/or medical insurance until age sixty-five (65).

Section 7. Employees who retire on or after 2/1/96 are entitled to $50 per month paid for by the Company toward both medical and/or Medicare Part B reimbursement when they reach age sixty-five (65).

Section 8. The Company will provide Life Insurance Coverage and Accidental Death and Dismemberment Coverage in the following amounts:

February 1, 2005 - $22,000
February 1, 2006 - $23,000
February 1, 2007 - $24,000

Section 9. The Pension Plan Monthly Benefit shall be increased from $23.25 as follows for employees retiring after: 2/1/05: $24.00; 2/1//06: $24.75; 2/1/07: $25.50. Employees hired on or after March 1, 2005 will not be covered by the defined benefit pension plan, but will instead be entitled to participate in the Company's 401k plan, which includes a 25% match on the first 4% of the employee's contribution.

Section 10. **Survivor Income Benefit Insurance** - If you should die the Company shall pay a monthly benefit of $100 to your spouse commencing on the first day of the calendar month following the date of death and on the first day of each month thereafter until 24 such monthly payments have been made. No survivor Income Benefit shall be subject in any manner to assignment, pledge, attachment of encumbrance of any kind, nor subject to the debts or liability of any eligible survivor except as required by applicable law.

Section 11. **Prescription Safety Glasses**

The following prescription safety glass program is in effect for employees only:

Expenses Covered		
Every 12 months:	Up to:	
Lenses (per lens)		
Single Vision	$	10.00
Bifocal	$	15.00
Trifocal	$	20.00
Contact Lens	$	15.00
Every 24 months:		
Frames	$	14.00

Section 12. **Provisions Applicable to Coverage if you cease active work because of certain specified reasons** -If you cease work because of non-occupational disability, all your coverage except insurance for Death or Dismemberment by Accidental means and Weekly Accident and Sickness insurance will be continued during absence due to such disability up to a maximum of 18 months from the end of the calendar month in which you last worked. This provision runs concurrently with your COBRA Rights.

Section 13. **Layoff or Leave of Absence** -Your insurance for Death or Dismemberment by Accidental Means and your Weekly Accident and Sickness Insurance will terminate on the date you cease active work, and all your other coverage will be continued during such lay-off up to the end of the calendar month in which you cease work. If your lay-off continues beyond that period, you may elect on or before the 15th day of the next calendar month to continue all of your insurance other than your insurance for Death or Dismemberment by Accidental means and your Weekly Accident and Sickness insurance for not more than the next 18 months by paying the full cost of the coverage thus continued for you. Failure to make such contribution on or before the 15th day of any month will terminate such insurance at the end of the last month for which payment has been made. If your are on lay-off, this provision will run concurrently with your COBRA rights under COBRA.

Section 14. **What Happens to Your Insurance at Retirement** - All employees retiring under the Pension Plan, upon attaining their normal retirement date, will receive $4,000 of life insurance.

If an employee retires early under the Pension Plan and pays the required contributions for the amount of life insurance he is entitled to as a retiree, until attainment of age 65, the Company will then continue this amount of life insurance at no cost to the employee.

ARTICLE 24
PLANT CLOSURE AGREEMENT

An employee whose employment is terminated as a direct result of the plant being closed shall receive:

(a) Separation pay in an amount equal to $200 for each year of continuous service;

(b) Any vacation benefits accrued but not yet paid, and

(c) The continuation of the hospital, medical, surgical, dental and life insurance in effect at the time of their termination for four (4) months.

ARTICLE 25
TERMINATION DATE

This Agreement shall commence February 1, 2005 and terminate midnight, January 31, 2008.

This Agreement shall be in full force and effect for a period of three (3) years from the date hereof and for additional periods of one (1) year thereafter except that should either party hereto intend to terminate this Agreement or modify any portion of any of the terms hereof, it shall give written notice by certified mail to the other party not less than sixty (60) no more than seventy-five (75) days prior to its expiration date.

Should notice of termination be given by either party as herein provided, this Contract shall terminate as of its expiration date.

Should either party hereto give the other party such written notice requesting amendment or modification of this Agreement, such notice shall be specific as to the amendments or modifications proposed. Negotiations on such proposed amendments or modifications shall begin not later than twenty (20) days after the date of mailing of such notice. During such negotiation, this Agreement shall remain in full force and effect except that should negotiations extend beyond the termination date then either party, upon ten (10) days notice to the other in writing and by certified mail may terminate the Contract in which event this Agreement shall terminate on the tenth day after mailing of such notice.

Notice shall be in writing and shall be sent by certified mail addressed, if to the Union, to the International Union, United Automobile, Aerospace and Agricultural Implement Workers or America, UAW, and Amalgamated Local 376, 30 Elmwood Court, Newington, Connecticut and if to the Company, to The Heim Bearings Division of Roller Bearing Company, 60 Round Hill Road, Fairfield, Connecticut, 06430.

IN WITNESS WHEREOF, the parties hereto have caused their names to be subscribed by their duly authorized officers and representative this

INTERNATIONAL UNION,
UNITED AUTOMOBILE, AEROSPACE
AND AGRICULTURAL IMPLEMENT
WORKERS OF AMERICA, UAW
AND AMALGAMATED LOCAL 376

/s/ Wendel Askew
Wendel Askew, Chairperson

/s/ Mary Pereira
Mary Pereira, Committee person

/s/ Ron Jarkes
Ron Jarkes, Committee person

/s/ Carmen Burnham
Carmen Burnham,
Business Agent, UAW Local 376

/s/ Russell See
Russell See
President, UAW Local 376

HEIM BEARINGS DIVISION
OF RBC BEARINGS

/s/ Jamie King
Jamie King
Plant Manager

/s/ Pam Kaczer
Pam Kaczer
Human Resources Manager

/s/ Robert W. Crawford
Robert W. Crawford
Director, Risk Management

APPENDIX A
WAGE SCHEDULE 2005
HIRED BEFORE 2/1/96

	2/1/2005 3.5% INCREASE		8/1/2005 .10¢ COLA		2/6/2006 3.0% INCREASE		8/7/2006 .10¢ COLA		2/5/2007 3.0% INCREASE		8/6/2007 .10¢ COLA	
LABOR	**BASE**	**RATE**	**BASE**	**RATE**	**BASE**	**RATE**	**BASE**	**RATE**	**BASE**	**RATE**	**BASE**	**RATE**

GRADE	HIRE	MAXIMUM	HIRE	MAXIMUM	HIRE	MAXIMUM	HIRE	MAXIMUM	HIRE	MAXIMUM	HIRE	MAXIMUM
12	19.19	21.69	19.29	21.79	19.87	22.44	19.97	22.54	20.57	23.22	20.67	23.32
11	18.41	20.95	18.51	21.05	19.07	21.68	19.17	21.78	19.75	22.43	19.85	22.53
10	17.68	20.17	17.78	20.27	18.31	20.88	18.41	20.98	18.96	21.61	19.06	21.71
9	16.92	19.58	17.02	19.68	17.53	20.27	17.63	20.37	18.16	20.98	18.26	21.08
8	16.16	18.67	16.26	18.77	16.75	19.33	16.85	19.43	17.36	20.01	17.46	20.11
7	15.33	17.84	15.43	17.94	15.89	18.48	15.99	18.58	16.47	19.14	16.57	19.24
6	15.00	17.52	15.10	17.62	15.55	18.15	15.65	18.25	16.12	18.80	16.22	18.90
5	14.27	16.83	14.37	16.93	14.80	17.44	14.90	17.54	15.35	18.07	15.45	18.17
4	13.80	16.30	13.90	16.40	14.32	16.89	14.42	16.99	14.85	17.50	14.95	17.60
3	13.40	15.91	13.50	16.01	13.91	16.49	14.01	16.59	14.43	17.09	14.53	17.19
2	13.18	15.71	13.28	15.81	13.68	16.28	13.78	16.38	14.19	16.87	14.29	16.97

APPENDIX B
WAGE SCHEDULE 2005
HIRED AFTER 2/1/96

	2/1/2005 3.5% INCREASE		8/1/2005 .10¢ COLA-LG 10-12 .20¢ COLA-LG 2-9		2/6/2006 3.0% INCREASE		8/7/2006 .10¢ COLA-LG 10-12 .15¢ COLA-LG 2-9		2/5/2007 3.0% INCREASE		8/6/2007 .10¢ COLA-LG 10-12 .15¢ COLA-LG 2-9	
LABOR GRADE	**BASE HIRE**	**RATE MAXIMUM**	**BASE HIRE**	**RATE MAXIMUM**	**BASE HIRE**	**RATE MAXIMUM**	**BASE HIRE**	**RATE MAXIMUM**	**BASE HIRE**	**RATE MAXIMUM**	**BASE HIRE**	**RATE MAXIMUM**
12	19.19	21.69	19.29	21.79	19.87	22.44	19.97	22.54	20.57	23.22	20.67	23.32
11	18.41	20.95	18.51	21.05	19.07	21.68	19.17	21.78	19.75	22.43	19.85	22.53
10	17.68	20.17	17.78	20.27	18.31	20.88	18.41	20.98	18.96	21.61	19.06	21.71
9	15.63	16.85	15.83	17.05	16.30	17.56	16.45	17.71	16.94	18.24	17.09	18.39
8	14.75	15.95	14.95	16.15	15.40	16.63	15.55	16.78	16.02	17.28	16.17	17.43
7	13.24	14.41	13.44	14.61	13.84	15.05	13.99	15.20	14.41	15.66	14.56	15.81
6	12.93	14.13	13.13	14.33	13.52	14.76	13.67	14.91	14.08	15.36	14.23	15.51
5	12.21	13.44	12.41	13.64	12.78	14.05	12.93	14.20	13.32	14.63	13.47	14.78
4	11.76	12.97	11.96	13.17	12.32	13.57	12.47	13.72	12.84	14.13	12.99	14.28
3	11.40	12.58	11.60	12.78	11.95	13.16	12.10	13.31	12.46	13.71	12.61	13.86
2	11.16	12.37	11.36	12.57	11.70	12.95	11.85	13.10	12.21	13.49	12.36	13.64

APPENDIX C
WAGE SCHEDULE 2005
HIRED AFTER 3/1/05

	Starting rate as of 3/1/2005		8/1/2005 .20¢ COLA		2/6/2006 INCREASE		8/7/2006 .15¢ COLA		2/5/2007 INCREASE		8/6/2007 .15¢ COLA	
LABOR GRADE	**BASE HIRE**	**RATE MAXIMUM**	**BASE HIRE**	**RATE MAXIMUM**	**BASE HIRE**	**RATE MAXIMUM**	**BASE HIRE**	**RATE MAXIMUM**	**BASE HIRE**	**RATE MAXIMUM**	**BASE HIRE**	**RATE MAXIMUM**
7	12.24	13.41	12.44	13.61	12.84	14.05	12.99	14.20	13.41	14.66	13.56	14.81
6	11.93	13.13	12.13	13.33	12.52	13.76	12.67	13.91	13.08	14.36	13.23	14.51
5	11.21	12.44	11.41	12.64	11.78	13.05	11.93	13.20	12.32	13.63	12.47	13.78
4	10.76	11.97	10.96	12.17	11.32	12.57	11.47	12.72	11.84	13.13	11.99	13.28
3	10.40	11.58	10.60	11.78	10.95	12.16	11.10	12.31	11.46	12.71	11.61	12.86
2	10.16	11.37	10.36	11.57	10.70	11.95	10.85	12.10	11.21	12.49	11.36	12.64

LABOR GRADES 8 & 9 - SEE WAGE SCHEDULE HIRED AFTER 2/1/96
LABOR GRADES 10, 11, 12 - SEE WAGE SCHEDULE HIRED BEFORE 2/1/96

SUMMARY PLAN DESCRIPTION
for the
HEIM HOURLY 401(K) PLAN

TABLE OF CONTENTS

INTRODUCTION

About This Booklet

It's only a summary:

This booklet is a summary of the HEIM Hourly 40l(k) Plan (the "plan"). It describes the plan as in effect on March 1, 2005.

It is important to remember that this booklet is only a summary of the plan and therefore provides only general information. The plan operates under detailed plan documents that are available on request made to the plan administrator.

A summary cannot deal with every conceivable set of circumstances. If something is not covered in detail in this summary, or if this summary can be read to be inconsistent "with the plan documents, the plan documents will control.

Read the entire booklet:

It is important that you read the entire booklet. Reading only portions can be confusing and misleading.

Legal requirements:

The plan has been designed to comply with current federal laws and regulations covering qualified retirement plans. Congress or the IRS may change the rules in the future. The plan of course must comply with any changes that may occur.

About The Plan

The plan:

We sponsor the plan to help our eligible employees accumulate retirement income:

- You do not pay income taxes on our contributions to the plan when they are made.
- You do not pay income taxes on your 401(k) contributions to the plan when they are made. (But, a few cities and states will tax these contributions.)
- You also are not taxed on the investment gains on the contributions as they accumulate.
- All income taxes are postponed until you withdraw money from the plan.

The plan allows you to save for yourself in an amount that you decide. The plan also provides for “matching contributions” that we make on your behalf based on your contributions. Matching contributions make your savings grow even faster.

All contributions to the plan go into a fund for investment purposes. Your share of the fund is recorded in individual accounts. Your accounts are adjusted for investment gains and losses, and also may be charged with a share of the plan’s expenses.

When you retire or your employment ends for any other reason, you become entitled to distribution from your vested accounts. If you die, your beneficiary is entitled to the distribution.

Plan year:

The plan operates on the basis of a “plan year”. The plan year is the twelve-consecutive-month period that ends each December 31.

PARTICIPATION

Covered Employment

Covered employment:

To be eligible to participate in the plan, you must first be working in “covered employment”.

- The plan excludes:
  - Employees who are non-resident aliens and whose earned income is not from sources within the United States or is exempt from U.S. income tax under a Tax Treaty

Hours of Service

Your “hours of service” are important for certain purposes of the plan - the purposes will be described later in this summary. In general, an hour of service is each hour for which you are paid or entitled to payment from us. This includes both hours worked and certain paid time off, such as vacation and sick days. However, you never receive more than 501 hours of service for any single continuous period of paid time off.

If we do not record actual hours for your job, we will credit you with 190 hours of service for each month in which you have one or more actual hours of service.

Entering The Plan

Eligibility and entry:

To be eligible to participate in the plan, you must first meet the following requirements:

- You must be working in covered employment.
- You must have completed 6 month(s) of elapsed time service.

Once you have satisfied the eligibility requirements, you will become an active participant on an “entry date”. The entry dates are the first day of each calendar month.

The plan has special rules covering entry by rehired participants and by employees who are transferred into covered employment.

Your Eligibility Service

One year of service:

For eligibility purposes under the plan, you will be credited with service from the date you start working for us until the date you stop working for us (up to one year of a leave of absence is also counted). This is called elapsed time service because we count the months that pass - or elapse - during the time you work for us.

Breaks in service:

You will have a “break in service” if you are absent from work for over one year. The plan has special rules delaying the start of a break in service in the case of absences for such things as maternity, paternity, or adoption of a child.

If you terminate employment and have a break in service before you satisfy the service requirement to participate in the plan, you will be treated as a new hire on your return to employment.

If you have a break in service after you satisfy the service requirement to participate, your prior service will be reinstated immediately upon your return to employment. However, if you terminate employment at a time when you have no vested interest in your accounts attributable to employer contributions and you have 5 or more consecutive breaks in service, your prior service will be disregarded for purposes of determining your eligibility to participate in the plan - that is, your prior service will not be reinstated upon a later return to employment even if you were once a participant in the plan.

EMPLOYEE CONTRIBUTIONS

Your 401(k) Contributions

40l (k) contributions:

The plan includes a 40l(k) arrangement under which amounts that would otherwise be paid to you in cash may instead be put into the plan as contributions on your behalf. These contributions are called “401 (k) contributions.”

Your 401(k) contributions are “pre-tax” – that is, you do not pay federal income taxes on the contributions at the time they are made. Your 401(k) contributions are also exempt from state income tax in most states. (Your contributions are subject to Social Security (FICA) taxes.) Income taxes, including taxes on the investment income and gains on your contributions, are deferred until you make withdrawals from the plan.

Your 401(k) contributions are credited to a separate account called your “401(k) account” for investment purposes. (See the section titled “INVESTMENTS”.)

You are always 100% vested in your 401(k) account.

Catch-up Contributions: Starting on March 1, 2005, you may be able to make additional pre-tax contributions to the plan, called “catch-up contributions”. (See the section titled “EMPLOYEE CONTRIBUTIONS - Your Catch-Up Contributions”.)

Eligibility and entry:

To be eligible to participate in the 401(k) arrangement, you must have satisfied the eligibility requirements for the plan as a whole. (See the section titled “PARTICIPATION - Entering the Plan”.)

Once you have satisfied the eligibility requirements, you will become a participant (and become eligible to start 401(k) contributions) on the next “entry date”. (See the section titled “PARTICIPATION - - Entering the Plan”.)

Starting 401(k) contributions:

You can start making 401(k) contributions on the date you become a participant in the 40l(k) arrangement or on any later entry date.

Your pay reduction agreement:

You make your 401(k) contributions through a pay reduction agreement. This is a two-part contract — you agree to reduce your pay by a specific amount, and we agree that the amount that would have otherwise been paid to you in cash will instead be paid into the plan as a 401(k) contribution.

You must express your pay reduction amount as a whole percentage of your current pay per payroll period, subject to the following minimum and maximum:

- Minimum: 1% (if you choose to contribute, you must contribute at least this amount per payroll period).
- Maximum: 25% (a lower maximum may be imposed on highly compensated employees).

Your total 401(k) contributions cannot exceed the amount allowed under the tax laws for any calendar year (e.g., $14,000 for 2005).

Changing your rate of contribution or stopping contributions:

You may change the rate of your contributions up or down effective as of any entry date.

You may stop contributing entirely at any later date. If you stop contributing, you may start your 401(k) contributions again as of any subsequent entry date.

To make a pay reduction agreement, change your contribution percentage or stop contributing, yon must follow the procedures established for this purpose by the plan administrator.

In-service withdrawals:

You may under appropriate circumstances withdraw money from your 401(k) account while you are still employed by us.

Withdrawals are allowed **for any reason** after you reach age 59½.

Withdrawals are allowed at any time **for hardship reasons.** You are under a "hardship" for purposes of the plan if (and only if) the withdrawal is necessary to:

- Pay medical expenses for you, your spouse or dependents.
- Purchase a home that will be your primary residence (but not mortgage payments).
- Pay tuition and related educational fees for the next 12 months of post-secondary education for you, your spouse or dependents.
- Pay amounts to prevent your eviction from, or foreclosure on, your principal residence.

You can never withdraw more than is necessary to meet the financial need resulting from the hardship. Also, under federal tax law, you cannot withdraw any investment gains on your 401(k) contributions for hardship reasons.

To make a hardship withdrawal, you must have already obtained all withdrawals and distributions (other than hardship withdrawals), and all nontaxable loans, that are currently available to you under all of our plans.

Also, if you make a hardship withdrawal, you will not be able to make any contributions to this plan (or any other deferred compensation or option plan that we have) for 6 months after the withdrawal.

Your Catch-Up Contributions

Catch-up Contributions:

Beginning on October 1, 2004, the plan also allows certain participants to make additional pre-tax contributions to the plan, called "catch-up contributions". Eligible participants may make catch-up contributions if their 401(k) contributions are otherwise limited by a plan limit, as discussed above, or the tax laws. The tax law limits include the yearly maximum 40l(k) deferral limit ($14,000 in 2005) and special limits that may apply to your contributions if you are a highly compensated employee. (See the section tided "LIMITS CONTRIBUTIONS".)

Except as stated below, catch-up contributions are administered in the same manner as your 401(k) contributions. (See the section titled "EMPLOYEE CONTRIBUTIONS - Your 40l(k) Contributions".)

Note: Catch-up contributions are not subject to federal income tax at the time they are made. However, catch-up contributions may be subject to state income taxes. You should consult with your tax advisor regarding these matters.

You are always 100% vested in your catch-up contributions.

Eligibility and entry:

To be eligible to make catch-up contributions, you must first meet the following requirements:

- You must be eligible to participate in the plan's 401(k) arrangement. (See the section titled "EMPLOYEE CONTRIBUTIONS - Your 401(k) Contributions".)
- You must be age 50 or older in order 10 make catch-up contributions for a particular calendar year. If you will turn 50 during the calendar year, you are deemed to satisfy this age requirement at the start of the year. (This age requirement is set by federal law.)

Once you have satisfied the eligibility requirements, you may start your catch-up contributions.

Starting your Catch-up Contributions:

To start contributions, change your contribution amount or stop contributions, you must follow the procedures established for this purpose by the plan administrator. Typically, the requirements will be the same as for your 401(k) contributions. (See the section titled "EMPLOYEE CONTRIBUTIONS - Your 401(k) Contributions".)

Legal limits:

Your total catch-up contributions cannot exceed the maximum amount allowed under the federal tax laws for a given calendar year. In 2005, the limit is $4,000. This amount is scheduled to increase by $1,000 each year, until reaching $5,000 in 2006.

Note: Due to federal tax law requirements, amounts you initially contribute as catch-up contributions may be reclassified as 401(k) contributions if you do not actually reach a limit imposed on your 40l(k) contributions by the plan or the tax laws. It is also possible that your 401(k) contributions may be reclassified as catch-up contributions, instead of being refunded to you if you exceed a plan or legal limit. (See the section titled "LIMITS ON CONTRIBUTIONS".)

Your After – Tax Contributions

After-tax contributions:

The plan also allows you to contribute money on an after-tax basis - that is, after income and Social Security (FICA) taxes have been paid on the money. These contributions are called “after-tax contributions.”

Although you have already paid tax on your after-tax contributions, income taxes on the investment income and gains on those contributions are deferred until you make withdrawals from the plan.

Your after-tax contributions are credited to a separate account called your “after-tax account” for investment purposes. (See the section titled “INVESTMENTS”.)

You are always 100% vested in your after-tax account.

Eligibility and entry:

To be eligible to participate in the after-tax portion of the plan, you must have satisfied the eligibility requirements for the plan as a whole. (See the section titled “PARTICIPATION - Entering the Plan”.)

To be eligible to participate in the after-tax portion of the plan, you must have satisfied the eligibility requirements for the plan as a whole. (See the section titled “PARTICIPATION - Entering the Plan”.) Once you have satisfied the eligibility requirements, you will become a participant (and will be able to start making after-tax contributions) at the same time you become a participant in the 401(k) portion of the plan. (See the section titled “EMPLOYEE CONTRIBUTIONS -Your 401(k) contributions”.)

Pay withholding contributions:

You may make your after-tax contributions through pay withholding.

You must express your pay withholding amount as a whole percentage of your current pay per payroll period, subject to the following minimum and maximum:

- Minimum: 1% (if you choose to contribute, you must contribute at least this amount per payroll period).
- Maximum: 10% (a lower maximum may be imposed on highly compensated employees). Also, in combination, your 401(k) contributions and after-tax contributions may not exceed 25% of your pay for any payroll period.

In-service withdrawals:

You may withdraw money from your after-tax account while you are still employed by us.

Withdrawals are allowed at any time and **for any reason.**

EMPLOYER CONTRIBUTIONS

Matching Contributions

Matching contributions:

The plan provides for employer contributions that we make based on your contributions to the plan. These contributions are called “matching contributions.”

Income taxes on matching contributions, including taxes on the investment income and gains on such contributions, are deferred until you make withdrawals from the plan.

Matching contributions are credited to a separate account called your “matching account” for investment purposes. (See the section titled “INVESTMENTS.”)

Eligibility and entry:

To be eligible to participate in the matching portion of the plan, you must have satisfied the eligibility requirements for the plan as a whole. (See the section titled “PARTICIPATION - Entering the Plan”.)

Once you have satisfied the eligibility requirements, you will become a participant on the next “entry date”. (See the section titled “PARTICIPATION - Entering the Plan”.)

Matching contribution formula:

Matching contributions will be a discretionary amount that we determine each plan year. Generally, we will announce the match formula in advance of each year (the formula may change from year to year). If no formula is announced, we will decide at the end of the year whether to make a matching contribution according to a default formula specified in the plan or not to make a matching contribution for that year.

Plan compensation:

Your matching contributions are dependent upon your "plan compensation" for the plan year. In general, as an employee your plan compensation includes all of the taxable compensation we pay you for current services (it does not include deferred compensation payments or stock option amounts). However, some special rules apply -

- *Pre-entry date amounts* – plan compensation **does not include** amounts paid prior to the entry date on which you become a participant in the matching portion of the plan - that is, if you enter the plan mid-year, your matching contributions will be based solely on amounts you are paid as a participant after your entry date.

- *40l (k) contributions* – plan compensation **includes** the amount of your pre-tax contributions to "401(k)" and "403 (b)" plans.

- *Cafeteria contributions* – plan compensation **includes** the amount of your pre-tax contributions by pay reduction to "cafeteria" plans.

- *Fringe benefits* – plan compensation **does not include** reimbursements or other expense allowances, fringe benefits (cash and non-cash), moving expenses, deferred compensation or welfare benefits.

- *IRS limit* – plan compensation **does not include amounts in excess of the maximum that is permitted to be recognized by a qualified plan under the tax laws** – that maximum is $210,000 for year 2005 (indexed for inflation).

Any amounts you receive after you cease to be a covered employee do not count as plan compensation.

Requirements to receive a matching contribution:

To receive a matching contribution for a plan year:

- You must have made match eligible contributions during the plan year.

- You must be an active participant in the matching portion of the plan at some time during the plan year. (See the discussion above titled "Eligibility and Entry".)

    - After you become a participant in the matching portion of the plan, you will be an "active" participant as long as you continue to work in covered employment.

- However, you need not be employed by us on the last day of the plan year or have completed any specified number of hours of service during the plan year.

In-service withdrawals:

You may under appropriate circumstances withdraw money from your matching account while you are still employed by us.

Withdrawals are allowed **for any reason** after you reach age 65.

Withdrawals are allowed at any time **for hardship reasons.** You are under a "hardship" for purposes of the plan if (and only if) the withdrawal is necessary to:

- Pay medical expenses for you, your spouse or dependents.

- Purchase a home that will be your primary residence (but not mortgage payments).

- Pay tuition and related educational fees for the next 12 months of post-secondary education for you, your spouse or dependents.

- Pay amounts to prevent your eviction from, or foreclosure on, your principal residence.

You can never withdraw more than is necessary to meet the financial need resulting from the hardship.

To make a withdrawal, you must follow the procedures established for this purpose by the plan administrator.

LIMITS ON CONTRIBUTIONS

Limits on your contributions:

The tax laws limit the total amount which can be contributed to the plan and any other plans maintained by us in any year. The total contribution to your accounts in this plan, plus any other defined contribution plans we may maintain, in any year is limited to the smaller of $42,000 or 100% of your taxable compensation (including contributions by salary reduction to "40l(k)", other than catch-up contributions, and "cafeteria" plans). However, contributions

classified by the tax laws as catch-up contributions are not considered when determining this yearly limit. (See the section titled “EMPLOYEE CONTRIBUTIONS - Your Catch-up Contributions”.)”

Limits on contributions by and for highly compensated participants:

The tax laws also may limit the amount you can contribute to the plan and/or the amount of matching contributions you can receive if you are in the group of highly compensated employees. In general, you may be a “highly compensated employee” for a plan year if you earned more than $90,000 (indexed for inflation) during the prior plan year or if you were a more than 5% owner during the prior or current plan year.

If you are a highly compensated employee, the tax laws set out a complicated formula which must be used to monitor the amount you and all other participants are contributing and the matching contributions made under the plan on your behalf. Estimates of the maximum amounts that can be contributed may be made. Your contributions may be limited to satisfy those estimates.

At the end of each plan year, the formula will be applied to the aggregate amount actually contributed by or for all eligible participants during the year. If the tax law limits have been exceeded, some matching contributions may have to be removed from your matching account and some of your contributions may have to be refunded to you. However, if you are eligible to make catch-up contributions, all or a portion of the amount that would have been refunded to you may be reclassified as catch-up contributions, provided that you have not exceeded the catch-up limit for the year.

The plan also includes the option of correcting violations of these limits by making additional contributions to the accounts of eligible non-highly compensated participants, if we decide that is the most appropriate way to satisfy these requirements for any plan year.

Annual limit on deferrals under all 401(k) plans:

Your 40l(k) contributions to the plan, plus any amounts you defer under any other qualified plan which allows you to defer compensation on a pre-tax basis, cannot be more than a specific dollar limit in any calendar year - the limit is $14,000 for the year 2005 (it will be adjusted for inflation in the future). Note that this limit includes any plan of any other employer you may have, not just this plan. Note also that it is based on the calendar year, regardless of the plan year. If you are eligible to make catch-up contributions, you may contribute an additional amount above the normal dollar limit for the year. Your catch-up contributions to the plan, plus any amounts classified as catch-up contributions under any other qualified plan, cannot be more than $4,000 in 2005. This limit increases by $1,000 per year until it reaches $5,000 in 2006.

If you exceed this limit, you must decide how you want to allocate the excess amounts among the plans. You must notify us before March 1 of the next calendar year of any excess allocated to this plan. The excess amounts, plus investment earnings on those amounts, will be refunded to you and will be taxable income to you.

If you defer more than the maximum allowed in any calendar year and do not take appropriate steps for a refund of excess deferrals, you will be subject to serious adverse income tax consequences.

ROLLOVERS

Rollover contributions:

Under certain circumstances, you may rollover a distribution you received from some other retirement plan into this plan. You are eligible to make rollovers to this plan if you are an active participant in the plan.

You can make a rollover in either of these ways:

- *Traditional rollover* - you contribute money paid directly to you within 60 days of receiving it from the other plan.
- *Direct rollover* - the money is transferred between the plans.

The plan accepts rollovers from the following sources:

- qualified plans - you may roll over amounts attributable to employer contributions or pre-tax deferrals.
- 403(b) annuity plans.
- certain 457(b) plans.
- conduit IRAs - a conduit IRA is a traditional IRA that holds only amounts that you received in an eligible distribution in the past from a qualified plan (plus earnings on those amounts).
- after-tax contributions you made to a previous employer’s qualified plan; after-tax rollovers must be done as a direct rollover.

Any amounts that you rollover into this plan go into the fund for investment purposes. These amounts are recorded in an individual account called your “rollover account.” You are always 100% vested in your rollover account.

The rules governing rollovers are complex. If you are interested in making a rollover, contact the plan administrator for more information.

In-service withdrawals:

You may withdraw money from your rollover account while you are still employed by us. Withdrawals are allowed at any time and for any reason.

INVESTMENTS

All contributions to the plan go into a fund held for investment purposes. Your share of the fund is recorded in your individual accounts.

Self-Directed Accounts

Your investment options:

You control the investment of certain or all of your accounts among the investment options offered by the plan.

You will receive further information regarding the available investment options and the procedures for making and changing your investment selections. You also will receive from time to time detailed descriptions and reports regarding the investment options. You should treat all those materials as being part of this summary plan description.

We may add, delete, or change investment options from time to time as conditions warrant.

Your responsibilities for investments:

The plan is designed to be a “section 404(c) plan,” which means that it is your responsibility to monitor the investment options and decide what investment mix is right for you. Plan fiduciaries may be relieved of liability for any losses that result from your investment instructions. We will not give you investment advice or manage your accounts for you.

Your investment election will continue to apply until you make a new election changing your options. If you die, your beneficiary becomes responsible for selecting investments for his or her accounts.

Further information about investments:

To obtain further information about your investment options, including copies of prospectuses, financial statements and reports, expenses, listings of assets held, and values of shares or units, contact the plan administrator.

You should invest your contributions in company stock only if you feel it is the right investment for you, taking into account your overall investment portfolio, including your participation in other stock-based compensation plans of the company, if any. Company stock is not a diversified investment - this means greater volatility and therefore, greater risk.”

LOANS

You are allowed to borrow against your accounts in accordance with a participant ban program established under the plan. The following is a written description of the details of the participant loan program, and you should treat that description as being part of this summary plan description.

LOAN POLICY

The following describes the administrative procedures, terms and conditions for loans under the HEIM Hourly 40l(k) Plan.

1. Eligibility for a Loan

Loans will be granted for hardship reasons only, including the following:

- expenses for medical care incurred by the Participant, or his/her spouse or dependent,
- costs directly related to the purchase or renovation of the principal residence of the Participant,
- payment of tuition and related educational fees for the next 12 months of post-secondary education for the participant, or his/her spouse, child or dependent, and
- the need to prevent the eviction of the Participant from his/her principal residence or the foreclosure on the mortgage of the principal residence of the Participant.

2. Limitation on Amount

The amount of your loan (when added to the outstanding balance of all other loans you have from the plan or any other plan of the Employer) cannot be greater than the lesser of:

A. $50,000 reduced by the amount by which (l) the highest outstanding balance of all loans to you during the one-year period ending on the day before the date on which the loan is made, exceeds (2) the outstanding balance of all loans to you on the date on which this loan is made; or

B. The amount determined according to the following chart:

Vested Account Balance	Maximum Amount of Loan
$0 - $100,000	50% of vested account balance
over $100,000	$50,000

The value of your account balance and the amount available for a loan will be determined by the Administrator.

3. Limitation on Source

Loans may be made from all accounts of a participant.

4. Minimum Loan Amount

The minimum loan amount is $1,000.

5. Interest Rate

The interest rate charged on the loan will be 1% plus the prime rate. The amount you take as a loan will be treated as an investment choice. Accordingly, the interest you pay on the loan will be credited to your plan balance as earnings.

6. Term of the Loan

Loans (other than a home purchase loan) must be repaid over a period no longer than 5 years.

Loans for a home purchase must be repaid over a period no longer than 10 years.

7. Maximum Number of Loans

The maximum number of loans outstanding for a participant at any time is one.

8. Security for Loan

Your account balance will act as the collateral for the loan.

9. Repayment

Repayment of your loan will be made through payroll deduction (after-tax) as long as you are an active employee of the Employer. If you are no longer an active employee, the entire outstanding balance of the loan will become due. Repayment of the entire outstanding balance of the loan must be made by certified check or money order sent to the Employer.

If you have separated from service and are more than 30 days late with any payment, the Employer reserves the right to treat the loan as if it has been distributed to you. You will then be required to include the distributed amount in your gross income for the year. If you are under age $59^1/_2$, the distributed amount may also be subject to the IRS 10% early withdrawal penalty tax.

If you are an active employee currently making loan repayments through payroll deduction, you may prepay the loan in full at anytime by a certified check, cashiers check, or money order mailed to your employer or to Scudder. However, partial prepayments are not allowed.

10. Paperless Loans by Phone: (Not currently available)

You may request a loan by calling the Scudder Pilot Voice Response System at (800) 541-7705 or through Scudder Interactive Account on-line at http://university.scudder.com. You will receive a check in the amount of the loan attached to the promissory note, an assignment of your plan account, and a truth-in-lending disclosure statement.

VESTING

Your Vested Percentage

Vesting:

“Vesting” refers to your right to receive a benefit from your accounts. You are always fully - 100% - vested in any account other than your matching account. You become 100% vested in this account upon the occurrence of any of the following events:

- You become 100% vested when you reach normal retirement age (provided you are employed with us at that time).

  Normal retirement age is age 65. You may continue to work past normal retirement age if you choose.

- You become 100% vested if your termination of employment occurs because of your death - in that case, your beneficiary becomes entitled to the full balance of your accounts.

- You become 100% vested if your termination of employment occurs because of your disability. For this purpose, “disability” means that you have a physical or mental condition that makes you unable to engage in any substantial gainful activity, and that can be expected to last for at least twelve months or result in death.

Prior to occurrence of an event that results in 100% vesting, your vested percentage is determined based on your service.

Vesting based on service - matching accounts:

Your “vested percentage” in your matching account prior to an event that results in 100% vesting is determined under the following schedule:

Vesting Years	Vested Percentage
1	0%
2	50%
3 or more	100%

Please note that a different vesting schedule continues to apply to matching contributions made before the 2002 plan year. Consult your prior summary plan description for the vesting schedule and other special rules that may apply.

Your Vesting Service

Your “service”:

For vesting purposes under the plan, you will be credited with one year of service for each plan year during which you complete 1000 or more hours of service.

Breaks in service:

You will have a “break in service” if you have 500 or less hours of service in a plan year. The plan has special rules delaying the start of a break in service in the case of absences for such things as maternity, paternity, or adoption of a child.

If you terminate employment and have a break in service, your prior service will be reinstated for vesting purposes immediately upon your return to employment.

If you terminate employment at a time when you have no vested interest in your accounts attributable to employer contributions and you have 5 or more consecutive breaks in service, your prior service will be disregarded for purposes of determining your vested percentage - that is, your prior service will not be

reinstated upon a later return to employment even if you were once a participant in the plan.

Forfeitures

Forfeiture accounts:

If you are not 100% vested when your employment terminates, the part of any account that is not vested will be transferred to a “forfeiture account.” This transfer will occur when you have received full distribution of your benefit, or when you have 5 consecutive breaks in-service.

The balance of the forfeiture account is applied in accordance with rules established for this purpose under the plan.

Reemployment:

Once you have 5 consecutive breaks in service, any forfeiture is permanently lost, even if you are later reemployed with us.

If you return to work with us before 5 consecutive breaks in service, you may repay to the plan any distribution that you received. If you make this repayment (or if you were 0% vested), the forfeited amount will be reinstated to your account by the end of that plan year. However, only the amount forfeited is reinstated; you do not receive any interest or earnings for the period between the forfeiture and the reinstatement.

DISTRIBUTIONS AFTER YOU CEASE TO BE AN EMPLOYEE

To You

Benefit payments:

After your employment terminates, you become eligible for a benefit from the plan equal to the vested balance of your accounts.

If your benefit is $5000.00 or less, it will be paid in a single lump-sum as soon as administratively practicable after your employment terminates.

In determining if your benefit is $5000.00 or less, the plan will disregard any amount in your rollover account.

If your benefit is more than $5000.00, you can choose when you wish to have your benefit paid within the limits set by the tax laws and the plan. Your benefit will be paid as soon as administratively practicable after you terminate employment and you request your distribution.

Payment deadline and minimum distributions:

Your benefit must be paid (or distributions must commence) not later than the date minimum distributions are required to start under the tax laws. Minimum distributions are required to start by the April 1st following the calendar year in which you reach age 70½ or, if later, retire (if you are more than a five percent owner, however, your payment must be made by April 1st following the year you reach age 70½).

Required minimum distributions under the plan are calculated by using a table published by the IRS. However, if your spouse is your sole beneficiary under the plan, the required minimum distributions are calculated using the joint life expectancy of you and your spouse if that produces smaller minimums than under the table.

Payment options:

Your benefit generally will be paid in the form of a single lump-sum payout.

- A lump-sum payout.

Your benefit will be paid in cash.

Tax consequences and withholding:

You will be subject to income taxes when your benefit is paid. Also, a payment made before age $59^1/_2$ may be subject to an additional 10% penalty tax. Therefore, the time of payment is important. **You should consult with your tax advisor regarding these matters.** (See also the section titled “SPECIAL TAX NOTICE REGARDING PLAN PAYMENTS”.)

You can avoid the income and penalty taxes by making a “rollover” to a traditional IRA (not a Roth or Education IRA), or another employer’s plan, if you qualify.

Many distributions you receive from the plan will be subject to withholding of 20% for federal income taxes. You can avoid mandatory withholding only if you arrange to have your benefit transferred directly to another qualified retirement plan or to a traditional IRA.

To Your Beneficiary

Death benefits:

When you die, the unpaid balance of all your vested accounts will be paid to your beneficiary.

Under very limited circumstances, the plan may be or become subject to special “survivor annuity” requirements that are described later in this summary. If these annuity requirements apply to the plan, the balance of your vested accounts may

be required to be applied to purchase a “qualified preretirement survivor annuity” for your spouse unless you waive that annuity and your spouse consents to that waiver. (See the section titled “MISCELLANEOUS - - Annuity Requirements”.)

Selecting your beneficiary:

You can select a beneficiary by following the procedures established for this purpose by the plan administrator. You may change or revoke your beneficiary designation at any time in accordance with those procedures.

If you have not designated a beneficiary prior to your death, or if your designated beneficiary does not survive you, your beneficiary will be your spouse or, if you have no surviving spouse, your estate.

Special rules for married participants:

If you are married, you are subject to some special rules. In general, your spouse must be your beneficiary. If you wish to designate someone else (including a trust for your spouse), your spouse must consent to the additional or different beneficiary. The spouse’s consent must be in writing and must be notarized or witnessed by a plan representative or a notary. There are limited exceptions where the consent of your spouse need not be obtained, such as where your spouse cannot be located.

If you are single, any beneficiary designation on file will automatically be revoked when you get married and your spouse will become your sole beneficiary until you file a new designation as described above.

If your marital status ever changes (you marry or divorce, or have a legal separation), you should consider whether a new beneficiary designation is appropriate.

Payment deadline and minimum distributions:

If you die before the date that minimum distributions are required to start to you, the benefit payable to a beneficiary must be paid by December 31 of the year in which falls the fifth anniversary of your death.

If you die after minimum distributions are required to start to you, minimum distributions must continue in accordance with the method that was being used to calculate minimum distributions before your death, or your beneficiary may elect a more rapid payout.

If the total benefit payable to a beneficiary is less than or equal to $5000.00, it will be paid in a lump sum as soon as administratively practicable after your death.

In determining if the total benefit is $5000.00 or less, the plan will disregard any amount in your rollover account. (This rule applies to all distributions made after January 1, 2002.)

BASIC PLAN INFORMATION

Name of plan:

HEIM Hourly 401(k) Plan

Type of plan:

The plan is a qualified profit sharing plan under Section 401(a) of the Internal Revenue Code.

Plan sponsor and administrator;

HEIM is the “plan sponsor”. Communication to the company should be directed as follows:

HEIM
60 Round Hill Road PO Box 430
Fairfield, Connecticut 06824
203-319-7754

The “plan administrator” for purposes of federal law is a committee of individuals appointed by the company - the committee is called the Retirement Plan Committee.

Communication to the plan administrator should be directed as follows:

Ms. Pam Goehringer
One Tribology Center
Oxford, CT 06478
203-267-7001

Participating employee:

The company is the only participating employer in the plan.

Plan number:

The plan has been assigned the following identification number: TDB.

Employer identification number:

The company’s federal employer identification number is: 13-3426227.

Funding agent:

All or a portion of the plan assets are held in an account with the following financial organization serving as a directed trustee:

Scudder Trust Company
11 Northeastern Boulevard
Salem, N.H. 03079

Agent for Legal Process:

Legal process may be served on Heim Bearings at the address for the company listed above.

Legal process may also be served on the trustee, at the address listed above.

CLAIMS PROCEDURE

To receive a distribution or other benefit, you must follow the procedures established by the plan administrator. You may be required to file a paper form, or you may be required to exercise benefit elections and other rights through a voice response system or other electronic media (e.g., Internet).

The plan administrator will make factual determinations on whether you are entitled to benefits and if so, the amount, and will interpret the terms of the plan. **The plan administrator's decisions are binding, subject to your claim and appeal rights described below.**

Initial benefit claim:

If you follow the procedures described above but do not receive a benefit you think you are entitled to, you or your authorized representative may file a claim for benefit with the plan administrator. The plan administrator will ordinarily respond within 90 days. However, the plan administrator may extend this period for an additional 90 days by giving you written notice of the extension, the reason why it is necessary and the date a decision is expected. Your claim will be decided in accordance with the plan and past benefit determinations.

If your claim is wholly or partially denied, you will be notified in writing of the specific reasons for the denial, with specific references to the relevant plan provisions upon which the decision is based, and the procedures for appealing the decision.

Claims based on your account statements:

You may receive periodic statements showing the current value of your plan accounts. If you believe that a statement contains an error you must, within 60 days, file a claim with the plan administrator. The claim should describe the error and, if possible, the correction or adjustment you seek. The plan administrator will respond within the rime periods for an initial benefit claim.

Appeals:

If you disagree with the initial claim determination, you or your authorized representative can, within 60 days, file an appeal with the plan administrator. You or your representative may present written statements and other documentation supporting your claim. Upon request to the plan administrator, you may review all documents relevant to your claim. (You may also receive copies of these documents free of charge.)

Your appeal will usually be decided within 60 days after you file it or, if special circumstances require an extension, within 120 days. However, if a committee is responsible for reviewing appeals and it meets at least quarterly, your appeal will be reviewed at the first meeting that is at least 30 days after you file your appeal or, if special circumstances require an extension, no later than the third meeting after you file your appeal. If an extension is required, you will receive notice of the extension, the reason why it is necessary and the date a decision is expected. Also, if you need to provide more information for the determination, you will be notified and the period for review will be tolled until the information is provided.

Your claim will be decided in accordance with the plan and past benefit determinations. Once a decision is reached, you will receive written notice explaining the decision and the reasons for it, including specific reference to the relevant plan provisions.

You may pursue legal action only after you have completed the claims process. (See the section titled "STATEMENT OF ERISA RIGHTS".)

STATEMENT OF ERISA RIGHTS

Statement of rights of plan participants:

As a participant in the plan you are entitled to certain rights and protections under the Employee Retirement Income Security Act of 1974 ("ERISA").

Receive Information About your Plan and Benefits. ERISA provides that all plan participants will be entitled to:

1. Examine, without charge, at the plan administrator's office and at other specified locations, such as worksites and union halls, all documents governing the plan, including insurance contracts and collective bargaining agreements, and a copy of the latest annual report (Form 5500 Series) filed by the plan with the U.S. Department of Labor and available at the Public Disclaimer Room of the Pension and Welfare Benefits Administration.

2. Obtain, upon written request to the plan administrator, copies of documents governing the operation of the plan, including insurance contracts and collective bargaining agreements, and copies of the latest annual report (Form 5500 Series) and updated summary plan description. The plan administrator may make a reasonable charge for the copies.

3. Receive a summary of the plan's annual financial report. The plan administrator is required by law to furnish each participant with a copy of this summary annual report.

4, Obtain a statement telling you whether you have a right to receive a benefit at normal retirement age and if so, what your benefits would be at normal retirement age if you stop working under the plan now. If you do not have a right to a benefit, the statement will tell you how many more years you have to work to get a right to a benefit. This statement must be requested in writing and is not required to be given more than once every twelve months. The plan must provide the statement free of charge.

Prudent Action by Plan Fiduciaries. In addition to creating rights for plan participants, ERISA imposes duties upon the people who are responsible for the operation of the plan. The people who operate your plan, called "fiduciaries" of the plan, have a duty to do so prudently and in the interest of you and other plan participants and beneficiaries. No one, including your employer, your union, or any other person, may fire you or otherwise discriminate against you in any way to prevent you from obtaining a benefit or exercising your rights under ERISA.

Enforced Your Rights. If your claim for a benefit is denied or ignored, in whole or in pan, you have a right to know why this was done, to obtain copies of documents relating to the decision without charge, and to appeal any denial, all within certain time schedules.

Under ERISA, there are steps you can take to enforce the above rights. For instance, if you request a copy of plan documents or the latest annual report from the plan and do not receive them within 30 days, you may file suit in a Federal court. In such a case, the court may require the plan administrator to provide the materials and pay you up to $110 a day until you receive the materials, unless the materials were not sent because of reasons beyond the control of the plan administrator. If you have a claim for benefits which is denied or ignored, in whole or in part, you may file suit in a state or Federal court. In addition, if you disagree with the plan's decision or lack thereof concerning the qualified status of a domestic relations order, you may file suit in Federal court. If it should happen that plan fiduciaries misuse the plan's money, or if you are discriminated against for asserting your rights, you may seek assistance from the U.S. Department of Labor, or you may file suit in a Federal court. The court will decide who should pay court costs and legal fees. If you are successful the court may order the person you have sued to pay these costs and fees. If you lose, the court may order you to pay these costs and fees, for example, if it finds your claim is frivolous.

Assistance with Your Questions. If you have any questions about the plan, you should contact the plan administrator. If you have any questions about this statement or about your rights under ERISA, or if you need assistance in obtaining documents from the plan administrator, you should contact the nearest office of the Pension and Welfare Benefits Administration, U.S. Department of Labor, listed in your telephone directory or the Division of Technical Assistance and Inquiries, Pension and Welfare Benefits Administration, U.S. Department of Labor, 200 Constitution Avenue, N.W., Washington, D.C. 20210. You may also obtain certain publications about your rights and responsibilities under ERISA by calling the publications hotline of the Pension and Welfare Benefits Administration.

SPECIAL TAX NOTICE REGARDING PLAN PAYMENTS

This notice explains how you can continue to defer federal income tax on your retirement savings in the plan and contains important information you will need before you decide how to receive your plan benefits. This notice is provided to you by the plan administrator because all or part of the payment that you will receive from the plan may be eligible for rollover by you or the plan administrator to a traditional IRA or eligible employer plan. Your payment cannot be rolled over to a Roth IRA, a SIMPLE IRA, or a Coverdell Education Savings Account (formerly an Education IRA). An eligible employer plan includes a plan qualified under section 401(a) of the Internal Revenue Code, including a 401(k) plan, profit-sharing plan, defined benefit plan, stock bonus plan, and money purchase plan; a section 403(a) annuity plan; a section 403(b) tax-sheltered annuity; and an eligible section 457(b) plan maintained by a governmental employer (governmental 457 plan).

An eligible employer plan is not legally required to accept a rollover. Before you decide to roll over your payment to another employer plan, you should find out whether the plan accepts rollovers and, if so, the types of distributions it accepts as a rollover. You should also find out about any documents that are required to be completed before the receiving plan will accept a rollover. Even if a plan accepts rollovers, it might not accept rollovers of certain types of distributions, such as after-tax amounts. If this is the case, and your distribution includes after-tax amounts, you may wish instead to roll your distribution over to a traditional IRA or split your rollover amount between the employer plan in which you will participate and a traditional IRA. If an employer plan accepts your rollover, the plan may restrict subsequent distributions of the rollover amount or may require your spouse's consent for any subsequent distribution. A subsequent distribution from the plan that accepts your rollover may also be subject to different tax treatment than distributions from this plan. Check with the administrator of the plan that is to receive your rollover prior to making the rollover.

Summary:

This section of the summary contains important information you will need before you decide to how to receive your benefits from the plan.

A payment from the plan that is eligible for "rollover" can be taken in two ways. You can have *all or any portion* of your payment either (1) PAID IN A "DIRECT ROLLOVER" or (2) PAID TO YOU. A rollover is a payment of your plan benefits to your traditional individual retirement arrangement (IRA) or to another qualified employer plan. This choice will affect the tax you owe.

If you choose a *DIRECT ROLLOVER:*

- Your payment will not be taxed in the current year and no income tax will be withheld.
- Your payment will be made directly to your traditional IRA or, if you choose, to another eligible employer plan that accepts your rollover. Your payment cannot be rolled over to a Roth IRA, a SIMPLE IRA, or a Coverdell Education Savings Account (formerly an Education IRA) because these are not traditional IRAs.
- The taxable portion of your payment will be taxed later when you take it out of the traditional IRA or the eligible employer plan. Depending on the type of plan, the later distribution may be subject to different tax treatment than it would be if you received a taxable distribution from this plan.

If you choose to have your plan benefit *PAID TO YOU:*

- You will receive only 80% of the taxable amount of the payment, because the plan administrator is required to withhold 20% of that amount and send it to the IRS as income tax withholding to be credited against your taxes.
- The taxable amount of your payment will be taxed in the current year unless you roll it over. Under limited circumstances, you may be able to use special tax rules that could reduce the tax you owe. However, if you receive the payment before age 59½ you may have to pay an additional 10% tax.

- You can roll over all or part of the payment by paying it to your traditional IRA or to an eligible employer plan that accepts your rollover within 60 calendar days after you receive the payment. The amount rolled over will not be taxed until you take it out of the traditional IRA or the eligible employer plan.

- If you want to roll over 100% of the payment to a traditional IRA or an eligible employer plan, *you must find other money to replace the 20% of the taxable portion that was withheld.* If you roll over only the 80% that you received, you will be taxed on the 20% that was withheld and that is not rolled over.

Your Right to Waive the 30-Day Notice Period. Generally, neither a direct rollover nor a payment can be made from the plan until at least 30 days after your receipt of this notice. Thus, after receiving this notice, you have at least 30 days to consider whether or not to have your withdrawal directly rolled over. If you do not wish to wait until this 30-day notice period ends before your election is processed, you may waive the notice period by making an affirmative election indicating whether or not you wish to make a direct rollover, your withdrawal will then be processed in accordance with your election as soon as practical after it is received by the plan administrator.

Payments that can and cannot be rolled over by you:

Payments from the plan may be “eligible rollover distributions.” This means that they can be rolled over to a traditional IRA or to an eligible employer plan that accepts rollovers. Payments from a plan cannot be rolled over to a Roth IRA, a SIMPLE IRA or a Coverdell Education Savings Account (formerly an Education IRA). The plan administrator should be able to tell you what portion of your payment is an eligible rollover distribution.

After-tax Contributions. If you made after-tax contributions to the plan, these contributions may be rolled into either a traditional IRA or to certain employer plans that accept rollovers of the after-tax contributions. The following rules apply:

- Rollover into a Traditional IRA. You can roll over your after-tax contributions to a traditional IRA either directly or indirectly. Your plan administrator should be able to tell you how much of your payment is the taxable portion and how much is the after-tax portion.

  If you roll over after-tax contributions to a traditional IRA, it is your responsibility to keep track of, and report to the IRS on the applicable forms, the amount of these after-tax contributions. This will enable the nontaxable amount of any future distributions from the traditional IRA to be determined.

  Once you roll over your after-tax contributions to a traditional IRA, those amounts cannot later be rolled over to an employer plan.

- Rollover into an Employer Plan. You can roll over after-tax contributions from an employer plan that is qualified under Code section 401(a) or a section 403(a) annuity plan to another such plan using a direct rollover if the other plan provides separate accounting for amounts rolled over, including separate accounting for the after-tax employee contributions and earnings on those contributions. You can also roll over after-tax contributions from a section 403(b) tax-sheltered annuity to another section 403(b) tax-sheltered annuity

using a direct rollover if the other tax-sheltered annuity provides separate accounting for amounts rolled over, including separate accounting for the after-tax employee contributions and earnings on those contributions. You cannot roll over after-tax contributions to a governmental 457 plan. If you want to roll over your after-tax contributions to an employer plan that accepts these rollovers, you cannot have the after-tax contributions paid to you first. You must instruct the plan administrator of this plan to make a direct rollover on your behalf. Also, you cannot first roll over after-tax contributions to a traditional IRA and then roll over that amount into an employer plan.

The following types of payments *cannot* rolled over.

Payments Spread Over Long Periods. You cannot roll over a payment if it is part of a series of equal (or almost equal) payments that are made at least once a year and that will last for

- your lifetime (or your life expectancy), or

- your lifetime and your beneficiary’s lifetime (or life expectancies), or

- a period of ten years or more.

Required Minimum Payments. Beginning in the year you reach 70½ or retire, if later, a certain portion of your payment cannot be rolled over because it is treated as a “required minimum payment” that must be paid by you. Special rules apply if you own more than 5% of your employer.

Hardship Distributions. A hardship distribution cannot be rolled over.

Corrective Distributions. A distribution that is made to correct a failed nondiscrimination test or because legal limits on certain contributions were exceeded cannot be rolled over.

Loans Treated as Distributions. The amount of a plan loan that becomes a taxable deemed distribution because of a default cannot be rolled over. However, a loan offset amount is eligible for rollover, as discussed below. Ask the plan administrator of this plan if distribution of your loan qualified for rollover treatment.

The plan administrator of this plan should be able to tell you if your payment includes amounts which cannot be rolled over.

Direct rollover:

A direct rollover is a direct payment of the amount of your plan benefits to a traditional IRA or an eligible employer plan that will accept it. You can choose a direct rollover of all or any portion of your payment that is an “eligible rollover distribution,” as described above. You are not taxed on any taxable portion of

your payment for which you choose a direct rollover until you later take it out of the traditional IRA or eligible employer plan. In addition, no income tax withholding is required for any taxable portion of your plan benefits for which you choose a direct rollover.

Direct Rollover to a Traditional IRA. You can open a traditional IRA to receive the direct rollover. If you choose to have your payment made directly to a traditional IRA, contact an IRA sponsor (usually a financial institution) to find out how to have your payment made in a direct rollover to a traditional IRA at that institution. If you are unsure of how to invest your money, you can temporarily establish a traditional IRA to receive the payment. However, in choosing a traditional IRA, you may wish to make sure that the traditional IRA you choose will allow you to move all or a part of your payment to another traditional IRA at a later date, without penalties or other limitations. See IRS Publication 590, *Individual Retirement Arrangements*, for more information on traditional IRAs (including limits on how often you can roll over between IRAs) .

Direct Rollover to a Plan. If you are employed by a new employer that has an eligible employer plan, and you want a direct rollover to that plan, ask the plan

administrator of that plan whether it will accept your rollover. An eligible employer plan is not legally required to accept a rollover. If your new employer's plan does not accept a rollover, you can choose a direct rollover to a traditional IRA. If the employer plan accepts your rollover, the plan may provide restrictions on the circumstances under which you may later receive a distribution of the rollover amount or may require spousal consent to any subsequent distribution. check with the plan administrator of that plan before making your decision.

Direct Rollover of a Series of Payments. If you receive a payment that can be rolled over to a traditional IRA or an eligible employer plan that will accept it, and it is paid in a series of payments for less than ten years, your choice to make or not make a direct rollover for a payment will apply to all later payments in the series until you change your election. You are free to change your election for any later payment in the series.

Change in Tax Treatment Resulting from a Direct Rollover. The tax treatment of any payment from the eligible employer plan or traditional IRA receiving your direct rollover might be different than if you received your benefit in a taxable distribution directly from the plan. For example, if you were born before January 1, 1936, you might be entitled to ten-year averaging or capital gain treatment, as explained below. However, if you have your benefit rolled over to a section 403(b) tax-sheltered annuity, a governmental 457 plan, or a traditional IRA in a direct rollover, you benefit will no longer be eligible for that special treatment. See the sections below entitled *Additional 10% Tax if You Are under Age 59½* and *Special Tax Treatment if You Were Born before January 1, 1936.*

Payment paid to you:

If your payment can be rolled over and the payment is made to you in cash, it is subject to 20% federal income tax withholding on the taxable portion (state tax withholding may also apply). The payment is taxed in the year you receive it unless, within 60 days, you roll it over to a traditional IRA or an eligible employer plan that accepts rollovers. If you do not roll it over, special tax rules may apply.

Income tax withholding:

Mandatory Withholding. If any portion of your payment can be rolled over (as described above) and you do not elect to make a direct rollover, the plan is required by law to withhold 20% of the taxable amount. This amount is sent to the IRS as federal income tax withholding. For example, if you can roll over a taxable payment of $10,000, only $8,000 will be paid to you because the plan must withhold $2,000 as income tax. However, when you prepare your income tax return for the year, unless you make a rollover within 60 days, you must report the full $10,000 as a taxable payment from the plan. You will report the $2,000 as tax and it will be credited against any income tax you owe for the year.

Voluntary Withholding. If any portion of your payment is taxable but cannot be rolled over, the mandatory withholding rules described above do not apply. In this case, you may elect not to have withholding apply to that portion. If you do nothing, an amount will be taken out of this portion of your payment for federal income tax withholding. To elect out of withholding, ask the plan administrator for the election form and related information.

Sixty-Day Rollover Option. If you receive a payment that can be rolled over, you can still decide to roll over all or part of it to a traditional IRA or to an eligible employer plan that accepts rollovers. If you decide to roll over, *you must contribute the amount of the payment you received to a traditional IRA or eligible employer plan within 60 days after you receive the payment.* The portion of your payment that is rolled over will not be taxed until you take it out of the IRA or the eligible employer plan.

You can roll over up to 100% of your payment that can be rolled over, including an amount equal to the 20% of the taxable portion that was withheld. If you choose to roll over 100%, you must find other money within the 60-day period to contribute to the IRA or the eligible employer plan to replace the 20% that was

withheld. On the other hand, if you roll over only the 80% of the taxable portion that you received, you will be taxed on the 20% that was withheld.

Example The taxable portion of your payment that can be rolled over is $10,000, and you choose to have it paid to you. You will receive $8,000, and $2,000 will be sent to the IRS as income tax withholding. Within 60 days after receiving the $8,000, you may roll over the entire $10,000 to a traditional IRA or an eligible employer plan. To do this, you roll over the $8,000 you received from the plan, and you will have to find $2,000 from other sources (your savings, a loan, *etc*). In this case, the entire $10,000 is not taxed until you take it out of the traditional IRA or an eligible employer plan. If you roll over the entire $10,000, when you file your income tax return you may get a refund of part or all of the $2,000 withheld.

If, on the other hand, you roll over only $8,000, the $2,000 you did not roll over is taxed in the year it was withheld. When you file your income tax return you may get a refund of part of the $2,000 withheld. (However, any refund is likely to be larger if you roll over the entire $10,000.)

Additional 10% Tax, If You Are Under Age 59½. If you receive a payment before you reach age 59½ and you do not roll it over, then, in addition to the regular income tax, you may have to pay an extra tax equal to 10% of the taxable portion of the payment. The additional 10% tax generally does not apply to (1) payments that are paid after you separate from service with your employer during or after the year you reach age 55, (2) payments that are paid because you

retire due to disability, (3) payments that are paid to you as equal (or almost equal) payments over your life or life expectancy (or your and your beneficiary's lives or life expectancies), (4) dividends paid with respect to stock by an employee stock ownership plan (ESOP) as described in Code section 404(k), (5) payments that are paid directly to the government to satisfy a federal tax levy, (6) payments that are paid to an alternate payee under a qualified domestic relations order, or (7) payments that do not exceed the amount of your deductible medical expenses. See IRS Form 5329 for more information on the additional 10% tax.

The additional 10% tax will not apply to distributions from a governmental 457 plan, except to the extent the distribution is attributable to an amount you rolled over to that plan (adjusted for investment returns) from another type of eligible employer plan or IRA. Any amounts rolled over from a governmental 457 plan to another type of eligible employer plan or to a traditional IRA will become subject to the additional 10% tax if it is distributed to you before you reach age 59½, unless one of the exceptions applies.

Special Tax Treatment If You Were Born before January 1, 1936). If you receive a payment from a plan qualified under section 401(a) or a section 403(b) annuity plan that can be rolled over and you do not roll it over to a traditional IRA or an eligible employer plan, the payment will be taxed in the year you receive it. However, if it qualifies as a "lump sum distribution," it may be eligible for special tax treatment. (See also *Employer Stock or Securities*, below) A lump sum distribution is a payment, within one year, of your entire balance under the plan (and certain other similar plans of the company) that is payable to you after you have reached age 59½ or because you have separated from service with your employer (or, in the case of a self-employed individual, after you have reached age 59½ or have become disabled). For a payment to be treated as a lump sum distribution, you must have been a participant in the plan for at least five years before the year in which you received the distribution. The special tax treatment for lump sum distributions that may be available to you is described below.

- *Ten Year Averaging.* If you receive a lump sum distribution and you were born before January 1, 1936, you can make a one-time election to figure the tax on the payment by using "10-year averaging" (using 1986 tax rates). Ten-year averaging often reduces the tax you owe.

- *Capital Gain Treatment.* If you receive a lump sum distribution and you were born before January 1, 1936, and you were a participant in the plan before 1974, you may elect to have the part of your payment that is attributable to

your pre-1974 participation in the plan (if any) taxed as long-term capital gain at a rate of 20%.

There are other limits on the special tax treatment for lump sum distributions. For example, you can generally elect this special tax treatment only once in your lifetime, and the election applies to all lump sum distributions that you receive in that same year. You may not elect this special tax treatment if you rolled amounts into this plan from a 403(b) tax-sheltered annuity contract, a governmental 457 plan, or from an IRA not originally attributable to a qualified employer plan. If you have previously rolled over a distribution from this plan (or certain other similar plans of the employer), you cannot use this special averaging treatment for later payments from the plan. If you roll over your payment to a traditional IRA, governmental 457 plan, or 403(b) tax-sheltered annuity, you will not be able to use this special tax treatment for later payments from that IRA, plan or annuity. Also, if you roll over only a portion of your payment to a traditional IRA, governmental 457 plan, or 403(b) tax-sheltered annuity, this special tax treatment is not available for the rest of the payment. See IRS Form 4972 for additional information on lump sum distributions and how you elect the special tax treatment.

Surviving spouses, alternate payees, and other beneficiaries:

In general, the rules summarized above that apply to payments to employees also apply to payments to surviving spouses of employees and to spouses or former spouses who are "alternate payees." (The rules summarized above do not apply to other alternate payees.) You are an alternate payee if your interest in the plan results from a "qualified domestic relations order," which is an order issued by a court, usually in connection with a divorce or legal separation.

If you are a surviving spouse or an alternate payee, you may choose to have a payment that can be rolled over, as described above, paid in a direct rollover to a traditional IRA or to an eligible employer plan or paid to you. If you have the payment paid to you, you can keep it or roll it over yourself to a traditional IRA or to an eligible employer plan. Thus, you have the same choices as the employee.

If you are a beneficiary other than the surviving spouse or an alternate payee described above, you cannot choose a direct rollover, and you cannot roll over the payment yourself.

If you are a surviving spouse, an alternate payee, or another beneficiary, your payment is generally not subject to the additional 10% tax described above, even if you are younger than age 59½.

If you are a surviving spouse, an alternate payee, or another beneficiary, you may be able to use the special tax treatment for lump sum distributions, and the special rule for payments that include employer stock, as described above. If you receive a payment because of the employee's death, you may be able to treat the payment as a lump sum distribution if the employee met the appropriate age requirements, whether or not the employee had 5 years of participation in the plan.

How to obtain additional information:

This section summarizes only the federal (not state or local) tax rules that might apply to your payment The rules described above are complex and contain many conditions and exceptions that are not included in this notice. Therefore, you may want to consult with a professional tax advisor *before* you take a payment of your benefits from the plan. Also, you can find more specific information on the tax treatment of payments from qualified retirement plans in IRS Publication 575, *Pension and Annuity Income,* and IRS Publication 590, *Individual Retirement: Arrangements.* These publications are available from your local IRS office or by calling 1-800-TAX-FORMS.

MISCELLANEOUS

Saver's tax credit:

If your married adjusted gross income does not exceed $50,000 (less if you are not married filing jointly), you may be able to pay less tax by contributing to this plan.

If you make 40l(k) contributions to the plan, you may be eligible for a tax credit, called the "saver's credit." This credit could reduce the federal income tax you pay. The amount of the credit you can get is based on the contributions you make and your credit rate under the saver's tax credit provisions. The credit rate can be as low as 10% or as high as 50%, depending on your adjusted gross income — the lower your income, the higher the credit rate. The credit rate also depends on your filing status.

The maximum contribution taken into account for the credit is $2,000 for an individual. If you are married filing jointly, the maximum contribution taken into account for the credit is $2,000 each for you and your spouse.

The credit is available to you if you:

- are 18 or older,
- are not a full-time student,
- are not claimed as a dependent on someone else's tax return, and
- have adjusted gross income (shown on your tax return for the year of the credit) that does not exceed;
    - $50,000 if you are married filing jointly;
    - $37300 if you are a head of household with a qualifying person, or
    - $25,000 if you are single or married filing separately.

Example: Susan and John are married and file their federal income tax return jointly. For 2002, their adjusted gross income would have been $34,000 if they had not made any retirement contributions. During 2002, Susan elected to make $2,000 in 401(k) contributions to this plan, and John made a deductible contribution of $2,000 to an IRA. As a result of these two contributions, their 2002 adjusted gross income is $30,000 ($34,000 - $4,000 = $30,000). If their federal income tax would have been $3,000 (after applying any other credits to which they are entitled) without having made these retirement contributions, then their federal income tax as a result of making the $4,000 retirement contributions will be only $400 after application of the saver's credit and other tax benefits for the retirement contributions. Thus, by saving $4,000 for their retirement, Susan and John have also reduced their taxes by $2,600.

The annual contribution eligible for the credit may have to be reduced by any taxable distributions from a retirement plan or IRA that you or your spouse receive during the year you claim the credit, during the two preceding years, or during the period after the end of the year for which you claim the credit and before the due date for filing your return for that year. A distribution from a Roth IRA that is not rolled over is taken into account for this reduction, even if the distribution is not taxable. After these reductions, the maximum annual contribution eligible for the credit per person is $2,000.

Example: Mark's adjusted gross income for 2002 is low enough for him to be eligible for the credit that year and he defers $3,000 of his pay to the plan during 2002. During 2001, Mark took a $400 hardship withdrawal from the plan and during 2002 he takes an $800 IRA withdrawal Mark's 2002 saver's credit will be based on contributions of $1,800 ($3,000 - $400 - $800).

The amount of your saver's credit will not change the amount of your refundable tax credits. A refundable tax credit, such as the earned income credit or the

refundable amount of your child tax credit, is an amount that you would receive as a refund even if you did not otherwise owe any taxes.

The amount of your saver's credit in any year cannot exceed the amount of tax that you would otherwise pay (not counting any refundable credits or the adoption credit) in any year. If your tax liability is reduced to zero because of other nonrefundable credits, such as the Hope Scholarship Credit, then you will not be entitled to the saver's credit.

Credit Rates

If your income tax filing status is "married filing joint" and yours adjusted gross income is:	**Your Saver's Credit Rate is:**
$0-$30,000	50% of contribution
$30,001-$32,500	20% of contribution
$32,501-$50,000	10% of contribution
Over $50,000	credit not available

If your income tax filing status is "head of household" and yours adjusted gross income is:	**Your Saver's Credit Rate is:**
$0-$22,500	50% of contribution
$22,501-$24,375	20% of contribution
$24,376-$37,500	10% of contribution
Over $37,500	credit not available

If your income tax filing status is "single," " married filing separate,"	**Your Saver's Credit Rate is:**

or" qualifying widow(er)" and yours adjusted gross income is:	
$0-$15,000	50% of contribution
$15,001-$16,250	20% of contribution
$16,251-$25,000	10% of contribution
Over $25,000	credit not available

No insurance of benefits:

Benefits under certain kinds of pension plans are insured by the Pension Benefit Guaranty Corporation (the "PBGC"), a corporation organized under federal law. However, the PBGC does not insure the benefits under plans such as this plan where your benefit is based on the value of your accounts.

Amendment and termination:

We have retained the right to amend or terminate the plan at any time for any reason. Any such action may be taken in a written document by the company's board of directors (or person authorized by the board) or other governing body or person with respect to the company. The board of directors or other governing body or person also may delegate authority to take such action to another person (*e.g.*, an officer) or a committee. No amendment or termination will take away vested benefits. Any participants employed by us when the plan terminates will be 100% vested in all their accounts.

If the plan is terminated, the fund will continue to operate until all benefits have been paid. Any money that is unallocated when the plan is terminated will first be used to pay termination expenses deemed appropriate by the company. Any money remaining will be allocated to plan participants based on their plan compensation for the plan year.

Administrative matters;

The plan allows the plan administrator to correct any errors that may occur in administering the plan, including collecting any overpayment back from the person who received it. Erroneous contributions can be returned to the company.

Contributions can also be returned if the plan or the contribution fails to meet certain tax law requirements.

The plan administrator and any other person who has authority with respect to the management or administration of the plan or the investment or control of plan assets may exercise that authority in the person's full discretion, subject only to the duties imposed under law. It is intended that the exercise of authority be given deference in all courts of law to the greatest extent allowed under law.

Claims of creditors and qualified domestic relations orders:

You cannot assign your account balance or plan benefits to anyone else and your account balance and plan benefits are generally not subject to claims of creditors. However, the plan will comply with any "qualified domestic relations order" that assigns pan or all of your account balance or plan benefit to a separated spouse, former spouse or to your dependents. The plan will also honor federal tax liens to the extent required by law.

The plan has detailed procedures to determine whether a domestic relations order is qualified and how a qualified domestic relations order will be administered. You and your beneficiaries may receive these procedures, free of charge, by requesting a copy from the plan administrator.

Accounting matters:

Accounts are valued on the "valuation date(s)" established for the plan. The accounts are adjusted for any contributions, forfeitures, investment gains and losses, benefit payments, and expenses as of each valuation date.

Benefit payments ordinarily are based on the value of your accounts determined as of the most recent valuation date preceding the payment date. In some cases, payments from the plan may have to be delayed until the accounts have been valued.

"Top-Heavy requirements:

Federal law requires that the plan contain provisions that will take effect if it ever becomes a "top-heavy" plan. A top-heavy plan is a plan in which the ratio of the account balances and accrued benefits of certain officers and owners (called "key employees") to the account balances and accrued benefits of all employees is 60% or more. In calculating this ratio, other plans maintained by the company and by certain companies related to the company may be required or permitted to be considered together with this plan. The account balances and accrued benefits on the last day of the prior plan year and any account balances and benefits distributed in that year and the four years prior to that year are added together.

The top-heavy provisions include a minimum contribution formula with special eligibility rules. The minimum contribution may be satisfied under this plan or another plan of the company, if any, according to the rules of the plan. No hours of service requirement would apply to any minimum contribution for any plan year that the plan is top-heavy.

The top-heavy provisions also include an accelerated vesting schedule that will apply if the otherwise applicable vesting schedule does not satisfy the top-heavy minimum.

Exhibit 10.17

AGREEMENT

between

Roller Bearing
Company of America

and

International Union U.A.W.
Local 502

July 1, 2004

TABLE OF CONTENTS

ARTICLE

AGREEMENT
between
ROLLER BEARING COMPANY OF AMERICA
and
INTERNATIONAL UNION U.A.W.
LOCAL 502

July 1, 2004

ARTICLE 1
PARTIES TO THE AGREEMENT

This Agreement is entered into between ROLLER BEARING COMPANY OF AMERICA ("RBC" or the "Company" or the "Employer") and the INTERNATIONAL UNION U.A.W. and its Local 502 (the "Union").

ARTICLE 2
PHILOSOPHY STATEMENT

This Agreement recognizes the need for a new approach to Union/Management relations and the more effective use of human resources in the manufacture of bearings worldwide. It further recognizes the competitiveness in the bearing industry and the potential for increased global competitive pressures with our current and future customers. Both parties recognize the need to develop and maintain an atmosphere of cooperative problem solving to accomplish our mutual objectives. We understand that our job security depends upon our success in making quality bearings, in a cost-effective manner, and in satisfying our customer expectations and commitments.

We believe that people want to be involved in decisions that affect them, care about their jobs and each other, take pride in themselves and in their contributions and want to share in the success of their efforts.

Making progress toward these mutually agreed upon goals will require a relationship of mutual respect, open communication, shared success, mutual aid, innovative problem solving, and shared decision-making. The parties agree that in order for the Union to effectively represent its members, the Union must have a role in the decision-making process that affects its members. It is the intent of the UAW and RBC to create a workplace that recognizes the need for people to be treated with respect and dignity and

recognizes that collective bargaining can be an essential and constructive force in our plant. All parties in this Agreement will strive to make the West Trenton plant of RBC the best of its kind in the marketplace; making the highest quality product; a cost effective, profitable operation; a coveted place to work, and a responsible member of the community.

It is in this renewed spirit of mutual respect and recognition of each other's stakes and equities that this Agreement is entered into and agreed upon.

ARTICLE 3
UNION RECOGNITION

The Company recognizes the Union as the exclusive collective bargaining agent for all the Company's production and maintenance employees at its plant in West Trenton, New Jersey, in respect to rates of pay, wages, hours of employment and other conditions of employment, excluding, however, office employees, supervisors, plant protection employees, laboratory employees, and time study personnel, pursuant and subject to the provisions of the Labor-Management Relations Act-1947 and amendments thereto.

ARTICLE 4
UNION SECURITY AND CHECK-OFF

To the extent permitted by law, all bargaining unit members shall be required, as a condition of employment, to become and remain members in good standing of the Union on and after the thirtieth (30th) day following the beginning of their employment or the effective date of this Agreement, whichever is the later, to the extent of paying an initiation fee and membership dues specified by the Union. No employee shall be discharged by the Company for failure to maintain good standing in the Union until such employee has received a written notice from the Union that he is not in good standing, and has at least seven (7) days thereafter in which to put himself in good standing. For the purposes of this Article, "good standing with the Union" means that the employee's dues for any month must be tendered by the last day of the month following such month.

RBC will provide for check-off of union dues and initiation fees on behalf of employees who request such a service in accordance with prevailing law. The Union shall indemnify and save RBC harmless with respect to any claims or expenses arising out of any action taken as or not taken by

RBC for the purpose of complying with this Article.

ARTICLE 5
NON-DISCRIMINATION

The philosophy and mission of RBC are designed to be in full and complete compliance with the legal and moral principles of equal opportunity in employment. Accordingly, the Company and the Union pledge, on behalf of themselves, as well as their officers, members and representatives to treat all persons equally without regard to their race, color, religion, age, sex, national origin, disability, or veteran's status. Although the term "he" is used throughout this Agreement, it is used to represent both male and female employees and is not intended to be discriminatory or exclusive in any way, but rather to simplify the language for understanding.

The Company agrees that neither it nor any of its representatives will intimidate, coerce, interfere with or discriminate against any employee because of proper activity on behalf of the Union. The Union agrees that it nor any of its officers or members will threaten, intimidate, coerce or interfere in any manner with any employee.

ARTICLE 6
STRUCTURE AND DECISION-MAKING PROCESS

The intent of the parties is to create an evolutionary process towards a goal in which employees will be part of the decision-making process with respect to producing to schedule, producing a quality product, performing to budget, housekeeping, health, safety, environmental conformance, maintenance

of equipment, material and inventory control, training, job assignment, repairs, scrap control, and scheduling time off.

WORK GROUP MEMBER:

The individual RBC employee.

WORK GROUP:

An integrated group of not more than 20 Work Group Members with a common manufacturing and support purpose related to a product or products.

The Work Group will have the responsibility and authority to produce quality products to schedule at competitive costs. It will have responsibility for both direct and indirect work and, as such, will hold meetings, obtain

supplies, keep records, seek resources as needed, and be responsible for job preparation and attainment of its own materials and supplies. It will constantly seek improvement in quality, cost, and the work environment. The Work Group will also be responsible for the planning and scheduling of the work and communications within and outside the group.

WORK GROUP REPRESENTATIVE:

An employee elected by the Work Group to participate with management in coordinating the administrative functions of the Work Group and report at least monthly on Work Group progress to the Plant Council. The Plant Council may recall a Work Group Representative upon petition of at least two-thirds of the members of the Work Group.

WORK GROUP SUPERVISOR:

A member of management who will coordinate the activities of the Work Group. In addition, Work Group Supervisors will be responsible for employment, termination, and coordination of job transfers, and will do advanced planning for resources, both short and long term, and will determine and plan resources needed by the Work Groups, including administration, engineering, materials, financial, etc.

UNION PLANT COMMITTEE:

The Union Plant Committee is elected by the union members according to the Union bylaws. Membership will consist of a President and one additional member for every forty (40) employees, with a minimum of no less than three members. Union Plant Committee members and two members of the Education and Training Committee will have top seniority for layoffs and recall purposes. They will be assigned to serve on the Plant Council and the other committees created by this Agreement as the Union sees fit. The Union President or his designee will be afforded up to twenty (20) hours per week for the purpose of conducting Union business.

PLANT COUNCIL:

A consultative employee group, consisting of three (3) members of the Union Plant Committee and an equal number of representatives from the Company, including the Plant Manager or his designee, who participate in decision-making processes addressing issues affecting the entire plant or which have not been resolved in the Work Group. Additional members may be added by mutual agreement of the parties on an ad hoc basis while resolving specific issues. The Plant Council will meet as often as necessary, but at least weekly.

In connection with the foregoing and with other issues affecting the

plant, the parties recognize that all functions of management are reserved exclusively to the Company, except insofar as they are delegated or shared pursuant to the terms of this Agreement. These functions include the management of the business, the determination of the products, methods, processes and means of manufacturing, the establishment of the size and direction of the work force, the setting of working schedules, the rights to hire, promote, demote, lay off, transfer, discipline, discharge for proper cause and establishing fair efficiencies and Shop Rules. The Company will perform these functions in the spirit of the Philosophy Statement of this Agreement.

Within the Work Groups, decisions on matters within the Groups' authority which are not otherwise provided for in this Agreement will be made through the consensus decision-making process outlined below:

a) Such decisions shall be made in the context of the Philosophy Statement (Article 2) and the Structure and Decision-Making framework (Article 6).

b) Decisions should be achieved through the joint efforts of all to discover the best solution.

c) Decisions must be arrived at promptly.

d) A decision must provide a high level of acceptance for all parties.

e) Once a decision is reached, all parties must be totally committed to the decision.

f) Any party may object to a proposed decision, in which event the objecting party must propose concrete alternatives.

g) In the event an alternative solution is not forthcoming, the objecting party must re-evaluate its position in the context of the Philosophy Statement.

h) In the event a decision acceptable to all parties is not promptly attainable, the matter will be referred to the Plant Council.

The Plant Council will also seek to reach decisions on matters within its authority under this Agreement by means of the consensus decision-making process outlined above, provided that, if such a decision is not promptly attainable, the Company shall have the right to take action, subject to the

Union's right to grieve under the Agreement.

ARTICLE 7
WORK PERFORMED OUTSIDE THE BARGAINING UNIT

1. The parties shall conform to the principle that non-bargaining unit employees shall not perform any operation which would deprive employees of their regular work. This is not to be interpreted to prevent their necessary function of instruction and demonstration and of engaging in productive activities where required in order to handle incidents which affect efficient operation.

2. Non-bargaining unit employees may be used to perform experimental work, with or without the assistance of employees in the bargaining unit, as management determines. Experimental work is defined to mean all work involved in the development of new, different or modified products, parts, tools or equipment.

3. When experimental work is to be performed on a production basis, it will be assigned to bargaining unit employees. Experimental work on a production basis is defined to mean production of products, parts, tools or equipment after design and testing have been completed and production for inventory or orders has commenced, and will be assigned to bargaining unit employees.

ARTICLE 8
TRAINING

Both the Union and the Company recognize that training will be required to prepare Work Group and Plant Council Members to perform these functions and that this transformation will require a gradual cultural change, but agree to work together over the life of this Agreement to obtain the skills necessary to meet the levels of authority and responsibility described here.

A Training and Education Committee has been established to develop, schedule and manage the training and education process. Two (2) employees selected by the UAW N.J. Area Director and two (2) employees selected by the RBC Plant Manager will constitute the Training and Education Committee. A minimum of two (2) hours training and/or education will be provided for each employee per month when averaged on a yearly basis. This minimum training and education requirement will include either

on-the-job training to learn to perform specific skills and/or classroom training on subjects necessary to conform with the Philosophy Statement of this Agreement. The Training and Education Committee will work with the members of the Work Groups to develop, schedule, and implement training and education programs.

The Training and Education Committee will develop a training and education plan that will include necessary skills and education for the implementation of this Agreement. This plan will include a schedule of training for all employees in coordination with the principles of the pay for knowledge and skills process. A skills assessment of all employees and the requirements for all levels of each classification will be included in the plan. The Training and Education Committee has submitted its initial plan for six months training and education to the Plant Council. The training and education plan is on going process and will be updated as needed during the length of this contract. The training and education plan will include the utilization of a qualified trainer or trainers selected by the Plant Council, whose duties may also include helping the parties to facilitate the process. Expenses for training and education will be borne by the Company or through grants where available. After the initial training and education plan, the Committee will submit a plan every six (6) months for approval. Training will begin within thirty (30) days of the approval of the plan which must be finalized within two (2) weeks of its submission. In the event the members of the Committee shall fail to reach consensus on any aspect of the plan, the opposing views shall be submitted to the Plant Council for determination.

Each Training and Education Plan will include (but will not be limited to):

- technical skills
- problem-solving
- consensus decision-making
- business basics and philosophy
- trade unionism
- team building
- English as a second language.

Any Skilled Trades components of the training and education plan will be developed with the assistance of the DAW Skilled Trades Department.

Each member of the Union Plant Committee will be given a minimum of 60 hours of training in business and economics related studies each year of this labor agreement, at Company expense. Such training may include

visits to other manufacturing facilities, classroom training, or on-site training, etc. and will be determined by joint union and management agreement.

Unless deemed otherwise, all training and education approved by the Plant Council as part of the Training and Education Plan will be mandatory and costs will be borne by the Company.

ARTICLE 9
PROBATIONARY PERIOD

1. Any new or rehired employee shall be considered on probation with no seniority for a period of sixty (60) scheduled work days, not including absence days for any reason. Once the probationary period is satisfactorily completed, the employee will receive seniority credit dated back to the first day of his current hiring.

2. The Company may, at any time, transfer, layoff, or discharge a probationary employee for any reason whatsoever and no claim may be made by the Union or any of its members that the transfer or discharge of such employee was improper. Bargaining unit employees will not be asked to pass judgment on the performance of the probationer.

ARTICLE 10
SENIORITY

1. Computing Seniority

   A. The seniority standing of an employee shall be computed on the basis of the length of his service. His seniority date is his date of hire. When more than one employee is hired on the same date, to establish their seniority position, their names will be placed on the seniority lists in alphabetical order by last name (at the time of hire), then first name, if needed.

   B. Service will accumulate during an approved personal leave of absence, Union leave, family and medical leave, maternity leave, sick leave, military leave, funeral leave, or jury duty.

2. An employee's length of service and seniority shall be considered ended, and the employee will have no further recall or other rights as an employee of any kind or nature, except the right to vacation pay, and

insurance continuation through COBRA, if such an employee:

A. Voluntarily quits his employment (if rehired by the Company within three (3) working days after quitting, seniority shall not be affected), or

B. Is discharged for proper cause, or

C. Is absent for three (3) working days without properly notifying the Company, unless a satisfactory explanation is given for failure to call. (NOTE: this does not remove the obligation of calling in on the first day of absence), or

D. Fails to return to work from layoff within five (5) working days after proper notification by certified mail, return receipt requested or an accepted method of overnight delivery by the Company at the last known address as it appears on the Company records, unless a satisfactory reason is given, or

E. Fails to return to work at the end of an approved leave of absence or gives a false reason for obtaining a leave of absence, or

F. Passes the time limit for recall from layoffs, or

G. Requests and receives severance pay as a result of a qualified lay off.

ARTICLE 11
LAYOFFS AND RECALL TO WORK

1. Layoff Provisions

A. The Company will give at least seventy-two (72) hours notice prior to layoff to the employees affected, even if only one employee is affected.

B. When a job is eliminated within a classification in a Work Group, the least senior employee in that classification in the Work Group will be displaced.

C. An employee displaced from a classification within a Work Group may bump on the basis of plant seniority the least senior employee in the same or a lower rated classification in another Work Group. The employee will designate a job choice within 48 hours from the end of

the shift on which he was displaced. Employees can only bump into a Skilled Trades job if they previously held the job.

2. Recall Provisions

A. Recall will be offered to employees on the recall list in reverse order of layoff when there are no successful bidders for an open job.

B. If an employee on the recall list is offered regular, full-time re-employment of 60 working days or more on the same job and shift as previously held, and he refuses to accept it, he will be dropped from the recall list and no longer have any rights under this Agreement, except the right to any unpaid vacation and benefits through COBRA.

C. If an employee on the recall list is offered regular, full-time re-employment of 60 working days or more on a different job or shift than his regular job, and he refuses to accept it, he will remain on the recall list until such time as he is offered another opportunity to return to work. A third refusal to return to work will cause such employee to be removed from the recall list and no longer have any rights under this Agreement, except the right to any unpaid vacation and benefits through COBRA.

D. Employees on the recall list are responsible for keeping the Company notified of any change of address or phone. If the Company cannot contact a previous employee at the last know address, he will be dropped from the recall list.

E. A laid off employee will remain on the recall list according to the following time limits:

SENIORITY TIME LIMIT

Probationers	No Recall
2 years or less	2 years
2 years to 5 years	equivalent of seniority
5 years and over	5 years

ARTICLE 12
OPEN JOBS

1. Filling Open Jobs

A. Whenever the Company determines that an open job exists in the Bargaining Unit (other than a Skilled Trades job):

1) The Company will post notice of such opening for forty-eight (48) hours. Employees who wish to apply for the opening must do so by putting a job bid form in the Bid Box during the posting period. Only those employees who apply during such 48-hour period will be considered for the job and will have a right to grieve the final selection.

2) Any employee may submit a bid under the provisions of paragraph 1) above on behalf of an employee who is on vacation or leave of absence during the posting period. Employees on leave of absence will be considered, provided they will be returning from leave in a reasonable period of time.

3) Applicants will be awarded the open job on the basis of seniority.

4) A successful bidder will be transferred to the open job within forty-five (45) calendar days after he is designated.

B. When an open job exists in one of the Skilled Trades classifications, the posting and bidding procedure outlined in Subsection A above shall apply. The job will be awarded on the basis of seniority. However, employees who have previously held a job in the Skilled Trades classification in which the open job exists, will be given priority. Those employees bidding for the job who have not previously held a Skilled Trades job will be required to take a standard skills assessment test to verify qualification and aptitude for successful performance. Where no applicant possesses the requisite qualifications, the Company may determine whether to train or hire on the outside.

2. Successful applicants will receive a rate of pay commensurate with previous experience, qualifications, and training.

3. Successful applicants will be trained on the shift where suitable training conditions exist, and will be moved to the posted shift as soon as practical after sufficient skill levels are reached.

4. Situations where successful applicants either change their mind about a job or receive a job failure will be reviewed by the Plant Council and appropriate actions taken as agreed.

5. If an unqualified candidate is selected for a Skilled Trades position, the Training and Education Committee will develop a two-year apprenticeship program, including classroom and on-the-job assignments, which will provide comprehensive exposure to all required skills for successful performance of the job. The program will be submitted to the Plant Council for review and approval.

ARTICLE 13
SEVERANCE PAY

1. In the event that the Company transfers any equipment or jobs or any part thereof to another location established by it beyond a twenty-five mile radius from the center of West Trenton, NJ, and, in the future event, that such transfer is the immediate cause of, or that such transfer directly or indirectly results in a layoff of employees, any employee thus laid off shall have the option to elect to take severance pay in lieu of such layoff subject to the provisions below:

A. In the event that such transfer as described above, results in a bumping of employees without a layoff, any such bumped employee who is entitled under the provisions of this Agreement to another job covered by this Agreement, which would result in a loss of less than $1.00 per hour in wages below the job from which he is being bumped or from which he was originally bumped because of a transfer within the time limit, shall not be entitled to severance pay.

Any such employee thus bumped who is not entitled under the provisions of this Agreement to another job covered by this Agreement which would result in a loss of less than $1.00 per hour in wages below the job from which he is being bumped, or from which he was originally bumped because of a transfer within the time limit, shall have the option to elect to take severance pay in lieu of the job to which he is entitled under the provisions of this Agreement.

B. When a layoff or bumping as a result of a transfer, occurs between the date of the transfer and within the following two years, employees in such layoffs or bumping with more than one year seniority shall have a claim on severance pay.

C. When a layoff or bumping, as a result of a transfer, occurs two years after the date of the transfer, but within five years of the transfer, employees in such layoff or bumping shall have a claim to severance pay, when the length of their seniority is more than the time period

between the date of the transfer and the date of the layoff or bumping.

D. When the layoff or bumping as a result of the transfer, occurs five years or more after the date of the transfer, there shall be no claims for severance pay.

E. Severance Pay

1) To elect to take such severance pay in lieu of layoff or bumping, the employee must advise the Company of his election in writing, delivered to it within 90 days after the commencement of the layoff or incident of bumping. Severance pay shall be computed on the basis of forty hours pay at the employee's regular straight time hourly rate, at the date of the commencement of the layoff or incident of bumping, for each year of seniority since the date of the last hire.

2) The Company will increase the severance pay from 1 week to 2 weeks per year of service whenever productivity increases an average of 1% a month.

Otherwise, severance pay of 1 week will apply.

Formula:

+ West Trenton Plant Sales Dollars
+ Transfers to Hartsville and Warehouse in Sales Dollars
+/- Change in WIP + Finished Goods Inventory

= Output

Hours = Total straight time + overtime hours
Output = Productivity Measure Hours

F. Severance pay hereunder shall be paid to an electing employee within one year after the receipt by the Company of the notice of election and, upon payment of severance pay in a lump sum, the employee shall thereafter have no further seniority, recall or other rights as an employee of any kind or nature, except the right to vacation pay due to him under Article 23.

G. Seniority employees on extended sick leave have no claim under the above provisions.

2. Until such a time as the Plant Closing Notification laws go into effect, the Company will give the employees 45 days advance notice of an imminent plant closing as the laws' language pertains. When the law goes into effect, it will comply fully with the language of the law.

ARTICLE 14
LEAVE OF ABSENCE

1. Types and Conditions of Leave

A. Personal Leave

Upon written application, a leave of absence for a specified purpose, and a specified period of time may be granted to employees with the mutual consent of the Company and the Union. A copy of such leave is to be given to the Union.

B. Union Leave

Members of the Union, not to exceed one (1) for every forty (40) represented employees at any one time, elected or appointed by the Union to assignments which take them away from their employment with the Company, shall be given a leave of absence for the period of such Union assignment, and upon return to work for the Company shall be re-employed on the same job which they performed at time of leave and at the rate of pay prevailing for that job.

Duly elected Union representatives, not to exceed one (1) for every forty (40) represented employees at any one time, shall be granted leaves of absence for short periods to attend Union Conventions and similar Union functions.

The Union will give the Company as much notice as possible whenever more than two Union representatives will be out of the plant simultaneously.

C. Sick Leave

An employee, who may become ill or injured and qualify for non-occupational state disability, and has supported his absence with satisfactory evidence similar to that required under the Company's Family and Medical Leave policy, shall, upon application, be granted an unpaid leave of absence. The employee must provide medical evidence of continued

disability as required.

An employee on SLOA or workers' compensation will not receive an attendance infraction for absenteeism but they will not qualify for Perfect Attendance.

In all instances, upon returning to work, a statement must be presented from a qualified physician stating the employee is physically capable of performing his regular job assignment. The Company reserves the right to obtain a second opinion from a qualified physician designated by the Company and at the Company's expense. The employee will return to his previous job provided work is available and he has the seniority to do so. If the leave was an approved FMLA Leave for personal disability, he will return to his previous job or a comparable job. Otherwise, he will be eligible to bump another job, subject to the seniority provisions of this Agreement, and provided he has the skill and ability to perform the work.

D. Family and Medical Leave

It is understood that all of the leave provisions herein shall be administered in a manner consistent with an employee's rights, if any, under applicable family and medical leave statutes. Likewise, it is the parties' intent that the Company shall have the right to exercise any rights of an employer under such applicable statutes.

E. Maternity Leave

Employees absent from work due to pregnancy shall be granted Sick Leave as described above, provided the required application, approvals, procedures and proof of medical disability are followed as outlined in the Company's FMLA Policy and conform to current applicable laws concerning maternity absences. A leave of absence for pregnancy may be extended up to three (3) months following delivery, without loss of seniority or service. In all instances, upon returning to work following a delivery, a statement must be presented from the family physician stating the employee is physically capable of performing her regular job assignment.

F. Funeral Leave

A seniority employee who has a death occur in his immediate family (father, step-father, mother, step-mother, husband, wife, brother, step-brother, sister, step-sister, child, father-in-law, mother-in-law) will be excused from work up to three days. A seniority employee whose grandchild, step-child,

grandparent(s) or spouse's grandparent(s) pass away, will be excused from work for one day.

For each such day of absence on which he otherwise would have worked and does not work, he shall be paid eight times his regular straight time hourly rate, provided the employee attends the funeral and submits proof of death. In the case of death in foreign residence, a death certificate is required.

G. Jury Duty

A seniority employee who is called to and reports for jury duty shall be excused from work on the days on which he serves or where jury duty was canceled after he reported to serve. In addition, he shall receive for each day of jury service on which he otherwise would have worked and does not work, eight times his regular straight time hourly rate.

Such payments shall not exceed a total of twenty (20) days in any calendar year. Such compensation shall be payable only if the employee gives the Company prior notice of such jury duty call; and presents proper evidence as to the jury duty performed.

H. Military Leave

The Company will conform to the requirements of any applicable provisions of law with respect to military training or service.

2. Leave Provisions

A. Any employee on leave may return to work in line with his seniority, before the expiration of the leave, providing not less than seven (7) calendar days notice is given to Management.

B. Employees who are approved for Personal Leave will be required to apply any remaining vacation days to the beginning of the leave period commencing with the first day of the leave.

C. Employees who are approved for Personal Leave, Union Leave, Sick Leave, Military Leave (except for yearly two-week encampments), Family and Medical Leave and Maternity Leave will be granted such leave without pay.

ARTICLE 15
OVERTIME

The regular work week will be scheduled as eight (8) hours a day, forty (40) hours per week, as long as, in the Plant Council's judgment, it is practicable and consistent with the efficient operation of the plant.

Overtime opportunities will be substantially equalized within a Production Work Group, between those employees with the appropriate skill level for the required work. Work Groups will develop and administer their own plans for a fair and consistent scheduling and regulation of overtime opportunities within the group. The Plant Council will develop plans for a fair and consistent scheduling and regulation of overtime opportunities between Work Groups, which will be administered by the Work Groups.

In the case of Saturday work, announcement prior to 9:00 a.m. on the previous Thursday will be considered as sufficient. In the event that this work is canceled after that time, the Company will compensate the affected employee at the rate of four (4) hours overtime pay.

Employees will be paid time and one-half for:

a) Time worked in excess of eight hours in any continuous twenty-four hours, beginning with the starting time of the employee's regularly assigned shift.

b) All work performed in excess of forty (40) hours in any normal work week

c) All time worked on any shift which starts on Saturday.

Double time shall be paid for:

a) All work performed on Sundays and holidays, except the 1st hour of the normal night (third) shift and as provided under Article 24.

ARTICLE 16
WAGES AND OTHER COMPENSATION

1. Effective July 1, 2004 a three percent (3%) general increase will be

applied to all individual rates of pay of each member of the bargaining unit. Employees who are not on the active roll at the time of the general increase will receive the increase adjustment at the time they return to the active roll.

2. Effective July 1, 2005 a three percent (3%) general increase will be applied to all individual rates of pay of each member of the bargaining unit. Employees who are not on the active roll at the time of the general increase will receive the increase adjustment at the time they return to the active roll.

3. Effective July 1, 2006 a three percent (3%) general increase will be applied to all individual rates of pay of each member of the bargaining unit. Employees who are not on the active roll at the time of the general increase will receive the increase adjustment at the time they return to the active roll.

4. Classifications and Pay for Knowledge and Skills

a) The new system will consist of three classifications:

Production
Skilled Trades (Maintenance)
Skilled Trades (Tool Room)

Furthermore, within each classification, there will be four levels of training:

Basic
Core
Intermediate
Advanced

Training will be provided in each level, as necessary, and as determined by the Education and Training Committee in consultation with the Work Groups and with final approval by the Plant Council.

b) Pay rates for each classification and level are listed in back of book – Appendix A

c) Each employee assigned to a Work Group will be required to complete the Basic and Core levels of training for that group. Intermediate and Advanced level training shall be voluntary. However, if management

of the Work Group determines that insufficient intermediate and advanced levels of training are available within the Group, it may resort to necessary measures which may include transfers.

d) The three-classification and pay for knowledge and skills system is designed to create greater flexibility and efficiency, and is not designed to reduce the work force. Therefore, during the term of this Agreement, there will be no layoffs of bargaining unit employees as a direct result of the institution of this system. However, it is mutually agreed that the Company retains the right to adjust the size of the work force due to business, market or other such conditions. Moreover, management of the Work Groups will be free to assign employees in accordance with the knowledge and skill levels they have attained.

ARTICLE 17
PERFECT ATTENDANCE/SERVICE TIME AWARD

1. Employees who have perfect attendance by working all regularly scheduled hours (not including overtime) in any specified quarter will earn a $150.00 Perfect Attendance Award for that period. For purposes of this award, perfect attendance is defined as no available hours missed for unexcused absences, illness or injury, discipline, leave of absence, or strike.

An employee on SLOA or workers' compensation will not receive an attendance infraction for absenteeism but they will not qualify for Perfect Attendance.

2. Employees actively at work on March 31 with more than five (5) years seniority will receive $9 a year for each year of service as a Service Time Award. Service time will be calculated each year on March 31 and the award will be paid on April 30.

ARTICLE 18
NEW PRODUCTS

1. When and if, from time to time, the Company, at its discretion, decides to manufacture a different product, new to the plant, it may create a new Work Group or otherwise staff the production of such product by means of recalling or rehiring experienced employees or by means of new hires. If the Company believes that the skills and/or knowledge

needed to produce such product on an efficient and profitable basis are substantially different than the skills and knowledge in the existing Work Groups:

a) the Company will install a wage range for the positions;

b) the wage range will be explained in the Plant Council with the object of obtaining a consensus agreement. The wage program may be installed by the Company without a consensus agreement in the Plant Council subject to adjustment as provided below;

c) when a wage range is installed, the Union may process the issue in accordance with Article 29 below, including submission to arbitration of a grievance alleging that such does not bear a fair relationship to the wage structure in the plant. The decision of the arbitrator, if any, shall be effective as of the date when the employee(s) commenced manufacturing such different product.

ARTICLE 19
SHIFT PREMIUM

1. A shift premium of 10% of the regular hourly rate will be paid to all employees whenever they are assigned to and working on the afternoon and night shifts for the life of the contract.

2. Where scheduled variations from the regularly scheduled shifts occur, the jobs involved will be considered as falling on the shift on which a major part of the job is worked.

3. Any employee who is called in to perform work in the shift preceding or succeeding his regularly assigned shift, or who holds over beyond his regularly assigned shift, will be paid the shift premium, if any, applicable to the shift on which a major portion of his regular scheduled hours are worked. However, when an employee on the Day Shift or the Afternoon Shift works twelve or more continuous hours per day, including paid lunch period, he shall be paid the applicable shift premium for all hours worked over eight.

4. Shifts shall be identified as follows:

(a) Day Shift - (1st Shift)
When the majority of hours on an employee's regularly assigned shift shall fall between 7:00 a.m. and 3:00 p.m., inclusive, he shall be considered

as working on the Day Shift.

(b) Afternoon Shift - (2nd Shift)
When the majority of hours on an employee's regularly assigned shift shall fall between 3:00 p.m. and 11:00 p.m., inclusive, he shall be considered as working on the Afternoon Shift.

(c) Night Shift - (3rd Shift)
When the majority of hours on an employee's regularly assigned shift shall fall between 11:00 p.m. and 7:00 a.m., inclusive, he shall be considered as working on the Night Shift.

5. An employee on 2nd or 3rd shift, who has been awarded a new job on either 2nd or 3rd shift, and who, for the Company's convenience has been temporarily transferred to day shift for training, shall receive shift premium during the period of such training. New employees will only be paid shift premium, when transferred to the applicable shift(s). Day shift personnel will be paid under other applicable provisions of the Contract.

ARTICLE 20
PAID BREAK AND LUNCH PERIODS

All employees will receive two (2) Company-paid, twenty (20)-minute paid breaks each shift. The Work Groups will be responsible for scheduling break times for the group.

Employees are encouraged to remain on Company property during break times. Those who remain on Company property are not required to clock out, whereas those who leave the grounds, must clock out and back in upon their return to the plant.

Employees who remain on Company property must take their breaks only in the cafeteria, rest rooms, or on the Company grounds and parking lots. Breaks may not be taken on the manufacturing floor.

All vending machines will be located in the cafeteria and all profits generated will go to the Union's activity fund to be expended as they decide.

ARTICLE 21
REPORTING PAY

1. Any employee who has not been notified when there is lack of work, and therefore reports to work as scheduled, shall receive four (4) hours pay at his regular hourly rate, unless the lack of work is caused by circumstances beyond the control of the Company, or resulted from a labor dispute, or alternative work was made available, or the employee could not be reached because of an outdated phone number.

2. If an employee is asked to return to work after completing his shift and leaving the plant or he is asked to come in to work when he was not already scheduled, he will be paid the applicable overtime rate for the work. If the call back time is less than three hours, he will receive his regular rate of pay for the difference between the hours worked and three hours.

ARTICLE 22
TEMPORARY TRANSFERS

Employees may be temporarily transferred to other jobs, within the Work Group and outside the Work Group, as required to meet production needs. Employees will not be temporarily transferred between classifications except with the employee's consent or in order to deal with the production needs of the business on the last three work days of the production month.

ARTICLE 23
VACATIONS

1. Current Vacation Year is defined as the current twelve months between June 1 and May 31.

2. Vacation pay = hours worked x applicable % x straight time rate with night premium in effect on June 1 of the current vacation year

Or

Vacation pay = gross wages x applicable % Whichever pay is greater

A. Vacation Pay Schedule:

	Eligible Time Off	Applicable %
6 mos. less than 1 yea	1 week	2
1 year less than 2 years	1 week 2 days	2.8
2 years less than 3 years	1 week 4 days	3.6

3 years less than 5 years	2 weeks 2 days	4.8
5 years less than 7 years	2 weeks 3 days	5.2
7 years less than 9 years	2 weeks 4 days	5.6
9 years less than 11 years	3 weeks	6.0
11 years less than 13 years	3 weeks 1 day	6.4
13 years less than 15 years	3 weeks 2 days	6.8
15 years less than 17 years	3 weeks 3 days	7.2
17 years less than 19 years	3 weeks 4 days	7.6
19 years less than 21 years	4 weeks	8.0
21 years less than 23 years	4 weeks 1 day	8.4
23 years and over	4 weeks 2 days	8.8

B. Factor for Computed Clock Hours Calculation

1) Calculation:

a) Between 1500 hours and 2000 clocked worked hours shall be paid at 2000 hours

Vacation = 2000 x applicable % x straight rate with night premium in effect on June 1 of the current vacation year

b) Over 2000 clocked worked hours

Vacation pay = hours worked x applicable % x straight time rate with night premium in effect on June 1 of the current vacation year

Or

Vacation pay = gross wages x applicable % whichever is greater

c) Less than 1500 clocked hours of work

Vacation pay = gross wages x applicable %

2) For the purpose of computing clocked hours, any hours lost because

of a work week scheduled under forty (40) hours (except as listed in Paragraph 3.a.) or hours paid for negotiating time and Plant Council meeting time which fall in the earnings period shall be counted as clocked hours.

3) Clocked hours shall be computed in full calendar weeks. Starting with the Monday before June 1, or June 1, if it falls on a Sunday or Monday of the previous vacation year.

a) Time lost, during the earnings period, in any work week under forty (40) hours because of a shutdown due to holiday, vacation, power failure, storm, strike, fire or cause beyond the power of the Company, shall not be considered clocked hours.

b) Earnings Period covers from June 1 to May 31 of the preceding vacation year. Earnings Period shall be computed in full calendar weeks, in the same manner as clocked hours.

4) Vacation schedules may be canceled in the event of a National Emergency. Employees affected shall receive vacation pay on the same basis as outlined in the Vacation Pay Schedule.

5) Vacation Payment after Separation

a) Employees who die, or go on leave or lay off, on or before May 31 of the preceding vacation year shall be issued the Vacation Pay for which they qualify under the above Sections.

b) Employees who leave before December 31 of the preceding vacation year for any reason other than those listed in 4.A. above, are not eligible for Vacation Pay.

c) Anyone leaving the employ of the Company between December 31st of the preceding vacation year, and the following May 31, who qualified for vacation pay, shall receive that pay based on the applicable percentage of their wages earned between the previous June 1st and their date of leaving.

d) Anyone retiring between December 31st of the preceding vacation year, and the following May 31, shall be issued the vacation pay for which they qualify.

6) An employee who returns to work from a Military Leave and who has not been back at work for a full year on June 1 of the current vacation year will be paid his applicable percentage of 2000 hours, times the total of his June 1st regular straight time hourly rate and applicable shift premium.

7) Vacation Time:

a) Vacation may be taken as 1/2 days (4 hrs), one day at a time or weekly or any variety of the above.

b) A vacation request form must be completed, approved, and turned in to Human Resources on Mondays at 8am for proper payroll processing.

c) Employees may take a vacation day in place of being off sick by notifying their supervisor prior to the start of their shift. Their perfect attendance money and attendance record will not be affected.

d) Employees may choose either a lump sum or "pay as you go" method for vacation pay. Employees must elect their vacation payment method by May 1 of the vacation year.

e) Lump sum payments will be made by the end of the second full week in June.

f) Any balance of money owed for "pay as you go" vacation not used during the year will be paid by the first full week in June.

g) RBC will have advanced vacation checks ready on the payday of the week before the employee goes on vacation, or write a replacement check the same day. This applies to pre-approved vacation of one week or more in the same week with two weeks notice.

ARTICLE 24
HOLIDAYS

1. Hourly rated employees shall be paid for the following Holidays without work being performed, provided they meet the eligibility requirements described below:

1.) New Year's Day
2.) Good Friday
3.) Memorial Day
4.) Independence Day
5.) Labor Day
6.) Thanksgiving Day
7.) Friday following Thanksgiving Day
8.) Christmas Eve
9.) Christmas Day
10.) Three (3) weekdays between Christmas Day and New Year's Eve
11.) New Year's Eve

In applying this procedure, when any of the above enumerated holidays falls on Sunday the day following (Monday) will be observed as the holiday and it shall be paid as such holiday. When any of the above enumerated holidays falls on Saturday the previous day (Friday) will be observed as the holiday and it shall be paid as such holiday.

2. To be eligible for Holiday Pay, an employee must have completed his probationary period and have worked the last scheduled work day before and the next scheduled work day after the holiday within the same work week or have an acceptable explanation for not doing so.

3. Eligible employees shall receive eight (8) hours' pay at their regular straight time hourly rate exclusive of night shift and overtime premium for each of the paid holidays.

4. If work is performed on these holidays, employees shall, in addition to the regular holiday payment, receive twice their regular hourly rate for hours actually worked, exclusive of night shift and overtime premium. Employees who have accepted such holiday work assignment and then fail to report for and perform such work without reasonable explanation, shall not receive pay for the holiday.

ARTICLE 25
401K

1. A non discretionary Company contribution on behalf of each covered employee, in the amount of four (4) percent of gross wages will be deposited in each account monthly. An additional contribution on behalf of certain current older employees designed to replace the contribution made to the former defined pension plan will be deposited yearly.

2. In addition to their regular contribution of 4%, the Company will contribute an additional one (1%) percent on any employee contributions of 10% or more to their 401K.

3. Loans will be permitted on moneys contributed by the employee. You

must be a plan participant for one year before you may take a loan.

4. Loans are allowed for the following reasons:
Purchase of, or renovations to a primary home
Unreimbursed medical expenses
Secondary tuition for yourself or your dependents
Avoid eviction from or foreclosure to your primary home

5. Minimum loan: $1000; Maximum loan: 50% of vested account value, or $50,000 (whichever is less)

ARTICLE 26
PERSONAL INJURIES/WORKERS' COMPENSATION

1. Return to work from injury and/or illness - Not Work Related

A. An employee who has been incapacitated by a personal injury or illness may return to work when he is able to return to their regular job with no restrictions. Full duty with no restrictions.

2. Procedures for Handling On-the-Job Injuries

A. When injured on the job, employees must use the medical facilities made available by the Company for all services in connection with the injury. Any employee who bypasses the Company facilities will act on his own responsibility insofar as the expense involved.

B. Employees who, while at home, require emergency medical attention for injuries sustained at work, will report to the Capitol Health System - Mercer Campus or Helene Fuld Campus emergency room.

C. Employees who are injured at their work in the plant and sent to the hospital, shall, if they are sent home from the hospital, receive pay at their regular rate for the balance of their shift or time in the hospital, whichever is less. This applies to the first time they are sent home for such injury.

1) Doctor visits on day shift will be scheduled to finish not later than normal quitting time, if possible.

D. The Company may elect to provide work for workers' compensation illnesses or injuries provided the work available meets the physical restrictions outlined by the attending physician.

E. If an employee disputes the treatment or course of action taken by the attending physician he may request a second opinion through the workers' compensation carrier. A second opinion must be approved by the workers' compensation carier for all medical treatment to be paid.

ARTICLE 27
SAFETY AND HEALTH

1. The Company agrees that it will provide sanitary and safety devices within the plant. The Union agrees that the employees will take proper care of such equipment.

2. A Company Representative and Union President, or his designee, will tour the shop once per month during working hours to review matters for safety and health.

3. Safety and Environmental Committee

A. The Company and Union will expand its Safety Committee to include responsibility for analyzing and correcting unsafe and unhealthful working conditions inside the plant, insuring that the plant does not pose a threat to the outside environment, and overseeing training on health, safety, and environmental issues.

B. The Committee will consist of two (2) persons appointed by the Union President and two (2) persons appointed by the RBC Plant Manager.

C. The Committee will meet at least once per month or as often as necessary.

D. The Committee will conduct regular inspections of the different areas of the plant to ensure that conditions are not hazardous. Reports of these inspections will be given to the Work Groups that were inspected and to the Plant Council.

E. Employee training required by law regarding Health and Safety will be separate from the minimum time for training required in the Training and Education Section of this Agreement. Such training, however, will be part of the Training and Education Committee's regular plan.

4. Safety Glasses

A. The Company will provide up to $110 ($25 credit for exam and $85 for

glasses) for each employee purchasing prescription safety glasses once per contract year. Policy choices will be explained when PO is issued. All doctor's and lab visits will be made on the employee's own time.

B. The Company will supply non-prescription Safety Glasses.

C. Employees are responsible for the care of their safety glasses (prescription and non-prescription). The Company will replace any glasses that are broken during the course of work.

D. Safety glasses are required on the shop floor.

5. Safety Work Shoes - Under the shoe policy, one pair of work shoes per year will be provided. Payments will be made in accordance with current safety shoe policy.

ARTICLE 28
UNION FACILITIES

The Company agrees to provide the Union with a suitable Bulletin Board on which it may post notices, provided such Union notices deal with meetings, election of officers, appointment of committees and other non-controversial matters concerning the affairs of Local 502, U.A.W.

The Company will provide the Union officials with office space, as well as telephone and computer services, for use in conjunction with performance of their duties under the terms of the Agreement.

ARTICLE 29
DISPUTE RESOLUTION

It is recognized that, from time to time, disputes will arise, and that, although every effort will be made to resolve issues at the source, resolution will not always be reached without intervention from others.

Disputes on the shop floor will first be discussed with the affected employees and supervisors, as appropriate, in an attempt to settle the issue. If the matter cannot be resolved, the aggrieved employee may request that the Supervisor call a member of the Union Plant Committee to discuss the issue. Other disputes will be handled at the level that they arise. All disputes involving discipline or affecting employment will be reviewed by

the Plant Council.

If the dispute cannot be resolved at the first level, a member of the Union Plant Committee may submit the dispute as a written grievance, along with all the facts, to the Plant Council, not more than ten (10) days after the dispute arose. A meeting will be scheduled within one (1) week of such submission to review the issues with the Plant Council and the appropriate parties.

If the Plant Council cannot find resolution of the issue acceptable to the affected employee, the issue will be discussed in a meeting with the Plant Council and the UAW International Representative and individuals selected to represent the Company. If the issue cannot be satisfactorily resolved at this meeting, the Company will respond in writing to the issue within five (5) days after the meeting. At that time, the party who raised the issue may demand final and binding arbitration. In order to demand arbitration, the party must submit its demand, in writing, within thirty (30) days after the dispute was submitted as a written grievance. This thirty (30)-day time limit can only be extended by consensus of the Plant Council, and then only for thirty (30) additional days. A log will be kept of all written grievances in order to comply with the timeliness provisions.

Arbitration will be in accordance with the Rules of Voluntary Labor Arbitration of the American Arbitration Association and a dispute may be submitted to arbitration by filing a Demand for Arbitration in accordance with such rules within thirty (30) days of the submission of the grievance to arbitration. If made within the scope of the authority of the Arbitrator, the decision of the Arbitrator upon the issues submitted shall be final and binding upon the parties to the Agreement.

The compensation and expense of the Arbitrator and the Arbitration proceedings shall be borne equally by the parties.

ARTICLE 30
LIVING AGREEMENT

In keeping with our Philosophy Statement, this is a "Living Agreement". As a "Living Agreement," both the Union and Management understand that there may be issues that arise during the implementation of this Agreement that have not been addressed or discussed during bargaining. However, it may only be modified through consensus of the Parties.

ARTICLE 31
INSURANCE

1. Insurance Benefits - Active Employees

A. Subject to the provisions of this Agreement, life insurance and AD&D Insurance will be procured by the Company for all regular employees for the life of this contract. This insurance will be provided at no expense to the employee.

B. Life insurance is valued at $20,000 and AD&D is valued at $40,000.

C. The group medical and prescription plans will be provided to eligible employees and dependents for the life of this contract. The prescription plan will provide mail order provisions for qualified maintenance drugs. The Company will select the carrier and reserves the right to change carriers.

The medical and prescription plan premium on 5/1/04 is the "2004 premium" for calculating increases in company and union employee contributions.

1) The premium increase between 5/1/03 and 5/1/04, 2004 premium, the premium will be shared as follows:

a) The company will first pay premium increases calculated as follows.

2003 premium X 112.5%

b) The balance of the premium increase, 2004 premium - (minus 2003 premium X 112.5%) will be shared as follows:

(1) 80% will be paid by the company
(2) 20% will be paid by the union employees
(3) The union paid premium increase will be added to their 2003 rate

2) The premium increase between 5/1/04 and 5/1/05, 2005 premium, the premium will be shared as follows:

a) The company will first pay premium increases calculated as follows.

2004 premium X 112.5%

b) The balance of the premium increase, 2005 premium - (minus 2004 premium X 112.5%) will be shared as follows:

(1) 80% will be paid by the company
(2) 20% will be paid by the union employees
(3) The union paid premium increase will be added to their 2004 rate

3) The premium increase between 5/1/05 and 5/1/06, 2006 premium, the premium will be shared as follows:

a) The company will first pay premium increases calculated as follows.

2005 premium X 112.5%

b) The balance of the premium increase, 2006 premium - (minus 2005 premium X 112.5%) will be shared as follows:

(1) 80% will be paid by the company
(2) 20% will be paid by the union employees
(3) The union paid premium increase will be added to their 2005 rate

Any changes to the present health/prescription insurance carrier will be equal or better than the current coverage.

D. The Union will have the right to discuss insurance rates and medical plan coverage changes. In order to improve health insurance costs and coverage the Union will work with RBC and the insurance carrier during the 60 day period following notification of the rate change by the carrier.

E. Group medical and prescription plans, dental and life insurance plans will remain in effect for all active employees, employees on disability and employees on approved Family Leave of Absence.

F. The Company will procure a group dental plan for the life of this contract. This dental plan will be provided at no expense to the employee. Such plan shall be evidenced by a written agreement conforming to the requirements of law.

G. Employees hired on or after the effective date of this Agreement shall be

eligible for the above plans after they complete their probationary period.

H. All administrative expense shall be borne by the Company and the Company shall determine all administrative procedures which may be required to execute such a program.

I. Employee weekly medical co-pay contribuitions will be deducted on a pre-tax basis and will be automatically deducted from the pay of employees who are enrolled in the plans. Employees on the disability, workers' comp, temporary disability, or an approved leave of absence will be expected to make monthly contributions toward their co-pay. Employees who are on layoff and eligible to receive benefit continuation will receive that coverage at no cost. Employees who enroll in the plan will be covered for individual or family coverage as applicable.

J. Payment of $100 per month to employees who elect to decline the company's medical insurance program, provided they provide proof of coverage and spousal consent. In case of subsequent change in spouse's insurance status, employees would be immediately eligible to rejoin the company's plan.

2. Insurance Benefits - Retirees

A. The following identifies requirements for retirement from the Company with respect to benefit continuation eligibility and benefit coverage.

1) Retirees are defined as employees who terminate their employment with the Company, and are, at the time of termination, at least age sixty-five (65) or are eligible for Medicare benefits, and have at least ten (10) years of service with the Company.

2) Early Retirees are defined as employees who terminate their employment with the Company, and are, at the time of termination, at least sixty (60) years of age, and who have at least ten (10) years of service, but are not yet eligible as Retirees. Early Retirees who leave the Company, but who later meet the eligibility requirements as Retirees will be considered thereafter to be eligible for benefit continuation and coverage for Retirees.

B. Early Retirees may continue on the active employee's medical, prescription and dental plans described above until age 65 or until they become Medicare eligible. Such coverage will also apply to spouses of retirees. The coverage, active or Medicare, will depend of the

spouse's age.

1) A monthly co-pay per household, payable in advance, for all employees who retire prior to age 65, or

2) When an Early Retiree is totally disabled, continuation will remain in effect by paying the current active co-pay. Continuation will be available for a period of up to two (2) years provided the early retiree does not become eligible for Medicare. After two years the early retiree can remain in the active employees' plan by paying the monthly medical co-pay until they are 65 years of age. At 65 years the employee will be transferred to Medicare coverage as provided under the length of the contract.

3) Early retirees spouses will have 6 months of additional coverage beyond the death of the RBC early retiree, provided, the spouse continues to pay the monthly medical co-pay.

C. Retirees age 65 who become Medicare eligible are no longer eligible for coverage under the active employee benefit plans. They are eligible for the following coverages for the life of this contract:

1) Life insurance in the amount of $6,500 procured and paid by the Company.

2) Any retiree may purchase and pay for any Medicare supplemental coverage and upon proof of purchase will be reimbursed the Company's portion of the monthly premium for the life of this contract.

3) Surviving spouses will continue to receive the Company's monthly Medicare reimbursement for 6 months beyond the death of the RBC retiree provided they submit proof of continued insurance coverage.

3. Insurance Plans - General Information

A. Terms of any contract issued by an insurance company shall be controlling in all matters pertaining to benefits thereunder and it is understood that the grievance procedure of any collective bargaining agreement between the parties hereto shall not apply to this plan of insurance or any insurance plan in connection therewith.

B. All insurance is term insurance without cash, loan or paid up values.

C. All of the benefits provided under a health care carrier to an employee or his dependents, if any, are subject to the coordination of benefits provisions of the medical care contract.

4. Insurance Plans - Termination of Employment

TERMINATION SCHEDULE

	Life	AD&D/Medical/Dental/ Prescription Drugs
Quit	Same day	Same day
Discharge	Same day	Same day
Layoff	Six months Same day AD&D	Six months – Medical
Services	Six months	Same day
Leave of Absence *		
Personal	Six months	Sixty days
Union	Six months	Six months
Sick or Injury (Non-Occupational)	One year	One year
Maternity	Six months	Nine months from date of leaving or upon completion of pregnancy whichever occurs

		first.
Sick or Injury (Occupational)	Six months	Until seniority acquired on last day worked is equaled by the period of time involved in the disability.
Retirement	Same day for AD&D only	As per contract and age at retirement
Strike	Suspended	Suspended

** Following the applicable period of subsidized coverage by the Company, employees may pick up Life Insurance premiums through the Company to continue coverage for the duration of the Leave of Absence.*

A. Employees on Leave of Absence are expected to maintain coverage

by paying the appropriate medical co-pay. It is their responsibility to contact the HR Department to arrange for payments. Once Company subsidized coverage is ended, employees may continue coverage under COBRA.

B. Employees who request and receive severance pay in a lump sum as outlined in this Agreement will thereafter have no further rights to company-paid benefit continuation as described in this Article, but may continue coverage under COBRA.

C. Employees who are recalled from layoff and are subsequently laid off again within one month of the recall date, will not be eligible for insurance continuation as described above, but rather, all insurance will be terminated as of the last day of work and they can apply for COBRA.

D. In no event will Company-paid insurance coverage continue for longer than the initial six-month period. If an employee on the layoff list refuses recall for the third time or refuses an offer of his original position or is recalled but fails the job to which he is called his benefits will be terminated and he will be offered COBRA.

5. Insurance Coverage - Surviving Dependents

The Company will maintain the current health benefits for surviving spouses and eligible dependent children of deceased active members for 6 (six) months from the date of death of the employee for the life of this contract. The cost of this coverage will be paid by the Company.

ARTICLE 32
WAIVER OF ANY CLAUSE

A waiver of any clause in this contract does not mean a permanent waiver.

ARTICLE 33
NO STRIKE-NO LOCKOUT

The Company agrees that there shall be no lockout, and the Union agrees that there shall be no strike, walk-out, slow-down, stoppage of or other interference with work, during the term of this Agreement.

ARTICLE 34
DURATION OF AGREEMENT

This Agreement shall remain in full force and effect until midnight, June 30, 2007 and thereafter shall continue from year to year until either party gives the other ninety (90) days prior written notice of a desire to change, modify or terminate same. If neither party gives notice to terminate this Agreement, but one or both of the parties gives notice as aforesaid of an intention to change or modify any of the terms or provisions of this Agreement, then within ten (10) days after such notice or not less than thirty (30) days prior to the expiration of this Agreement, representatives of the Company, and the Union shall meet to discuss, negotiate, and, if possible, agree upon such changes. In the event such Agreement continues beyond the expiration date of this Agreement, then the terms and conditions of this Agreement, shall remain in full force and effect until such time as said negotiations have terminated, either by reason of the inability of the parties to finally conclude a new Agreement, or because a new Agreement between the parties has been concluded.

This Agreement shall be binding on the parties hereto, their executors, administrators, and successors.

IN WITNESS WHEREOF, the duly chosen representatives of the parties hereto affix their hands and seals this 1st day of July, 2004.

FOR THE UNION:

/s/ Robert Pike Robert Pike
International Rep.

/s/ Joseph Csik, Jr. Joseph Csik, Jr.
President

/s/ Douglas Large Douglas Large

FOR THE COMPANY:

/s/ Paul Harclerode Paul Harclerode
Plan Manager

/s/ Rosa Rivera Rosa Rivera
Human Resources

Vice-President

/s/ Jeffrey Maon Jeffrey Maon
Committee member

APPENDIX A

PRODUCTION JOBS

Pay Rates	7/1/04 3%	7/1/05 3%	7/1/06 3%
Advanced	19.28	19.86	20.46
Intermediate	17.67	18.20	18.75
Core	16.05	16.53	17.03
Basic	14.11	14.53	14.97
Starting Rate	11.69	12.04	12.40
Hire Rate	9.75	10.04	10.34

SKILLED TRADE JOBS

Pay Rates	7/1/04 3%	7/1/05 3%	7/1/06 3%
Advanced	21.89	22.55	23.23
Intermediate	20.42	21.03	21.66
Core	18.63	19.19	19.77
Basic	17.35	17.87	18.41
Starting Rate	15.57	16.04	16.52
Hire Rate	12.98	13.37	13.77

Monthly Medical Co-pay for Early Retiree:

$135 per month per family

Company's Monthly Contribution to Supplemental Medicare Health Insurance per Retiree/Spouse:

7/1/04 - 7/1/06 = $45.80

MEMORANDUM OF UNDERSTANDING NO. 1
Transition Issues
Work Group Issues

This Memorandum of Understanding outlines the process of transition of current employees to Product Line focused Work Groups. The Bushing Work Group has been identified as the Experimental Work Group for greater employee involvement and participation. As the members of the Work Groups are identified, the traditional departments will be eliminated, and group members will begin to function as a Work Group, even though they may not be physically located in the same area. The physical transition of machines and equipment to Product Line Work Groups is expected to be completed no later than December 1999.

Any issues not specifically addressed in this Memorandum of Understanding No. 1 will be handled through the procedures and philosophy statement of the Agreement.

1. Establishing the Work Groups

Within two (2) weeks after the ratification of the Agreement, the Company will identify the specific technical skills required in each Work Group to insure production requirements can be met during the transition period.

The jobs will then be posted and the Plant Council will select employees by seniority, insuring that the required technical skills identified by the Company are included in each Work Group. Once employees are assigned to a Work Group, they may be asked to work on any job within their classification (either Production, Skilled Trades Maintenance, or Skilled Trades Tool & Die Maker). Employees may be asked to work in their same classification in another Work Group if needed for business reasons. At that time, current job descriptions and job classes will no longer apply.

Each Work Group will then select a representative to serve as spokesperson to others outside the group.

2. Developing the Pay for Skill and Knowledge Program

The Training and Education Committee will identify the skills and knowledge required for each level of the Pay for Skill and Knowledge system, the method of training, and the measure of successful completion for each of the three job classifications. The Plant Council shall use its best efforts to retain the services of the trainer mentioned in Article 8 of the Agreement within one month after ratification, if possible, to assist the Training and Education Committee in this effort.

As a guideline, the Basic and Core levels will consist of basic education requirements in such areas as safety, trade unionism, and introductory accounting, team building and problem solving and will consist of job skills generally associated with the present Class 1 and Class 2 jobs. The Intermediate and Advanced levels will consist of further business, group management, and problem solving training, as well as job skills generally associated with the present Class 3 and Class 4 jobs.

The Training and Education Committee along with the Work Group Representative and the Work Group Supervisor will develop individual training plans for the first six months to allow all employees to meet the Basic level training requirements within one year (by June 1,1998). The plans will be submitted to the Plant Council for final approval. The Education and Training Committee along with the members of the Work Group will be responsible for insuring that employees are given the training identified on their individual training plan or rescheduling within a reasonable time period.

The Education and Training Committee will have developed and implemented the individual training plans by June 1, 1997.

3. ***Group Management***

Initially, all Work Groups will be managed in a traditional sense with the Supervisor retaining group management responsibilities.

As the Bushing Work Group completes training for problem-solving, decision-making, group management, scheduling work, and accounting it will begin taking on those responsibilities. The other Work Groups will continue to be managed more traditionally through a supervisor, but may increase the employee participation in the management of the Work Group as mutually agreed by the Work Group and members of the Plant Council, after evaluating the effectiveness of this approach in the Bushing Work Group.

It is understood that the twenty (20) hours per week given to the Union President for the performance of Union business (see Article 6) is intended to cover all his normal functions, such as attendance at Plant Council meetings, training as a Union official, answering employee or retiree inquiries, investigating grievances, etc. In this connection, the parties recognize that, in contrast to the 1994-96 contract, these functions no longer include a formal daily tour of the plant.

4. ***Area/Machine Layout***

Each Work Group (including both represented and non-represented employees and supervisors) will determine the most effective machine layout of the manufacturing area and will develop a plan for moving the equipment (including timetables). The Bushing Work area will be established first.

MEMORANDUM OF UNDERSTANDING NO. 2
Transition Issues
Pay and Benefits

A. In connection with 1996-97 negotiations, the parties have agreed to a new pay structure which will go into effect when the three-classification and pay for knowledge and skills system is instituted. The parties have also agreed to certain general increases and a flexibility increase, as described in Article 16 of the Agreement. In applying these increases, the parties have

reached the following understandings:

1. Employees will be provided training opportunities with a goal of completing each level of training within their classification in the time indicated in Appendix A or less.

2. When a level of training has been satisfactorily completed as of June 1st, the employee will thereafter be paid at the rate of pay of the level attained or at his then current individual rate of pay, whichever is higher.

3. All employees will begin training by June 1, 1997.

4. An employee who has been at work and available to accept training opportunities and who, through no fault of his own, has not been offered the training necessary to complete a level of training, will be paid at such level commencing with the end of the training year, June 1.

5. The one year training period may be extended by mutual agreement to accommodate an employee who has not satisfactorily completed a level of training by June 1, such extensions to be determined on an individual case-by-case basis.

B. The parties have also agreed to eliminate the incentive pay clause which appeared in Article 20, paragraph 5, of the 1994-96 Agreement, effective upon the ratification of this Agreement. It is recognized, however, that certain employees will not have had an opportunity to advance to the top of their former ranges at the time such clause is eliminated. The parties have agreed that such employees will continue to receive increases in the amount, at the intervals, and subject to the conditions set forth in such former paragraph 5, until they have received the number of increases they would have received if that clause had not been eliminated.

C. The parties have also agreed to terminate the former defined benefit pension plan. Termination will take place as soon as

practicable after legal approvals have been obtained, effective on the last day of a calendar month. Current accruals will be converted into annuities in accordance with current vesting schedules and legal obligations with respect to lump sum and retirement options. It is anticipated that such termination shall not occur until sometime after June 1, 1997, that is, until after the next plan year begins. Accordingly, it is anticipated that covered employee will accrue another year of service credit under such plan.

As a result, effective June 1, 1998, the Company will institute a defined contribution plan for covered bargaining unit employees, subject to the following terms:

1. Necessary governmental approvals and qualifications.

2. An annual non discretionary Company contribution on behalf of each covered employee, in the amount of four (4) percent of gross wages, plus an additional contribution on behalf of certain current older employees designed to replace the current $17.00 benefit for such employees.

3. No hardship withdrawals.

4. No loans.

5. Full and immediate vesting for current employees. New employees to vest 50 percent at the end of the plan year in which two (2) years' service is attained and 100 percent at the end of the plan year in which three (3) years' service is attained.

6. Quarterly investment statements.

7. Employees eligible to make individual contributions up to 15 percent of gross wages.

8. Investment options to be determined by the parties and to include at least one bond and one income fund.

9. Employees eligible to change investments quarterly.

10. Plan pays administrative costs up to a limit of $20,000 per year over and above forfeitures.

11. Upon retirement or termination, employee may take vested amounts in cash, may leave funds in Plan (if they exceed $3,500), may roll over his funds or may direct the Plan to purchase an annuity on his behalf. The cost of purchasing such an annuity shall be an administrative expense of the Plan, subject to paragraph 10 above.

12. The precise terms are subject to drafting by legal and financial consultants to be retained by the Company and will be reviewed further by the parties.

D. Finally, the Company has agreed to pay each employee who was a member of the Union negotiating committee eight (8) hours of pay at straight time rates, less deductions required by laws, for each day when the parties engaged in collective bargaining and the employee was thereby unable to report for work on his regularly scheduled shift.

INDEX

ARTICLE

EXHIBIT 10.19

EMPLOYMENT AGREEMENT

WITH

MICHAEL J. HARTNETT

This Employment Agreement (the "Employment Agreement") is dated as of this 18th day of December, 2000 (the "Commencement Date"), and made between Roller Bearing Company of America, Inc., a Delaware corporation ("Employer" or the "Company"), and Michael J. Hartnett Ph.D. ("Employee"). Employer hereby employs Employee and Employee hereby accepts employment, on the terms and conditions hereinafter set forth.

1. DEFINITIONS.

As used in this Agreement, and unless the context requires a different meaning, the following terms shall be defined as follows:

"Competing Business" means any business or commercial activity (including, without limitation, research and development) that is carried on in any material respect during the Term by Employer or any of Employer's Affiliates.

"Person" means any natural person, partnership, corporation, trust, company or other entity.

"Territory" means the geographical area in which the Employer or any of Employer's Affiliates engages in any business (other than an insignificant amount of business).

2. TERM.

Subject to the terms and conditions of this Agreement, the Company shall employ Employee as its President and Chief Executive Officer, for a term commencing on the Commencement Date hereof and continuing until December 17, 2005 unless earlier terminated pursuant to the provisions of Section 7 hereof (the "Term").

3. DUTIES.

(a) During the Term, Employee agrees to serve Employer as its President, Chief Executive Officer and Chairman of its Board of Directors (the "Board"), reporting to the Board, and in such other executive capacities as may be requested from time to time by the Board or a duly authorized committee thereof; provided that (i) Employee's duties shall at all times be limited to those commensurate with the foregoing offices, and (ii) Employee shall not be obligated, without his consent, to relocate his principal office location from Fairfield, Connecticut (or the surrounding area), although the foregoing limitation is not intended to limit Employee's requirement, in the normal course of business, to travel to the Employer's other business locations. Employee shall serve, if elected, as a member of the Board, and shall render similar such services for corporations directly or indirectly controlled by Employer or by Roller Bearing Holding Company, Inc. ("Employer's Affiliates") as Employer may from time to time

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reasonably request (but only such services as shall be consistent with the duties Employee is to perform for Employer and with Employee's stature and experience). All duties and services contemplated by this Section 3 are hereinafter referred to as the "Services."

(b) During the Term, Employee will devote his full business time and attention to, and use his good faith efforts to advance, the business and welfare of Employer; provided that the foregoing shall not restrict Employee's rights to engage in passive investment activities, to serve on the boards of directors of other entities (so long as such activities are not violative of Section 4 below), or to engage in civic and other similar activities.

4. CONFIDENTIAL INFORMATION AND COVENANT NOT TO COMPETE.

(a) Employee hereby agrees that, during the Term and thereafter, he will not disclose to any Person, or otherwise use or exploit in competition with Employer or Employer's Affiliates, any of the proprietary or confidential information or knowledge treated by the Employer or Employer's Affiliates as confidential, including without limitation, trade secrets, processes, records of research, information included in proposals, reports, methods, processes, techniques, computer software or programming, or budgets or other financial information, regarding Employer or Employer's Affiliates, its or their business, properties or affairs obtained by him at any time (i) during the Term or (ii) during any employment of Employee with the Employer or any of Employer's Affiliates prior to the Commencement Date ("Prior Employment"), except to the extent required to perform the Services; PROVIDED that the foregoing shall not apply to: (A) information in the public domain other than by reason of a violation of this Agreement by Employee, or (B) information that Employee is compelled to disclose by operation of law or legal process (so long as Employee provides Employer with prior notice of any such compelled disclosure and an opportunity to defend against such disclosure), or (C) information generally known to Employee by reason of his particular expertise that is not specific to the Employer.

(b) Employee hereby agrees that during the Term and for a period of two years thereafter (the "Non-Compete Term"), he will not (i) engage in or carry on, directly or indirectly, any Competing Business in any Territory in which such Competing Business is then engaged in by the Employer or Employer's Affiliates, (ii) allow his name to be used by any Person engaged in any Competing Business, (iii) invest in, directly or indirectly, any Person engaged in any Competing Business, or (iv) serve as an officer or director, employee, agent, associate or consultant of any Person engaged in a Competing Business (other than Employer or any Employer's Affiliate). Notwithstanding the foregoing, the Non-Compete Term shall be only the Term hereof in the event Employee's employment hereunder is terminated by the Employer hereunder without cause (as provided in Section 8(c) below). Subject to Section 3(b) hereof, nothing herein shall prohibit the Employee from (A) investing in any business that is not a Competing Business or (B) investing in a publicly-held entity if such investment (individually or as part of a group) is limited to not more than five percent (5%) of the outstanding equity issue of such entity.

(c) All intellectual properties developed by Employee during the Term or during any Prior Employment and related to the business (or foreseeable business prospects) of

the Employer shall be for the account of the Employer. Employee agrees to enter into such agreements (including transfer documents) as may be reasonably required by Employer to confirm the foregoing.

(d) Employee shall not, during the Non-Compete Term, directly or indirectly, solicit or induce or attempt to solicit or induce any affiliate, director, agent, or employee of Employer or any of Employer's Affiliates or contractor then under contract to the Employer, to terminate his, her or its employment or other relationship for the purpose of entering into an employment or other relationship with any of the Employer's competitors or for any other purpose or no purpose. Employee shall not, during the Non-Compete Term, directly or indirectly, solicit or induce or attempt to solicit or induce any customer or supplier of Employer or of any of Employer's Affiliates to terminate his, her or its relationship for the purpose of entering into a similar relationship with any competitors of Employer or Employer's Affiliates or for any other purpose or no purpose.

(e) Employee agrees that the remedy at law for any breach by him of any of the covenants and agreements set forth in this Section 4 will be inadequate and will cause immediate and irreparable injury to Employer and that in the event of any such breach, Employer, in addition to the other remedies which may be available to it at law, shall be entitled to obtain injunctive relief prohibiting him (together with all those persons associated with him) from the breach of such covenants and agreements.

(f) The parties hereto intend that the covenants and agreements contained in this Section 4 shall be deemed to include a series of separate covenants and agreements, one for each and every county of the states in which the Employer or any of the Employer's Affiliates does business. If, in any judicial proceeding, the duration or scope of any covenant or agreement of Employee contained in this Section 4 shall be adjudicated to be invalid or unenforceable, the parties agree that this Agreement shall be deemed amended to reduce such duration or scope to the extent necessary to permit enforcement of such covenant or agreement, such amendment to apply only with respect to the operation of such covenant and agreement in the particular jurisdiction in which such adjudication is made.

5. INDEMNIFICATION.

Employer hereby agrees to indemnify Employee to the maximum extent permitted by Delaware law at the time of the assertion, against any liability against Employee arising out of or relating to his status as an employee acting within the course and scope of employment, officer or director of Employer or any Employer's Affiliate at any time during the Term, whether such liability is asserted during or after the Term.

6. BASE SALARY AND BENEFITS.

During the Term, Employer shall pay Employee a salary at the rate of thirty-seven thousand five hundred dollars ($37,500) per month payable at least as frequently as monthly and subject to payroll deductions as may be necessary or customary in respect of Employer's salaried employees ("Base Salary"). The Base Salary will be subject to an automatic annual increase

effective December 1 of each year during the Term in a percentage amount equal to the greater of (i) five percent (5%) or (ii) the annual percentage increase in the All-Items Consumer Price Index for All Urban Consumers for such year as determined for the month of August. Employee shall also be entitled to receive the normal executive benefits of Employer and the benefits set forth in Schedule A hereto (the "Additional Benefits") and to the following (the "Special Benefits"):

(a) four weeks of paid vacation for each twelve month period during the Term, to accrue PRO RATA during the course of each such twelve month period; and

(b) medical and hospitalization insurance furnished to all other executive employees of Employer, as such insurance may be in effect from time to time (subject always to the right of Employer to amend such insurance).

7. EXPENSES.

Employer will pay or reimburse Employee for such reasonable travel, entertainment, or other expenses as he may incur on behalf of Employer during the Term in connection with the performance of his duties hereunder. Employee shall furnish Employer with such evidence that such expenses were incurred as Employer may from time to time reasonably require or request.

8. TERMINATION OF EMPLOYMENT.

Notwithstanding Section 1 hereof, the Term may be terminated prior to December 17, 2005, under the following circumstances:

(a) DEATH OR TOTAL DISABILITY. The Term shall automatically and immediately terminate upon Employee's death or "Total Disability." For purposes of this Agreement, "Total Disability" shall mean Employee's physical or mental incapacitation or disability that renders Employee unable to perform the Services as performed prior to such incapacitation or disability for a period of twenty-six (26) consecutive weeks or during any one hundred fifty (150) business days (whether or not consecutive) during any twelve (12) month period during the Term.

(b) TERMINATION BY EMPLOYER FOR CAUSE. Employer, at its election, shall have the right to terminate the Term, by written notice to Employee to that effect, for "Cause". The term "Cause" shall mean:

(i) any act of fraud, embezzlement, theft or commission of a crime involving moral turpitude;

(ii) any material breach by Employee of any material covenant, condition, or agreement in this Agreement ("Employee's Material Breach"); or

(iii) any chemical dependency by Employee (other than in connection with medicines prescribed for Employee).

To terminate the Term pursuant to this Section 8(b), Employer shall give written notice ("Cause Notice") to the Employee specifying the claimed Cause. If Employee fails to cure the same within thirty (30) days after the receipt of the applicable Cause Notice (or such longer period as may be reasonably required if such actions are subject to cure), the Term shall terminate at the end of such thirty (30) day period or such longer reasonable period, as the case may be. Notwithstanding anything that may be interpreted to the contrary, it is expressly agreed that no act of the type contemplated by or described in Section 8(b) (i) shall be capable of being cured by Employee and the Employer may terminate Employee immediately without the requirement for such cure period.

(c) TERMINATION BY EMPLOYER WITHOUT CAUSE. Employer shall have the right, at its election, to terminate the Term at any time for any reason other than "Cause" upon not less than sixty (60) days prior written notice to Employee.

(d) TERMINATION BY EMPLOYEE. Employee shall have the right, at his election, to terminate the Term at any time by written notice to Employer upon not less than one hundred and twenty (120) days prior written notice; provided, however, that (i) such notice period shall be thirty (30) days in the case of a termination for "Good Reason"; and (ii) if such termination is other than for Good Reason the Term, for purposes of Section 4(b) and (d), shall continue through November 30, 2005.

(e) SALARY AND BENEFITS IN EVENT OF TERMINATION. Upon termination of the Term, the following shall be applicable, notwithstanding anything to the contrary elsewhere herein:

(i) If the Term is terminated by Employer pursuant to Section 8(b) or by Employee pursuant to Section 8(d) other than for "Good Reason," Employee shall thereafter be entitled to the Base Salary, the Special Benefits and the Additional Benefits only until the effective date of such termination, unless otherwise agreed by Employer.

(ii) If the Term is terminated (A) pursuant to Employee's death or Total Disability pursuant to Section 8(a) hereof, or (B) by the Employer without Cause pursuant to Section 8(c) hereof, or (C) by Employee with Good Reason pursuant to Section 8(d) hereof, (x) Employer shall pay to Employee on the date of termination the Base Salary due to Employee for the then remainder of the Term, net of any benefits paid to Employee pursuant to any policy of disability insurance maintained by Employer, plus a PRO RATA portion of the Employee's annual bonus for the fiscal year of the Employer in which such termination occurs (provided that in the case of Employee's death or Total Disability such payment and benefits shall extend for no longer than two (2) years following such event), and (y) Employee shall be entitled to the Special Benefits described in Section 6(b) hereof for the then remainder of the Term.

(f) GOOD REASON. For purposes of this Agreement, Good Reason shall mean any of the following which occurs subsequent to the date of this Agreement:

(i) a substantial reduction in the Employee's position, duties, responsibilities and status with the Company inconsistent with the Employee's duties,

responsibilities and status immediately prior to a change in the Employee's titles or offices, or any removal of the Employee from or any failure to reelect the Employee to any of such positions, except in connection with the termination of his employment for disability, retirement or Cause or by the Employee other than for Good Reason; PROVIDED that such reduction or removal occurs at a time when (A) Employee does not have a majority of the voting power of the Company or (B) Employee has a majority of the voting power of the Company, but, notwithstanding Employee's objections, the Board of Directors of the Company has approved the taking of such actions;

(ii) a relocation of Employee without his consent to a location more than 75 miles from the Company's headquarters at Fairfield, Connecticut;

(iii) any material breach by the Company of any provision of this Agreement; or

(iv) any failure by the Company to obtain the assumption of this Agreement by any successor or assign of the Company.

(g) DELIVERY OF RECORDS UPON TERMINATION. Upon termination of the Term, Employee will deliver to Employer all records of research, proposals, reports, memoranda, computer software and programming, budgets and other financial information, and other materials or records (including any copies thereof) made, used or obtained by Employee in connection with his employment by Employer and/or any Employer's Affiliate.

9. MISCELLANEOUS.

(a) MODIFICATION AND WAIVER OF BREACH. No waiver or modification of this Employment Agreement shall be binding unless it is in writing signed by the parties hereto and expressly stating that it is intended to modify this Agreement. No waiver of a breach hereof shall be deemed to constitute a waiver of a future breach, whether of a similar or dissimilar nature.

(b) NOTICES. All notices and other communications required or permitted under this Employment Agreement shall be in writing, served personally on, or made by certified or registered United States mail to, the party to be charged with receipt thereof. Notices and other communications served in person shall be deemed delivered when so served. Notices and other communications served by mail shall be deemed delivered hereunder 72 hours after deposit of such notice or communication in the United States Post Office as certified or registered mail with postage prepaid and duly addressed to whom such notice or communications is to be given, in the case of

(i) Employer:

Roller Bearing Holding Company, Inc.
c/o Roller Bearing Company of America, Inc.
60 Round Hill Road
Fairfield, Connecticut 06430

with a copy (which shall not constitute notice to Employer) to:

Whitney Acquisition II Corp.
177 Broad Street
Stamford, Connecticut 06901
Attention: David A. Scherl
Michael C. Salvator
William Dawson

(ii) Employee:

Michael J. Hartnett
c/o Roller Bearing Company of America, Inc.
60 Round Hill Road
Fairfield, Connecticut 06430

Any party may change said party's address for purposes of this Section by giving to the party intended to be bound thereby, in the manner provided herein, a written notice of such change.

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

(d) GOVERNING LAW. This Employment Agreement shall be construed in accordance with, and governed by, the internal laws of the State of Delaware applicable to agreements executed and to be performed in such state without regard to principles of choice of law or conflicts of laws.

(e) COMPLETE EMPLOYMENT AGREEMENT. This Employment Agreement and its Exhibits and Schedules, together contain the entire agreement between the parties hereto with respect to the subject matter of this Employment Agreement and supersedes all prior and contemporaneous oral and written negotiations, commitments, writings, and understandings with respect to the subject matter of Employee's relationship with Employer, including that certain Employment Agreement, dated June 23, 1997 between the Company and the Employee.

(f) NON-TRANSFERABILITY OF EMPLOYEE'S INTEREST. None of the rights of Employee to receive any form of compensation payable pursuant to this Employment Agreement shall be assignable or transferable. Any attempted assignment, transfer, conveyance, or other disposition of any interest in the rights of Employee hereunder shall be void.

IN WITNESS WHEREOF, the undersigned have executed this Employment Agreement on the day and year first above written.

EMPLOYEE:

/s/ Michael J. Hartnett
MICHAEL J. HARTNETT

EMPLOYER:

ROLLER BEARING COMPANY OF AMERICA, INC.

By: /s/ Anthony S. Cavalieri
Anthony S. Cavalieri
Chief Financial Officer

SCHEDULE A

MICHAEL HARTNETT

EMPLOYEE BENEFITS

1. Continuation of existing life insurance coverage in the amount of $1,500,000, with Employee's designees as beneficiaries.

2. Executive Medical Coverage ($6000 supplemental coverage).

Dental insurance.

Prescription drug coverage.

The above benefits are subject to change at any time at the discretion of the Board of Directors of Employer; provided that such coverages provided to Employee shall at all times be consistent with coverages provided to others of Employer's executive employees.

3. Disability insurance (as currently provided by Roller Bearing Company, provided that such insurance may be modified from time to time at the discretion of the Board of Directors of Employer).

4. Employee shall be entitled to an annual performance bonus with respect to each fiscal year of the Employer during which Employee remains an employee of the Company beginning with the fiscal year ending March 31, 2001, in an amount determined as a percentage of Employee's Base Salary, based on the following criteria:

Percentage of Actual EBITDA to Plan	Amount of Bonus
Less than 90%	Discretion of Board of Directors
90% to 99.9%	100% of Base Salary
100% to 109.9%	150% of Base Salary
110% or higher	200% of Base Salary

The amount payable under this paragraph 3, if any, shall be paid to Employee within fifteen (15) days following the delivery of the Company's financial statements for each fiscal year of the Employer during the Term, but in no event later than one hundred twenty (120) days following the end of such fiscal year.

"Plan" shall mean the operating plan established by the Employee, in his status as CEO of Employer and as approved by the Board within thirty (30) days following the beginning of each fiscal year, as applicable to Employer and all of Employer's Affiliates and as applicable to the determination of bonuses payable to others of Employer's (and Employer's Affiliates) employees to the extent such bonuses are calculated by reference to operating results.

"EBITDA" shall mean the income of the Employer and the Employer's Affiliates increased by interest, taxes, depreciation and amortization, calculated in a manner consistent with the calculation of the Plan.

For the purposes hereof, (i) the performance bonus for the fiscal year ending March 31, 2001 shall encompass the period beginning April 1, 2000 and the plan for such fiscal year shall be [$]; and (ii) the performance bonus for the period April 1, 2005 through December 17, 2005 shall be calculated on the basis of the Plan for fiscal year ending March 31, 2006, pro rated for the applicable short period.

5. Contributions by Employer to 401(K) or other pension or profit sharing plans pursuant to arrangements applicable to all executive level employees.

6. The Employer shall maintain an apartment in Los Angeles for use by the Employee while on business.

Exhibit 10.20

$ New York, New York
500,000
December 15, 2000

AMENDED AND RESTATED PROMISSORY NOTE

THIS PROMISSORY NOTE is made in New York, New York, as of December 15, 2000 (this "Note"), for Five Hundred Thousand Dollars ($500,000). Capitalized terms used herein without definition shall have the meaning ascribed to them in the Stockholders' Agreement of even date herewith among Roller Bearing Holding Company, Inc. ("Holdings") and certain of its stockholders, as in effect on the date herewith.

RECITALS:

This Note is made by Michael J. Hartnett, Ph.D. ("Maker"), and is payable to Roller Bearing Company of America, Inc., a Delaware Corporation with a principal place of business at 60 Round Hill Road, Fairfield, Connecticut ("Payee").

This Note evidences the obligation of Maker to pay to Payee the principal amount of Five Hundred Thousand Dollars ($500,000).

NOW THEREFORE, in consideration of the foregoing and for other good and valuable consideration the receipt, the adequacy and sufficiency of which are hereby acknowledged, the Maker makes this Note as follows:

1. Payment.

(a) Maker hereby promises to pay to Payee the then principal balance hereof as well as any other amounts due hereunder on the earlier to occur of (i) the first to occur of (A) an Initial Public Offering, or (B) any sale of business transaction involving Holdings and all of its subsidiaries, taken as a whole, whether in the nature of a sale of all or substantially all of their assets; a sale of all of the Securities; or a merger, recapitalization or reorganization following which the holders of Securities prior to such event no longer own any Securities or any voting securities in the surviving or successor entity, and (ii) June 23, 2007.

(b) The Payee shall have no rights of offset under any circumstances whatsoever, i.e. regardless of the circumstances under which Payee is obligated to the Maker; pursuant thereto, except as set forth in the first sentence of this subsection (b), Payee may not satisfy any obligations that it may have to Maker by offset against, or reduction of, amounts due hereunder.

(c) This Note shall not bear interest.

2. Pledge.

The Maker hereby confirms his agreement to pledge 202 Warrants to purchase shares of Class B Common Stock of Holdings at an exercise price of $514 per share. Maker

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hereby agrees to execute such pledge agreement as the Payee may reasonably request to evidence such pledge.

3. Default and Remedies.

(a) In the event default is made in the payment of this Note and such default continues for five (5) days after such due date (an "Event of Default"), Payee shall have the option to exercise any and all rights and remedies available at law or in equity or under any document or instrument securing this Note. If suit is brought to collect the amount due under this Note, Payee shall be entitled to collect from Maker all reasonable costs and expenses of suit, including, but not limited to, reasonable attorneys' fees.

(b) The remedies of Payee shall be cumulative and concurrent, and may be pursued singularly, successively or together, at the sole discretion of Payee. No act or omission or commission of Payee, including specifically any failure to exercise any right, remedy or recourse, shall be deemed to be a waiver or release of the same, such waiver or release to be effected only through a written document executed by Payee and then only to the extent specifically recited therein.

4. Waiver.

The Maker hereby waives presentment and demand for payment, notice of dishonor, protest and notice of protest of this Note.

5. Miscellaneous.

(a) The headings of the paragraphs of this Note are inserted for convenience only and shall not be deemed to constitute a part hereof.

(b) All payments under this Note shall be payable in lawful money of the United States which shall be legal tender for public and private debts at the time of payment and shall be paid to Payee at its principal place of business at 60 Round Hill Road, Fairfield, Connecticut.

(c) This Note shall be governed by and construed under the laws of the State of New York.

(d) This Note shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns, except that Maker shall not have the right to assign the obligations made under this Note without the prior written consent of Payee.

6. Existing Note.

This note amends and restates in its entirety a certain Promissory Note, dated June 23, 1997, from the Maker to the Payee, in the original maximum principal amount of Five Hundred Thousand Dollars ($500,000) (the “Existing Note”). Upon the execution and delivery of this Note, this Note shall replace the Existing Note and shall immediately evidence all outstanding indebtedness embodied in and evidenced by the Existing Note, and that such

indebtedness is a continuing obligation of the Maker to the Payee, and has been and continues to be fully enforceable, absolute and in existence.

IN WITNESS WHEREOF, the Maker has executed and delivered this Note as of the date and year first above written.

Michael J. Hartnett, Ph.d.

Exhibit 10.21

LOAN AGREEMENT

by and between

CALIFORNIA INFRASTRUCTURE AND ECONOMIC DEVELOPMENT BANK

and

ROLLER BEARING COMPANY OF AMERICA, INC.

Dated as of April 1, 1999

All right, title and interest of the CALIFORNIA INFRASTRUCTURE AND ECONOMIC DEVELOPMENT BANK (the "Issuer") in this Loan Agreement has been assigned (except for amounts payable under Sections 4.02(b), 7.03, 9.02 and 9.03 hereof, its right to receive notices, opinions and other documents required to be delivered to the Issuer hereunder and its rights to consent to certain actions) to U.S. Bank Trust National Association, as trustee (the "Trustee") pursuant to the Indenture of Trust, dated as of April 1, 1999, between the Issuer and the Trustee, and is subject to such assignment.

TABLE OF CONTENTS

LOAN AGREEMENT

THIS LOAN AGREEMENT, dated as of April 1, 1999, between the CALIFORNIA INFRASTRUCTURE AND ECONOMIC DEVELOPMENT BANK, an entity within the Trade and Commerce Agency of the State of California (the "Issuer"), and ROLLER BEARING COMPANY

OF AMERICA, INC., a corporation duly organized and validly existing under the laws of the State of Delaware (the "Borrower").

W I T N E S S E T H:

WHEREAS, the Issuer was established for the purpose of financing projects needed to implement economic development and job creation and growth management strategies within the State of California (the "State") and is authorized to issue tax-exempt revenue bonds to provide financing for private activity economic development projects pursuant to the provisions of Section 63000 ET SEQ. of the California Government Code (constituting Division 1 of Title 6.7 of the Government Code of the State of California, as now in effect) (the "Act"); and

WHEREAS, in furtherance of the purposes of the Issuer set forth above, the Issuer proposes to finance the acquisition, construction, rehabilitation, equipping, installation, improvement and/or furnishing of the manufacturing facilities described in Exhibit A hereto (the "Project") to be owned and operated by the Borrower; and

WHEREAS, pursuant to and in accordance with the provisions of the Act, the Issuer has authorized and undertaken the issuance of its California Infrastructure and Economic Development Bank Variable Rate Demand Industrial Development Revenue Bonds, Series 1999 (Roller Bearing Company of America, Inc. - Santa Ana Project) (the "Bonds") in the aggregate principal amount of Four Million Eight Hundred Thousand Dollars ($4,800,000) to provide funds to pay a portion of the cost of the Project and a portion of the costs of issuance of the Bonds; and

WHEREAS, the Issuer proposes to loan the proceeds of the Bonds to the Borrower, and the Borrower desires to borrow the proceeds of the Bonds upon the terms and conditions set forth herein; and

WHEREAS, for and in consideration of such loan, the Borrower agrees, INTER ALIA, to make loan payments sufficient to pay on the dates specified in Section 4.02 hereof, the principal of, premium, if any, and interest on, the Bonds; and

WHEREAS, the Issuer and the Borrower each has duly authorized the execution and delivery of this Agreement;

NOW, THEREFORE, for and in consideration of the premises and the material covenants hereinafter contained, the parties hereto hereby formally covenant, agree and bind themselves as follows:

ARTICLE I

DEFINITIONS

SECTION 1.01. DEFINITION OF TERMS. Unless otherwise defined herein or the context otherwise requires, the terms used in this Agreement shall have the meanings specified in Section 1.01 of the Indenture of Trust, dated as of April 1, 1999 (the "Indenture"), by and between the Issuer and U.S. Bank Trust National Association, as trustee (the "Trustee"), as originally executed or as it may from time to time be supplemented or amended as provided therein.

SECTION 1.02. NUMBER AND GENDER. The singular form of any word used herein, including the terms defined in Section 1.01 of the Indenture, shall include the plural, and vice versa. The use herein of a word of any gender shall include all genders.

SECTION 1.03. ARTICLES, SECTIONS, ETC. Unless otherwise specified, references to Articles, Sections and other subdivisions in this Agreement are to the designated Articles, Sections and other subdivisions of this Agreement as amended from time to time. The words "hereof," "herein," "hereunder" and words of similar import refer to this Agreement as a whole. The headings or titles of the several Articles and Sections, and the table of contents included herein, shall be solely for convenience of reference and shall not affect the meaning, construction or effect of the provisions hereof.

ARTICLE II

REPRESENTATIONS

SECTION 2.01. REPRESENTATIONS OF THE ISSUER. The Issuer makes the following representations as the basis for its undertakings herein contained:

(a) The Issuer is an entity within the Trade and Commerce Agency of the State. Under the provisions of the Act, the Issuer has the power to enter into the transactions contemplated by this Agreement and the Indenture and to carry out its obligations hereunder. By proper action, the Issuer has been duly authorized to execute, deliver and duly perform its obligations under this Agreement and the Indenture.

(b) To finance the Costs of the Project and certain Costs of Issuance, the Issuer will issue the Bonds, which will mature, bear interest and be subject to redemption as set forth in the Indenture.

(c) The Bonds will be issued under and secured by the Indenture, pursuant to which the Issuer's interest in this Agreement (except certain rights of the Issuer to payment for expenses and indemnification) will be pledged and assigned to the Trustee as security for payment of the principal of, premium, if any, and interest on the Bonds and to the Bank, on a basis subordinate thereto, as security for the payment of the obligations of the Borrower under the Credit Agreement.

(d) The Issuer has not pledged and will not pledge its interest in this Agreement for any purpose other than to secure the Bonds under the Indenture and the obligations of the Borrower under the Credit Agreement.

(e) The Issuer is not in default under any of the provisions of the laws of the State which default would affect its existence or its powers referred to in subsection (a) of this Section.

(f) The Issuer has found and determined and hereby finds and determines that (i) the Loan to be made hereunder with the proceeds of the Bonds will promote the purposes of the Act by providing funds to finance the Construction of the Project; and (ii) said Loan is in the public interest, serves the public purposes and meets the requirements of the Act.

(g) No member, officer or other official of the Issuer has any financial interest whatsoever in the Borrower or in the transactions contemplated by this Agreement and the Indenture.

(h) Neither the execution and delivery of this Agreement, the Indenture, the Purchase Contract or the Tax Regulatory Agreement, the consummation of the transactions contemplated hereby or thereby, nor the fulfillment of or compliance with the terms and conditions of this Agreement, the Indenture, the Purchase Contract or the Tax Regulatory Agreement, conflict with or result in a breach of any of the terms, conditions or provisions of any restriction or any agreement or instrument to which the Issuer is now a party or by which it is bound or constitute a default under any of the foregoing or result in the creation or imposition of any prohibited lien, charge or encumbrance of any nature whatsoever upon any of the property or assets of the Issuer under the terms of any instrument or agreement.

SECTION 2.02. REPRESENTATIONS OF THE BORROWER. The Borrower makes the following representations as the basis for its undertakings herein contained:

(a) The Borrower is a corporation, duly organized, validly existing and in good standing under the laws of the State and is duly qualified to transact business in the State.

(b) The execution, delivery and performance by the Borrower of this Agreement, the Credit Agreement, the Remarketing Agreement, the Tax Regulatory Agreement and all other documents contemplated hereby to be executed by the Borrower are within the Borrower's power and have been duly authorized by all necessary corporate action, and neither the execution and delivery of this Agreement, the Credit Agreement, the Remarketing Agreement or the Tax Regulatory Agreement or the consummation of the transactions contemplated hereby and thereby, northe fulfillment of or compliance with the terms and conditions hereof and thereof, conflicts with or results in a breach of any of the material terms, conditions or provisions of any of the

Borrower's Organization Documents, or of any law, statute, rule, regulation, order, judgment, award, injunction, or decree or of anymaterial agreement or instrument to which the Borrower is now a party or by which it is bound or affected, or constitutes a default (or would constitute a default with due notice or the passage of time or both) under any of the foregoing, or results in or requires the creation or imposition of any prohibited lien, charge or encumbrance whatsoever upon any of the property or assets of the Borrower under the terms of any instrument or agreement to which the Borrower is now a party or by which it is bound, except as would not have a material adverse effect on the operations of the Borrower, taken as a whole.

(c) The estimated Costs of the Project to be paid with the proceeds of the Bonds are as set forth in the Tax Regulatory Agreement and have been determined in accordance with commercially reasonable engineering, construction, and accounting principles. All the information and representations in the Tax Regulatory Agreement are true and correct in all material respects as of the date thereof.

(d) The Project consists and will consist of those facilities and equipment described in Exhibit A and the Borrower shall not make any changes to the Project or to the operation thereof which would affect the qualification of the Project under the Act or would cause interest on the Bonds not to be Tax-exempt. The Borrower intends to own and operate the Project. The Borrower covenants and agrees to operate or cause the operation of the Project as a facility described by the Act until the principal of, the premium, if any, and the interest on the Bonds shall have been paid.

(e) The Borrower has and will have title to the Project sufficient to carry out the purposes of this Agreement.

(f) At the time of submission of an application to the Issuer for financial assistance in connection with the Project and on the dates on which action was taken on such application, permanent financing for the Project had not otherwise been obtained or arranged.

(g) To the knowledge of the Borrower, no member, officer or other official of the Issuer has any financial interest whatsoever in the Borrower or in the transactions contemplated by this Agreement.

(h) All certificates, approvals, permits and authorizations with respect to the Construction of the Project of the State, the City of Santa Ana, California, the federal government and other applicable local governmental agencies have been obtained, or if not yet obtained, are reasonably expected to be obtained in due course. The Project will be consistent with any existing local or regional comprehensive plan.

(i) No event has occurred and no condition exists which would constitute a Loan Default Event or which, with the passing of time or with the giving of notice or both, would constitute a Loan Default Event.

(j) There is no litigation or proceeding pending or, to the knowledge of the Borrower, threatened against the Borrower which could materially and adversely affect the validity of this Agreement, the Credit Agreement, the Remarketing Agreement or the Tax Regulatory Agreement or the ability of the Borrower to comply with the terms of its obligations under this Agreement, the Credit Agreement, the Remarketing Agreement or the Tax Regulatory Agreement.

(k) No consent, authorization or approval, except such consents, authorizations or approvals as have been obtained prior to the execution and delivery of this Agreement, from any governmental, public or quasi-public body or authority of the United States or of the State or any department or subdivision thereof, is necessary for the due execution and delivery by the Borrower of this Agreement.

SECTION 2.03. REGISTERED OWNERS TO BENEFIT. The Borrower agrees that this Agreement is executed in part to induce the purchase by others of the Bonds. Accordingly, all covenants and agreements on the part of the Borrower set forth in this Agreement are hereby declared to be for the benefit of the Registered Owners from time to time of such Bonds; provided, however, that such covenants and agreements shall create no rights in any parties other than the Issuer and such Registered Owners.

ARTICLE III

CONSTRUCTION OF THE PROJECT; ISSUANCE OF THE BONDS

SECTION 3.01. CONSTRUCTION OF THE PROJECT. The Borrower agrees that, utilizing the proceeds of the Bonds loaned pursuant to Section 4.01 hereof and such other funds as may be necessary, it has or will Construct, or has or will cause the Construction of, the Project, and has or will acquire, rehabilitate, equip, construct and install all other facilities and real and personal property necessary for the operation of the Project as described in the Borrower's application to the Issuer for assistance in financing the Project, substantially in accordance with the plans and specifications prepared therefor by the Borrower, including any and all supplements, amendments, additions or deletions thereto or therefrom, it being understood that the approval of the Issuer shall not be required for changes in such plans and specifications which do not alter the purpose or description of the Project as set forth in Exhibit A hereto. The Borrower further agrees to proceed with due diligence to complete the Project within three years from the date hereof.

In the event that the Borrower desires to modify the Project in a manner which alters the purpose or description of the Project as set forth in Exhibit A hereto, such modification shall be undertaken only upon an amendment to Exhibit A which shall accurately set forth the description and purpose of the Project as so modified and which amendment to Exhibit A shall become effective (without the written consent of the Registered Owners) upon receipt by the Issuer and the Trustee of:

(a) a certificate of the Authorized Representative of the Borrower describing in detail the proposed changes and stating that they will not have the effect of disqualifying the Project as a facility that may be financed pursuant to the Act nor reduce the employment benefits described in the Borrower's application to the Issuer for assistance in financing the Project;

(b) an Opinion of Bond Counsel that the proposed changes to the Project will not have the effect of disqualifying the Project as a facility that may be financed pursuant to the Act or cause interest on the Bonds not to be Tax-exempt;

(c) a copy of the proposed form of amended or supplemented Exhibit A hereto; and

(d) the written approval of the Bank and the Trustee.

SECTION 3.02. DISBURSEMENTS FROM THE PROJECT FUND AND THE COSTS OF ISSUANCE FUND. The Borrower will authorize and direct the Trustee, upon compliance with Section 3.03 of the Indenture, to disburse the moneys in the Project Fund to or on behalf of the Borrower only for payment of Costs of the Project. Each of the payments from the Project Fund referred to in this Section shall be made upon receipt by the Trustee of a written Requisition in the form prescribed by Section 3.03 of the Indenture, signed by the Authorized Representative of the Borrower accompanied by the written approval of the Bank.

Moneys in the Costs of Issuance Fund shall be disbursed by the Trustee as provided in Section 3.03(e) of the Indenture to pay Costs of Issuance.

SECTION 3.03. ESTABLISHMENT OF COMPLETION DATE; OBLIGATION OF BORROWER TO COMPLETE. Promptly upon the completion of the Construction of the Project, the Authorized Representative of the Borrower, on behalf of the Borrower, shall evidence the completion date by providing a certificate to the Trustee, with a copy to the Issuer and the Bank, stating the Costs of the Project and further stating that (a) Construction of the Project has been completed substantially in accordance with the plans and specifications therefor, and all labor, services, materials and supplies used in Construction have been paid for or stating the amount required to be retained in the Project Fund to fully provide for any disputed amounts, and (b) all other equipment and facilities for the operation of the Project have been acquired, constructed and installed in accordance with the plans and specifications therefor and all costs and expenses incurred in connection therewith have been paid or provided for. Notwithstanding the foregoing, such certificate may state that it is given without prejudice to any rights of the Borrower against third parties.

At the time such certificate is delivered to the Trustee, moneys remaining in the Project Fund, including any earnings resulting from the investment of such moneys, less an amount representing a reasonable retainage determined by the Borrower, shall be used as provided in Section 3.03(d) of the Indenture.

In the event the moneys in the Project Fund available for payment of the Costs of the Project should be insufficient to pay the Costs of the Project in full, the Borrower agrees to pay directly, or to deposit in the Project Fund moneys sufficient to pay, any costs of completing the Construction of the Project in excess of the moneys available for such purpose in the Project Fund, or otherwise cause the Construction of the Project to be completed. The Issuer makes no express or implied warranty that the moneys deposited in the Project Fund and available for payment of the Costs of the Project under the provisions of this Agreement will be sufficient to pay all the amounts which may be incurred in connection with the Construction of the Project. The Borrower agrees that if, after exhaustion of the moneys in the Project Fund, the Borrower should elect to pay, or to deposit moneys in the Project Fund for the payment of, any portion of the Costs of the Project pursuant to the provisions of this Section, it shall not be entitled to any reimbursement therefor from the Issuer, the Trustee or the Registered Owners of any of the Bonds, nor shall it be entitled to any diminution of the amounts payable under Section 4.02 hereof.

SECTION 3.04. INVESTMENT OF MONEYS IN FUNDS. Any moneys in any fund held by the Trustee shall, at the written request of the Authorized Representative of the Borrower, but subject to the restrictions on investments contained in the Indenture and the Tax Regulatory Agreement in connection with the Tax-exempt status of interest on the Bonds, be invested or reinvested by the Trustee as provided in the Indenture. Such investments shall be held by the Trustee and shall be deemed at all times a part of the fund from which such investments were made, and the interest accruing thereon, and any profit or loss realized therefrom, shall be credited or charged as provided in Section 5.05 of the Indenture.

ARTICLE IV

LOAN OF PROCEEDS; REPAYMENT PROVISIONS

SECTION 4.01. LOAN OF BOND PROCEEDS; ISSUANCE OF BONDS. The Issuer covenants and agrees, upon the terms and conditions in this Agreement, to loan the proceeds of the sale of the Bonds to the Borrower for the purpose of financing the Costs of the Project and the Costs of Issuance to the extent permitted by the Indenture. Pursuant to said covenant and agreement, the Issuer will issue the Bonds upon the terms and conditions contained in this Agreement and the Indenture and will cause the Bond proceeds to be applied as provided in Article III of the Indenture. Subject to Section 3.02 of the Indenture, such proceeds shall be disbursed to or on behalf of the Borrower as provided in Section 3.02 hereof. The Borrower hereby approves the Indenture and the issuance thereunder by the Issuer of the Bonds.

SECTION 4.02. LOAN REPAYMENTS AND OTHER AMOUNTS PAYABLE.

(a) On or before each Bond Payment Date, until the principal of, premium, if any, and interest on the Bonds shall have been fully paid or provision for such payment shall have been made as provided in the Indenture, the Borrower covenants and agrees to pay to the Trustee as a Loan Repayment on the Loan made to the Borrower from Bond proceeds pursuant to Section 4.01 hereof, a sum equal to the amount payable on such

Bond Payment Date as principal of, and premium, if any, and interest on the Bonds as provided in the Indenture.

The Loan Repayments made pursuant to this subsection (a) shall at all times be sufficient to pay the total amount of interest and principal (whether at maturity or upon redemption or acceleration) and premium, if any, becoming due and payable on the Bonds on each Bond Payment Date; provided that any amount held by the Trustee in the Revenue Fund on the due date for a Loan Repayment pursuant to the immediately preceding paragraph shall be credited against the Loan Repayment due on such date to the extent available for such purpose under the terms of the Indenture; and provided further that, subject to the provisions of this paragraph, if at any time the amounts held by the Trustee in the Revenue Fund are sufficient to pay all of the principal of and interest and premium, if any, on the Bonds as such payments become due, the Borrower shall be relieved of any obligation to make any further Loan Repayments under the provisions of this Section. Notwithstanding the foregoing, if on any date the amount held by the Trustee in the Revenue Fund is insufficient to make any required payments of principal of (whether at maturity or upon redemption or acceleration) and interest and premium, if any, on the Bonds as such payments become due, the Borrower, immediately upon receipt of notice of such deficiency from the Trustee, shall forthwith pay such deficiency as a Loan Repayment hereunder.

The obligation of the Borrower to make any payment under this subsection (a) shall be deemed to have been satisfied to the extent of any corresponding payment made by the Bank to the Trustee as a resultof a drawing under the Letter of Credit. To the extent the Trustee receives a Loan Repayment from the Borrower pursuant to this subsection (a) after any payment obligation hereunder has been satisfied by a drawing under the Letter of Credit, the Trustee shall promptly use such Loan Repayment to reimburse the Bank for such drawing or if the Bank has been reimbursed directly by the Borrower such funds shall be returned to the Borrower.

(b) The Borrower covenants and agrees to pay until the principal of, premium, if any, and interest on the Bonds shall have been fully paid or provision for such payment shall have been made as provided in the Indenture, (i) the Trustee’s reasonable annual fee for its ordinary services rendered as trustee, and its reasonable ordinaryexpenses incurred under the Indenture, as and when the same become due, (ii) the Trustee’s reasonable fees, charges and expenses, as Bond Registrar, Tender Agent and Paying Agent, and the reasonable fees of any other paying agent for the Bonds as provided in the Indenture, as and when the same become due, (iii) the cost of providing any Bonds required to be provided pursuant to the Indenture, (iv) the reasonable fees of any rating agency then rating the Bonds required to maintain the rating on the Bonds, (v) the reasonable fees of the Remarketing Agent, and (vi) other necessary and ordinary administrative fees and expenses of the Issuer. The Borrower covenants and agrees to make all payments for the expenses identified in (i) through (vi) above. In addition, the Borrower agrees to pay such extraordinary expenses incurred by the Trustee, the Tender Agent, the Remarketing Agent and the Issuer under the Indenture as and when the same become due. The duties

of the Borrower under this subsection (b) shall survive the termination of this Agreement and the termination and discharge of the Indenture.

(c) The Borrower also agrees to pay the fees and expenses of the Bank pursuant to the Credit Agreement.

(d) In the event the Borrower should fail to make any of the payments required by subsections (a) through (c) of this Section, such payments shall continue as obligations of the Borrower until such amounts shall have been fully paid. The Borrower agrees to pay all such amounts required by subsection (b) of this Section, together with interest thereon, from the date such payments were due until paid, to the extent permitted by law, at the rate of 10% per annum. Interest on overdue payments required under subsection (a) above shall be paid to Registered Owners as provided in Section 2.02(b)(ii) of the Indenture.

SECTION 4.03. PURCHASE OF BONDS. The Borrower hereby recognizes and agrees that the Indenture provides for the creation of an account or accounts to facilitate the purchase of Bonds by the Tender Agent on the Mandatory Tender Date and upon the optional tender of Bonds in

accordance with Section 4.06 of the Indenture, and the Borrower agrees to provide or cause to be provided the Letter of Credit for the payment of amounts necessary to purchase such Bonds.

SECTION 4.04. UNCONDITIONAL OBLIGATIONS. The obligations of the Borrower to make the payments required by Section 4.02 hereof and to provide or cause to be provided the Letter of Credit pursuant to Section 4.03 hereof, and to perform and observe the other agreements on its part contained herein, shall be absolute and unconditional, irrespective of any defense or any rights of set-off, recoupment or counterclaim it might otherwise have against the Issuer, and during the term of this Agreement, the Borrower shall pay absolutely all payments to be made on account of the Loan made to the Borrower from Bond proceeds pursuant to Section 4.01 hereof, as prescribed in Section 4.02 hereof, the obligation to provide or cause to be provided the Letter of Credit pursuant to Section 4.03 hereof, and all other payments required hereunder, free of any deductions and without abatement, diminution or set-off. Until such time as the principal of, premium, if any, and interest on the Bonds shall have been fully paid, or provision for the payment thereof shall have been made as required by the Indenture, the Borrower (a) will not suspend or discontinue any payments required to be made by the Borrower pursuant to this Agreement, including, without limitation, the payments provided for in Section 4.02 hereof and the obligation to provide or cause to be provided the Letter of Credit pursuant to Section 4.03 hereof; (b) will perform and observe all of its other covenants contained in this Agreement in all material respects; and (c) except as provided in Article VIII hereof, will not terminate this Agreement for any cause, including, without limitation, failure to complete the Project, the occurrence of any act or circumstances that may constitute failure of consideration, destruction of or damage to the Project, commercial frustration of purpose, any change in the tax or other laws of the United States of America or of the State, or any political subdivision of either of these, or any failure of the Issuer or the Trustee to perform and observe any covenant, whether express or implied, or any duty, liability or obligation arising out of or connected with this Agreement or the Indenture.

SECTION 4.05. ASSIGNMENT OF ISSUER'S RIGHTS. As security for the payment of the Bonds, the Issuer will assign to the Trustee the Issuer's rights, title and interest under this Agreement, including the right to receive payments hereunder (except the right of the Issuer to receive certain payments, if any, with respect to expenses and indemnification under Sections 4.02(b), 7.03, 9.02 and 9.03 hereof, the Issuer's right to receive notices, opinions and other documents required to be delivered to the Issuer hereunder and the Issuer's rights to consent to certain actions taken hereunder), and the Issuer hereby directs the Borrower to make the payments required hereunder (except such payments for expenses and indemnification) directly to the Trustee as more fully set forth in this Agreement. The Borrower hereby assents to such assignment, agrees to make such payments directly to the Trustee and agrees that the provisions of Section 4.04 hereof shall apply to its obligation to make such payments.

SECTION 4.06. AMOUNTS REMAINING IN FUNDS. It is agreed by the parties hereto that after: (a) payment in full of the principal of, premium, if any, and interest on, the Bonds, or after provision for such payment shall have been made as provided in the Indenture, (b) payment, or provision for payment satisfactory to the Trustee and paying agents, of the fees, charges and expenses of the Trustee and paying agents in accordance with the Indenture, (c) payment, or provision for payment satisfactory to the affected parties, of all other amounts required to be paid under this Agreement and the Indenture by the Borrower and (d) payment to the Bank of any amounts owed to the Bank by the Borrower under the Credit Agreement with respect to the Letter of Credit, any amounts remaining in any fund held by the Trustee under the Indenture shall be paid in accordance with the requirements of Section 10.04 of the Indenture.

ARTICLE V

SPECIAL COVENANTS AND AGREEMENTS

SECTION 5.01. RIGHT OF ACCESS TO THE PROJECT. The Borrower agrees that during the term of this Agreement, the Issuer, the Trustee and the duly authorized agents of any of them shall have the right, after reasonable notice to the Borrower, at all reasonable times during normal business hours to enter upon the site of the Project to examine and inspect the Project. The rights of access hereby reserved to the Issuer, the Trustee, and their respective agents, may be exercised only after the Person seeking such access shall have executed such confidentiality or secrecy agreements, if any, as may be reasonably requested by the Borrower. Nothing contained in this Section or in any other provision of this Agreement shall be construed to entitle the Issuer or the Trustee to any information or inspection involving the confidential knowledge, expertise or know-how of the Borrower.

SECTION 5.02. THE BORROWER'S MAINTENANCE OF ITS EXISTENCE. The Borrower covenants and agrees that it will maintain its existence and will not dissolve, nor will it sell or otherwise transfer the Project or all or substantially all of its assets, nor will it consolidate with or merge into another entity or permit one or more other entities to consolidate with or merge into it. Notwithstanding the foregoing, the Borrower may, without violating the covenants contained in this Section, consolidate with or merge into another entity, or permit one or more other entities to

consolidate with or merge into it, or sell or otherwise transfer to another entity the Project or all or substantially all of its assets as an entirety and thereafter dissolve, if:

(a) The surviving, resulting or transferee entity, as the case may be:

(i) assumes in writing, if such entity is not the Borrower, all of the obligations of the Borrower under this Agreement;

(ii) is not, after such transaction, otherwise in default under any provisions of this Agreement; and

(iii) is qualified to do business in the State;

(b) The Trustee and the Issuer shall have received an Opinion of Bond Counsel to the effect that such merger, consolidation, sale or other transfer will not cause interest on the Bonds not to be Tax-exempt; and

(c) The written acknowledgment of the Bank has been received by the Trustee, together with an acknowledgment that the Letter of Credit will remain in effect after such merger, consolidation, sale or other transfer is effected.

If a merger, consolidation, sale or other transfer is effected, as provided in this Section, the provisions of this Section shall continue in full force and effect and no further merger, consolidation, sale or transfer shall be effected except in accordance with the provisions of this Section.

SECTION 5.03. RECORDS AND FINANCIAL STATEMENTS OF BORROWER; EMPLOYMENT PRACTICES.

(a) The Borrower covenants and agrees at all times to keep, or cause to be kept, proper books of record and account, prepared in accordance with generally accepted accounting principles, in which complete and accurate entries shall be made of all transactions of or in relation to the business, properties and operations of the Borrower. Such books of record and account shall be available for inspection by the Issuer or the Trustee, and the duly authorized agents of either of them, at reasonable hours and under reasonable circumstances.

(b) Upon the receipt of the written request of the Issuer or the Trustee, the Borrower further covenants and agrees to furnish the requesting party, within 120 days after the end of each Fiscal Year, with copies of its complete financial statements together with a Certificate of the Authorized Representative of the Borrower stating that no event which constitutes a Loan Default Event or which with the giving of notice or the passage of time or both would constitute a Loan Default Event has occurred and is continuing as of the end of such Fiscal Year, or specifying the nature of such event and the actions taken and proposed to be taken by the Borrower to cure such default.

(c) The Borrower shall, within 60 days of the receipt of a written request from the Issuer or the Trustee, furnish a written report to the requesting party, as of the end of the Borrower's prior Fiscal Year, stating the status of the Project, the outstanding and unpaid balance of the Bonds, the number of full-time and part-time employees of the Borrower employed at the Project during such prior Fiscal Year, and supplying such current information as the Issuer shall reasonably request regarding other matters covered in the Borrower's application for industrial revenue bond financing.

SECTION 5.04. INSURANCE. The Borrower agrees to insure the Project or cause the Project to be insured during the term of this Agreement for such amounts and for such occurrences as are customary for similar facilities within the State, or as may be required by the Bank pursuant to the Credit Agreement, by means of policies issued by reputable insurance companies qualified to do business in the State. Upon the written request of the Issuer or the Trustee, the Borrower shall deliver to the requesting party, within 60 days of the receipt of such request, memorandum copies of the insurance policies or certificates of insurance which memorandum copies of insurance policies or certificates of insurance shall evidence that all insurance required to be in effect under this Section is then currently in full force and effect. The Trustee and the Issuer are not responsible for the adequacy or sufficiency of the coverage evidenced by such policies or certificates.

SECTION 5.05. MAINTENANCE AND REPAIR; TAXES; UTILITY AND OTHER CHARGES. The Borrower agrees to maintain the Project, or cause the Project to be maintained, during the term of this Agreement (a) in a safe condition and (b) in good repair and in good operating condition, ordinary wear and tear excepted, making from time to time all necessary repairs thereto and renewals and replacements thereof.

The Borrower agrees to pay or cause to be paid during the term of this Agreement all taxes, governmental charges of any kind lawfully assessed or levied upon the Project or any part thereof, including any taxes levied against the Project which, if not paid, will become a charge on the Project, all utility and other charges incurred in the operation, maintenance, use, occupancy and upkeep of the Project and all assessments and charges lawfully made by any governmental body for public improvements that may be secured by a lien on the Project; provided that with respect to special assessments or other governmental charges that may lawfully be paid in installments over a period of years, the Borrower shall be obligated to pay only such installments as are required to be paid during the term of this Agreement. The Borrower may, at the Borrower's expense and in the Borrower's name, in good faith, contest any such taxes, assessments and other charges and, in the event of any such contest, may permit the taxes, assessments or other charges so contested to remain unpaid during that period of such contest and any appeal therefrom unless by such nonpayment the Project or any part thereof will be subject to loss or forfeiture.

SECTION 5.06. INCORPORATION, FORMATION, ORGANIZATION OR QUALIFICATION IN CALIFORNIA. The Borrower agrees that throughout the term of this Agreement it and any lessee of the Project, if any, will be incorporated, formed, organized or qualified to do business in the State.

SECTION 5.07. ALTERNATE CREDIT FACILITY. If the Borrower exercises its option to convert the interest rate borne by the Bonds from the Weekly Interest Rate to the Fixed Interest Rate pursuant to the terms and provisions of the Indenture, the Borrower may cause to be delivered to the Trustee an Alternate Credit Facility, effective as of the Fixed Rate Date, in lieu of keeping the Letter of Credit in place as required by Section 5.08 hereof.

Such Alternate Credit Facility must meet the following conditions:

(a) the Alternate Credit Facility must be approved by the Issuer or its successor;

(b) the terms of the Alternate Credit Facility must provide an unconditional obligation of the issuer of the Alternate Credit Facility to pay all amounts with respect to the principal of, premium, if any, and interest on the Bonds when the same shall become due; and

(c) the term of the Alternate Credit Facility must extend to the final maturity of the Bonds.

On or prior to the date of the delivery of an Alternate Credit Facility to the Trustee, the Borrower shall cause to be furnished to the Issuer and the Trustee (i) an Opinion of Bond Counsel stating that the delivery of such Alternate Credit Facility to the Trustee is authorized under this Agreement and complies with the terms hereof and will not cause interest on the Bonds not to be Tax-exempt, (ii) such other opinions regarding the validity of the Alternate Credit Facility as the Issuer, the Trustee and any rating agency then rating the Bonds may reasonably require, and (iii) written evidence from Moody's, if the Bonds are then rated by Moody's, and S&P, if the Bonds are then rated by S&P, to the effect that such rating agency has reviewed the

proposed Alternate Credit Facility and that the substitution of the proposed Alternate Credit Facility for the Letter of Credit will not, by itself, result in a reduction of its long term rating of the Bonds below "A" if the Bonds are rated by S&P or below "A2" if the Bonds are rated by Moody's.

SECTION 5.08. LETTER OF CREDIT. The Borrower shall at all times throughout the term of this Agreement (but subject to Section 5.07 hereof) maintain or cause to be maintained the Letter of Credit with respect to the Bonds. The Letter of Credit shall be an obligation of the Bank to pay to the Trustee, against presentation of sight drafts and certificates required by the Bank, up to (a) an amount equal to the aggregate principal amount of the Bonds then Outstanding as necessary to pay the principal of such Bonds, whether at maturity, redemption, acceleration or otherwise or upon the purchase of such Bonds upon the optional tender of the Bonds pursuant to Section 4.06 of the Indenture and on the Mandatory Tender Date, and (b) an amount equal to 50 days (or such other number of days as may be required to obtain a rating on the Bonds) of interest on the Bonds calculated at an interest rate of 12% per annum on the basis of a 365- or 366-day year, as applicable, for the number of days actually elapsed while the Bonds bear interest at the Weekly Interest Rate and an amount equal to 210 days (or such other number of days as may be required to obtain a rating on the Bonds if the Bonds are then rated) of interest on the Bonds calculated at the actual interest rate or rates on the Bonds on the basis of a 360-day

year of twelve 30-day months while the Bonds bear interest at the Fixed Interest Rate to pay interest on the Bonds when due.

On any Business Day, the Borrower may, at its option, but with the written approval of the Issuer, which written approval shall not be unreasonably withheld, provide or cause to be provided to the Trustee an Alternate Letter of Credit and the Borrower shall, in any event, cause to be delivered to the Trustee an extension of the Expiration Date of the Letter of Credit or an Alternate Letter of Credit at least (a) 23 days before the Expiration Date of the then-existing Letter of Credit while the Bonds bear interest at the Weekly Interest Rate, or (b) 45 days before the Expiration Date of the then existing Letter of Credit while the Bonds bear interest at the Fixed Interest Rate. At least 30 days prior to the Letter of Credit Substitution Date, the Borrower shall provide the Issuer, the Trustee, the Bank, the Tender Agent and the Remarketing Agent with a written notice of its intention to provide an Alternate Letter of Credit pursuant to this Section. Such notice shall include the proposed Letter of Credit Substitution Date, which shall be an Interest Payment Date, and identify the provider of the Alternate Letter of Credit. An Alternate Letter of Credit shall be an irrevocable direct-pay letter of credit or other irrevocable credit facility delivered to the Trustee on or prior to 8:00 a.m. (California time) on the Letter of Credit Substitution Date, issued by a commercial bank or other financial institution, the terms of which shall in all material respects be the same as the Letter of Credit. On or prior to the date of the delivery of an Alternate Letter of Credit to the Trustee, the Borrower shall cause to be furnished to the Issuer and the Trustee (i) an Opinion of Bond Counsel stating that the delivery of such Alternate Letter of Credit to the Trustee is authorized pursuant to this Agreement, complies with the terms hereof and will not cause the interest on the Bonds not to be Tax-exempt, (ii) such opinions regarding the validity of the Alternate Letter of Credit as the Issuer, the Trustee and any rating agency then rating the Bonds may reasonably require, and (iii) written evidence from Moody's, if the Bonds are then rated by Moody's, and S&P, if the Bonds are then rated by S&P, to the effect that such rating agency has reviewed the proposed Alternate Letter of Credit and that the substitution of the proposed Alternate Letter of Credit will not, by itself, result in a reduction of its long-term rating of the Bonds below "A" if the Bonds are rated by S&P or below "A2" if the Bonds are rated by Moody's.

It is understood and agreed that with proper notification to the Trustee and the Borrower, the Bank can declare that a default has occurred under the Credit Agreement with the Borrower and such default will cause a mandatory redemption of Bonds pursuant to Section 4.01(g) of the Indenture.

SECTION 5.09. COVENANTS OF THE BORROWER. It is the intention of the parties hereto that interest on the Bonds shall be and remain Tax-exempt so long as the Bonds are Outstanding, and to that end the representations, covenants, and agreements of the Issuer and the Borrower in this Section and in Sections 5.10 and 5.11 hereof are for the benefit of the Trustee and each and every Registered Owner of the Bonds. The Borrower represents, warrants and agrees as follows:

(a) The Project consists, and at all times shall consist, of land or property which is subject to the allowance for depreciation provided in Section 167 of the Code, and substantially all (95% or more) of the proceeds of the Bonds including proceeds of investment thereof, shall be used to pay the Costs of the Project which are chargeable to

the capital account of the Borrower, and which were paid not earlier than 60 days before February 20, 1996. The Borrower shall allocate the proceeds of the Bonds to the Costs of the Project no later than 18 months after the later of the date the original expenditure is paid orthe date the Project is placed in service or abandoned, but in no event more than three years after the original expenditure is paid.

(b) No portion of the proceeds of the Bonds shall be used to provide for a private or commercial golf course, country club, massage parlor, tennis club, skating facility (including roller skating, skate board and ice skating), racquet sports facility (including any handball or racquetball court), hot tub facility, suntan facility, race track, automobile sales or service facility, retail food or beverage facility, entertainment facility, airplane, gambling establishment, health club, liquor store, skybox or luxury box.

(c) Less than 25% of the net proceeds of the Bonds (after Costs of Issuance) shall be used to purchase land or interests in land. The Borrower covenants to spend sufficient sums from the Project Fund on Costs of the Project to assure compliance with this covenant.

(d) No proceeds of the Bonds shall be used to acquire any personal property or facilities unless the first use of such property or facilities shall be pursuant to such acquisition, except that if the Project consists of acquisition of a building, the Borrower shall, within two years after the Date of Delivery or the date of acquisition of such building, whichever is earlier, expend an amount, from proceeds of the Bonds or otherwise, equal to 15% of the cost of acquiring such building financed with proceeds of the Bonds on rehabilitation costs of such building as required by Section 147(d) of the Code.

(e) During the three-year period following the date the Project is placed in service, the Borrower shall not allow any other Person to become a "test-period beneficiary" of the Bonds who is a beneficiary of industrial development bonds in an amount which would cause the issuance of the Bonds to exceed such Person's aggregate per-taxpayer limit under Section 144(a)(10) of the Code.

(f) No agreement shall be entered into which would result in the payment of principal or interest on the Bonds being "federally guaranteed" within the meaning of Section 149(b) of the Code.

(g) There is no outstanding issue of industrial development bonds which was used to finance any facilities which, in relation to the Project, would constitute (i) a single building, (ii) an enclosedshopping mall, or (iii) a strip of offices, stores or warehouses using substantial common facilities.

(h) Subject to the provisions of the final paragraph of Section 5.10 hereof, no actions shall be taken, or omitted to be taken, by the Borrower which would have the

effect, directly or indirectly, of causing interest on any of the Bonds to not be Tax-exempt.

(i) No changes shall be made in the Project or the use of the Project which shall in any way impair the Tax-exempt status of interest on the Bonds.

(j) No use or investment of the proceeds of the Bonds or any acquired obligation shall be made which would cause the Bonds to become "arbitrage bonds" within the meaning of Section 148 of the Code and any Regulations thereunder, and the Borrower shall comply with the requirements of said Section of the Code and said Regulations, as the same may be amended by amendments applicable to the Bonds from time to time, so long as any Bonds remain Outstanding.

(k) To use due diligence to cause the Project to be operated in all material respects in accordance with all applicable laws, rulings, regulations and ordinances.

(l) To comply in all material respects with all written conditions imposed by the Issuer and any State or local agency in its approval of the Project.

(m) To fully and faithfully perform all the duties and obligations which the Issuer has covenanted and agreed in the Indenture to cause the Borrower to perform and any duties and obligations which the Borrower is required in the Indenture to perform. The foregoing shall not apply to any duty or undertaking of the Issuer which by its nature cannot be delegated or assigned.

(n) The rights, duties and obligations imposed on the Borrower pursuant to the Remarketing Agreement are hereby acknowledged, approved and accepted.

(o) To faithfully perform at all times any and all covenants, undertakings, stipulations and provisions to be observed or performed by the Borrower contained in the Indenture, in the Bonds, and in all proceedings of the Issuer pertaining thereto, or otherwise required of the Borrower to be observed or performed, whether express or implied.

(p) To use less than 25% of the net proceeds of the Bonds (after deducting Costs of Issuance) to provide facilities which are directly related and ancillary to the manufacturing facility being financed with the proceeds of the Bonds, in accordance with Section 144(a)(12)(C) of the Code.

(q) To not become a Registered Owner of the Bonds, and to not directly or indirectly purchase Bonds from the Remarketing Agent or permit any Related Party to directly or indirectly purchase Bonds from the Remarketing Agent.

(r) To the extent Bond proceeds are used for construction purposes, the Borrower shall certify that the contractors engaged to construct the Project are properly licensed by the Contractors' State License Board.

(s) The Project shall be consistent with any existing local or regional comprehensive plan.

Notwithstanding any other provision of this Agreement or the Indenture, including in particular Article X of the Indenture, the obligations of the Borrower and the Issuer to comply with the covenants set forth in this Section and Section 5.10 hereof shall survive the defeasance or payment in full of the Bonds.

SECTION 5.10. CAPITAL EXPENDITURES. For the purpose of this Section and Section 5.09 hereof the following terms shall have the following meanings:

"FACILITIES" shall mean those facilities described in Section 144(a)(1) of the Code and Regulations thereunder, including Section 1.103-10(b)(2)(ii)(e) and Section 1.103-10(d)(2) of the Regulations, and shall include those facilities any Principal User of which is the Borrower or a related person, as defined in Section 144(a)(3) of the Code, located in the Project Location, and any contiguous or integrated facility treated as being located in the Project Location by reason of the fact that such facility is located on both sides of a border between the Project Location and one or more other political jurisdictions.

"PRINCIPAL USER" means a person who is a principal owner, principal lessee, a principal output purchaser or "other" principal user and any Related Person to a Principal User. A principal owner is a person who at any time holds more than a 10% ownership interest (by value) in a facility or, if no person holds more than a 10% ownership interest, then the person (or persons in the case of multiple equal owners) who holds the largest ownership interest in the facility. A person is treated as holding an ownership interest if such person is an owner for federal income tax purposes generally. A principal lessee is a person who at any time leases more than 10% of the facility (disregarding portions used by the lessee under a short-term lease). The portion of a facility leased to a lessee is generally determined by reference to its fair rental value. A short-term lease is one which has a term of one year or less, taking into account all options to renew and reasonably anticipated renewals. A principal output purchaser is any person who purchases output of a facility, unless

the total output purchased by such person during each one-year period beginning with the date such facility is placed in service is 10% or less of such facility's output during each such period. An "other" principal user is a person who enjoys a use of a facility (other than a short-term use) in a degree comparable to the enjoyment of a principal owner or a principal lessee, taking into account all the relevant facts and circumstances, such as the person's participation in control over use of such facility or its remote or proximate geographic location.

"PROJECT LOCATION" shall mean the area within the City of Santa Ana, California.

"REGULATIONS" shall mean those regulations, whether now or hereafter adopted, promulgated by the United States Department of the Treasury with respect to Section 103 or Part IV of subchapter B of chapter 1 of the Code.

"SECTION 144 CAPITAL EXPENDITURES" shall mean those expenditures required to be taken into account with respect to the Bonds pursuant to Section 144(a)(1) and (4) of the Code and

Regulations thereunder, including Section 1.103-10(b)(2)(ii) and (iii) of the Regulations, including any expenditure with respect to Facilities, no matter by whom made (regardless of how paid, whether in cash, notes or stock in a taxable or nontaxable transaction), paid or incurred during the six-year period beginning 3 years before the date of issuance and delivery of the Bonds, which may, under any rule or election under the Code, be treated as a capital expenditure (whether or not such expenditure is so treated), and which is not paid or reimbursed out of the original principal proceeds (exclusive of investment income) of the Bonds, but not including excluded expenditures pursuant to Section 144(a)(4)(C) of the Code and Regulations thereunder, including Section 1.103-10(b)(2)(iv) and (v) of the Regulations. Such term shall also include research and development costs properly allocable to the Project no matter where paid or incurred, unless specifically excluded by Section 144(a)(4)(C).

The Borrower represents and warrants that substantially all of the proceeds of the Bonds are to be used with respect to the Project to be located in the Project Location; that there are no other outstanding obligations issued subsequent to September 30, 1968, of any state, territory or possession of the United States of America, or any political subdivision of the foregoing or of the District of Columbia, the proceeds of which have been or are to be used primarily with respect to Facilities; and that the sum of the principal amount of the Bonds plus the amount of Section 144 Capital Expenditures for the three-year period ending on the date of issuance and delivery of the Bonds does not exceed $10,000,000.

The Issuer covenants and agrees that it has not taken and shall not take any action which will cause interest on the Bonds to not be Tax-exempt.

The Issuer hereby elects to have the provisions of Section 144(a)(4)(A) of the Code apply to the Bonds. The Borrower covenants that it shall furnish to the Issuer prior to the issuance and delivery of the Bonds whatever information is necessary for the Issuer to make such election.

The Borrower further covenants that it shall take, and shall cause any other Principal User to take, such further actions as are required of a Principal User of property financed by an issue of obligations which are subject to the $10,000,000 limitation of Section 144(a)(4)(A) of the Code, which actions are set forth in Section 144(a)(4)(A) of the Code and in the Regulations, including Section 1.103-10(b) of the Regulations.

The Borrower further covenants and agrees, so long as any of the Bonds are Outstanding under the Indenture, that the aggregate principal of Bonds being issued plus the aggregate amount of Section 144 Capital Expenditures made or to be made with respect to Facilities during the six-year period beginning three years before the date of issuance and delivery of the Bonds shall not exceed $10,000,000 (or any such larger amount as may be hereafter permitted by law).

Notwithstanding anything in Section 5.09(h) hereof or in this Section to the contrary, neither the Borrower nor the Issuer shall have violated the covenants contained in Section 5.09(h) hereof or in this Section if the interest on any of the Bonds becomes taxable to a Person solely because such Person is a "substantial user" of the Project or a "related person" within the meaning of Section 147(a) of the Code. The Issuer shall provide the Borrower with notice and cooperate fully

with the Borrower in any administrative, legislative or judicial proceeding in connection with any actions, proceedings or decisions of any court or administrative agency or other governmental body affecting the taxation of interest on the Bonds.

SECTION 5.11. SPECIAL ARBITRAGE CERTIFICATIONS.

(a) The Issuer hereby certifies to the Borrower (i) that it has not been notified of any listing or proposed listing of it by the Internal Revenue Service as a bond issuer whose arbitrage certifications may not be relied upon and (ii) that issuance of theBonds will not violate any provisions of Section 103 of the Code, Section 148 of the Code, or the Regulations issued under such Sections of the Code, such that the interest on the Bonds is not Tax-exempt.

(b) The Borrower and the Issuer agree to comply with the Tax Regulatory Agreement, as such Tax Regulatory Agreement shall be amended from time to time in order that interest on the Bonds remains Tax-exempt. The Borrower further agrees to cause any other Principal User (as defined in Section 5.10 hereof) of the Project to comply with the terms of this Loan Agreement and the Tax Regulatory Agreement to the extent necessary to insure that interest on the Bonds remains Tax-exempt.

SECTION 5.12. COVENANT TO ENTER INTO AGREEMENT OR CONTRACT TO PROVIDE ONGOING DISCLOSURE. The Borrower hereby covenants and agrees that if as a result of the conversion of the interest rate borne by the Bonds from the Weekly Interest Rate to the Fixed Interest Rate or as a result of any amendment to Paragraph (b)(5)(i) of the Securities and Exchange Commission Rule 15c2-12 under the Securities Exchange Act of 1934, as amended (17 CFR Part 240, ss. 240.15c2-12) (the "Rule") or any amendment or supplement to the Indenture or this Agreement, the Bonds cease to be exempt under the Rule, the Borrower will enter into an agreement or contract, constituting an undertaking, to provide ongoing disclosure as may be necessary to comply with the Rule as then in effect. The covenant and agreement contained in this Section is for the benefit of the Registered Owners, any

Participating Underwriter and the Beneficial Owners (as defined in the Indenture) as required by the Rule. It is the Borrower's express intention that this Section be assigned pursuant to and in accordance with Section 6.09 of the Indenture to the Trustee for the benefit of the Registered Owners, any Participating Underwriter and the Beneficial Owners and that each Registered Owner, Participating Underwriter and Beneficial Owner be a beneficiary of this Section with the right to enforce this Section against the Borrower. Notwithstanding any other provision of this Agreement, failure of the Borrower to comply with the provisions of this Section shall not be considered a Loan Default Event; provided, however, the Trustee may (and, at the request of any Participating Underwriter or the Registered Owners of at least 25% aggregate principal amount in Outstanding Bonds, shall) or any Beneficial Owner may take such actions as may be necessary and appropriate, including seeking specific performance by court order, to cause the Borrower to comply with its obligations under this Section.

SECTION 5.13. NO PURCHASE OF BONDS. The Issuer covenants and agrees that it shall not become a Registered Owner of the Bonds and shall not directly or indirectly purchase Bonds from the Remarketing Agent.

ARTICLE VI

DAMAGE, DESTRUCTION AND CONDEMNATION; USE OF PROCEEDS

SECTION 6.01. OBLIGATION TO CONTINUE PAYMENTS. If prior to full payment of the Bonds (or provision for payment thereof in accordance with the provisions of the Indenture) (a) the Project or any portion thereof is destroyed (in whole or in part) or is damaged by fire or other casualty, or (b) title to, or the temporary use of, the Project or any portion thereof shall be taken under the exercise of the power of eminent domain by any governmental body or by any Person acting under governmental authority, the Borrower shall nevertheless be obligated to continue to pay the amounts specified in Article IV hereof, to the extent not prepaid in accordance with Article VIII hereof.

SECTION 6.02. APPLICATION OF NET PROCEEDS. Upon any damage, destruction or condemnation of the Project or any portion thereof resulting in Net Proceeds in excess of $250,000, subject to the provisions of the Credit Agreement, the Borrower may elect, in its discretion and with the written consent of the Bank, by written notice to the Issuer and the Trustee:

(a) to apply the Net Proceeds of any insurance or condemnation awards to the prompt repair, restoration, relocation, modification or improvement of the damaged, destroyed or condemned portion of the Project to enable such portion of the Project to accomplish at least the same function as such portion of the Project was designed to accomplish prior to such damage or destruction or exercise of such power of eminent domain. If the Borrower elects to proceed as provided in this subsection (a), it shall give the Issuer and the Trustee written notice thereof, and evidence of the Bank's written consent, within 90 days of the deposit of the Net Proceeds with the Bank. Any balance of the Net Proceeds remaining after such work has been completed shall be deposited in the Revenue Fund to be applied, with the written consent of the Bank, to the payment of principal of and premium, if any, and interest on the Bonds, or, if the Bonds have been fully paid (or provision for payment thereof has been made in accordance with the provisions of the Indenture), any balance remaining in the Revenue Fund shall be paid in accordance with the requirements of Section 10.04 of the Indenture; or

(b) to prepay all of the Loan in accordance with Article VIII hereof by directing the Trustee to draw on the Letter of Credit to effect a mandatory redemption of all outstanding Bonds under Section 4.01 of the Indenture.

SECTION 6.03. INSUFFICIENCY OF NET PROCEEDS. If the Project or a portion thereof is to be repaired, restored, relocated, modified or improved pursuant to Section 6.02(a) hereof, and if the Net Proceeds are insufficient to pay in full the cost of such repair, restoration, relocation,

modification or improvement, the Borrower will nonetheless complete the work or cause the work to be completed and will pay or cause to be paid any cost thereof in excess of the amount of the Net Proceeds held in escrow.

SECTION 6.04. DAMAGE TO OR CONDEMNATION OF OTHER PROPERTY. Subject to the terms and provisions of the Credit Agreement, the Borrower shall be entitled to the Net Proceeds of any insurance or condemnation award or portion thereof made for damages to or takings of its property not included in the Project.

ARTICLE VII

LOAN DEFAULT EVENTS AND REMEDIES

SECTION 7.01. LOAN DEFAULT EVENTS. Any one of the following which occurs and continues shall constitute a Loan Default Event:

(a) failure of the Borrower to pay any Loan Repayment when and as the same shall become due and payable pursuant to Section 4.02(a) hereof;

(b) failure of the Borrower to pay any amounts payable hereunder, other than Loan Repayments, when and as the same shall become due, which failure continues for a period of 30 days after written notice delivered to the Borrower and the Bank, which notice shall specify such failure and request that it be remedied, given by the Issuer or the Trustee, unless the Issuer and the Trustee shall agree in writing to an extension of such time;

(c) failure of the Borrower to observe and perform in any material respect any covenant, condition or agreement on its part required to be observed or performed by this Agreement, other than a covenant described in subsection (a) or subsection (b) above or the failure of the Borrower to strictly comply with the covenants, conditions or agreements contained in Sections 5.09(a) through (k), 5.09(p) through (s), 5.10, 5.11 and 5.12 hereof, which failure continues for a period of 30 days after written notice delivered to the Borrower and the Bank, which notice shall specify such failure and request that it be remedied, given by the Issuer or the Trustee, unless the Issuer

and the Trustee, with the written approval of the Bank, shall agree in writing to an extension of such time; provided, however, that if the failure stated in the notice cannot be corrected within such period, the Issuer and the Trustee will not unreasonably withhold their consent to an extension of such time if corrective action is instituted within such period and diligently pursued until the default is corrected; or

(d) existence of an Event of Default under and as defined in Sections 7.01(a) through (e) of the Indenture.

The provisions of subsection (c) of this Section are subject to the limitation that the Borrower shall not be deemed in default if and so long as the Borrower is unable to carry out its agreements hereunder by reason of strikes, lockouts or other industrial disturbances; acts of public

enemies; orders of any kind of the government of the United States or of the State or any of their departments, agencies, or officials, or any civil or military authority; insurrections, riots, epidemics, landslides; lightning; earthquake; fire; hurricanes; storms; floods; washouts; droughts; arrests; restraint of government and people; civil disturbances; explosions; breakage or accident to machinery, transmission pipes or canals; partial or entire failure of utilities; or any other cause or event (whether similar or dissimilar to the foregoing) not reasonably within the control of the Borrower; it being agreed that the settlement of strikes, lockouts and other industrial disturbances shall be entirely within the discretion of the Borrower, and the Borrower shall not be required to make settlement of strikes, lockouts and other industrial disturbances by acceding to the demands of the opposing party or parties when such course is, in the judgment of the Borrower, unfavorable to the Borrower. This limitation shall not apply to any default under subsections (a), (b), or (d) of this Section. Notwithstanding any other provision of this Agreement to the contrary, so long as the Bank is not in default under the Letter of Credit, the Trustee shall not without the prior written consent or direction of the Bank exercise any remedies under this Agreement in the case of any Loan Default Event described in subsections (a), (b), or (c) above.

SECTION 7.02. REMEDIES ON DEFAULT. Subject to the last sentence of Section 7.01 above, whenever any Loan Default Event shall have occurred and shall be continuing,

(a) The Trustee, by written notice to the Borrower and the Bank, shall declare all unpaid amounts payable under Section 4.02(a) hereof to be due and payable immediately, provided that concurrently with or prior to such notice the unpaid principal amount of the Bonds shall have been declared to be due and payable under the Indenture. Upon any such declaration such amount shall become and shall be immediately due and payable in the amount set forth in Section 7.01 of the Indenture.

(b) The Trustee shall have access to and may inspect, examine and make copies of the books and records and any and all accounts, data and federal income tax and other tax returns of the Borrower.

(c) The Issuer or the Trustee may take whatever action at law or in equity as may be necessary or desirable to collect the payments and other amounts then due and thereafter to become due or to enforce performance and observance of any obligation, agreement or covenant of the Borrower under this Agreement.

In case the Trustee or the Issuer shall have proceeded to enforce its rights under this Agreement and such proceedings shall have been discontinued or abandoned for any reason or shall have been determined adversely to the Trustee or the Issuer, then, and in every such case, the Borrower, the Trustee and the Issuer shall be restored respectively to their several positions and rights hereunder, and all rights, remedies and powers of the Borrower, the Trustee and the Issuer shall continue as though no such action had been taken.

The Borrower covenants that, in case a Loan Default Event shall occur and all unpaid amounts payable under Section 4.02(a) hereof shall have been declared due and payable immediately pursuant to Section 7.02(a) hereof, then, upon demand of the Trustee, the Borrower

will pay to the Trustee the whole amount that then shall have become due and payable under said Section, with interest on the amount then overdue at the rate of 10% per annum until such amount has been paid or, if ten percent is greater than the rate then permitted by law, at the greatest rate then permitted.

In case the Borrower shall fail forthwith to pay such amounts upon such demand, the Trustee shall be entitled and empowered to institute any action or proceeding at law or in equity for the collection of the sums so due and unpaid, and may prosecute any such action or proceeding to judgment or final decree, and may enforce any such judgment or final decree against the Borrower and collect in the manner provided by law the moneys adjudged or decreed to be payable.

In case proceedings shall be pending for the bankruptcy or for the reorganization of the Borrower under the federal bankruptcy laws or any other applicable law, or in case a receiver or trustee shall have been appointed for the property of the Borrower or in the case of any other similar judicial proceedings relative to the Borrower, or the creditors or property of the Borrower, then the Trustee shall be entitled and empowered, by intervention in such proceedings or otherwise, to file and prove a claim or claims for the whole amount owing and unpaid pursuant to this Agreement and, in case of any judicial proceedings, to file such proofs of claim and other papers or documents as may be necessary or advisable in order to have the claims of the Trustee allowed in such judicial proceedings relative to the Borrower, its creditors or its property, and to collect and receive any moneys or other property payable or deliverable on any such claims, and to distribute such amounts as provided in the Indenture after the deduction of its reasonable charges and expenses. Any receiver, assignee or trustee in bankruptcy or reorganization is hereby authorized to make such payments to the Trustee, and to pay to the Trustee any amount due it for reasonable compensation and expenses, including reasonable expenses and fees of counsel incurred by it up to the date of such distribution.

SECTION 7.03. AGREEMENT TO PAY ATTORNEYS' FEES AND EXPENSES. In the event the Borrower should default under any of the provisions of this Agreement, whether or not such default constitutes a Loan Default Event hereunder, and the Issuer or the Trustee should employ attorneys or incur other expenses for the collection of the payments due under this Agreement or the enforcement of performance or observance of any obligation or agreement on the part of the Borrower herein contained, the Borrower agrees to pay to the Issuer or the Trustee the reasonable fees and expenses of such attorneys and such other reasonable expenses so incurred by the Issuer or the Trustee.

SECTION 7.04. NO REMEDY EXCLUSIVE. No remedy herein conferred upon or reserved to the Issuer or the Trustee is intended to be exclusive of any other available remedy or remedies, and each and every such remedy shall be cumulative and shall be in addition to every other remedy given under this Agreement or now or hereafter existing at law or in equity or by statute. No delay or omission to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver thereof, but any such right and power may be exercised from time to time and as often as may be deemed expedient. To entitle the Issuer or the Trustee to exercise any remedy reserved to it in this Article, it shall not be necessary to give any notice, other than such notice as may be herein expressly required. Such rights and

remedies as are given the Issuer hereunder shall also extend to the Trustee, and the Trustee and the Registered Owners of the Bonds shall be deemed third party beneficiaries of all covenants and agreements herein contained.

SECTION 7.05. WAIVERS. No delay or omission of the Issuer or the Trustee to exercise any right or power arising upon the occurrence of any default shall impair any such right or power or shall be construed to be a waiver of any such default or an acquiescence therein; and every power and remedy given by this Agreement to the Issuer or the Trustee may be exercised from time to time and as often as may be deemed expedient. In the event any agreement or covenant contained in this Agreement should be breached by the Borrower and thereafter waived by the Issuer or the Trustee, such waiver shall be limited to the particular breach so waived and shall not be deemed to waive any other breach hereunder.

ARTICLE VIII

PREPAYMENT

SECTION 8.01. REDEMPTION OF BONDS WITH PREPAYMENT MONEYS. By virtue of the assignment of the rights of the Issuer under this Agreement to the Trustee as is provided in Section 4.05 hereof, the Borrower agrees to and shall pay directly to the Trustee any amount permitted or required to be paid by it under this Article VIII. The Indenture provides that the Trustee shall use the moneys so paid to it by the Borrower, pursuant to the written instructions of the Borrower, to redeem the Bonds on the date set for such redemption pursuant to Section 8.05 hereof.

SECTION 8.02. OPTIONS TO PREPAY LOAN. The Borrower shall have the option to prepay the Loan by paying to the Trustee the amount set forth in Section 8.04 hereof, for deposit in the Revenue Fund, to be applied to the redemption of Bonds as set forth below on the earliest date such Bonds are subject to redemption pursuant to the Indenture and as to which notice of redemption can be given in accordance with the Indenture, at the redemption prices set forth below, under the following circumstances:

(a) the Borrower may prepay such amounts in whole, and cause all of the Outstanding Bonds to be redeemed at the redemption price set forth in Section 4.01(e) of the Indenture, if any of the following shall have occurred:

(i) the Project shall have been damaged or destroyed, in whole or in part, by fire or other casualty and the Issuer and the Trustee receive a Certificate of the Authorized Representative of the Borrower to the effect that: (A) it isnot practicable or desirable to rebuild, repair or restore the Project within a period of six consecutive months following such damage or destruction, (B) the Borrower is or will be thereby prevented from carrying on its normal operations at the Project for a period of at least six consecutive months, or (C) the cost of restoration of the Project would substantially exceed the Net Proceeds of insurance carried thereon; or

(ii) title to, or the temporary use of, all or substantially all of the Project shall have been taken by any governmental authority, or any Person acting under governmental authority, exercising the power of eminent domain and the Issuer and the Trustee receive a Certificate of the Authorized Representative of the Borrower to the effect that:(A) the Borrower is thereby prevented from carrying on itsnormal operations at the Project for a period of at least six consecutive months or (B) the Project is unsuitable for use by the Borrower;

(b) with the prior written consent of the Bank, the Borrower may prepay all or any part of the Loan from any available funds and cause all or any part of the Outstanding Bonds to be redeemed at the redemption prices set forth in Section 4.01(b) or 4.01(f) of the Indenture, as applicable.

SECTION 8.03. MANDATORY PREPAYMENT.

(a) The Borrower shall have and hereby accepts the obligation to prepay in full the Loan by paying to the Trustee the amount set forth in Section 8.04 hereof for deposit to the Revenue Fund to be used to redeem all the Outstanding Bonds on the earliest date such Bonds are subject to redemption pursuant to the Indenture and as to which notice of the redemption can be given in accordance with the Indenture, at the redemption prices set forth in Section 4.01(e) of the Indenture with respect to subsection (i) below, Section 4.01(c) of the Indenture with respect to subsections (ii) and (iii) below, and in the Indenture Sections noted with respect to subsection (iv) below:

(i) if and when as a result of any changes in the Constitution of the United States of America or the California Constitution or as a result of any legislative, judicial or administrative action, this Agreement shall have become void or unenforceable or impossible of performance in accordance with the intention and purposes of the parties hereto, or shall have been declared unlawful;

(ii) if, due to the untruth or inaccuracy of any representation or warranty made by the Borrower herein or in connection with the offer and sale of the Bonds, or the breach of any covenant or warranty of the Borrower contained in this Agreement, interest on the Bonds, or any of them, is determined not to be Tax-exempt to the Registered Owners thereof (other than a Registered Owner who is a “substantial user” of the Project or a “related person” within the meaning of Section 147(a) of the Code) by a final administrative determination of the Internal Revenue Service or final

judicial decision of a court of competent jurisdiction in a proceeding of which the Borrower received notice and was afforded an opportunity to participate in to the full extent permitted by law. A determination or decision will be considered final for this purpose when all periods for administrative and judicial review have expired;

(iii) if either: (A) the Borrower or any other Principal User of the Project files a notice with the Issuer and the Trustee to the effect that the capital

expenditure limitation of Section 144(a)(4) of the Code has been exceeded, or will be exceeded, within a period of 60 days; or (B) there is a final determination (as defined in subsection (ii) above) by the Internal Revenue Service or a court of competent jurisdiction that such capital expenditures limitation has been exceeded; and

(iv) if mandatory redemption is required by any of Sections 4.01(d), (g), or (h) of the Indenture.

(b) If the Borrower elects not to apply any Net Proceeds in excess of $250,000 under the circumstances described in Section 6.02 hereof, the Borrower shall prepay all of the Loan and cause all of the Outstanding Bonds to be redeemed at the redemption price set forth in Section 4.01(e) of the Indenture.

SECTION 8.04. AMOUNT OF PREPAYMENT. In the case of a prepayment in full of the Loan by the Borrower under this Agreement pursuant to Section 8.02 or 8.03 hereof, the amount to be paid shall be a sum sufficient, together with other funds deposited with the Trustee and available for such purpose, to pay (a) the redemption price specified in the applicable subsections of Section 8.02 or 8.03 hereof, for all Outstanding Bonds, plus all interest accrued and to accrue to the redemption date, (b) all reasonable and necessary fees and expenses of the Issuer, the Trustee and any paying agent allowable pursuant to this Agreement and the Indenture accrued and to accrue through final payment of the Bonds and (c) all other liabilities of the Borrower accrued and to accrue under this Agreement.

In the case of partial prepayment of the Loan by the Borrower under this Agreement pursuant to Section 8.02 or 8.03 hereof, the amount to be paid shall be a sum sufficient, together with other funds deposited with the Trustee and available for such purpose, to pay the redemption price specified in the applicable subsections of Section 8.02 or 8.03 hereof, for the Bonds to be redeemed, plus all interest accrued and to accrue to the redemption date, and to pay expenses of redemption of such Bonds. All partial prepayments of the Loan made by the Borrower under this Agreement shall be applied in inverse order of the due dates thereof, or as otherwise provided in the Indenture.

SECTION 8.05. NOTICE OF PREPAYMENT. The Borrower shall give written notice to the Issuer, the Bank and the Trustee (a) while the Bonds bear interest at the Weekly Interest Rate, not less than 20 days prior to the date of any prepayment of a Loan Repayment and (b) while the Bonds bear interest at the Fixed Interest Rate, not less than 40 days prior to the date of any prepayment of a Loan Repayment, in each case specifying the date upon which any prepayment will be made, the basis for such prepayment and the amount of such prepayment. If the Borrower fails to give such notice of a prepayment of Loan Repayments, the Indenture provides that the Trustee shall hold such prepayment in the Redemption Fund.

ARTICLE IX

NON-LIABILITY OF ISSUER; EXPENSES; INDEMNIFICATION

SECTION 9.01. NON-LIABILITY OF ISSUER. The Issuer shall not be obligated to pay the principal of, premium, if any, or interest on the Bonds, except from Revenues. The Borrower hereby acknowledges that the Issuer's sole source of moneys to repay the Bonds will be provided by the payments made by the Borrower pursuant to this Agreement, together with other Revenues, including investment income on certain funds and accounts held by the Trustee under the Indenture, and hereby agrees that if the payments to be made hereunder shall ever prove insufficient to pay all principal of, and premium, if any, and interest on the Bonds as the same shall become due (whether by maturity, redemption, acceleration or otherwise), then upon notice from the Trustee, the Borrower shall pay such amounts as are required from time to time to prevent any deficiency or default in the payment of such principal, premium or interest, including, but not limited to, any deficiency caused by acts, omissions, nonfeasance or malfeasance on the part of the Trustee, the Borrower, the Issuer or any third party.

SECTION 9.02. EXPENSES. The Borrower covenants and agrees to pay, and to indemnify the Issuer and the Trustee against, all reasonable costs and charges, including reasonable fees and disbursements of attorneys, accountants, consultants and other experts, incurred in good faith in connection with this Agreement, the Bonds or the Indenture.

SECTION 9.03. INDEMNIFICATION. The Borrower releases the Issuer, the State, the Treasurer of the State and the Trustee from, and covenants and agrees that none of the Issuer, the State, the Treasurer of the State or the Trustee shall be liable for, and covenants and agrees to indemnify and hold harmless the Issuer, the State, the Treasurer of the State and the Trustee and their officers, employees and agents from and against any and all losses, claims, damages, liabilities or expenses, of every conceivable kind, character and nature whatsoever arising out of, resulting from, or in any way connected with (a) the Project, or the conditions, occupancy, use, possession, conduct or management of, or work done in or about, or from the planning, design, acquisition, installation or construction of, the Project or any part thereof; (b) the issuance of any Bonds or any certifications or representations made in connection therewith by the Borrower and the carrying out of any of the transactions contemplated by the Bonds, the Indenture, or this Agreement; (c) the Trustee's acceptance or administration of the trusts under the Indenture, or the exercise or performance of any of its powers or duties under the Indenture; or (d) any untrue statement or alleged untrue statement of any material fact or omission or alleged omission to state a material fact necessary to make the statements made, in light of the circumstances under which they were made, not misleading, in the official statement utilized by any underwriter in connection with the sale or offering of any Bonds; provided that in each case such indemnity shall not be required for damages that result from the willful misconduct or negligence on the part of the party seeking such indemnity. The indemnity required by this Section shall be only to the extent that any loss sustained by the Issuer or the Trustee exceeds the Net Proceeds the Issuer or the Trustee receives from any insurance carried by the Borrower with respect to the loss sustained. The Borrower further covenants and agrees to pay or to reimburse the Issuer, the State, the Treasurer of the State and the Trustee and their officers, employees and agents for any

and all costs, reasonable attorneys fees, liabilities or reasonable expenses incurred in connection with investigating, defending against or otherwise in connection with any such losses, claims, damages, liabilities, expenses or actions, except to the extent that the same arise out of the willful misconduct or negligence of the party claiming such payment or reimbursement. The provisions of this Section shall survive the payment and retirement of the Bonds and the termination of this Agreement.

ARTICLE X

MISCELLANEOUS

SECTION 10.01. NOTICES. All notices, certificates, or other communications given hereunder shall be deemed sufficiently given on (a) the day such notices, certificates or other communications are received when sent by personal delivery, including tested telex or facsimile communication, or (b) the third day following the day on which the same have been mailed by first class, postage prepaid, addressed to the Issuer, the Borrower, the Trustee, the Tender Agent or the Bank, as the case may be, at the address set forth for such party below. A duplicate copy of each notice, certificate, or other communication given hereunder by either the Issuer or the Borrower to the other shall also be given to the Trustee, the Tender Agent, Borrower's counsel and the Bank. The Issuer, the Borrower, the Trustee, the Tender Agent and the Bank may, by notice given hereunder, designate any different addresses to which subsequent notices, certificates, or other communications shall be sent.

If to the Issuer:	California Infrastructure and Economic Development Bank 801 K Street, Suite 1700 Sacramento, California 95814 Attention: Bond Manager Phone: (916) 322-8520 Fax: (916) 322-7214
If to the Borrower:	Roller Bearing Company of America, Inc. 60 Round Hill Road Fairfield, Connecticut 06430 Attention: Michael S. Gostomski Phone: (203) 255-1511 Fax: (203) 255-3862
If to the Trustee or Tender Agent:	U.S.Bank Trust National Association One California Street, 4th Floor San Francisco, California 94111 Attention: Corporate Trust Department Phone: (415) 273-4500 Fax: (415) 273-4590

If to the Bank:	First Union National Bank 1345 Chestnut Street Philadelphia, Pennsylvania 19107 Attention: Robert A. Brown Phone: (215) 973-1259 Fax: (215) 786-2877 Credit Suisse First Boston 11 Madison Avenue, 13th Floor New York, New York 10010 Attention: Mark Callahan Phone: (212) 325-9940 Fax: (212) 325-8304
If to the Remarketing Agent:	The Chapman Company 115 Sansome Street, Suite 520 San Francisco, California 94104 Attention: Director of Public Finance Phone: (415) 392-5505 Fax: (415) 392-5276

SECTION 10.02. SEVERABILITY. If any provision of this Agreement shall be held or deemed to be, or shall in fact be, illegal, inoperative or unenforceable, the same shall not affect any other provision or provisions herein contained or render the same invalid, inoperative, or unenforceable to any extent whatever.

SECTION 10.03. EXECUTION OF COUNTERPARTS. This Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument; provided, however, that for purposes of perfecting a security interest in this

Agreement by the Trustee and the Bank under Article 9 of the California Uniform Commercial Code, only the counterpart delivered, pledged, and assigned to the Trustee shall be deemed the original.

SECTION 10.04. AMENDMENTS, CHANGES AND MODIFICATIONS. Except as otherwise provided in this Agreement or the Indenture, subsequent to the initial issuance of Bonds and prior to their payment in full, or provision for such payment having been made as provided in the Indenture, this Agreement may not be effectively amended, changed, modified, altered or terminated without the written consent of the Trustee and the Bank.

SECTION 10.05. GOVERNING LAW. This Agreement shall be governed exclusively by and construed in accordance with the applicable laws of the State as a contract executed and delivered within the State to be fully performed within the State.

SECTION 10.06. AUTHORIZED REPRESENTATIVE OF THE BORROWER. Whenever under the provisions of this Agreement the approval of the Borrower is required or the Issuer or the Trustee

is required to take some action at the request of the Borrower, such approval or such request shall be given on behalf of the Borrower by the Authorized Representative of the Borrower, and the Issuer and the Trustee shall be authorized to act on any such approval or request and neither party hereto shall have any complaint against the other or against the Trustee as a result of any such action taken.

SECTION 10.07. TERM OF THE AGREEMENT. This Agreement shall be in full force and effect from the date hereof and shall continue in effect as long as any of the Bonds remain Outstanding or the Letter of Credit remains in effect, whichever is later. All representations and certifications by the Borrower as to all matters affecting the Tax-exempt status of interest on the Bonds and all indemnifications by the Borrower to the Issuer, the State, the Treasurer of the State or the Trustee shall survive the termination of this Agreement.

SECTION 10.08. BINDING EFFECT. This Agreement shall inure to the benefit of and shall be binding upon the Issuer, the Borrower and their respective successors and assigns; subject, however, to the limitations contained in Section 5.02 hereof.

SECTION 10.09. REFERENCES TO BANK. Notwithstanding any provisions contained herein to the contrary, the Bank shall be entitled to take all actions and exercise its rights hereunder in accordance with the Credit Agreement so long as the Bank has not wrongfully dishonored any drawings under the Letter of Credit and the Bank is not in liquidation, bankruptcy or receivership proceedings. After the expiration or termination of the Letter of Credit and after all obligations owed to the Bank pursuant to the Credit Agreement with respect to the Letter of Credit have been paid in full or discharged, all references to the Bank contained herein shall be null and void and of no further force and effect.

SECTION 10.10. BROKERAGE CONFIRMATIONS. The Borrower acknowledges that to the extent regulations of the Comptroller of the Currency or other applicable regulatory entity grant the Borrower the right to receive brokerage confirmations of security transactions under the Indenture, the Borrower specifically waives receipt of such confirmations to the extent permitted by law. The Trustee is required under the Indenture to furnish the Borrower with periodic cash transaction statements which include detail for all securities transactions made by the Trustee on behalf of the Borrower thereunder.

[End of the Loan Agreement]

IN WITNESS WHEREOF, the California Infrastructure and Economic Development Bank has caused this Agreement to be executed in its name and the Borrower has caused this Agreement to be executed in its name, all as of the date first above written.

CALIFORNIA INFRASTRUCTURE AND
ECONOMIC DEVELOPMENT BANK

By _____
Lon S. Hatamiya, Chair ATTEST

By _____
Blake Fowler, Secretary

ROLLER BEARING COMPANY OF AMERICA, INC.

By _____
Michael S. Gostomski, Executive
Vice President

[Signature Page to Loan Agreement]

EXHIBIT A

THE PROJECT

The Project consists of (a) the acquisition of real property and improvements located at 3131 West Segerstrom Avenue, Santa Ana, California 92702 (the "Project Site"), (b) the rehabilitation of a manufacturing facility at the Project Site, and (c) the acquisition and installation of manufacturing equipment at the Project Site.

Exhibit 10.22

INDENTURE OF TRUST

between

CALIFORNIA INFRASTRUCTURE AND ECONOMIC DEVELOPMENT BANK

and

U.S. BANK TRUST NATIONAL ASSOCIATION,
as Trustee

$4,800,000
California Infrastructure and Economic Development Bank
Variable Rate Demand Industrial
Development Revenue Bonds, Series 1999
(Roller Bearing Company of America, Inc.
- Santa Ana Project)

Dated as of April 1, 1999

INDENTURE OF TRUST

THIS INDENTURE OF TRUST, dated as of April 1, 1999, between THE CALIFORNIA INFRASTRUCTURE AND ECONOMIC DEVELOPMENT BANK (the “Issuer”), an entity within the Trade and Commerce Agency of the State of California (the “State”), duly organized and validly existing under the laws of the State, particularly Division 1 of Title 6.7 of the California Government Code (commencing with Section 63000) (the “Act”), and U.S. BANK TRUST NATIONAL ASSOCIATION, a national banking association organized and existing under and by virtue of the laws of the United States of America (the “Trustee”),

W I T N E S S E T H:

WHEREAS, the Issuer was established for the purpose of financing projects needed to implement economic development and job creation and growth management strategies within the State, and is empowered under the provisions of the Act (capitalized terms used herein shall have the meanings given such terms in Section 1.01 hereof) to issue its bonds and to enter into loan agreements for the purpose of financing private activity economic development projects; and

WHEREAS, in furtherance of the purposes of the Act, the Issuer proposes to finance the Costs of the Project more particularly described in Exhibit A to the Agreement, to be owned and operated by the Borrower; and

WHEREAS, pursuant to and in accordance with the Act, the Issuer has authorized and undertaken to issue its Bonds pursuant to this Indenture in order to provide funds to finance the Costs of the Project; and

WHEREAS, the Issuer has undertaken to finance the Costs of the Project by loaning the proceeds derived from the sale of the Bonds to the Borrower pursuant to the Agreement, under which the Borrower is required to make Loan Repayments sufficient to pay when due the principal of, premium, if any, and interest on the Bonds and to pay certain other expenses; and

WHEREAS, it has been determined that the estimated amount necessary to finance a portion of the Costs of the Project, including a portion of the necessary expenses incidental to the issuance of the Bonds, will require the issuance, sale and delivery of the Bonds in the aggregate principal amount of $4,800,000; and

WHEREAS, in order to provide for the authentication and delivery of the Bonds, to establish and declare the terms and conditions upon which the Bonds are to be issued and secured, and to secure the payment of the principal and purchase price thereof and interest thereon, the Issuer has authorized the execution and delivery of this Indenture; and

WHEREAS, in order to further secure the payments of principal and purchase price of and interest on the Bonds, the Borrower has obtained an irrevocable direct-pay letter of credit from the Bank; and

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WHEREAS, all acts and proceedings required by law or necessary to make the Bonds, when executed by the Issuer and authenticated and delivered by the Bond Registrar, the valid, binding and legal special obligations of the Issuer, and to constitute this Indenture a valid and binding agreement for the uses and purposes herein set forth in accordance with its terms, have been done and taken, and the execution and delivery of this Indenture has been in all respects duly authorized;

NOW, THEREFORE, THIS INDENTURE WITNESSETH, that in order to secure the payment of the principal and purchase price of and premium, if any, and interest on all Bonds at any time issued and Outstanding under this Indenture, according to their tenor, and, on a basis subordinate thereto, to secure the Borrower's obligations to the Bank under the Credit Agreement, and to secure the performance and observance of all the covenants and conditions therein and herein set forth, and to declare the terms and conditions upon and subject to which the Bonds are to be issued and received, and in consideration of the premises and of the mutual covenants herein contained and of the purchase and acceptance of the Bonds by the Registered Owners thereof, and for other valuable consideration, the receipt whereof is hereby acknowledged, the Issuer does hereby covenant and agree with the Trustee, for the benefit of the respective Registered Owners from time to time of the Bonds, as follows:

ARTICLE I

DEFINITIONS; CONTENT OF CERTIFICATES AND OPINIONS

SECTION 1.01. DEFINITIONS. Unless the context otherwise requires, the terms defined in this Article shall, for all purposes of this Indenture and for the purpose of any certificate, opinion or other document herein mentioned, have the meanings herein specified. Such definitions are equally applicable to both the singular and plural forms of any of the terms defined. Unless otherwise defined in this Indenture, all terms defined in the Act and used herein shall have the meanings assigned to such terms in the Act.

"ACCOUNTANT" means any firm of independent certified public accountants selected by the Borrower and reasonably acceptable to the Trustee and the Bank.

"ACT" means Division 1 of Title 6.7 of the California Government Code (commencing with Section 63000), as amended.

"ACT OF BANKRUPTCY" means the entry of an order or decree, by a court having jurisdiction in the matter, for relief against the Borrower or the Issuer in an involuntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, or appointing a receiver, liquidator, assignee, custodian, trustee, sequestrator (or other similar official) of the Borrower or the Issuer or of any substantial part of the property of either the Borrower or the Issuer, or ordering the winding up or liquidation of the affairs of either the Borrower or the Issuer; or the institution or commencement by or against the Borrower or the Issuer of a voluntary or involuntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, provided, however, that in the event of an involuntary case such involuntary case or proceeding shall remain undismissed for a period of sixty (60) days, or the consent by it to the entry of an order for relief against it in any involuntary case under any such

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law, or to the appointment of a receiver, liquidator, assignee, custodian, trustee, sequestrator (or other similar official) of the Borrower or the Issuer or of any substantial part of the property of either the Borrower or the Issuer, or the making by either the Borrower or the Issuer of an assignment for the benefit of creditors, or the failure of it generally to pay its debts as they become due, or the admission by it in writing of such failure, or the taking of any action by the Borrower or the Issuer in furtherance of any such action, or if a receiver of the business or of the property or assets of the Borrower or the Issuer shall be appointed by any court, except a receiver appointed at the instance or request of the Issuer.

"ADDITIONAL PAYMENTS" means the payments required to be made by the Borrower pursuant to Sections 4.02(b), (c) and (d) of the Agreement.

"AGREEMENT" means that certain loan agreement by and between the Issuer and the Borrower, dated as of April 1, 1999, as originally executed and as it may from time to time be supplemented, modified or amended in accordance with the terms thereof and of this Indenture.

"ALTERNATE CREDIT FACILITY" means bond insurance or other similar credit enhancement facility meeting the requirements of Section 5.07 of the Agreement.

"ALTERNATE FIXED RATE" shall have the meaning ascribed to such term in Section 2.03 hereof.

"ALTERNATE LETTER OF CREDIT" means an alternate irrevocable letter of credit or similar credit facility issued by a commercial bank or savings institution, the terms of which, other than the expiration date, shall in all material respects be the same as those of the initial Letter of Credit, delivered to the Trustee pursuant to Section 5.08 of the Agreement.

"ALTERNATE WEEKLY RATE" shall have the meaning ascribed to such term in Section 2.02 hereof.

"AUTHORIZED DENOMINATION" means (a) prior to the Fixed Rate Date, $100,000 or any multiple of $5,000 in excess of $100,000 and (b) after the Fixed Rate Date, $5,000 or integral multiples thereof.

"AUTHORIZED REPRESENTATIVE" means with respect to the Borrower, the person or persons at the time designated to act on behalf of the Borrower by a written certificate signed by the Borrower, furnished to the Trustee and the Issuer, containing the specimen signature of each such person.

"AVAILABLE MONEYS" means moneys which are (a) continuously on deposit with the Trustee in trust for a period of 91 days for the benefit of the Registered Owners in a separate and segregated account in which only Available Moneys are held and during and prior to which period no Act of Bankruptcy of the Borrower or the Issuer occurs and (b) proceeds of (i) the Bonds received contemporaneously with the issuance and sale of the Bonds, (ii) a drawing under the Letter of Credit, (iii) any other moneys for which the Trustee has received a written opinion of nationally recognized counsel experienced in bankruptcy matters and acceptable to the Trustee to the effect that payment of such moneys to the Registered Owners would not constitute an avoidable preference under Section 547 of the United States Bankruptcy Code in the event the

Issuer, the Borrower or any Related Party were to become a debtor under the United States Bankruptcy Code, which opinion is acceptable to each rating agency then rating the Bonds, or (iv) moneys derived from the investment of funds qualifying as Available Moneys under the foregoing clauses.

"BANK" means First Union National Bank, or any other commercial bank or other financial institution issuing a Letter of Credit then in effect.

"BANK BONDS" means Bonds tendered pursuant to Section 4.06 hereof or subject to mandatory tender pursuant to Section 4.07 hereof and purchased from funds described in Section 8.10(b)(ii) hereof.

"BENEFICIAL OWNER" means generally any person which has or shares the power, directly or indirectly, to make investment decisions concerning ownership of any Bonds and with respect to Bonds held by DTC, those individuals, partnerships, corporations or other entities for whom the Direct Participants have caused DTC to hold Bonds.

"BOND" or "BONDS" means any Bond or all of the Bonds, as the case may be, of the Issuer authorized and issued by the Issuer, authenticated by the Bond Registrar and delivered hereunder.

"BOND COUNSEL" means any attorney at law experienced in matters pertaining to the exclusion of interest from gross income for federal income tax purposes on bonds issued by states and political subdivisions, and duly admitted to practice law before the highest court of any state of the United States of America, approved by the Issuer, but shall not include counsel for the Borrower.

"BOND PAYMENT DATE" means any date on which any principal of, premium, if any, or interest on, any Outstanding Bond shall be due and payable whether at maturity or on a scheduled Interest Payment Date or upon redemption, in each case in accordance with the terms of the Bonds and this Indenture.

"BOND REGISTRAR" shall mean the Bond Registrar specified in Section 2.07 hereof.

"BORROWER" means Roller Bearing Company of America, Inc., a corporation duly organized and validly existing under the laws of the State of Delaware and authorized to do business in the State, or any entity which is the surviving, resulting or transferee entity in any merger, consolidation or transfer of assets permitted under Section 5.02 of the Agreement.

"BUSINESS DAY" means a day which is not a Saturday, Sunday or legal holiday on which banking institutions in the State or the State of New York or in any state in which the principal office of the Bank, the Tender Agent or the Trustee or the office of the Bank designated for presentations under the Letter of Credit is located are closed or a day on which the New York Stock Exchange is closed.

"CERTIFICATE," "STATEMENT," "REQUEST," "REQUISITION" and "ORDER" of the Issuer or the Borrower means, respectively, a written certificate, statement, request, requisition or order signed in the name of the Issuer by the Chair of the Issuer or such other person as may be

designated as authorized to sign for the Issuer, or in the name of the Borrower by an Authorized Representative of the Borrower. Any such instrument and supporting opinions or representations, if any, may, but need not, be combined in a single instrument with any other instrument, opinion or representation, and the two or more so combined shall be read and construed as a single instrument. If and to the extent required by Section 1.02 hereof, each such instrument shall include the statements provided for in Section 1.02 hereof.

"CODE" means the Internal Revenue Code of 1986, as amended from time to time, and any regulations from time to time promulgated or deemed in effect thereunder.

"COMPONENT ISSUES" means five or more issues of securities, the interest on which is Tax-exempt, selected by the Remarketing Agent in accordance with Section 2.03(b)(i) hereof.

"CONSTRUCTION" means, with respect to the Project, the acquisition, construction, installation, rehabilitation, expansion, improvement, equipping, furnishing and/or other activities with respect to the Project described in the Borrower's application for financing assistance from the Issuer.

"COSTS OF ISSUANCE" means all items of expense directly or indirectly payable by or reimbursable to the Issuer or the Borrower and related to the authorization, issuance, sale and delivery of the Bonds, including but not limited to costs of preparation and reproduction of documents, printing expenses, application, filing and recording fees, initial fees and charges of the Trustee and Tender Agent, legal fees and charges, including the fees and charges of Bond Counsel, fees and disbursements of consultants and professionals, rating agency fees, fees and charges for preparation, execution and safekeeping of the Bonds and any other cost, charge or fee in connection with the original issuance of the Bonds which constitutes a "cost of issuance" within the meaning of Section 147(g) of the Code.

"COSTS OF ISSUANCE FUND" means the fund of that name established pursuant to Section 3.03(e) hereof.

"COSTS OF THE PROJECT" means and shall be deemed to include all of the costs of the Construction of the Project, to the extent permitted by the Act, whether incurred prior to or after the date of the Agreement, including, but not limited to the following (but not including any Costs of Issuance):

(a) the cost of construction, improvement, repair and reconstruction;

(b) the cost of acquisition, including rights in land and other property, both real and personal and improved and unimproved, and franchises, and disposal rights;

(c) the cost of demolishing, removing, or relocating any buildings or structures on lands so acquired, including the cost of acquiring any lands to which such buildings or structures may be moved or relocated;

(d) the cost of machinery, equipment and furnishings, of engineering and architectural surveys and plans, and specifications and of transportation and storage until the Project is operational;

(e) the cost of agents or consultants, including, without limitation, legal, financial, engineering, accounting, and auditing, necessary or incident to the Project and of the determination as to the feasibility or practicability of undertaking the Project;

(f) the cost of financing interest on the Bonds and fees of the Bank allocable to the period prior to and during Construction of the Project and reserves for principal and interest and for extensions, enlargements, additions, repairs, replacements, renovations, and improvements to the Project; and

(g) the cost of financing the Project, and the reimbursement to any governmental entity or agency, or any Person, of expenditures made by or on behalf of such entity agency or Person in connection with the Project; provided, that the Borrower shall at its own expense insure, repair, and maintain the Project, pay such taxes with respect to the Borrower's interest in the property relating to the Project, and pay such assessments and other public charges on the Project or shall cause the same to be provided by others to the satisfaction of the Issuer.

"CREDIT AGREEMENT" means the Credit Agreement, dated as of June 23, 1997 and amended on April 15, 1998 and August 19, 1998, among the Borrower, Credit Suisse First Boston, and the Lenders identified therein (including, specifically, the Bank), as from time to time amended or supplemented, or any other similar agreement entered into by the Borrower and the Bank in connection with the issuance of any Alternate Letter of Credit or Alternate Credit Facility.

"DATE OF DELIVERY" means April 30, 1999.

"DETERMINATION OF TAXABILITY" means the occurrence or existence of any of the conditions or events more fully described in Section 8.03(a)(ii) or Section 8.03(a)(iii) of the Agreement.

"DIRECT PARTICIPANT" means those securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations for which DTC, from time to time, holds the Bonds as securities depository.

"DISCLOSURE REQUIREMENTS" shall have the meaning ascribed to such term in Section 6.09 hereof.

"DTC" means The Depository Trust Company, New York, New York, or any successor securities depository.

"EVENT OF DEFAULT" means any of the events specified in Section 7.01 hereof.

"EXPIRATION DATE" means the stated date upon which the Letter of Credit or Alternate Letter of Credit shall expire in accordance with its terms.

"FISCAL YEAR" means the fiscal year of the Borrower ending on the Saturday closest to March 31 of each year, or any other 12-month period selected and designated as the fiscal year of the Borrower.

"FIXED INTEREST RATE" means the interest rate borne by the Bonds from and after the Fixed Rate Date and determined in accordance with Section 2.03 hereof.

"FIXED RATE DATE" means the date on which the Bonds begin to bear interest at the Fixed Interest Rate, which shall be an Interest Payment Date.

"GOVERNMENT OBLIGATIONS" means and includes any of the following securities, if and to the extent the same are non-callable and not subject to redemption at the option of the issuer, at the time legal for investment: direct obligations of, or obligations the full and timely payment of principal of and interest on which are unconditionally guaranteed by, the United States of America, including obligations issued or held in book-entry form on the books of the Department of the Treasury of the United States of America and including a receipt, certificate or any other evidence of a direct ownership interest of future payments in an obligation of, or unconditionally guaranteed by, the United States of America, or in specified portions thereof held by a custodian in safekeeping for the holders of such receipt, certificate or any other evidence of ownership (which may consist of specified portions of interest thereon) which is rated or assessed in the highest rating category of Moody's and S&P to the extent each such rating agency is then rating the Bonds, but excluding any share or interest in any unitary investment trust or mutual fund unless such unitary investment trust or mutual fund is rated or assessed in the highest rating category of Moody's and S&P to the extent each such rating agency is then rating the Bonds.

"INDENTURE" means this Indenture, as originally executed or as it may from time to time be supplemented, modified or amended by any Supplemental Indenture.

"INFORMATION SERVICES" means Financial Information, Inc.'s "Daily Called Bond Service," 30 Montgomery Street, 10th Floor, Jersey City, New Jersey 07302, Attention: Editor; Kenny Information Service's "Called Bond Service," 65 Broadway, 16th Floor, New York, New York 10006; Moody's Investors Service, 5250-77 Center Drive, Suite 150, Charlotte, North Carolina 28217, Attention: Called Bond Department; and Standard and Poor's "Called Bond Record," 25 Broadway, 3rd Floor, New York, New York 10004; or, in accordance with then-current guidelines of the Securities and Exchange Commission, to such other addresses and/or such other services providing information with respect to called bonds, or no such services, as the Issuer may designate in a certificate of the Issuer delivered to the Trustee.

"INTEREST ACCOUNT" means the account of that name in the Revenue Fund established pursuant to Section 5.02 hereof.

"INTEREST PAYMENT DATE" means (a) on and prior to the Fixed Rate Date: June 1, 1999 and the first Business Day of each calendar month thereafter, and (b) after the Fixed Rate Date: April 1 and October 1 of each year commencing on the April 1 or October 1 next succeeding the Fixed Rate Date.

"INTEREST PERIOD" means the period from and including the date of the first authentication and delivery of the Bonds to and including May 31, 1999, and, thereafter, the period from and including an Interest Payment Date to and including the day next preceding the immediately succeeding Interest Payment Date.

"INVESTMENT SECURITIES" means (a) obligations described in Section 103 of the Code, the interest on which is Tax-exempt, including certificates or units of or in any entity that (i) is treated as a "grantor trust" under Subchapter J, Part I, Subpart E of the Code in which the certificate holders or unit holders are treated as the owners of all assets owned by such trust and (ii) invests solely in obligations described in Section 103 of the Code, the interest on which is Tax-exempt; and (b) stock of a "qualified regulated investment company" as such term is defined in Section (a)(2) of Notice 87-22 of the Internal Revenue Service, including qualified temporary investments relating to Tax-exempt obligations pursuant to paragraph (a)(5) of Notice 87-22 but shall not include securities issued by the Issuer or the Borrower. At the time of investment, Investment Securities shall be legal investments under the laws of the State for the moneys proposed to be invested therein.

"ISSUER" means the California Infrastructure and Economic Development Bank, an entity within the Trade and Commerce Agency of the State.

"LETTER OF CREDIT" means (a) that certain Letter of Credit issued by the Bank pursuant to the Credit Agreement, as the same may be amended or modified in accordance with its terms, naming the Trustee as beneficiary and delivered on the date of issuance and delivery of the Bonds, (b) in the event of delivery of an Alternate Letter of Credit, such Alternate Letter of Credit, or (c) in the event of delivery of an Alternate Credit Facility, such Alternate Credit Facility.

"LETTER OF CREDIT ACCOUNT" means the account of that name established in the Revenue Fund pursuant to Section 5.03 hereof.

"LETTER OF CREDIT SUBSTITUTION" means the substitution of an Alternate Letter of Credit for the then existing Letter of Credit pursuant to Section 5.08 of the Agreement.

"LETTER OF CREDIT SUBSTITUTION DATE" means the date an Alternate Letter of Credit is delivered to the Trustee pursuant to Section 5.08 of the Agreement.

"LIQUIDITY ACCOUNT" means the account of that name established in the Purchase Fund pursuant to Section 8.10 hereof.

"LOAN" means the loan of the proceeds of the Bonds made by the Issuer to the Borrower pursuant to the Agreement.

"LOAN DEFAULT EVENT" means any one or more of the events specified in Section 7.01 of the Agreement.

"LOAN REPAYMENTS" means the payments required to be made by the Borrower pursuant to Section 4.02(a) of the Agreement.

"MANDATORY TENDER DATE" shall mean the (a) Fixed Rate Date and (b) any Letter of Credit Substitution Date, pursuant to which the Bonds are required to be tendered for purchase in accordance with Section 4.07 hereof.

"MOODY'S" means Moody's Investors Service, a corporation organized and existing under the laws of the State of Delaware, its successors and their assigns, or, if such corporation shall be dissolved, liquidated or replaced by the Issuer and the Borrower as the rating agency for the Bonds, or shall no longer perform the functions of a securities rating agency, any other nationally recognized securities rating agency designated by the Issuer, with the approval of the Borrower, which is requested to provide a rating on the Bonds.

"NET PROCEEDS" means the proceeds from insurance or from actual or threatened condemnation or eminent domain action with respect to the Project, less any costs reasonably expended by the Borrower to receive such proceeds.

"NON-TENDERED BONDS" shall have the meaning ascribed to such term in Section 4.07 hereof.

"OPINION OF BOND COUNSEL" means a written opinion of Bond Counsel. If and to the extent required by the provisions of Section 1.02 hereof, each Opinion of Bond Counsel shall include the statements provided for in Section 1.02 hereof.

"ORGANIZATION DOCUMENTS" mean the Borrower's articles or certificate of incorporation and bylaws if the Borrower is a corporation, articles of organization and operating agreement if the Borrower is a limited liability company, partnership agreement if the Borrower is a partnership and trust agreement or declaration of trust if the Borrower is a trust, as such Organization Documents may be amended from time to time.

"OUTSTANDING," when used as of any particular time with reference to Bonds, means (subject to the provisions of Section 11.10 hereof) all Bonds theretofore, or thereupon being, authenticated and delivered by the Bond Registrar under this Indenture except (a) Bonds theretofore cancelled by the Bond Registrar or surrendered to the Bond Registrar for cancellation; (b) Bonds with respect to which liability of the Issuer shall have been discharged in accordance with Section 10.02 hereof, including Bonds (or portions of Bonds) referred to in Section 11.10 hereof; (c) Bonds for the transfer or exchange of or in lieu of or in substitution for which other Bonds shall have been authenticated and delivered by the Bond Registrar pursuant to this Indenture; and (d) Bonds which have been deemed purchased pursuant to Section 4.07 hereof.

"PARTICIPATING UNDERWRITER" means any broker, dealer or municipal securities dealer acting as an underwriter in a primary offering of municipal securities subject to Securities and Exchange Commission Rule 15c2-12 under the Securities Exchange Act of 1934, as amended.

"PAYING AGENT" means the Trustee and any other paying agent for the Bonds appointed pursuant to the provisions of this Indenture.

"PERMITTED INVESTMENTS" means Treasury Funds, Government Obligations and Investment Securities.

"PERSON" means an individual, corporation, firm, association, partnership, trust, or other legal entity or group of entities, including a governmental entity or any agency or political subdivision thereof.

"PRINCIPAL ACCOUNT" means the account of that name in the Revenue Fund established pursuant to Section 5.02 hereof.

"PROJECT" means (a) all land, buildings, structures, fixtures and improvements, and (b) all tangible personal property purchased with proceeds of the Bonds by the Borrower, whether now existing or hereafter acquired, constructed or installed as more fully described in Exhibit A to the Agreement.

"PROJECT FUND" means the fund of that name established pursuant to Section 3.03 hereof.

"PURCHASE DATE" means (a) the date specified in each notice given by a Registered Owner pursuant to Section 4.06 hereof on which the Bonds being tendered by such Registered Owner shall be purchased by the Tender Agent, and (b) the Mandatory Tender Date.

"PURCHASE FUND" means the fund of that name established pursuant to Section 8.10 hereof.

"REBATE FUND" means the fund of that name created pursuant to Section 5.07 hereof.

"RECORD DATE" means, prior to the Fixed Rate Date, the Business Day preceding each Interest Payment Date, and after the Fixed Rate Date, the fifteenth (15th) day of the calendar month preceding each Interest Payment Date.

"REDEMPTION ACCOUNT" means the account of that name established in the Revenue Fund pursuant to Section 5.02 hereof.

"REGISTERED OWNER," whenever used herein with respect to a Bond, means the Person in whose name such Bond is registered.

"RELATED PARTY" means any general partner, member, affiliate or guarantor of the Borrower and any lessee of the Project.

"REMARKETING ACCOUNT" means the account of that name established in the Purchase Fund pursuant to Section 8.10 hereof.

"REMARKETING AGENT" means the remarketing agent or agents appointed in accordance with Section 8.08 hereof. The Remarketing Agent shall be initially The Chapman Company. "Principal Office" of the Remarketing Agent shall mean the office thereof designated in writing to the Issuer, the Trustee, the Tender Agent, the Bank and the Borrower.

"REMARKETING AGREEMENT" means the Remarketing Agreement, dated as of April 1, 1999, between the Borrower and the Remarketing Agent, as such agreement may from time to time be amended and supplemented, to remarket the Bonds delivered or deemed to be delivered for purchase by the Registered Owners thereof, and any other similar agreement entered into with any successor Remarketing Agent, subject to approval by the Issuer. No such amendment or supplement or similar agreement shall alter the rights or obligations of the Registered Owners of Bonds to deliver their Bonds for purchase as provided herein.

"REVENUE FUND" means the fund of that name established pursuant to Section 5.01 hereof.

"REVENUES" means all amounts received by the Issuer or the Trustee for the account of the Issuer pursuant or with respect to the Agreement or the Letter of Credit, including, without limiting the generality of the foregoing, Loan Repayments (including both timely and delinquent payments, and any late charges, paid from whatever source), prepayments, insurance proceeds, condemnation proceeds, and all interest, profits or other income derived from the investment of amounts in any fund or account established pursuant to this Indenture, but not including any moneys paid for deposit into the Rebate Fund.

"S&P" means Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc., a corporation organized and existing under the laws of the State of New York, its successors and their assigns, or, if such corporation shall be dissolved, liquidated or replaced by the Issuer and the Borrower as the rating agency for the Bonds, or shall no longer perform the functions of a securities rating agency, any other nationally recognized securities rating agency designated by the Issuer, with the approval of the Borrower which is requested to provide a rating on the Bonds.

"SECURITIES DEPOSITORIES" means the following registered securities depositories: (a) The Depository Trust Company, 711 Stewart Avenue, Garden City, New York 11530, Fax-(516) 227-4039 or 4190; and (b) Philadelphia Depository Trust Company, Reorganization Division, 1900 Market Street, Philadelphia, Pennsylvania 19103, Attention: Bond Department, Fax-(215) 496-5058; or, in accordance with then-current guidelines of the Securities and

Exchange Commission, to such other addresses and/or such other securities depositories, or no such depositories, as the Issuer or the Securities and Exchange Commission may designate in a certificate of the Issuer delivered to the Trustee.

"SPECIAL RECORD DATE" means the date established by the Trustee pursuant to Section 2.02(b)(ii) hereof as a record date for the payment of defaulted interest on the Bonds.

"STATE" means the State of California.

"SUPPLEMENTAL INDENTURE" means any indenture hereafter duly authorized and entered into between the Issuer and the Trustee, supplementing, modifying or amending this Indenture; but only if and to the extent that such Supplemental Indenture is specifically authorized hereunder.

"TAX REGULATORY AGREEMENT" means the Tax Regulatory Agreement, dated as of April 1, 1999, among the Issuer, the Borrower and the Trustee, as such Tax Regulatory Agreement shall be amended from time to time.

"TAX-EXEMPT" means, with respect to interest on any obligations of a state or local government, including the Bonds, that such interest is excluded from gross income for federal income tax purposes (other than in the case of a Registered Owner of any Bonds who is a substantial user of the Project or a "related person" within the meaning of Section 147(a) of the Code) but such interest may be includable as an item of tax preference or otherwise includable directly or indirectly for purposes of calculating tax liabilities, including any alternative minimum tax or environmental tax, under the Code.

"TENDER AGENT" means U.S. Bank Trust National Association, a national banking association organized and existing under and by virtue of the laws of the United States of America having a principal corporate trust office at San Francisco, California, or any successor appointed pursuant to Section 8.14 hereof.

"TREASURY FUNDS" means (a) any investment portfolio consisting of direct obligations of the United States Treasury Department and repurchase agreements in respect of those obligations, including any such investment portfolio maintained by the Trustee or the Bank, (b) any investment or security permitted pursuant to Section 53601 of the California Government Code, including any investment or security portfolio consisting of any one or more of such investments or securities and (c) any other investment or security permitted by law and approved by the Bank.

"TRUSTEE" means U.S. Bank Trust National Association, a national banking association organized and existing under and by virtue of the laws of the United States of America having a principal corporate trust office in San Francisco, California, or its successor as Trustee hereunder as provided in Section 8.01 hereof.

"WEEKLY INTEREST RATE" means the interest rate on the Bonds determined pursuant to Section 2.02(c) hereof.

SECTION 1.02. CONTENT OF CERTIFICATES AND OPINIONS. Every certificate or opinion provided for in this Indenture with respect to compliance with any provision hereof shall include (a) a statement that the Person making or giving such certificate or opinion has read such provision and the definitions herein relating thereto; (b) a brief statement as to the nature and scope of the examination or investigation upon which the certificate or opinion is based; (c) a statement that, in the opinion of such Person, he or she has made or caused to be made such examination or investigation as is necessary to enable him or her to express an informed opinion with respect to the subject matter referred to in the instrument to which his or her signature is affixed; (d) a statement of the assumptions upon which such certificate or opinion is based, and that such assumptions are reasonable; and (e) a statement as to whether, in the opinion of such Person, such provision has been complied with.

Any such certificate or opinion made or given by an officer of the Issuer or an officer or an Authorized Representative of the Borrower may be based, insofar as it relates to legal, accounting or any business matter, upon a certificate or opinion of or representation by counsel, an Accountant or a management consultant, unless such officer knows, or in the exercise of reasonable care should have known, that the certificate, opinion or representation with respect to the matters upon which such certificate or statement may be based, as aforesaid, is erroneous. Any such certificate or opinion made or given by counsel, an Accountant or a management consultant may be based, insofar as it relates to factual matters (with respect to which information is in the possession of the Issuer or the Borrower, as the case may be) upon a certificate or opinion of or representation by an officer of the Issuer or the Borrower, unless such counsel, Accountant or management consultant knows, or in the exercise of reasonable care should have known, that the certificate or opinion or representation with respect to the matters upon which such Person's certificate or opinion or representation may be based, as aforesaid, is erroneous. The same officer of the Issuer or the Borrower, or the same counsel or Accountant or

management consultant, as the case may be, need not certify to all of the matters required to be certified under any provision of this Indenture, but different officers, counsel, Accountants or management consultants may certify to different matters, respectively.

SECTION 1.03. INTERPRETATION.

(a) Unless the context otherwise indicates, defined terms shall include all variations thereof and words expressed in the singular shall include the plural and vice versa and the use of the neuter, masculine, or feminine gender is for convenience only and shall be deemed to mean and include the neuter, masculine or feminine gender, as appropriate.

(b) Headings of articles and sections herein and the table of contents hereof are solely for convenience of reference, do not constitute a part hereof and shall not affect the meaning, construction or effect hereof.

(c) Unless otherwise indicated, all references herein to "Articles," "Sections" and other subdivisions are to the corresponding Articles, Sections or subdivisions of this Indenture; the words "herein," "hereof," "hereby," "hereunder" and other words of similar import refer to this Indenture as a whole and not to any particular Article, Section or subdivision hereof.

ARTICLE II

THE BONDS

SECTION 2.01. AUTHORIZATION OF BONDS. There shall be issued under and secured by this Indenture a single series of Bonds to be designated as "California Infrastructure and Economic Development Bank Variable Rate Demand Industrial Development Revenue Bonds, Series 1999 (Roller Bearing Company of America, Inc. - Santa Ana Project)" in the original principal amount of $4,800,000, to be dated as of the Date of Delivery, and to mature fully (subject to prior redemption at the prices and dates and upon the terms and conditions hereinafter set forth) on April 1, 2024.

SECTION 2.02. TERMS OF THE BONDS.

(a) The Bonds shall be issued as fully registered Bonds without coupons in the Authorized Denominations. The Bonds shall be in substantially the form set forth in Exhibit A hereto.

(b) (i) Each Bond shall bear interest at the rates determined pursuant to Section 2.02(c) and 2.03(b) hereof from and including the Interest Payment Date next preceding the date of registration thereof (unless such Bond is registered after a Record Date and on or before the next succeeding Interest Payment Date or on an Interest Payment Date, in which event it shall bear interest from and including such Interest Payment Date, or unless such Bond is registered on or prior to May 31, 1999, in which event it shall bear interest from and including the Date of Delivery), payable on each Interest Payment Date. The interest so

payable on any Interest Payment Date will be paid on the Interest Payment Date to the Persons in whose name the Bonds are registered at the close of business of the Bond Registrar on the Record Date for such Interest Payment Date; except as provided below.

(ii) Any such interest not so punctually paid or duly provided for shall forthwith cease to be payable to the Registered Owner as of the Record Date for such payment of interest, and shall be paid to the Person in whose name the Bond is registered at the close of business on a Special Record Date for the payment of such defaulted interest, to be fixed by the Trustee, notice thereof being given to the Registered Owners not less than ten (10) days prior to such Special Record Date.

(iii) Interest shall be paid in lawful money of the United States by check or draft mailed to each Registered Owner at the address shown on the registration books maintained by the Bond Registrar pursuant to Section 2.07 hereof; provided, however, interest may also be paid by wire transfer to an address in the continental United States in the case of a Registered Owner of at least $1,000,000 aggregate principal amount of Bonds upon written request of the Registered Owner thereof 15 days prior to the applicable Record Date to the Bond Registrar in a form satisfactory to the Bond Registrar.

(c) (i) The Bonds shall bear interest until payment of the principal thereof and interest thereon shall have been made or provided for in accordance with the provisions hereof, whether at maturity, upon redemption or otherwise. Prior to the Fixed Rate Date, interest shall be computed on the basis of a year of 365 or 366 days, as appropriate, for the actual number of days elapsed.

The Bonds shall bear interest for each day from and including the Date of Delivery until the Fixed Rate Date or final maturity date, whichever is earlier, at the Weekly Interest Rate; provided that appropriate adjustments may be made for the initial period following the Date of Delivery. The Weekly Interest Rate shall be the rate determined by the Remarketing Agent (on the basis of the examination of Tax-exempt obligations comparable to the Bonds known by the Remarketing Agent to have been priced or traded under then prevailing market conditions) to be the minimum interest rate which, if borne by the Bonds, would enable the Remarketing Agent to sell the Bonds on the date such rate becomes effective at a price equal to the principal amount thereof, plus accrued interest, if any, but in no event exceeding twelve percent (12%) per annum. The Weekly Interest Rate shall be determined by the Remarketing Agent as of the close of business on Tuesday in each calendar week until the earlier of the Fixed Rate Date or payment in full of the Bonds; provided that, if Tuesday in any calendar week shall not be a Business Day, then such determination shall be made on the next preceding Business Day; and provided further that appropriate adjustments may be made for the initial period following the Date of Delivery. The Weekly Interest Rate shall be effective from Wednesday in the week of determination thereof to and including the following Tuesday irrespective of when the rate was determined by

the Remarketing Agent; provided that appropriate adjustments may be made for the initial period following the Date of Delivery. The Weekly Interest Rate shall be communicated by telephonic notice, promptly confirmed in writing, by the Remarketing Agent to the Trustee on the Business Day next following the day on which the Weekly Interest Rate is determined. The Remarketing Agent shall also give written notice to the Tender Agent, the Bank and the Borrower of the Weekly Interest Rate at the time it gives the aforesaid written confirmation thereof to the Trustee. If for any reason the Remarketing Agent does not determine the Weekly Interest Rate in any week, the Weekly Interest Rate for the first such week in which the Remarketing Agent does not determine the Weekly Interest Rate shall remain at the last Weekly Interest Rate announced by the Remarketing Agent and the Weekly Interest Rate thereafter shall be the "Alternate Weekly Rate" (as defined below).

(ii) If on any date on which the Weekly Interest Rate is determined, the Weekly Interest Rate determined in accordance with paragraph (i) of this paragraph (c) is held by a court to be invalid or unenforceable, then the Weekly Interest Rate shall be the Alternate Weekly Rate. The "Alternate Weekly Rate" shall be the Bond Market Association Seven-Day Municipal Swap Index Rate plus 25 basis points (.25%) as determined by the Remarketing Agent.

(iii) Each determination of the Weekly Interest Rate by the Remarketing Agent shall be conclusive and binding on the Registered Owners, the Trustee and the Issuer.

The Trustee shall calculate the amount of interest due on each Interest Payment Date with respect to the then-concluding Interest Period by the close of business on the date one (1) Business Day prior to the end of such Interest Period, and shall notify the Borrower and the Bank of such amount. The Trustee shall inform any Registered Owner who requests the same of the Weekly Interest Rate in effect from time to time.

(iv) Anything herein to the contrary notwithstanding, in no event shall the interest rate borne by the Bonds exceed twelve percent (12%) per annum or, if lower, the maximum rate of interest which may be charged or collected pursuant to applicable provisions of federal or state law.

(d) The principal of the Bonds shall be payable in lawful money of the United States of America on April 1, 2024 at the principal corporate trust office of the Trustee in San Francisco, California or at such other office as the Trustee may designate. Except as provided in Section 2.09 hereof, no payment of principal shall be made on any Bond unless and until such Bond is tendered to the Trustee for cancellation, as the case may be.

(e) The Bonds shall be subject to redemption and purchase as provided in Article IV hereof.

SECTION 2.03. CONVERSION OF BONDS.

(a) On any Interest Payment Date, the interest rate on the Bonds may be converted to a fixed annual rate of interest upon receipt by the Issuer, the Trustee, the Tender Agent, the Bank and the Remarketing Agent not less than 45 days in advance of the proposed Fixed Rate Date of (i) notice from the Borrower electing to have the interest rate on the Bonds converted to a fixed rate of interest and the effective date of such conversion, (ii) an Opinion of Bond Counsel (which shall be confirmed on the Fixed Rate Date) to the effect that conversion to a Fixed Interest Rate is permitted by the Indenture and the Act, that conversion to the Fixed Interest Rate in accordance with the provisions of the Indenture will not cause interest on the Bonds to not be Tax-exempt and that, to the extent required, the Borrower has complied with the Disclosure Requirements as provided in Section 5.12 of the Agreement, (iii) receipt by the Trustee of: (A) a commitment from the Bank evidencing that the Letter of Credit has been increased to provide for the interest, principal and premium requirements on the Bonds on and after the Fixed Rate Date, (B) an Alternate Credit Facility pursuant to the terms of Section 5.07 of the Agreement, or (C) an Alternate Letter of Credit pursuant to the terms of Section 5.08 ofthe Agreement, (iv) the written consent of the Bank to such conversion and (v) receipt by the Trustee of written evidence from the rating agency then rating the Bonds of its rating on the Bonds.

(b) (i) After the Fixed Rate Date, interest on the Bonds shall be computed on the basis of a year of 360 days and 12 months of 30 days each. The interest rate on all Bonds from the Fixed Rate Date until the maturity or prior redemption or acceleration thereof shall be a rate per annum equal to the Fixed Interest Rate, which shall be determined on or prior to, but not more than 15 days prior to, the Business Day immediately preceding the Fixed Rate Date. The Remarketing Agent shall specify the Fixed Interest Rate to be borne by the Bonds on and after the Fixed Rate Date. The Fixed Interest Rate shall be the rate, but not exceeding the rate, which at the time of determination thereof in the judgment of the Remarketing Agent, having due regard for prevailing financial market conditions, would be necessary to remarket the Bonds at a price equal to 100% of the principal amount thereof on the Fixed Rate Date. If on the date of determination by the Remarketing Agent of the Fixed Interest Rate, the Fixed Interest Rate so determined is held by a court to be invalid or unenforceable, then the Fixed Interest Rate shall be a rate determined by the Remarketing Agent, not less than 90% or more than 130% of the "Alternate Fixed Rate," which in the judgment of the Remarketing Agent, having due regard for prevailing market conditions, would be the minimum rate at which Registered Owners of the Bonds would be able to sell the Bonds at a price equal to the principal amount thereof on the Fixed Rate Date. The Alternate Fixed Rate shall be determined by the Remarketing Agent and shall be a rate per annum based upon yield evaluations at par of Tax-exempt securities having a remaining term equal, as nearly as practicable, to the time remaining until the maturity of the Bonds of Component Issues selected by the Remarketing Agent each of which would be rated by either Moody's or S&P in a long-term debt rating category which is the same as, or is immediately proximate to, the long-term debt rating category which will be assigned to the

Bonds after the Fixed Rate Date. Anything to the contrary herein notwithstanding, the Fixed Interest Rate shall not exceed twelve percent (12%) per annum. If, after the Fixed Rate Date, the Bonds shall fail to be converted to a Fixed Interest Rate, the Bonds will continue to earn interest at the Weekly Interest Rate as provided in this Indenture and the Registered Owners shall be notified thereof by the Trustee.

(ii) Following an election of the Borrower to convert the interest rate on the Bonds to the Fixed Interest Rate as provided in this Section, the Registered Owners of all of the Outstanding Bonds shall be required to tender their Bonds for purchase on the Mandatory Tender Date.

(iii) At least 30 days prior to the Fixed Rate Date, the Trustee shall give an irrevocable notice to the Registered Owners of conversion of the Weekly Interest Rate borne by the Bonds to the Fixed Interest Rate on the Fixed Rate Date. If a Registered Owner delivers a written request to the Trustee at least 45 days prior to the Fixed Rate Date setting forth the appropriate telex or telecopier number and other necessary information to enable the Trustee to deliver such notice by telegram, telex, telecopier or other telecommunication device capable of creating a written notice such notice shall be delivered in the manner requested. Such notice shall (A) specify the proposed Fixed Rate Date, (B) require the Registered Owners of all of the Outstanding Bonds to tender their Bonds for purchase on the Mandatory Tender Date pursuant to Section 4.07 hereof, and (C) state that all Outstanding Bonds not purchased on or before the Mandatory Tender Date will be deemed to be purchased on the Mandatory Tender Date at a price equal to the principal amount thereof, plus unpaid interest, if any, accrued to such date.

(iv) Any Bond purchased by the Tender Agent pursuant to the provisions of Section 4.06 hereof from the date notice of the proposed Fixed Rate Date is given to Registered Owners through the Fixed Rate Date shall be remarketed at the Weekly Interest Rate for a period of time up to and including the Fixed Rate Date; provided, however, that all Bonds remarketed from the date notice of the proposed Fixed Rate Date is given to Registered Owners through the Fixed Rate Date shall be tendered by the Registered Owners thereof for purchase on the Mandatory Tender Date.

(v) The determination of the Fixed Interest Rate by the Remarketing Agent shall be conclusive and binding on the Issuer, the Trustee, the Borrower and the Registered Owners of the Bonds.

SECTION 2.04. EXECUTION OF BONDS. The Bonds shall be executed in the name and on behalf of the Issuer with the manual or facsimile signature of the Chair of the Issuer or the Chair's designee and attested by the manual or facsimile signature of its Secretary. The Bonds shall then be delivered to the Bond Registrar for authentication by it. In case any of the officers who shall have signed or attested any of the Bonds shall cease to be such officer or officers of the Issuer before the Bonds so signed or attested shall have been authenticated or delivered by

the Bond Registrar or issued by the Issuer, such Bonds may nevertheless be authenticated, delivered and issued and, upon such authentication, delivery and issue, shall be as binding upon the Issuer as though those who signed and attested the same had continued to be such officers of the Issuer, and also any Bonds may be signed and attested on behalf of the Issuer by such persons as at the actual date of execution of such Bonds shall be the proper officers of the Issuer although at the nominal date of such Bonds any such person shall not have been such officer of the Issuer.

Only such of the Bonds as shall bear thereon a certificate of authentication substantially in the form set forth in Exhibit A hereto, with the manual signature of the Bond Registrar, shall be valid or obligatory for any purpose or entitled to the benefits of this Indenture, and such certificate of the Bond Registrar shall be conclusive evidence that the Bonds so authenticated have been duly executed, authenticated and delivered hereunder and are entitled to the benefits of this Indenture.

SECTION 2.05. TRANSFER OF BONDS. Any Bond may, in accordance with its terms, be transferred, upon the books required to be kept pursuant to the provisions of Section 2.07 hereof, by the person in whose name it is registered, in person or by his duly authorized attorney, upon surrender of such registered Bond for cancellation, accompanied by delivery of a written instrument of transfer, duly executed in a form approved by the Bond Registrar. Transfer of a Bond shall not be permitted by the Bond Registrar: (a) if the Bond Registrar has received notice from the Registered Owner of such Bond that such Bond will be delivered to the Tender Agent for purchase on or before the next succeeding Interest Payment Date or (b) if the Bond Registrar receives such written instrument of transfer after the Record Date prior to the next succeeding Interest Payment Date.

Whenever any Bond or Bonds shall be surrendered for transfer, the Issuer shall execute and the Bond Registrar shall authenticate and deliver a new Bond or Bonds for a like aggregate principal amount in an Authorized Denomination. The Bond Registrar shall require the Registered Owner requesting such transfer to pay any tax or other governmental charge required to be paid with respect to such transfer, and may in addition require the payment of a reasonable sum to cover expenses incurred by the Issuer and the Bond Registrar in connection with such transfer.

Notwithstanding the foregoing, prior to the Fixed Rate Date, no Bonds held by or for the account of the Bank or the Borrower shall be transferred upon the books required to be kept pursuant to Section 2.07 hereof unless the Trustee has received positive confirmation by the Bank that the amount that may be drawn under the Letter of Credit shall have been, or shall concurrently with such transfer be, reinstated (automatically or otherwise), in the amount of the draw on the Letter of Credit used to purchase such Bonds proposed to be transferred.

SECTION 2.06. EXCHANGE OF BONDS. Bonds may be exchanged at the principal corporate trust office of the Trustee in San Francisco, California, or at such other office as the Trustee may designate, for a like aggregate principal amount of Bonds of other Authorized Denominations. The Bond Registrar shall require the Registered Owner requesting such exchange to deliver such Bonds to be exchanged and to pay any tax or other governmental charge required to be paid with respect to such exchange, and may in addition require the payment of a reasonable sum to cover

expenses incurred by the Issuer or the Bond Registrar in connection with such exchange. Thereupon, the Bonds delivered to the Bond Registrar for exchange shall be cancelled by the Bond Registrar.

SECTION 2.07. BOND REGISTER. The Trustee is hereby designated and appointed as the bond registrar (the "Bond Registrar"). The Bond Registrar will keep or cause to be kept at its corporate trust office in San Francisco, California, or at such other office as the Bond Registrar may designate, sufficient books for the registration and transfer of the Bonds, and shall keep or cause to be kept within the State a copy of such books, which shall at all times be open to inspection during regular business hours by the Issuer; and, upon presentation for such purpose, the Bond Registrar shall, under such reasonable regulations as it may prescribe, register or transfer or cause to be registered or transferred, on such books, Bonds as hereinbefore provided.

SECTION 2.08. TEMPORARY BONDS. The Bonds may be issued in temporary form exchangeable for definitive Bonds when ready for delivery. Any temporary Bond may be printed, lithographed or typewritten, shall be in an Authorized Denomination, shall be in fully registered form without coupons and may contain such reference to any of the provisions of this Indenture as may be appropriate and in a form acceptable to the Paying Agent. Every temporary Bond shall be executed by the Issuer and be authenticated by the Bond Registrar upon the same conditions and in substantially the same manner as the definitive Bonds. If the Issuer issues temporary Bonds it will execute and deliver definitive Bonds as promptly thereafter as practicable, and thereupon the temporary Bonds may be surrendered, for cancellation, in exchange therefor at the principal corporate trust office of the Bond Registrar and the Bond Registrar shall authenticate and deliver in exchange for such temporary Bonds an equal aggregate principal amount of definitive Bonds in Authorized Denominations. Until so exchanged, the temporary Bonds shall be entitled to the same benefits under this Indenture as definitive Bonds authenticated and delivered hereunder.

SECTION 2.09. BONDS MUTILATED, LOST, DESTROYED OR STOLEN. If any Bond shall become mutilated, the Issuer, at the expense of the Registered Owner of said Bond, shall execute, and the Bond Registrar shall thereupon authenticate and deliver, a new Bond of like tenor in exchange and substitution for the Bond so mutilated, but only upon surrender to the Bond Registrar of the Bond so mutilated. Every mutilated Bond so surrendered to the Bond Registrar shall be cancelled by it and delivered to, or upon the order of, the Issuer. If any Bond shall be lost, destroyed or stolen, evidence of such loss, destruction or theft may be submitted to the Bond Registrar and, if such evidence be satisfactory to it and indemnity satisfactory to the Bond Registrar shall be given, the Issuer, at the expense of the Registered Owner, shall execute, and the Bond Registrar shall thereupon authenticate and deliver, a new Bond of like tenor in lieu of and in substitution for the Bond so lost, destroyed or stolen (or if any such Bond shall have matured or shall be about to mature, instead of issuing a substitute Bond, the Bond Registrar may pay the same without surrender thereof upon such maturity date). The Bond Registrar may require payment

by the Registered Owner of a sum not exceeding the actual cost of preparing each new Bond issued under this Section and of the expenses which may be incurred by the Issuer and the Bond Registrar in the premises. Any Bond issued under the provisions of this Section in lieu of any Bond alleged to be lost, destroyed or stolen shall constitute an original additional contractual obligation on the part of the Issuer whether or not the Bond so alleged to

be lost, destroyed or stolen be at any time enforceable by anyone, and shall be entitled to the benefits of this Indenture with all other Bonds secured by this Indenture.

SECTION 2.10. SPECIAL OBLIGATIONS. The Bonds, together with the interest and premium (if any) thereon and the purchase price thereof, shall not be deemed to constitute a debt or liability of the State or any political subdivision or agency of the State or a pledge of the faith and credit of the State or any political subdivision or agency of the State, but shall be payable solely from the funds provided therefor pursuant to this Indenture. The Bonds are only a special obligation of the Issuer as provided by the Act and the Issuer shall under no circumstances be obligated to pay the Bonds or respective Costs of the Project except from Revenues and other funds pledged therefor.

Neither the faith and credit nor the taxing power of the State or any political subdivision or agency of the State is pledged to the payment of the principal of, premium, if any, purchase price of or interest on the Bonds nor is the State or any political subdivision or agency of the State in any manner obligated to make any appropriation for such payment. The Issuer has no taxing power.

SECTION 2.11. BOOK-ENTRY-ONLY SYSTEM.

(a) Except as otherwise provided in subsections (b) and (c) of this Section, the Bonds initially authenticated and delivered hereunder shall be registered in the name of Cede & Co., as nominee of DTC orsuch other nominee as DTC shall request. Payments of interest on, principal of and any premium on the Bonds shall be made to the account of Cede & Co. on each Bond Payment Date at the address indicated for Cede & Co. in the registration books maintained by the Bond Registrar by transfer of immediately available funds. DTC has represented to the Issuer that it will maintain a book-entry system in recording ownership interests of its participants (the “Direct Participants”) and the ownership interests of a purchaser of a beneficial interest in the Bonds (a “Beneficial Owner”) will be recorded through book entries on the records of the Direct Participants.

(b) The Bonds shall be initially issued in the form of a separate single authenticated fully registered Bond in the amount of each separate stated maturity. With respect to Bonds so registered in the name of Cede & Co., the Issuer, the Trustee and the Tender Agent shall have no responsibility or obligation to any Direct Participant or to any Beneficial Owner of such Bonds. Without limiting the immediately preceding sentence, the Issuer, the Trustee and the Tender Agent shall have no responsibility or obligation with respect to (i) the accuracy of the records of DTC, Cede & Co. or any Direct Participant with respect to any beneficial ownership interest in the Bonds, (ii) the delivery to any Direct Participant, Beneficial Owner or other person, other than DTC, of any notice with respect to the Bonds, including any notice of redemption, (iii) the payment to any Direct Participant, Beneficial Owner or other person, other than DTC, of any amount with respect to the principal or redemption price of, or interest on, the Bonds or (iv) any consent given or other action taken by DTC as Registered Owner of the Bonds. The Issuer, the Trustee and the Tender Agent may treat DTC as, and deem DTC to be, the absolute Registered Owner of each Bond for all purposes whatsoever including (but not limited to) (A) payment of the principal or redemption price of, and interest on, each such

Bond, (B) giving notices of conversion or redemption and other matters with respect to such Bonds and (C) registering transfers with respect to such Bonds. The Trustee shall pay the principal or redemption price of, and interest on, all Bonds only to or upon the order of DTC, and all such payments shall be valid and effective to fully satisfy and discharge the Issuer’s obligations with respect to such principal or redemption price, and interest, to the extent of the sum or sums so paid. No person other than DTC shall receive a Bond evidencing the obligation of the Issuer to make payments of principal or redemption price of, and interest on, the Bonds pursuant to this Indenture. Upon delivery by DTC to the Trustee of written notice to the effect that DTC has determined to substitute a new nominee in place of Cede & Co., and subject to the transfer provisions hereof, the word “Cede & Co.” in this Indenture shall refer to such new nominee of DTC.

(c) (i) DTC may determine to discontinue providing its services with respect to the Bonds at any time by giving reasonable written notice to the Issuer, the Trustee and the Tender Agent and discharging its responsibilities with respect thereto under applicable law.

(ii) The Issuer, in its sole discretion and without the consent of any other person, may terminate, upon provision of notice to the Trustee and Tender Agent, the services of DTC with respect to the Bonds if the Issuer determines that the continuation of the system of book-entry only transfers through DTC (or a successor securities depository) is not in the best interests of the Beneficial Owners of the Bonds or is burdensome to the Issuer, and shall terminate the services of DTC with respect to the Bonds upon receipt by the Issuer, the Trustee and the Tender Agent of written notice from DTC to the effect that DTC has received written notice from Direct Participants having interests, as shown in the records of DTC, in an aggregate principal amount of not less than fifty percent (50%) of the aggregate principal amount of the then Outstanding Bonds to the effect, that: (A) DTC is unable to discharge its responsibilities with respect to such Bonds, or (B) a continuation of the requirement that all of the Outstanding Bonds be registered in the registration books kept by the Trustee in the name of Cede & Co., as nominee of DTC, is not in the best interest of the Beneficial Owners of such Bonds.

(d) Upon the termination of the services of DTC with respect to the Bonds pursuant to subsection (c)(ii)(B) hereof, or upon the discontinuance or termination of the services of DTC with respect to the Bonds pursuant to subsection (c)(i) or subsection (c)(ii)(A) hereof after which no substitute securities depository willing to undertakethe functions of DTC hereunder can be found or which, in the opinion of the Issuer, is willing and able to undertake such functions upon reasonable and customary terms, the Bonds shall no longer be restricted to being registered in the registration books kept by the Bond Registrar in the name of Cede & Co. as nominee of DTC. In such event, the Issuer shall issue and the Trustee shall transfer and exchange Bond certificates as requested by DTC or Direct Participants of like principal amount, series and maturity, in Authorized Denominations to the identifiable Beneficial Owners in replacement of such Beneficial Owners’ beneficial interests in the Bonds.

(e) Notwithstanding any other provision of this Indenture to the contrary, so long as any Bond is registered in the name of Cede & Co., as nominee of DTC, all payments with respect to the principal orredemption price of, and interest on, such Bond and all notices with respect to such Bond shall be made and given, respectively, to DTC.

(f) In connection with any notice or other communication to be provided to Registered Owners pursuant to this Indenture by the Issuer, the Tender Agent or the Trustee with respect to any consent or other action to be taken by Registered Owners, the Issuer, the Tender Agent or the Trustee, as the case may be, shall establish a record date for such consent or other action and give DTC notice of such record date not less than 15 calendar days in advance of such record date to the extent possible.

(g) Notwithstanding any provision herein to the contrary, the Issuer and the Trustee may agree to allow DTC, or its nominee, Cede & Co., to make a notation on any Bond redeemed in part to reflect, for informational purposes only, the principal amount and date of any such redemption.

(h) Notwithstanding any provision herein to the contrary, so long as the Bonds are subject to a system of book-entry only transfers pursuant to this Section, any requirement for the delivery of Bonds to the Tender Agent in connection with a mandatory tender pursuant to Section 4.07 hereof shall be deemed satisfied upon the transfer, on the registration books of DTC, of the beneficial ownership interests in such Bonds tendered for purchase to the account of the Tender Agent, or a Direct Participant acting on behalf of the Tender Agent.

ARTICLE III

ISSUANCE OF BONDS; APPLICATION OF PROCEEDS

SECTION 3.01. ISSUANCE OF THE BONDS. At any time after the execution of this Indenture, the Issuer may execute and the Bond Registrar shall authenticate and, upon Request of the Issuer, deliver Bonds in the aggregate principal amount set forth in Section 2.01 hereof.

SECTION 3.02. APPLICATION OF PROCEEDS OF THE BONDS. The proceeds received from the sale of the Bonds shall be deposited in trust with the Trustee, who shall forthwith set aside such proceeds as follows:

(a) The Trustee shall set aside the sum of $96,000 in the Costs of Issuance Fund, together with any additional money supplied by the Borrower to pay the Costs of Issuance, which Costs of Issuance Fund the Trustee shall establish and maintain as further provided in Section 3.03(e) hereof.

(b) The Trustee shall set aside the remainder of said proceeds, $4,704,000, in the Project Fund.

SECTION 3.03. ESTABLISHMENT AND APPLICATION OF PROJECT FUND AND COSTS OF ISSUANCE FUND.

(a) The Trustee shall establish, maintain and hold in trust a separate fund designated as the “Project Fund.” The moneys in the Project Fund shall be used and withdrawn by the Trustee to pay the Costs of the Project.

(b) Subject to paragraph (c) of this Section, before any payment from the Project Fund shall be made to pay any Costs of the Project, the Borrower shall file or cause to be filed with the Trustee a Requisition of the Borrower stating (i) the item number of such payment; (ii) the name of the Person to whom each such payment is due, which may be the Borrower in the case of reimbursement for any Costs of the Project theretofore paid by the Borrower; (iii) the respective amounts to be paid; (iv) the purpose by general classification for which each obligation to be paid was incurred; (v) that obligations in the stated amounts are presently due and payable and that each item thereof is a proper charge against the Project Fund and has not been previously paid from said fund or from the proceeds of the Bonds; and (vi) that there has not been filed with or served upon the Borrower notice of any lien, or attachment upon, or claim affecting the right to receive payment of, any of the amounts payable to any of the persons named in such Requisition, which has not been released or will not be released simultaneously with the payment of such obligation, other than materialmen’s or mechanics’ liens accruing by mere operation of law.

Upon receipt of each Requisition and written approval of the Bank, the Trustee shall pay the amount set forth in such Requisition as directed by the terms thereof out of the Project Fund. The Trustee shall not make any such payment if it has theretofore received notice of any lien, right to lien or attachment upon, or claim affecting the right to receive payment of, any of the moneys to be so paid, which has not been released or will not be released simultaneously with such payment, other than materialmen’s or mechanics’ liens accruing by mere operation of law.

(c) In the event the Borrower elects to invest any moneys on deposit in the Project Fund in Permitted Investments other than Investment Securities pursuant to Section 5.05 hereof, and the Borrower has not otherwise satisfied any of the exceptions to the calculation of rebate as provided in Section 4.02(a) of the Tax Regulatory Agreement, the Trustee shall, prior to the payment of any Requisition which would result in the amount remaining on deposit in the Project Fund being less than 2% of the principal amount of the Bonds set forth in Section 2.01 hereof, notify the Borrower that a rebate calculation is required to determine the Rebate Requirement (as defined in the Tax Regulatory Agreement) in accordance with Section 5.07 hereof. In addition, the payment of such Requisition by the Trustee shall be subject to prior compliance with the provisions of Section 5.07 hereof and the Tax Regulatory Agreement.

(d) Subject to paragraph (c) of this Section, upon the receipt of the Certificate of the Borrower required by Section 3.03 of the Agreement, accompanied by the written approval of the Bank, or at such time that there are no Outstanding Bonds, the Trustee shall transfer any remaining balance in the Project Fund, less the amount of any such

retention, to a separate account within the Redemption Account, which the Trustee shall establish and hold in trust, and which shall be entitled the "Surplus Account." The moneys in the Surplus Account shall be used and applied (unless some other application of such moneys would not, in the Opinion of Bond Counsel, adversely affect the Tax-exempt status of interest on the Bonds) to pay principal only in connection with the call and redemption of Bonds to the maximum degree permissible in accordance with Section 4.01 hereof, at the earliest possible dates at which Bonds can be redeemed without payment of premium pursuant to this Indenture or to reimburse the Bank for any draws theretofore made by the Trustee under the Letter of Credit, but not yet reimbursed, the proceeds of which were used to accomplish such redemption; provided, however, that the principal of Bank Bonds shall be paid from moneys in the Surplus Account prior to the payment of principal of any other outstanding Bonds. Any moneys in the Surplus Account not used to call and redeem Bonds or to reimburse the Bank as herein provided shall be used and applied to pay the principal of the Bonds as such principal becomes due and payable, in annual amounts which bear the same ratio to the annual principal due on the Bonds that the amount deposited in the Surplus Account bears to the original face amount of the Bonds (unless in the Opinion of Bond Counsel another use would not adversely affect the Tax-exempt status of interest on the Bonds). Notwithstanding Section 5.05 hereof, the moneys in the Surplus Account shall be invested at a yield no higher than the yield on the Outstanding Bonds (unless in the Opinion of Bond Counsel investment at a higher yield would not adversely affect the Tax-exempt status of interest on the Bonds), and all such investment income shall be deposited in the Surplus Account and expended or reinvested as provided above.

(e) The Trustee shall establish, maintain and hold in trust a separate fund designated as the "Costs of Issuance Fund." The moneys in the Costs of Issuance Fund shall be held by the Trustee in trust and applied to the payment of Costs of Issuance, upon a requisition or letter filed with the Trustee by an Authorized Representative of the Borrower or a designee of an Authorized Representative of the Borrower. Any money remaining in the Costs of Issuance Fund on April 29, 2000 shall be either transferred to the Project Fund or returned to the Borrower, at the direction of the Borrower.

SECTION 3.04. VALIDITY OF BONDS. The validity of the authorization and issuance of the Bonds is not dependent on and shall not be affected in any way by any proceedings taken by the Issuer or the Trustee with respect to or in connection with the Agreement. The recital contained in the Bonds that the same are issued pursuant to the Act and the Constitution and laws of the State shall be conclusive evidence of their validity and of compliance with the provisions of law in their issuance.

ARTICLE IV

REDEMPTION AND PURCHASE OF BONDS

SECTION 4.01. TERMS OF REDEMPTION. The Bonds are subject to redemption by the Issuer if and to the extent the Borrower is entitled to make and makes, or is required to make, a payment or prepayment pursuant to Articles IV or VIII of the Agreement. All such prepayments by the Borrower shall be deposited in the Redemption Account. The Issuer shall not call the

Bonds for optional redemption, and the Trustee shall not give notice of any such redemption, unless the Borrower has so directed in accordance with the Agreement and has made or caused to be made all required installments of the Borrower's obligations under the Agreement; provided that the Issuer may require such payment under Section 8.03 of the Agreement without the Borrower's direction.

The Bonds shall be subject to redemption by the Issuer upon the following terms in increments of $5,000, provided that in the event of redemption of less than all of the Bonds, the amount which remains Outstanding shall be in Authorized Denominations:

(a) SINKING FUND REDEMPTION. The Bonds are not subject to mandatory sinking fund redemption.

(b) PRIOR TO THE FIXED RATE DATE. On or prior to the Fixed Rate Date, the Bonds are subject to optional redemption on any Business Day, in whole or in part, to the extent of prepayments of amounts due under the Agreement made at the option of the Borrower pursuant to Section 8.02(b) of the Agreement with the written approval of the Bank, at a redemption price of 100% of the principal amount of the Bonds to be redeemed, plus interest accrued thereon to the redemption date.

(c) TAXABILITY. In the event of a prepayment pursuant to Section 8.03(a)(ii) or Section 8.03(a)(iii) of the Agreement as a result of a Determination of Taxability, Bonds Outstanding on the date of the occurrence of such Determination of Taxability shall be redeemed in whole at any time within 60 days after such occurrence, at a redemption price of 100% of the principal amount thereof plus interest accrued thereon to the redemption date. No redemption of Bonds shall be made pursuant to any of the other provisions of this Section following a Determination of Taxability. IF THE LIEN OF THIS INDENTURE IS DISCHARGED PRIOR TO THE OCCURRENCE OF A DETERMINATION OF TAXABILITY, THEN THE BONDS SHALL NOT BE REDEEMED AS DESCRIBED IN THIS SUBSECTION 4.01(c).

(d) LETTER OF CREDIT. The Bonds shall be redeemed in whole, at a redemption price equal to 100% of the principal amount thereof, plus interest accrued thereon to the redemption date, on a redemption date selected by the Trustee not less than fifteen (15) days preceding the Expiration Date of the Letter of Credit if no Alternate Letter of Credit has been delivered to the Trustee in accordance with Section 5.08 of the Agreement.

(e) EXTRAORDINARY EVENTS. To the extent of a prepayment or a required prepayment by the Borrower pursuant to Sections 8.02(a), 8.03(a)(i) or 8.03(b) of the Agreement, the Bonds are subject to redemption prior to their stated maturity as a whole or in part, on any date, at a redemption price equal to 100% of the principal amount thereof, plus interest accrued thereon to the redemption date.

(f) OPTIONAL REDEMPTION AFTER THE FIXED RATE DATE. After the Fixed Rate Date, the Bonds are subject to redemption to the extent of prepayments of amounts due under the Agreement made at the option of the Borrower pursuant to Section 8.02(b) of the Agreement, with the consent of the Bank, in whole or in part, on any Interest Payment

Date during the applicable periods specified below, at the applicable redemption price stated below, plus interest accrued thereon to the redemption date:

NUMBER OF YEARS FROM FIXED RATE DATE TO FINAL MATURITY	FIRST OPTIONAL REDEMPTION DATE	REDEMPTION PRICE
greater than 9 years	7 years from conversion	101%, declining .5% annually to 100%
6-9 years	6 years from conversion	100.5%, declining .5% annually to 100%
less than 6 years	no optional redemption	

Notwithstanding the optional redemption schedule set forth above, on or prior to the Fixed Rate Date, the Remarketing Agent may provide an alternate optional redemption schedule if it obtains an Opinion of Bond Counsel that such alternate schedule will not cause interest on the Bonds not to be Tax-exempt.

(g) MANDATORY REDEMPTION FOR FAILURE TO REINSTATE THE LETTER OF CREDIT OR CREDIT AGREEMENT DEFAULT. The Bonds shall be redeemed in whole, at a redemption price equal to 100% of the principal amount thereof, plus interest accrued thereon to the redemption date, withinfive calendar days (and before the following Saturday if the fifth calendar day is a Saturday) from the date the Trustee receives written notice from the Bank that the Bank will not reinstate the interest portion of the Letter of Credit or that an event of default has taken place under the Credit Agreement and directing the Trustee to redeem the Bonds.

(h) MANDATORY REDEMPTION FROM EXCESS FUNDS. The Bonds are subject to redemption in part on any Interest Payment Date at a redemption price equal to 100% of the principal amount thereof, plus accrued interest to the redemption date, on the next succeeding Interest Payment Date to the extent of amounts remaining in the Project Fund upon completion of the Project which are deposited in the Surplus Account and directed to be used to redeem Bonds as provided in Section 3.03(d) hereof.

SECTION 4.02. SELECTION OF BONDS FOR REDEMPTION. Whenever provision is made in this Indenture for the redemption of less than all of the Bonds, the Trustee shall select the Bonds to be redeemed from all Bonds or such given portion thereof not previously called for redemption by lot in any manner which the Trustee in its sole discretion shall deem appropriate and fair, to be credited against the principal of the Bonds to be redeemed; provided, however, that in connection with an optional redemption of the Bonds, Bank Bonds shall be the first Bonds selected for redemption; and provided further, that the Bonds Outstanding after giving effect to any redemption shall be in Authorized Denominations. Upon selection of Bonds for redemption on or prior to the Fixed Rate Date, the Trustee will immediately notify the Tender Agent of the Bonds selected for redemption.

SECTION 4.03. NOTICE OF REDEMPTION.

(a) The Trustee shall mail notice of redemption (i) prior to the Fixed Rate Date, not less than 15 days before such redemption date, (except in the case of redemptions pursuant to Section 4.01(d) hereof in which case not less than five days, or in the case of redemptions pursuant to Section 4.01(g) hereof, in which case notice shall be given as soon as practicable), and (ii) after the Fixed Rate Date, not less than thirty days before such redemption date (except in the case of redemptions pursuant to Section 4.01(d) hereof, in which case not less than five days, or in the case of redemptions pursuant to Section 4.01(g) hereof, in which case notice shall be given as soon as practicable) to the respective Registered Owners of any Bonds designated for redemption at their addresses on the registration booksmaintained by the Bond Registrar and to the Issuer. Each notice of redemption shall state the redemption date, the place or places of redemption, if less than all of the Bonds are to be redeemed, the distinctive numbers of the Bonds to be redeemed, and in the case of Bonds to be redeemed in part only, the respective portions of the principal amount thereof to be redeemed. Each such notice shall also state that on said date there will become due and payable on each of said Bonds the principal thereof or of said specified portion of the principal thereof in the case of a Bond to be redeemed in part only, and that from and after such redemption date interest thereon shall cease to accrue, and shall require that such Bonds be then surrendered

(b) Notice of redemption of Bonds shall be given by the Trustee, at the expense of the Issuer, for and on behalf of the Issuer.

(c) In the case of redemption pursuant to Section 4.01 hereof in connection with refunding obligations to be issued for such purpose, notice of such redemption may be cancelled if such refunding obligations are not issued on or prior to the date fixed for such redemption.

(d) Receipt of such notice shall not be a condition precedent to such redemption and failure so to mail any such notice to a Registered Owner shall not affect the validity of the proceedings for the redemption of Bonds of any Registered Owner.

(e) The Trustee shall, at the same time the notice in subsection (a) above is mailed, also send a copy of the notice by certified mail or by overnight delivery to each Securities Depository and to an Information Service. Failure to provide notice to the Tender Agent, the Remarketing Agent, a Securities Depository or to an Information Service shall not affect the validity of proceedings for the redemption of Bonds.

SECTION 4.04. PARTIAL REDEMPTION OF BONDS. Upon surrender of any Bond redeemed in part only, the Issuer shall execute and the Bond Registrar shall authenticate and deliver to the registered owner thereof, at the expense of the Issuer, a new Bond or Bonds of Authorized Denominations equal in aggregate principal amount to the unredeemed portion of the Bond surrendered.

SECTION 4.05. EFFECT OF REDEMPTION. Notice of redemption having been duly given as aforesaid, and Available Moneys for payment of the redemption price of the Bonds, together with interest accrued to the date fixed for redemption, being held by the Trustee, the Bonds (or portions thereof) so

called for redemption shall become due and payable on the redemption date designated in such notice, interest on the Bonds (or portions thereof) so called for redemption shall cease to accrue, said Bonds (or portions thereof) shall cease to be entitled to any benefit or security under this Indenture, and the Registered Owners of said Bonds shall have no rights in respect thereof except to receive payment of said principal, premium, if any, and interest accrued to the date fixed for redemption.

All Bonds redeemed pursuant to the provisions of this Article shall be cancelled upon surrender thereof by the Trustee and delivered to or upon the order of the Issuer.

SECTION 4.06. PURCHASE OF BONDS BY TENDER AGENT. Prior to the Fixed Rate Date, the Bonds may be delivered by the Registered Owners thereof to the Tender Agent at its principal corporate trust office in San Francisco, California, or such other place as the Tender Agent may designate in writing to Registered Owners, the Issuer, the Trustee, the Bank, the Borrower and the Remarketing Agent. Any Bond so delivered shall be purchased by the Tender Agent on demand of the Registered Owner thereof on the close of any Business Day at a purchase price equal to the principal amount thereof plus accrued interest to but not including the date of purchase (unless such date is an Interest Payment Date, in which case the purchase price will be the principal amount of such Bond); provided that the Tender Agent will be under no obligation to use its own funds to purchase such Bonds and provided further that sufficient funds in the Purchase Fund are immediately available for purchase of the Bonds and upon:

(a) delivery to the Tender Agent of an irrevocable written notice by 4:00 p.m., California time, (if not received by 4:00 p.m., California time, on a Business Day it shall be deemed received on the next succeeding Business Day) which states (i) the name and address of the Registered Owner, (ii) the number or numbers of the Bond or Bonds to be purchased, (iii) the aggregate principal amount of the Bond or Bonds to be purchased, and (iv) the date on which the Bond is or Bonds are to be purchased, which date shall be a Business Day not prior to the seventh (7th) calendar day next succeeding the date of delivery of such notice; and

(b) delivery to the Tender Agent at or prior to 10:00 a.m., California time, on the Purchase Date specified in the aforesaid notice, of the Bond or Bonds to be tendered; provided, however, that any Bond for which a notice of the exercise of the purchase option has been given as provided in subsection (a) above and which is not so delivered shall be deemed delivered on the date of purchase and shall be purchased in accordance with this Indenture.

All Bonds, or portions thereof, purchased pursuant to this Section shall be purchased in an amount equal to an Authorized Denomination. The Trustee shall upon request of the Tender Agent calculate the purchase price of any Bonds purchased pursuant to this Section and shall notify the Tender Agent of such amount prior to the Purchase Date.

SECTION 4.07. MANDATORY TENDER OF BONDS. On each Mandatory Tender Date, the Bonds shall be subject to mandatory tender for purchase on such Mandatory Tender Date at a purchase price equal to the principal amount thereof, plus accrued interest, if any. The Registered Owners of all of the Outstanding Bonds shall be required to tender their Bonds for purchase by the Tender Agent on the Mandatory Tender Date. All Bonds which on the Mandatory Tender Date have not been tendered for purchase ("Non-Tendered Bonds"), shall be deemed purchased by the Tender Agent on the Mandatory Tender Date at a price of the principal amount thereof plus unpaid interest accrued, if any, to such date. Replacement Bonds for the Non-Tendered Bonds may be remarketed and delivered to new Registered Owners as instructed by the Borrower or the Remarketing Agent. The Tender Agent shall hold in trust for the Registered Owners of the Non-Tendered Bonds the purchase price thereof, and after the Mandatory Tender Date such Registered Owners will no longer be entitled to any of the benefits of this Indenture except for the payment of such purchase price.

ARTICLE V

REVENUES; FUNDS AND ACCOUNTS; PAYMENT OF PRINCIPAL AND INTEREST

SECTION 5.01. PLEDGE AND ASSIGNMENT; REVENUE FUND.

(a) Subject only to the provisions of this Indenture permitting the application thereof for the purposes and on the terms and conditions set forth herein, all of the Revenues and any other amounts (including proceeds of the sale of Bonds) held in any fund or account established pursuant to this Indenture (except to the extent provided in Sections 5.05, 7.03 and 8.06 hereof and excepting the Rebate Fund created by Section 5.07 hereof) are hereby pledged by the Issuer to secure the payment of the principal and purchase price of and interest on the Bonds in accordance with their terms and the provisions of this Indenture and thereafter, on a basis subordinate thereto, to secure the Borrower's obligations to the Bank under the Credit Agreement. Said pledge shall constitute a lien on and security interest in such assets and shall attach, be perfected and be valid and binding from and after delivery by the Trustee of the Bonds, without any physical delivery thereof or further act.

(b) The Issuer hereby transfers in trust, and assigns to the Trustee, for the benefit of the Registered Owners of the Bonds, and the Bank, to the extent of its interest therein, all of the Revenues and other assets pledged in subsection (a) of this Section and all of the right, title and interest of the Issuer in the Agreement (except for the right to receive any Additional Payments to the extent payable to the Issuer, any rights of the Issuer to indemnification and rights of inspection and consent). The Trustee shall be entitled to and shall collect and receive all of the Revenues, and any Revenues collected or received by the Issuer shall be deemed to be held, and to have been collected or received, by the Issuer as the agent of the Trustee and shall forthwith be paid by the Issuer to the Trustee. The Trustee also shall be entitled to and shall take all steps, actions and proceedings reasonably necessary in its judgment to enforce, either jointly with the Issuer or separately, all of the rights of the Issuer and all of the obligations of the Borrower under the Agreement.

The Trustee agrees that, so long as the Trustee holds any Revenues or any other amounts (including proceeds of the sale of the Bonds) in any fund or account established pursuant to this Indenture which are pledged by the Issuer or the Borrower to secure the payment of the principal of and interest on the Bonds and the Borrower's reimbursement obligations under the Credit Agreement, the Trustee shall hold the same as the collateral agent and bailee of the Bank but only to the extent of amounts paid by the Bank under the Letter of Credit for which the Bank has not

received reimbursement from the Borrower for purposes of perfecting the lien and security interest of the Bank therein. Upon receipt of written notice from the Bank that the Borrower has failed to reimburse the Bank for a draw under the Letter of Credit as required by the Credit Agreement, the Trustee shall either cause all accounts and investments which are the subject of the preceding sentence to be titled in such a manner to reflect that the Bank has an interest therein as described in the preceding sentence or ensure that each Person with whom the Trustee places or through whom the Trustee invests any moneys which are the subject of the preceding sentence is advised of the Bank's interest therein as described in the preceding sentence and instructed to mark its records to reflect such interest. The Trustee shall not pledge, hypothecate, transfer or release all or any portion of the Revenues to any persons (including, without limitation, the Borrower) other than Registered Owners of the Bonds in payment thereof or in any manner not in accordance with this Indenture or the Credit Agreement without the written consent of the Issuer and the Bank, except as otherwise required by a court of law.

(c) All Revenues shall be promptly deposited by the Trustee upon receipt thereof in a special fund designated as the Revenue Fund which the Trustee shall establish, maintain and hold in trust; except as otherwise provided in Section 5.02 hereof, all moneys received by the Trustee and required to be deposited in the Project Fund shall be promptly deposited in the Project Fund and all moneys received by the Trustee and required to be deposited in the Redemption Account shall be promptly deposited in the Redemption Account, which the Trustee shall establish, maintain and hold in trust. All Revenues deposited with the Trustee shall be held, disbursed, allocated and applied by the Trustee only as provided in this Indenture. All moneys held by the Tender Agent for the payment of the principal or purchase price of, premium, if any, and interest on the Bonds, shall be held by the Tender Agent in trust for the payment of such Bonds.

SECTION 5.02. ALLOCATION OF REVENUES. Loan Repayments received by the Trustee from the Borrower pursuant to Section 4.02(a) of the Agreement shall be deposited by the Trustee into the following respective accounts (each of which the Trustee shall establish and maintain within the Revenue Fund), in the following amounts, in the following order of priority, and the requirements of each such account (including the making up of any deficiencies in any such account resulting from lack of Revenues sufficient to make any earlier required deposit) at the time of deposit shall be satisfied before any transfer is made to any account subsequent in priority, and provided, that no moneys representing drawings under the Letter of Credit shall be transferred into the Interest Account, the Principal Account or the Redemption Account of the Revenue Fund:

FIRST, to the Interest Account, the amount paid by the Borrower and designated as or attributable to interest on the Bonds in the most recent Loan Repayment, so that the

aggregate of such amounts will, on the next Interest Payment Date, equal the amount of interest due on the Bonds on such Interest Payment Date.

SECOND, to the Principal Account, the amount paid by the Borrower and designated as or attributable to principal of the Bonds in the most recent Loan Repayment, so that the aggregate of such amounts will, on the next succeeding principal payment date, equal the amount of principal due (whether at maturity or by acceleration) on such principal payment date.

THIRD, to the Redemption Account, the aggregate amount of principal and premium, if any, next coming due by redemption permitted (as directed in writing by the Borrower) or required under Article IV hereof, or any portion thereof paid by the Borrower.

SECTION 5.03. PRIORITY OF MONEYS IN REVENUE FUND; LETTER OF CREDIT ACCOUNT.

(a) Funds for the payment of the principal or redemption price of and interest on the Bonds shall be derived from the following sources in the order of priority indicated in each of the accounts in the Revenue Fund; provided however, that amounts in the respective accounts within the Revenue Fund shall be used to pay the principal or redemption price of and interest on the Bonds held by Registered Owners other than the Bank or the Borrower prior to the payment of the principal and interest on the Bonds held by the Bank or the Borrower, and provided further, that if principal or redemption price (or any portion thereof) of and interest on the Bonds is paid with moneys described in subparagraph (i) of this Section 5.03(a), any other moneys on deposit in the respective accounts in the Revenue Fund shall be applied to immediately reimburse the Bank by wire transfer in the amount of any such drawings:

(i) moneys paid into the Letter of Credit Account of the Revenue Fund representing the proceeds of drawings by the Trustee under the Letter of Credit;

(ii) moneys paid into the Interest Account, if any, representing accrued interest received at the initial sale of the Bonds and proceeds from the investment thereof which shall be applied to the payment of interest on the Bonds;

(iii) moneys paid into the Revenue Fund pursuant to Section 10.01(b) hereof and proceeds from the investment thereof, which constitute Available Moneys;

(iv) moneys deposited into the Redemption Account pursuant to Section 3.03(d) hereof and proceeds from the investment thereof;

(v) any other moneys (not derived from drawings under the Letter of Credit) paid into the Revenue Fund and proceeds from the investment thereof, which constitute Available Moneys; and

(vi) any other moneys paid into the Revenue Fund and proceeds from the investment thereof, which are not Available Moneys.

The Trustee shall create within the Revenue Fund a separate account called the "Letter of Credit Account," and all moneys drawn under the Letter of Credit shall be deposited and disbursed either in the Letter of Credit Account or the Liquidity Account established pursuant to Section 8.10 hereof. None of the Borrower, any Related Party, the Trustee or the Issuer shall have any legal, equitable or beneficial right, title or interest in the Letter of Credit Account or the Liquidity Account. The Letter of Credit Account and the Liquidity Account shall be established and maintained by the Trustee and the Tender Agent, respectively, and held in trust apart from all other moneys and securities held under this Indenture or otherwise,

and over which the Trustee and the Tender Agent, respectively, shall have the exclusive and sole right of withdrawal for the exclusive benefit of the Registered Owners of the Bonds with respect to which each drawing is made.

(b) The Trustee shall draw moneys under the Letter of Credit in accordance with the terms thereof in amounts necessary to make full and timely payments of principal of, premium, if any, and interest on the Bonds, other than Bonds owned by or for the account of the Borrower or the Bank when due, whether at maturity, redemption, acceleration, an Interest Payment Date or otherwise. In addition, the Trustee shall draw moneys under the Letter of Credit in accordance with the terms thereof to the extent necessary to make full and timely payments required to be made pursuant to, and in accordance with, Article VIII hereof to pay the purchase price of tendered Bonds. The Trustee shall notify the Borrower of any proposed drawing on the Letter of Credit (other than with respect to scheduled payments of principal and interest), as and when it notifies the Bank.

(c) If on the Fixed Rate Date there shall have been delivered to the Trustee an Alternate Credit Facility pursuant to Section 5.07 of the Agreement or if at any time there shall have been delivered to the Trustee an Alternate Letter of Credit pursuant to Section 5.08 of the Agreement, then the Trustee shall accept such Alternate Credit Facility or Alternate Letter of Credit, as applicable, and promptly surrender the previously held Letter of Credit to the issuing Bank for cancellation, and shall promptly take all actions requested by the issuing Bank to convey to such Bank or otherwise relinquish all of its right, title and interest in any security held jointly by the issuing Bank and the Trustee. If at any time there shall cease to be any Bonds Outstanding hereunder, the Trustee shall promptly surrender the Letter of Credit to the Bank for cancellation. The Trustee shall comply with the procedures set forth in the Letter of Credit relating to the surrender thereof.

SECTION 5.04. LETTER OF CREDIT. Subject to the provisions of Section 5.03(c) hereof, the Trustee shall hold and maintain the Letter of Credit for the benefit of the Registered Owners until the Letter of Credit expires in accordance with its terms. The Trustee shall diligently observe all terms, covenants and conditions of the Letter of Credit, including payment when due of any draws on the Letter of Credit, and the provisions relating to the payment of draws on, and reinstatement of amounts that may be drawn under, the Letter of Credit, and will not consent to,

agree to or permit any amendment or modification of the Letter of Credit which would adversely affect the rights or security of the Registered Owners of the Bonds. If at any time during the term of the Letter of Credit, any successor Trustee shall be appointed and qualified under this Indenture, the resigning or removed Trustee shall request that the Bank transfer the Letter of Credit to the successor Trustee in accordance with the procedures for transfer specified in the Letter of Credit. If the resigning or removed Trustee fails to make this request, the successor Trustee shall do so before accepting appointment. The Trustee shall send notice to the Issuer, the Bank and the Borrower of the expiration of the Letter of Credit at least two months prior to the date of such expiration.

At least 30 days prior to the Letter of Credit Substitution Date, the Trustee shall send a written notice to the Registered Owners relating to the Borrower's election pursuant to Section 5.08 of the Agreement to deliver an Alternate Letter of Credit to the Trustee. Such notice shall (a) specify the proposed Letter of Credit Substitution Date, (b) require the Registered Owners of all of the Outstanding Bonds to tender their Bonds for purchase on the Mandatory Tender Date pursuant to Section 4.07 hereof, and (c) state that all Outstanding Bonds not purchased on or before the Mandatory Tender Date will be deemed to be purchased on the Mandatory Tender Date at a price equal to the principal amount thereof, plus unpaid interest, if any, accrued to such date.

SECTION 5.05. INVESTMENT OF MONEYS. Subject to the following sentence, all moneys in any of the funds or accounts established pursuant to this Indenture shall be invested by the Trustee as directed in writing by an Authorized Representative of the Borrower, in Permitted Investments maturing not later than the date on which it is estimated that such moneys will be required for the purposes specified in this Indenture; provided, however, that: (a) moneys on deposit in the Letter of Credit Account and the Purchase Fund and any moneys held pursuant to Section 4.07 hereof shall be held uninvested; (b) any moneys held in trust for the payment or redemption of Bonds pursuant to Article X hereof shall be invested as provided in Section 10.03 hereof; (c) moneys held in the Rebate Fund shall be invested in direct obligations of the United States or bonds or other obligations guaranteed by the United States government or for which the full faith and credit of the United States is pledged for the payment of principal and interest thereof, or in money market funds the investment of which is limited to such obligations, in each case rated in the highest rating category applicable to such investments which mature not later than the date on which it is estimated that such moneys will be required; and (d) moneys described in clause (ii), (iii), or (iv) of Section 5.03(a) hereof shall be invested in Permitted Investments rated A-1 or Prime 1 or higher by S&P and Moody's which mature not later than the date on which such moneys will be required to pay the Bonds or the interest thereon. Immediately upon the giving by the Trustee of the notice provided for in paragraph (c) of Section 3.03 hereof, all moneys in any of the funds or accounts established pursuant to this Indenture, subject to the limitations set forth in (a) through (d) of the first sentence above, shall be invested by the Trustee in Permitted Investments maturing not later than the date on which it is estimated that such moneys will be required for the purposes specified in this Indenture.

Permitted Investments may be purchased at such prices as the Trustee may in its discretion determine or as may be directed by the Borrower or its agent. All Permitted Investments shall be acquired as directed by the Borrower subject to the limitations set forth in Section 6.06 hereof, the limitations as to maturities in this Section set forth, and such additional

limitations or requirements consistent with the foregoing as may be established by Request of the Borrower. Notwithstanding any other provision herein, in the absence of written investment instructions from the Borrower directing the Trustee by noon of the Business Day preceding the day when investments are to be made, the Trustee is directed to invest available funds not described in clauses (a), (b) or (c) of the first paragraph of this Section in Investment Securities. The Trustee shall not be liable for any consequences resulting from any investments made pursuant to the preceding sentence except for its own negligence or willful misconduct.

All interest, profits and other income received from the investment of moneys in any fund established pursuant to this Indenture, (i) prior to delivery to the Trustee of the Certificate of the Borrower with respect to completion of the Project (as provided in Section 3.03(d) hereof) shall be deposited when received in the Project Fund, and (ii) after the delivery of such Certificate shall be deposited in the Revenue Fund; except that any such interest, profits and other income received from the investment of: (A) any moneys held in trust for the payment or redemption of Bonds pursuant to Article X shall be applied as provided in Article X hereof; and (B) any moneys held in the Rebate Fund shall be deposited in such fund. Notwithstanding anything to the contrary contained in this paragraph, an amount of interest received with respect to any Permitted Investment equal to the amount of accrued interest, if any, paid as part of the purchase price of such Permitted Investment shall be credited to the fund from which such accrued interest was paid.

For the purpose of determining the amount in any fund, all Permitted Investments credited to such fund shall be valued at the market value of such Permitted Investments.

The Trustee may act as principal or agent in the making or disposing of any investment. The Trustee may sell at the best price obtainable in the Trustee's sole discretion, or present for redemption, any Permitted Investment so purchased whenever it shall be necessary to provide moneys to meet any required payment, transfer, withdrawal or disbursement from the fund to which such Permitted Investment is credited, and the Trustee shall not be liable or responsible for any loss resulting from such investment except for its own negligence or willful misconduct. For investment purposes only, the Trustee may commingle moneys held in the Interest Account and Principal Account of the Revenue Fund.

SECTION 5.06. ADDITIONAL DUTIES OF TRUSTEE. While the Bonds bear interest at the Weekly Interest Rate, on or prior to the Business Day preceding each Interest Payment Date, the Trustee shall send to the Borrower an invoice for the interest accrued on the Bonds for the current Interest Period which is to be paid pursuant to Section 4.02 of the Agreement. While the Bonds bear interest at the Fixed Interest Rate, 30 days prior to each Interest Payment Date, the Trustee shall send to the Borrower an invoice for the interest due on the Bonds on the next succeeding Interest Payment Date which is to be paid pursuant to Section 4.02 of the Agreement. The Trustee shall send a copy of any such invoice sent to the Borrower to the Bank. If full payment of any such invoice is not received by the date the Borrower is required to make such payment pursuant to Section 4.02 of the Agreement, the Trustee shall immediately notify in writing the Bank, the Borrower and the Issuer of such nonpayment or underpayment by the Borrower. The Trustee shall immediately give the Bank written notice upon the failure of the Borrower to make any principal payment pursuant to Section 4.02 of the Agreement.

SECTION 5.07. ESTABLISHMENT OF REBATE FUND.

(a) The Trustee shall establish and maintain a fund separate from any other fund established and maintained hereunder designated as the "Rebate Fund." There shall be deposited in the Rebate Fund such amounts as are required to be deposited therein pursuant to the written instructions of the Borrower. All money at any time deposited in the Rebate Fund shall be held by the Trustee in trust, to the extent required to satisfy the Rebate Requirement (as defined in the Tax Regulatory Agreement), for payment to the federal government of the United States of America and none of the Issuer, the Registered Owners, the Trustee, the Tender Agent, or the Bank shall have any rights in or claim to such moneys. All amounts deposited into or on deposit in the Rebate Fund shall be governed by this Section and Sections 3.04 and 5.11 of the Agreement and by the Tax Regulatory Agreement (which is incorporated herein by reference). The Trustee shall be deemed conclusively to have complied with said Sections if it follows the written direction of the Borrower, and shall have no liability or responsibility to enforce compliance by the Borrower with the terms of the Tax Regulatory Agreement or said Sections.

(b) Upon receipt of the instructions required to be delivered to the Trustee pursuant to the Tax Regulatory Agreement, the Trustee shall remit part or all of the balance in the Rebate Fund to the United States government, as so directed. In addition, if the instructions delivered to the Trustee pursuant to the Tax Regulatory Agreement so direct, the Trustee shall deposit moneys into or transfer moneys out of the Rebate Fund from or into such accounts or funds excluding the Purchase Fund and the Letter of Credit Account, Available Moneys and moneys being aged to become Available Moneys, as the instructions direct.

(c) Notwithstanding any provision of this Section, if the Issuer or the Borrower shall provide to the Trustee an Opinion of Bond Counsel that any specified action required under this Section is no longer required or that some further or different action is required to maintain the exclusion from gross income for federal income tax purposes of interest with respect to the Bonds, the Trustee and the Issuer may conclusively rely on such opinion in complying with the requirements of this Section, and the covenants hereunder shall be deemed to be modified to that extent.

ARTICLE VI

PARTICULAR COVENANTS

SECTION 6.01. PUNCTUAL PAYMENT. The Issuer shall punctually pay or cause to be paid the principal, premium, if any, and interest to become due in respect of all the Bonds, in strict conformity with the terms of the Bonds and of this Indenture, according to the true intent and meaning thereof, but only out of Revenues and other assets pledged for such payment as provided in this Indenture.

SECTION 6.02. EXTENSION OF PAYMENT OF BONDS. The Issuer shall not directly or indirectly extend or assent to the extension of the maturity of any of the Bonds or the time of

payment of any claims for interest by the purchase or funding of such Bonds or claims for interest or by any other arrangement and in case the maturity of any of the Bonds or the time of payment of any such claims for interest shall be extended, such Bonds or claims for interest shall not be entitled, in case of any default hereunder, to the benefits of this Indenture, except subject to the prior payment in full of the principal of all of the Bonds then outstanding and of all claims for interest thereon which shall not have been so extended. Nothing in this Section shall be deemed to limit the right of the Issuer to issue bonds for the purpose of refunding any Outstanding Bonds, and such issuance shall not be deemed to constitute an extension of maturity of Bonds.

SECTION 6.03. AGAINST ENCUMBRANCES. The Issuer shall not create, or permit the creation of, any pledge, lien, charge or other encumbrance upon the Revenues and other assets pledged or assigned under this Indenture while any of the Bonds are Outstanding, except the pledge and assignment created by this Indenture. Subject to this limitation, the Issuer expressly reserves the right to enter into one or more other indentures for any of its corporate purposes, including other programs under the Act, and reserves the right to issue other obligations for such purposes.

SECTION 6.04. POWER TO ISSUE BONDS AND MAKE PLEDGE AND ASSIGNMENT. The Issuer is duly authorized pursuant to law to issue the Bonds and to enter into this Indenture and to pledge and assign the Revenues and other assets purported to be pledged and assigned, respectively, under this Indenture in the manner and to the extent provided in this Indenture. The Bonds and the provisions of this Indenture are and will be the legal, valid and binding limited obligations of the Issuer enforceable in accordance with their terms, and the Issuer shall at all times, to the extent permitted by law, defend,

preserve and protect said pledge and assignment of Revenues and other assets and all the rights of the Registered Owners under this Indenture against all claims and demands of all persons whomsoever.

SECTION 6.05. ACCOUNTING RECORDS AND REPORTS. The Trustee shall keep or cause to be kept proper books of record and account in which complete and correct entries shall be made of all transactions relating to the receipt, investment, disbursement, allocation and application of the Revenues and the proceeds of the Bonds received by the Trustee with respect to all funds and accounts held hereunder. Such records shall specify the account or fund to which each investment (or portion thereof) held by the Trustee is to be allocated and shall set forth, in the case of each Investment Security, (a) its purchase price, (b) identifying information, including par amount, coupon rate, and payment dates, (c) the amount received at maturity or its sale price, as the case may be, (d) the amounts and dates of any payments made with respect thereto, and (e) the dates of acquisition and disposition or maturity.

Such records shall be open to inspection by any Registered Owner, the Borrower and the Bank at any reasonable time during regular business hours on reasonable notice.

SECTION 6.06. ARBITRAGE COVENANTS. The Issuer has in the Agreement caused the Borrower to covenant that the Borrower shall not make any use of the proceeds of the Bonds or of any moneys on deposit to the credit of the Project Fund, the Revenue Fund or the Rebate Fund which may be deemed to be proceeds of the Bonds pursuant to Section 148 of the Code and the applicable Treasury Regulations thereunder which would cause any Bond to be an “arbitrage

bond” within the meaning of said Section and said regulations and that the Borrower will comply with the requirements of said Section and said regulations, as the same may be amended from time to time, so long as any Bonds remain Outstanding.

SECTION 6.07. OTHER COVENANTS.

(a) The Trustee shall promptly collect all amounts due from the Borrower pursuant to the Agreement, shall perform all duties imposed upon it pursuant to the Agreement and shall diligently enforce, and take all steps, actions and proceedings reasonably necessary for the enforcement of all of the rights of the Issuer and all of the obligations of the Borrower.

(b) The Issuer shall not amend, modify or terminate any of the terms of the Agreement, or consent to any such amendment, modification or termination, without the written consent of the Trustee and the Bank. The Trustee shall give such written consent only if (i) in the opinion of the Trustee, in reliance upon the advice of counsel, such amendment, modification or termination will not materially adversely affect the interests of the Registered Owners or result in any material impairment of the security hereby given for the payment of the Bonds, or (ii) the Issuer first obtains the written consent of the Registered Owners of a majority in principal amount of the Bonds then Outstanding to such amendment, modification or termination, provided that no such amendment, modification or termination shall reduce the amount of Loan Repayments to be made to the Issuer or the Trustee by the Borrower pursuant to the Agreement, or extend the time for making such payments, without the written consent of all of the Registered Owners of the Bonds then Outstanding. The Trustee shall be entitled to rely upon an Opinion of Bond Counsel with respect to the effect of any amendments hereto or to the Agreement.

SECTION 6.08. FURTHER ASSURANCES. The Issuer shall make, execute and deliver any and all such further indentures, instruments and assurances as may be reasonably necessary or proper to carry out the intention or to facilitate the performance of this Indenture and for the better assuring and confirming unto the Registered Owners of the Bonds of the rights and benefits provided in this Indenture.

SECTION 6.09. COVENANT TO ENTER INTO AGREEMENT OR CONTRACT TO PROVIDE ONGOING DISCLOSURE. The Borrower has covenanted and agreed with the Issuer in Section 5.12 of the Agreement to enter into an agreement or contract, constituting an undertaking (the “Undertaking”), to provide ongoing disclosure for the benefit of the Registered Owners as required by Paragraph (b)(5)(i) of the Securities and Exchange Commission Rule 15c2-12 under the Securities Exchange Act of 1934, as amended (17 CFR Part 240 Section 240.15c2-12) (the “Disclosure Requirements”), to the extent the Bonds or the remarketing thereof are at any time not exempt from the Disclosure Requirements. The Undertaking is hereby assigned by the Issuer to the Trustee for the benefit of the Registered Owners, any Participating Underwriter and any Beneficial Owner. Such assignment is a present absolute assignment and not an assignment of a security interest. Section 5.12 of the Agreement shall be enforceable by any Registered Owner, Participating Underwriter or Beneficial Owner. However, neither the Issuer nor the Trustee shall have any duty to enforce Section 5.12 of the Agreement. The Issuer shall have no liability to the Registered Owners, Participating Underwriters, Beneficial Owners or any other person with

respect to the actions by the Borrower relating to the Disclosure Requirements. Notwithstanding any other provision of this Indenture, failure of the Borrower to comply with Section 5.12 of the Agreement shall not be considered an Event of Default; provided, however, the Trustee may (and, at the request of any Participating Underwriter or the Registered Owners of at least 25% aggregate principal amount in Outstanding Bonds, shall) or any Beneficial Owner may take such action as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Borrower to comply with its obligations under Section 5.12 of the Agreement.

ARTICLE VII

EVENTS OF DEFAULT AND REMEDIES OF REGISTERED OWNERS

SECTION 7.01. EVENTS OF DEFAULT; ACCELERATION; WAIVER OF DEFAULT. Each of the following events shall constitute an “Event of Default” hereunder:

(a) default in the due and punctual payment of the principal of, or premium (if any) on, any Bond when and as the same shall become due and payable, whether at maturity as therein expressed, by proceedings for redemption, by declaration or otherwise;

(b) default in the due and punctual payment of any installment of interest on any Bond, when and as such interest installment shall become due and payable and the continuation of such failure for a period of five days after the due date for such payment;

(c) failure to pay the purchase price of any Bond tendered in accordance with the provisions of Section 4.06 hereof, and the continuation of such failure for a period of five days after such purchase price has become due and payable;

(d) failure by the Issuer to perform or observe any of the other covenants, agreements or conditions on its part in this Indenture or in the Bonds contained, and the continuation of such failure for a period of sixty (60) days after written notice thereof, specifying such default and requiring the same to be remedied, shall have been given to the Issuer, the Bank and the Borrower by the Trustee, or to the Issuer, the Bank, the Borrower and the Trustee by the Registered Owners of not less than twenty-five percent (25%) in aggregate principal amount of the Bonds at the time Outstanding;

(e) the occurrence and continuance of an Event of Default described in Section 8.01 of the Tax Regulatory Agreement; or

(f) the occurrence and continuance of a Loan Default Event described in Section 7.01(a), (b) or (c) of the Agreement.

No default specified in (d) above shall constitute an Event of Default unless the Issuer and the Borrower shall have failed to correct such default within the applicable period; provided, however, that if the default shall be such that it cannot be corrected within such period, it shall not constitute an Event of Default if corrective action is instituted by the Issuer or the Borrower within the applicable period and diligently pursued. With regard to any alleged default

concerning which notice is given to the Borrower under the provisions of this Section, the Issuer hereby grants the Borrower full authority for account of the Issuer to perform any covenant or obligation the non-performance of which is alleged in said notice to constitute a default in the name and stead of the Issuer with full power to do any and all things and acts to the same extent that the Issuer could do and perform any such things and acts and with power of substitution.

During the continuance of an Event of Default, unless the principal of all the Bonds shall have already become due and payable, the Trustee may, and upon the written request of the Registered Owners of not less than twenty-five percent (25%) in aggregate principal amount of the Bonds at the time Outstanding, or upon the occurrence of an Event of Default described in (a), (b) or (c) above, the Trustee shall, by notice in writing to the Issuer, the Tender Agent, the Remarketing Agent, the Borrower and the Bank, declare the principal of all the Bonds then Outstanding, and the interest accrued thereon, to be due and payable immediately, and upon any such declaration the same shall become and shall be immediately due and payable, anything in this Indenture or in the Bonds contained to the contrary notwithstanding. Upon any such declaration the Trustee shall immediately draw upon any then existing Letter of Credit in accordance with the terms thereof and apply the amount so drawn to pay the principal of and interest on the Bonds so declared to be due and payable. Interest on the Bonds shall cease to accrue upon the declaration of acceleration. The Trustee shall notify the Registered Owners of the date of acceleration and the cessation of accrual of interest on the Bonds in the same manner as for a notice of redemption.

The preceding paragraph, however, is subject to the condition that if, at any time after the principal of the Bonds shall have been so declared due and payable, and before any judgment or decree for the payment of the moneys due shall have been obtained or entered as hereinafter provided, and before the Letter of Credit has been drawn upon in accordance with its terms and honored, there shall have been deposited with the Trustee a sum sufficient to pay all the principal of the Bonds matured prior to such declaration and all matured installments of interest (if any) upon all the Bonds, with interest on such overdue installments of principal as provided in the Agreement, and the reasonable expenses of the Trustee, and any and all other defaults known to the Trustee (other than in the payment of principal of and interest on the Bonds due and payable solely by reason of such declaration) shall have been made good or cured to the satisfaction of the Trustee or provision deemed by the Trustee to be adequate shall have been made therefor, then, and in every such case, the Registered Owners of at least a majority in aggregate principal amount of the Bonds then Outstanding, by written notice to the Issuer and to the Trustee, may, on behalf of the Registered Owners of all the Bonds, rescind and annul such declaration and its consequences and waive such default; but no such rescission and annulment shall extend to or shall affect any subsequent default, or shall impair or exhaust any right or power as a consequence thereof.

SECTION 7.02. INSTITUTION OF LEGAL PROCEEDINGS BY TRUSTEE. If one or more Events of Default shall happen and be continuing, subject to the satisfaction of the conditions of Section 7.11 hereof, the Trustee in its discretion may, and upon the written request of the Registered Owners of a majority in principal amount of the Bonds then Outstanding and upon being indemnified to its satisfaction therefor shall, proceed to protect or enforce its rights or the rights of the Registered Owners of Bonds under the Act or under this Indenture or the Agreement by a suit in equity or action at law, either for the specific performance of any covenant or agreement

contained herein or therein, or in aid of the execution of any power herein or therein granted, or by mandamus or other appropriate proceeding for the enforcement of any other legal or equitable remedy as the Trustee shall deem most effectual in support of any of its rights or duties hereunder.

SECTION 7.03. APPLICATION OF REVENUES AND OTHER FUNDS AFTER DEFAULT. If an Event of Default shall occur and be continuing, all Revenues and any other funds then held or thereafter received by the Trustee under any of the provisions of this Indenture (subject to Sections 5.05, 5.07 and 11.11 hereof) shall be applied by the Trustee as follows and in the following order:

(a) to the payment of any expenses necessary in the opinion of the Trustee to protect the interests of the Registered Owners of the Bonds and payment of reasonable fees and expenses of the Trustee (including reasonable fees and disbursements of its counsel) incurred in and about the performance of its powers and duties under this Indenture; provided, however, that moneys in the Letter of Credit Account of the Revenue Fund and the Purchase Fund shall not be used for the payment of any such expenses;

(b) to the payment of the principal of and interest then due on the Bonds (upon presentation of the Bonds to be paid, and stamping thereon of the payment if only partially paid, or surrender thereof if fully paid) subject to the provisions of this Indenture (including Section 6.02 hereof), as follows:

(i) Unless the principal of all of the Bonds shall have become or have been declared due and payable,

FIRST, to the payment to the persons entitled thereto of all installments of interest then due in the order of the maturity of suchinstallments, and, if the amount available shall not be sufficient to pay in full any installment or installments maturing on the same date, then to the payment thereof ratably, according to the amounts due thereon, to the persons entitled thereto, without any discrimination or preference; and

SECOND, to the payment to the persons entitled thereto of the unpaid principal of any Bonds which shall have become due, whether at maturity or by call for redemption, with interest on the overdue principal at the rate borne by the respective Bonds, and, if the amount available shall not be sufficient to pay in full all the Bonds, together with such interest, then to the payment thereof ratably, according to the amounts of principal due on such date to the persons entitled thereto, without any discrimination or preference.

(ii) If the principal of all of the Bonds shall have become or have been declared due and payable, to the payment of the principal and interest then due and unpaid upon the Bonds, with interest on the overdue principal at the rate borne by the Bonds, and, if the amount available shall not be sufficient to pay in

full the whole amount so due and unpaid, then to the payment thereof ratably, without preference or priority of principal over interest, or of interest over principal, or of any installment of interest over any other installment of interest, or of any Bond over any other Bond, according to the amounts due respectively for principal and interest, to the persons entitled thereto without any discrimination or preference; provided, however, that neither moneys derived from drawings under the Letter of Credit, Available Moneys, moneys being aged to become Available Moneys, nor the proceeds from remarketing of the Bonds shall be used to pay any of the items listed in clause (a) of this Section, provided, further,that moneys held in the Purchase Fund shall only be used to pay the purchase price of the Bonds.

SECTION 7.04. TRUSTEE TO REPRESENT REGISTERED OWNERS. The Trustee is hereby irrevocably appointed (and the successive respective Registered Owners of the Bonds, by taking and holding the same, shall be conclusively deemed to have so appointed the Trustee) as trustee and true and lawful attorney-in-fact of the Registered Owners of the Bonds for the purpose of exercising and prosecuting on their behalf such rights and remedies as may be available to such Registered Owners under the provisions of the Bonds, this Indenture, the Agreement, the Act and applicable provisions of any other law. Upon the occurrence and continuance of an Event of Default or other occasion giving rise to a right in the Trustee to represent the Registered Owners, the Trustee in its discretion may, and upon the written request of the Registered Owners of not less than twenty-five percent (25%) in aggregate principal amount of the Bonds then Outstanding, and upon being indemnified to its satisfaction therefor (except any actions required to be taken by Section 7.03 hereof, in which event no indemnification shall be required), shall, proceed to protect or enforce its rights or the rights of such Registered Owners by such appropriate action, suit, mandamus or other proceedings as it shall deem most effectual to protect and enforce any such right, at law or in equity, either for the specific performance of any covenant or agreement contained herein, or in aid of the execution of any power herein granted, or for the enforcement of any other appropriate legal or equitable right or remedy vested in the Trustee or in such Registered Owners under this Indenture, the Agreement, the Act or any other law; and upon instituting such proceeding, the Trustee shall be entitled, as a matter of right, to the appointment of a receiver of the Revenues and other assets pledged under this Indenture, pending such proceedings. All rights of action under this Indenture or the Bonds or otherwise may be prosecuted and enforced by the Trustee without the possession of any of the Bonds or the production thereof in any proceeding relating thereto, and any such suit, action or proceeding instituted by the Trustee shall be brought in the name of the Trustee for the benefit and protection of all the Registered Owners of such Bonds, subject to the provisions of this Indenture (including Section 6.02 hereof).

SECTION 7.05. REGISTERED OWNERS' DIRECTION OF PROCEEDINGS. Anything in this Indenture to the contrary notwithstanding, the Registered Owners of a majority in aggregate principal amount of the Bonds then Outstanding shall have the right, by an instrument or concurrent instruments in writing executed and delivered to the Trustee, to direct the method of conducting all remedial proceedings taken by the Trustee hereunder, provided that such direction shall not be otherwise than in accordance with law and the provisions of this Indenture, and that the Trustee shall have the right to decline to follow any such direction which in the opinion of the Trustee would be unjustly prejudicial to Registered Owners not parties to such direction or for which it has not been provided adequate indemnity to its satisfaction.

SECTION 7.06. LIMITATION ON REGISTERED OWNERS' RIGHT TO SUE. No Registered Owner of any Bond shall have the right to institute any suit, action or proceeding at law or in equity, for the protection or enforcement of any right or remedy under this Indenture, the Agreement, the Act or any other applicable law with respect to such Bond, unless (a) such Registered Owner shall have given to the Trustee written notice of the occurrence of an Event of Default; (b) the Registered Owners of not less than 25% in aggregate principal amount of the Bonds then Outstanding shall have made written request upon the Trustee to exercise the powers hereinbefore granted or to institute such suit, action or proceeding in its own name; (c) such Registered Owner or said Registered Owners shall have tendered to the Trustee reasonable indemnity against the costs, expenses and liabilities to be incurred in compliance with such request; and (d) the Trustee shall have refused or omitted to comply with such request for a period of 60 days after such written request shall have been received by, and said tender of indemnity shall have been made to, the Trustee.

Such notification, request, tender of indemnity and refusal or omission are hereby declared, in every case, to be conditions precedent to the exercise by any Registered Owner of Bonds of any remedy hereunder or under law; it being understood and intended that no one or more Registered Owners of Bonds shall have any right in any manner whatever by his or their action to affect, disturb or prejudice the security of this Indenture or the rights of any other Registered Owners of Bonds, or to enforce any right under this Indenture, the Agreement, the Act or other applicable law with respect to the Bonds, except in the manner herein provided, and that all proceedings at law or in equity to enforce any such right shall be instituted, had and maintained in the manner herein provided and for the benefit and protection of all Registered Owners of the Outstanding Bonds, subject to the provisions of this Indenture (including Section 6.02 hereof).

SECTION 7.07. ABSOLUTE OBLIGATION OF ISSUER. Nothing in Section 7.06 hereof or in any other provision of this Indenture, or in the Bonds, contained shall affect or impair the obligation of the Issuer, which is absolute and unconditional, to pay the principal of and interest on the Bonds to

the respective Registered Owners of the Bonds at their respective dates of maturity, or upon acceleration or call for redemption, as herein provided, but only out of the Revenues and other assets herein pledged therefor, or affect or impair the right of such Registered Owners, which is also absolute and unconditional, to enforce such payment by virtue of the contract embodied in the Bonds.

SECTION 7.08. TERMINATION OF PROCEEDINGS. In case any proceedings taken by the Trustee or any one or more Registered Owners on account of any Event of Default shall have been discontinued or abandoned for any reason or shall have been determined adversely to the Trustee or the Registered Owners, then in every such case the Issuer, the Bank, the Trustee and the Registered Owners, subject to any determination in such proceedings, shall be restored to their former positions and rights hereunder, severally and respectively, and all rights, remedies, powers and duties of the Issuer, the Bank, the Trustee and the Registered Owners shall continue as though no such proceedings had been taken. The Trustee shall deliver copies of all proceedings taken by the Trustee under this Indenture to the Tender Agent.

SECTION 7.09. REMEDIES NOT EXCLUSIVE. No remedy herein conferred upon or reserved to the Trustee, the Bank or to the Registered Owners of the Bonds is intended to be exclusive of

any other remedy or remedies, and each and every such remedy, to the extent permitted by law, shall be cumulative and in addition to any other remedy given hereunder or now or hereafter existing at law or in equity or otherwise.

SECTION 7.10. NO WAIVER OF DEFAULT. In the event any agreement or covenant contained in this Indenture should be breached by the Issuer and/or the Borrower and thereafter waived by the Trustee or the Registered Owners of the Bonds, such waiver shall be limited to the particular breach so waived and shall not be deemed to waive any other breach hereunder. No delay or omission of the Trustee or of any Registered Owner of the Bonds to exercise any right or power arising upon the occurrence of any default shall impair any such right or power or shall be construed to be a waiver of any such default or an acquiescence therein; and every power and remedy given by this Indenture to the Trustee or to the Registered Owners of the Bonds may be exercised from time to time and as often as may be deemed expedient.

SECTION 7.11. CONSENT TO DEFAULTS. Notwithstanding any other provisions of this Article, so long as the Letter of Credit is in full force and effect and the Bank has not wrongfully dishonored and is not continuing wrongfully to dishonor drawings under the Letter of Credit and all payments of principal or purchase price and interest on the Bonds have been timely made, no Event of Default shall be declared (except in a case resulting from the failure of the Borrower to pay the Trustee's fees), nor any remedies exercised with respect to any such Events of Default by the Trustee or by the Registered Owners and no Event of Default under Section 7.01 hereof shall be waived by the Trustee or the Registered Owners to the extent they may otherwise be permitted hereunder, without, in any case, the prior written consent of the Bank. Unless an Alternate Credit Facility has been provided pursuant to Section 5.07 of the Agreement, no Event of Default can be waived, in any circumstance, unless the Letter of Credit has been fully reinstated and is in full force and effect as evidenced in writing by the Bank to the Trustee.

ARTICLE VIII

THE TRUSTEE, THE REMARKETING AGENT AND THE TENDER AGENT

SECTION 8.01. DUTIES, IMMUNITIES AND LIABILITIES OF TRUSTEE.

(a) The Trustee shall, prior to an Event of Default, and after the curing of all Events of Default which may have occurred, perform such duties and only such duties as are specifically set forth in thisIndenture. The Trustee shall, during the existence of any Event of Default (which has not been cured), exercise such of the rights and powers vested in it by this Indenture, and use the same degree of care and skill in its exercise, as a prudent person would exercise or use under the circumstances in the conduct of his own affairs.

(b) The Trustee may at any time and for any reason be removed by an instrument or concurrent instruments in writing appointing a successor Trustee filed with the Trustee so removed and executed by theRegistered Owners of a majority in aggregate principal amount of the Bonds Outstanding. The Trustee may also be removed by an instrument in writing executed by the Issuer, consented to by the Bank, appointing

a successor Trustee filed with the Trustee so removed; provided that the Issuer may not remove the Trustee during the occurrence and continuance of an Event of Default. Notwithstanding the foregoing, the Trustee may not be removed until a successor Trustee has been appointed and has assumed the duties and responsibilities of successor Trustee under this Indenture.

(c) The Trustee may at any time resign by giving written notice of such resignation to the Issuer, the Borrower and the Bank and by giving the Registered Owners notice of such resignation by mail at the addresses shown on the registration books maintained by the Bond Registrar. Upon receiving such notice of resignation, the Issuer shall promptly appoint, with the consent of the Bank, a successor Trustee by an instrument in writing. The Trustee shall not be relieved of its duties until such successor Trustee has accepted its appointment.

(d) Any removal or resignation of the Trustee and appointment of a successor Trustee shall become effective only upon acceptance of appointment by the successor Trustee. If no successor Trustee shallhave been appointed and have accepted appointment within 45 days of giving notice of removal or notice of resignation as aforesaid, the resigning Trustee or any Registered Owner (on behalf of himself and all other Registered Owners) may petition any court of competent jurisdiction for the appointment of a successor Trustee, and such court may thereupon, after such notice (if any) as it may deem proper, appoint such successor Trustee. Any successor Trustee appointed under this Indenture, shall signify its acceptance of such appointment by executing and delivering to the Issuer and to its predecessor Trustee a written acceptance thereof and a written instrument by the successor Trustee indemnifying the predecessor Trustee for all costs or claims arising after the acceptance of appointment hereunder relating to such successor Trustee's performance of its duties under this Indenture, and thereupon and after the payment by the Issuer of all unpaid fees and expenses (including legal fees and expenses) of the predecessor Trustee such successor Trustee, without any further act, deed or conveyance, shall become vested with all the moneys, estates, properties, rights, powers, trusts, duties and obligations of such predecessor Trustee,

with like effect as if originally named Trustee herein; but, nevertheless at the Request of the Issuer or the request of the successor Trustee, such predecessor Trustee shall execute and deliver any and all instruments of conveyance or further assurance and do such other things as may reasonably be required for more fully and certainly vesting in and confirming to such successor Trustee all the right, title and interest of such predecessor Trustee in and to any property held by it under this Indenture and shall pay over, transfer, assign and deliver to the successor Trustee any money or other property subject to the trusts and conditions herein set forth. Upon request of the successor Trustee, the Issuer shall execute and deliver any and all instruments as may be reasonably required for more fully and certainly vesting in and confirming to such successor Trustee all such moneys, estates, properties, rights, powers, trusts, duties and obligations. Upon acceptance of appointment by a successor Trustee as provided in this subsection, the Issuer shall mail a notice of the succession of such Trustee to the trusts hereunder to each rating agency which is then rating the Bonds, to the Registered Owners at the addresses shown on the registration books maintained by the Bond Registrar, and to the Bank. If the Issuer fails to mail such notice within 15 days after acceptance of appointment by the successor

Trustee, the successor Trustee shall cause such notice to be mailed at the expense of the Issuer.

(e) Any Trustee appointed under the provisions of this Section in succession to the Trustee shall be a trust company or bank having the powers of a trust company, having a combined capital and surplus of at least fifty million dollars ($50,000,000), and subject to supervision or examination by federal or state authority. If such bank or trust company publishes a report of condition at least annually, pursuant to law or to the requirements of any supervising or examining authority above referred to, then for the purpose of this subsection the combined capital and surplus of such bank or trust company shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. In case at any time the Trustee shall cease to be eligible in accordance with the provisions of this subsection (e), the Trustee shall resign immediately in the manner and with the effect specified in this Section.

SECTION 8.02. MERGER OR CONSOLIDATION. Any company into which the Trustee may be merged or converted or with which it may be consolidated or any company resulting from any merger, conversion or consolidation to which it shall be a party or any company to which the Trustee may sell or transfer all or substantially all of its corporate trust business, provided such company shall be eligible under subsection (e) of Section 8.01 hereof shall be the successor to such Trustee without the execution or filing of any paper or any further act, anything herein to the contrary notwithstanding.

SECTION 8.03. LIABILITY OF TRUSTEE.

(a) The recitals of facts herein and in the Bonds contained shall be taken as statements of the Issuer, and the Trustee shall assume no responsibility for the correctness of the same, or make any representations as to the validity or sufficiency of this Indenture or of the Bonds. In addition, the Trustee shall assume no responsibility with respect to this Indenture or Bonds other than in connection with the duties or obligations assigned to or imposed upon the Trustee herein or in the Bonds. The Trustee shall, however, be responsible for its representations contained in its certificate of authentication on the Bonds. The Trustee shall not be liable in connection with the performance of its duties hereunder, except for its own negligence or willful misconduct. The Trustee may become the Registered Owner of Bonds with the same rights it would have if it were not Trustee and, to the extent permitted by law, may act as depositary for and permit any of its officers or directors to act as a member of, or in any other capacity with respect to, any committee formed to protect the rights of Registered Owners, whether or not such committee shall represent the Registered Owners of a majority in principal amount of the Bonds then Outstanding.

The Trustee may execute any of the trusts or powers set forth herein and perform the duties required of it hereunder by or through attorneys, agents, or receivers, and shall be entitled to the advice of counsel concerning all matters of trusts and its duties herein, and the Trustee shall not be answerable for the default or misconduct of any such attorney, agent or receiver selected by it with reasonable care.

(b) The Trustee shall not be liable for any error of judgment made in good faith by a responsible officer, unless it shall be proved that the actions taken or omitted by the Trustee constitute willfulmisconduct or that the Trustee was negligent in ascertaining the pertinent facts.

(c) The Trustee shall not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of the Registered Owners of not less than a majority inaggregate principal amount of the Bonds at the time Outstanding relating to the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee under this Indenture.

(d) The Trustee shall be under no obligation to exercise any of the rights or powers vested in it by this Indenture at the request, order or direction of any of the Registered Owners pursuant to theprovisions of this Indenture unless such Registered Owners shall have offered to the Trustee satisfactory security or indemnity against the costs, expenses and liabilities which may be incurred therein or thereby; provided, however, that the Trustee shall not be entitled to any security or indemnity with respect to its obligation to draw under the Letter of Credit to pay the principal or purchase price of or interest on the Bonds.

(e) The Trustee shall not be liable for any action taken by it in good faith and believed by it to be authorized or within the discretion or rights or powers conferred upon it by this Indenture except for its own negligence or willful misconduct.

(f) The Trustee shall not be deemed to have knowledge of any default or Event of Default hereunder unless and until it shall have actual knowledge thereof, or shall have received written notice thereof, at its principal corporate trust office. Except as otherwise expressly provided herein, the Trustee shall not be bound to ascertain or inquire as to the performance or observance of any of the terms, conditions, covenants or agreements herein or of any of the documents executed in connection with the Bonds, or as to the existence of a default or Event of Default thereunder. The Trustee shall not be responsible for the validity or effectiveness of any collateral given to or held by it.

(g) No provision of this Indenture shall require the Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder, or in the exercise of its rights or powers. The Trustee shall, however, in any case make drawings under

the Letter of Credit, pay principal or purchase price of or interest on the Bonds as it becomes due, and accelerate the Bonds as required by this Indenture, notwithstanding anything to the contrary herein.

SECTION 8.04. RIGHT OF TRUSTEE TO RELY ON DOCUMENTS. The Trustee shall be protected in acting upon any notice, resolution, request, consent, order, certificate, report, opinion, bond or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties. The Trustee may consult with counsel, who may be counsel of or to the Issuer, with regard to legal questions, and the opinion of such counsel shall be full and complete

authorization and protection in respect of any action taken or suffered by it hereunder in good faith and in accordance therewith.

The Trustee shall not be bound to recognize any person as the Registered Owner of a Bond unless and until such Bond is submitted for inspection, if required, and his title thereto is satisfactorily established, if disputed.

Whenever in the administration of the trusts imposed upon it by this Indenture the Trustee shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering any action hereunder, such matter (unless other evidence in respect thereof be herein specifically prescribed) may be deemed to be conclusively proved and established by a Certificate of the Issuer, and such Certificate shall be full warrant to the Trustee for any action taken or suffered in good faith under the provisions of this Indenture in reliance upon such Certificate, but in its discretion the Trustee may, in lieu thereof, accept other evidence of such matter or may require such additional evidence as it may deem reasonable.

SECTION 8.05. PRESERVATION AND INSPECTION OF DOCUMENTS. All documents received by the Trustee under the provisions of this Indenture shall be retained in its possession and shall be subject at all reasonable times to the inspection of the Issuer and any Registered Owner, and their agents and representatives duly authorized in writing, at reasonable hours and under reasonable conditions.

SECTION 8.06. COMPENSATION AND INDEMNIFICATION. The Issuer shall pay (solely from Additional Payments) to the Trustee and the Tender Agent from time to time reasonable compensation for all services rendered under this Indenture, and also all reasonable expenses, charges, legal and consulting fees and other disbursements and those of its attorneys, agents and employees, incurred in and about the performance of its powers and duties under this Indenture, and the Trustee and the Tender Agent each shall have a lien therefor on any and all funds (except moneys on deposit in the Purchase Fund, the Rebate Fund and the Letter of Credit Account, Available Moneys, moneys being aged to become Available Moneys and funds held for the payment of Bonds or the interest thereon which is past due or for which notice of redemption has been mailed) at any time held by it under this Indenture which lien shall be prior and superior to the lien of the Registered Owners of the Bonds.

SECTION 8.07. NOTICE TO RATING AGENCY. The Issuer and the Trustee shall give written notice to each rating agency then rating the Bonds of each of the following: (a) a successor Trustee is appointed hereunder; (b) this Indenture, the Agreement, the Remarketing Agreement, the Letter of Credit or the Credit Agreement is amended or supplemented in any manner; (c) the Bonds are converted to a Fixed Interest Rate pursuant to Section 2.03 hereof or defeased pursuant to Section 10.01 hereof or accelerated pursuant to Section 7.01 hereof or redeemed in whole pursuant to Section 4.01 hereof; or (d) the expiration, substitution, termination or extension of the Letter of Credit.

SECTION 8.08. QUALIFICATIONS OF REMARKETING AGENT. The Remarketing Agent shall be a member of the National Association of Securities Dealers, Inc. or be a banking corporation or trust company and shall be authorized by law to perform all the duties imposed upon it by this Indenture. The Remarketing Agent may at any time resign and be discharged of the duties and

obligations created by this Indenture by giving at least 45 days' notice to the Issuer, the Borrower, the Bank, the Tender Agent, the Trustee, S&P and Moody's, to the extent each rating agency is then rating the Bonds. The Remarketing Agent may be removed at any time, by the Borrower, by an instrument, signed by the Borrower and filed with the Remarketing Agent, the Bank, the Tender Agent and the Trustee. The Borrower, with the consent of the Bank, shall appoint a successor Remarketing Agent.

The Remarketing Agent shall designate to the Trustee its principal office and signify its acceptance of the duties and obligations imposed on it hereunder by a written instrument of acceptance delivered to the Issuer and the Trustee and the Tender Agent under which the Remarketing Agent will agree to perform the obligations of the Remarketing Agent set forth in Section 8.09 hereof.

If the Letter of Credit is terminated for any reason, or an Event of Default under this Indenture occurs, the Remarketing Agent shall have the right to resign immediately. The initial Remarketing Agent appointed hereunder is The Chapman Company.

SECTION 8.09. REMARKETING OF BONDS.

(a) The Tender Agent shall immediately provide the Remarketing Agent, the Bank and the Trustee with telephonic notice, promptly confirmed by written notice by 12:00 noon, California time, on the next succeeding Business Day, of the receipt by the Tender Agent of a tender notice from any Registered Owner pursuant to Section 4.06 hereof or the receipt by the Tender Agent of a notice from the Borrower of its election to substitute an Alternate Letter of Credit for the then existing Letter of Credit pursuant to Section 5.08 of the Agreement and providing the Remarketing Agent, the Bank and the Trustee with theinformation contained in such notices. Upon receipt of such telephonic notice, the Remarketing Agent shall use its best efforts to remarket the Bonds described in such notice, any such remarketing to be made at a price equal to the principal amount thereof plus accrued interest. (b) The Remarketing Agent shall (i) by 4:00 p.m., California time, on the Business Day prior to the Purchase Date, give telegraphicor telephonic notice, promptly confirmed by a written notice, to the Trustee, the Tender Agent, the Borrower and the Bank (A) directing the Tender Agent to make available for pick up by 11:00 a.m., California time, on the Purchase Date, at the principal corporate trust office of the Tender Agent (or at such other office as the Tender Agent shall designate) any Bonds for which the Remarketing Agent has arranged sales pursuant to this Section and (B) stating the principal amount of Bonds sold pursuant to subsection (a) of this Section, and (ii) deliver or cause to be delivered to the Tender Agent at or prior to 8:00 a.m., California time, on the Purchase Date the principal of and interest accrued to such Purchase Date on the Bond or Bonds to be so purchased that have been remarketed by the Remarketing Agent, in immediately available funds.

Upon receipt of amounts for the purchase of Bonds from the Remarketing Agent, the Tender Agent shall immediately give telephonic notice to the Trustee, the Borrower and the Bank, promptly confirmed in writing of (A) the proceeds received from the Remarketing Agent to be applied to the purchase of the Bonds tendered for purchase, and (B) the amount that must be drawn under the Letter of Credit for Bonds

which have been tendered as to which the Tender Agent has not received the principal of and interest accrued thereon to the Purchase Date from the Remarketing Agent. None of the moneys so provided to the Tender Agent for purchase of Bonds may be derived directly or indirectly from the Borrower, any Related Party or the Issuer and therefore the Bonds may not be remarketed to any such entity or person. The notice by the Remarketing Agent shall specify the names, addresses, and taxpayer identification numbers of the purchasers of, and the principal amount and denominations of, such Bonds, if any, for which it has found purchasers as of such date and the principal amount of such Bonds, if any, for which it has not found purchasers as of such date. The Tender Agent shall make available for pick up new Bonds properly executed, registered in the name(s) and issued in Authorized Denominations as may be specified in the notice by the Remarketing Agent to the Tender Agent by 11:00 a.m., California time, on the Purchase Date. The Remarketing Agent and the Tender Agent shall hold all moneys available for the purchase of Bonds in trust solely for the benefit of the person or entity which shall have so delivered such moneys until Bonds purchased with such moneys shall have been delivered to or for the account of such person or entity, and such moneys shall not be commingled with any other moneys. Under no circumstances shall the Tender Agent be obligated to expend any of its own funds in connection with this Indenture.

(c) On the date Bonds are to be purchased pursuant to Section 8.10 hereof, the Trustee shall, prior to 8:30 a.m., California time, draw on the Letter of Credit in accordance with the provisions thereof to the extent of the purchase price of the Bonds for which the Tender Agent has not received proceeds from the remarketing of such Bonds as evidenced by the notice from the Tender Agent to the Trustee and shall immediately transfer or direct the proceeds of such draw to the Tender Agent to pay the purchase price of such Bonds on the Purchase Date; provided however, that no drawings shall be made under the Letter of Credit to purchase Bonds held by or for the account of the Borrower or the Bank.

SECTION 8.10. CREATION OF PURCHASE FUND; PURCHASE OF BONDS DELIVERED TO TENDER AGENT.

(a) There is hereby created and established with the Tender Agent, in a trust capacity, a separate fund to be designated as the “Purchase Fund” and there shall be created within the Purchase Fund (i) a separate account called the “Remarketing Account” into which all moneys representing the proceeds of remarketing pursuant to Section 8.09 hereof (which moneys shall be in a form immediately available on the Purchase Date) shall be deposited and (ii) a separate account called the “Liquidity Account” into which the proceeds of drawings by the Trustee under the Letter of Credit shall be deposited. None of the Borrower, any Related Party, the Trustee nor the Issuer shall have any legal, equitable or beneficial right, title or interest in the moneys held by the Remarketing Agent or by the Tender Agent in the Purchase Fund, or the Remarketing Account or Liquidity Account therein. The Purchase Fund and each such Account shall be established and maintained by the Tender Agent and held in trust apart from all other moneys and securities held under this Indenture or otherwise, and over which the Tender Agent shall have the exclusive and sole right of withdrawal for the exclusive benefit of

the persons tendering or purchasing Bonds with respect to which amounts were deposited into the Purchase Fund and the Accounts created therein.

On each day on which Bonds have been tendered for purchase or are deemed to have been tendered for purchase pursuant to this Indenture, after paying or making provision for the payment of the purchase price of such Bonds as in this Indenture provided, the Tender Agent shall promptly remit to the Bank any moneys, but not exceeding the amount drawn on the Letter of Credit for such purchase, on deposit in the Liquidity Account not used to purchase Bonds.

(b) Funds for the purchase of Bonds at the principal amount thereof plus unpaid interest accrued to the Purchase Date, if any, shall be paid out of the Purchase Fund in the order of priority indicated:

(i) from the Remarketing Account, proceeds from the remarketing of Bonds pursuant to Section 8.09 hereof; and

(ii) from the Liquidity Account, moneys representing proceeds of a drawing by the Trustee under the Letter of Credit.

(c) In the event that Bonds are not purchased pursuant to this Section, the Trustee shall pay the principal amount of Bonds tendered pursuant to Section 4.06 hereof or Bonds subject to mandatory tender pursuant to Section 4.07 hereof with moneys on deposit in the Revenue Fund pursuant to Section 5.02 hereof and cancel such Bonds.

(d) The Tender Agent shall:

(i) hold all Bonds delivered to it pursuant to Sections 4.06, 4.07 or 8.11 hereof in trust solely for the benefit of the respective Registered Owners which shall have so delivered such Bonds until moneys representing the purchase price for such Bonds shall have been delivered to or for the account of or to the order of such Registered Owners;

(ii) hold all moneys delivered to it under this Section for the purchase of Bonds in trust solely for the benefit of the person or entity which shall have so delivered such moneys until the Bonds purchased with such moneys shall have been delivered to or for the account of such person or entity;

(iii) only make such payments called for under this Indenture from immediately available funds transferred to the Tender Agent for payment pursuant to this Indenture which funds are on deposit in an appropriate account maintained by the Tender Agent;

(iv) under no circumstances be obligated to expend any of its own funds in connection with this Indenture;

(v) in acting with regard to the purchase of Bonds under this Indenture be acting as a conduit and shall not be purchasing Bonds for its own account, and

in the absence of written notice from the Issuer or the Trustee, shall be entitled to assume that any Bond tendered to it, or deemed tendered to it for purchase, is entitled under this Indenture to be so purchased; and

(vi) notify the Remarketing Agent by telephone, telegram or other form of electronic communication of the contents of, and promptly deliver to the Borrower, the Trustee, the Remarketing Agent and the Bank a copy of, each notice delivered to it in accordance with Section 4.06 hereof and, immediately upon the delivery to it of Bonds in accordance with Section 4.06 hereof, give telegraphic or telephonic notice to the Borrower, the Trustee and the Bank specifying the principal amount of the Bonds so delivered.

SECTION 8.11. DELIVERY OF BONDS.

(a) Bonds purchased by the Tender Agent with the moneys described in subsection (b)(i) of Section 8.10 hereof shall be made available by the Tender Agent to the new purchasers.

(b) (i) Bonds paid with the moneys described in subsection (c) of Section 8.10 hereof shall be cancelled.

(ii) Bonds paid by the Tender Agent with moneys described in subsection (b)(ii) of Section 8.10 hereof shall be held by the Tender Agent as Bank Bonds in which Bank shall have a security interest or registered in the name of the Bank on the registration books of DTC, with respect to book-entry Bonds.

(c) Bonds which have been delivered to the Tender Agent and which thereafter have been sold shall be delivered to such new owners as the Remarketing Agent or the Bank may designate to the Tender Agent, but only upon (i) written confirmation to the Trustee by the Bank that the stated amount of the Letter of Credit has been reinstated with respect to the principal of the Bonds being so re-registered and delivered, together with the portion of the Letter of Credit used to pay accrued interest for the purchase of such Bonds and (ii) written confirmation to the Tender Agent by the Trustee that the stated amount of the Letter of Credit has been reinstated with respect to the principal of the Bonds being so re-registered and delivered, together with the portion of the Letter of Credit used to pay accrued interest for the purchase of such Bonds; provided, however, that if the Letter of Credit provides for automatic reinstatement, no such confirmation shall be required.

The Issuer shall cooperate with the Trustee, the Tender Agent, and the Borrower to cause the necessary arrangements to be made and to be thereafter continued whereby funds from the sources specified herein will be made available for the purchase of Bonds presented at the principal office of the Tender Agent and whereby Bonds executed by the Issuer and authenticated by the Tender Agent, shall be made available to the extent necessary for delivery pursuant to this Section.

SECTION 8.12. DELIVERY OF PROCEEDS OF REMARKETING. The proceeds of the remarketing by the Remarketing Agent of any Bonds delivered to the Tender Agent, or delivered to the

Remarketing Agent by the Bank or any other Registered Owner, shall be turned over to the Bank or such other Registered Owner, as the case may be.

SECTION 8.13. NO PURCHASES OR SALES AFTER DEFAULT. Anything in this Indenture to the contrary notwithstanding, there shall be no purchases or sales of Bonds pursuant to this Article if there shall have occurred and be continuing an Event of Default described in clauses (a) through (c) of Section 7.01 hereof. Anything in this Indenture to the contrary notwithstanding, there shall be no remarketing of Bonds pursuant to this Article if there shall have occurred and be continuing any Event of Default described in Section 7.01 hereof or if any event shall have occurred which with notice or the lapse of time would constitute such an Event of Default.

SECTION 8.14. QUALIFICATIONS OF TENDER AGENT. The Tender Agent shall be a bank or trust company or another institution which has a rating on its long-term debt from Moody's of at least "Baa3" and a short term rating of at least "P-3" authorized to perform all duties imposed upon it by this Indenture and the Remarketing Agreement. The Tender Agent may at any time resign and be discharged of the duties and obligations created by this Indenture by giving at least 60 days' notice to the Issuer, the Borrower, the Remarketing Agent and the Trustee. With the consent of the Bank, the Tender Agent may be removed at any time by the Issuer, by an instrument, signed by the Issuer, filed with the Tender Agent, the Remarketing Agent and the Trustee.

The initial Tender Agent appointed under this Indenture is U.S. Bank Trust National Association. The Issuer, with the consent of the Bank, shall appoint a successor Tender Agent and such successor Tender Agent shall evidence its acceptance of such appointment by executing and delivering to the Issuer, the Bank and the Borrower a written acceptance thereof. In the event the Issuer fails to appoint a successor Tender Agent prior to the effective date of the removal or resignation of the current Tender Agent, the existing Tender Agent shall remain in place until a successor Tender Agent is appointed. If a successor Tender Agent is not appointed within 30 days as provided herein the Trustee shall be appointed as the successor Tender Agent.

SECTION 8.15. PAYING AGENT. The Issuer, with the written approval of the Bank, may appoint and at all times have a Paying Agent in such cities as the Issuer deems desirable, for the payment of the principal of, and the interest (and premium, if any) on, the Bonds. The Issuer hereby appoints the Trustee as paying agent in San Francisco, California. The Trustee shall not be responsible for the failure of the Bank or any other party to make funds available to the Trustee.

SECTION 8.16. SEVERAL CAPACITIES. Anything in this Indenture to the contrary notwithstanding, the same entity may serve hereunder as the Trustee, Tender Agent and Paying Agent and in any other combination of such capacities, to the extent permitted by law.

ARTICLE IX

MODIFICATION OR AMENDMENT OF THE INDENTURE

SECTION 9.01. AMENDMENTS PERMITTED.

(a) This Indenture and the rights and obligations of the Issuer and of the Registered Owners of the Bonds and of the Trustee maybe modified or amended from time to time and at any time by an indenture or indentures supplemental thereto, which the Issuer and the Trustee may enter into when the written consent of the Registered Owners of a majority in aggregate principal amount of all Bonds then Outstanding, the Borrower and the Bank shall have been filed with the Trustee. No such modification or amendment shall (i) extend the fixed maturity of any Bond, or reduce the amount of principal thereof, or extend the time of payment, or change the method of computing the rate of interest thereon, or extend the time of payment of interest thereon, without the consent of the Registered Owner of each Bond so affected, or (ii) reduce the aforesaid percentage of Bonds the consent of the Registered Owners of which is required to effect any such modification or amendment, or permit the creation of any lien on the Revenues and other assets pledged under this Indenture prior to or on a parity with the lien created by this Indenture, or deprive the Registered Owners of the Bonds of the lien created by this Indenture on such Revenues and other assets (except as expressly provided in this Indenture), without the consent of the Registered Owners of all of the Bonds then Outstanding, or (iii) adversely affect the interests of the Tender Agent without its prior written consent. It shall not be necessary for the consent of the Registered Owners to approve the particular form of any Supplemental Indenture, but it shall be sufficient if such consent shall approve the substance thereof. Promptly after the execution by the Issuer and the Trustee of any Supplemental Indenture pursuant to this subsection (a), the Trustee shall mail a copy of the Supplemental Indenture to the Tender Agent and mail a notice, setting forth in general terms the substance of such Supplemental Indenture, to each rating agency then rating the Bonds and the Registered Owners of the Bonds at the address shown on the registration books of the Trustee. Any failure to give such notice, or any defect therein, shall not, however, in any way impair or affect the validity of any such Supplemental Indenture.

(b) This Indenture and the rights and obligations of the Issuer, of the Trustee and of the Registered Owners of the Bonds mayalso be modified or amended from time to time and at any time by an indenture or indentures supplemental hereto, which the Issuer and the Trustee may enter into without the consent of any Registered Owners but with the written consent of the Borrower and the Bank, but only to the extent permitted by law including, without limitation, for any one or more of the following purposes:

(i) to add to the covenants and agreements of the Issuer contained in this Indenture other covenants and agreements thereafter to be observed, to pledge or assign additional security for the Bonds, or to surrender any right or power herein reserved to or conferred upon the Issuer;

(ii) to make such provisions for the purpose of curing any ambiguity, inconsistency or omission, or of curing or correcting any defective provision, contained in this Indenture, or in regard to matters or questions arising under this Indenture, as the Issuer may deem necessary or desirable which do not adversely affect the rights of the Registered Owners hereunder;

(iii) to modify, amend or supplement this Indenture in such manner as to permit the qualification hereof under the Trust Indenture Act of 1939, as amended, or any similar federal statute hereafter in effect, and to add such other terms, conditions and provisions as may be permitted by said act or similar federal statute;

(iv) to make such provisions for the purpose of conforming to the terms and provisions of any Alternate Letter of Credit or Alternate Credit Facility or to obtain a rating on the Bonds which do not adversely affect the rights of the Registered Owners hereunder; and

(v) to modify, amend or supplement this Indenture in any other respect which does not adversely affect the rights of the Registered Owners hereunder. The Trustee shall give notice of any such modification or amendment to each rating agency then rating the Bonds.

(c) The Trustee may in its discretion, but shall not be obligated to, enter into any such Supplemental Indenture authorized by subsections (a) or (b) of this Section which materially adversely affects the Trustee’s own rights, duties or immunities under this Indenture or otherwise.

SECTION 9.02. EFFECT OF SUPPLEMENTAL INDENTURE. Upon the execution of any Supplemental Indenture pursuant to this Article, this Indenture shall be deemed to be modified and amended in accordance therewith, and the respective rights, duties and obligations under this Indenture of the Issuer, the Trustee and all Registered Owners of Bonds Outstanding shall thereafter be determined, exercised and enforced hereunder subject in all respects to such modification and amendment, and all the terms and conditions of any such Supplemental Indenture shall be deemed to be part of the terms and conditions of this Indenture for any and all purposes.

SECTION 9.03. ENDORSEMENT OF BONDS; PREPARATION OF NEW BONDS. Bonds delivered after the execution of any Supplemental Indenture pursuant to this Article may, and if the Issuer so determines shall, bear a notation by endorsement or otherwise in form approved by the Issuer as to any modification or amendment provided for in such Supplemental Indenture, and, in that case, upon demand of the Registered Owner of any Bond Outstanding at the time of such execution and presentation of his Bond for the purpose at the office of the Bond Registrar or at such additional offices as the Bond Registrar may select and designate for that purpose, a suitable notation shall be made on such Bond. If the Supplemental Indenture shall so provide, new Bonds so modified as to conform, in the opinion of the Issuer, to any modification or amendment contained in such Supplemental Indenture, shall be prepared and executed by the Issuer and authenticated by the Bond Registrar, and upon demand of the Registered Owners of

any Bonds then Outstanding shall be exchanged at the principal office of the Bond Registrar, without cost to any Registered Owner, for Bonds then Outstanding, upon surrender for cancellation of such Bonds, in equal aggregate principal amounts of the same series and maturity.

SECTION 9.04. AMENDMENT OF PARTICULAR BONDS. The provisions of this Article shall not prevent any Registered Owner from accepting any amendment as to the particular Bonds held by such Registered Owner, provided that due notation thereof is made on such Bonds.

ARTICLE X

DEFEASANCE

SECTION 10.01. DISCHARGE OF INDENTURE. The Bonds may be paid by the Issuer in any of the following ways, provided that the Issuer also pays or causes to be paid any other sums payable hereunder by the Issuer:

(a) by paying or causing to be paid with Available Moneys the principal of, interest and premium, if any, on the Bonds, as and when the same become due and payable;

(b) by depositing with the Trustee, in trust, at or before maturity, money or securities in the necessary amount (as provided in Section 10.03 hereof) to pay or redeem with Available Moneys all Bonds then Outstanding; or

(c) by delivering to the Trustee, for cancellation by it, the Bonds then Outstanding.

If the Bonds are paid by the Issuer pursuant to this Section 10.01(b) prior to the Fixed Rate Date, the Issuer and the Borrower shall provide to the Trustee written evidence from Moody's, if the Bonds are then rated by Moody's, and S&P, if the Bonds are then rated by S&P, to the effect that such payment will not result in a withdrawal of its rating on the Bonds or a reduction from the rating which then exists as to the Bonds. If the Issuer shall also pay or cause to be paid all other sums payable hereunder by the Issuer, then and in that case, at the election of the Issuer (evidenced by a Certificate of the Issuer, filed with the Trustee, signifying the intention of the Issuer to discharge all such indebtedness and this Indenture), and notwithstanding that any Bonds shall not have been surrendered for payment, this Indenture and the pledge of Revenues and other assets made under this Indenture and all covenants, agreements and other obligations of the Issuer under this Indenture shall cease, terminate, become void and be completely discharged and satisfied except only as provided in Section 10.02 hereof. In such event, upon Request of the Issuer, the Trustee shall cause an accounting for such period or periods as may be requested by the Issuer to be prepared and filed with the Issuer and shall execute and deliver to the Issuer all such instruments as may be necessary or desirable to evidence such discharge and satisfaction, and the Trustee shall pay over, transfer, assign or deliver all moneys or securities or other property held by it pursuant to this Indenture which are not required for the payment of obligations to be paid from Additional Payments or for the payment or redemption of Bonds not theretofore surrendered for such payment or redemption in

the following order (i) first, to the Bank to the extent of any amounts due to the Bank pursuant to the Credit Agreement, and (ii) otherwise, to the Borrower, provided that moneys in the Letter of Credit Account, the Liquidity Account and the Remarketing Account shall be returned to the Bank.

SECTION 10.02. DISCHARGE OF LIABILITY ON BONDS. Upon the deposit with the Trustee, in trust, at or before maturity, of money or securities in the necessary amount (as provided in Section 10.03 hereof) to pay or redeem all Outstanding Bonds (whether upon or prior to the maturity or the redemption date of such Bonds), provided that, if any of such Bonds are to be redeemed prior to maturity, notice of such redemption shall have been given as provided in Article IV or provision satisfactory to the Trustee shall have been made for the giving of such notice, then all liability of the Issuer in respect of such Bonds shall cease, terminate and be completely discharged, except only that the Registered Owners thereof shall thereafter be entitled to payment of the principal or redemption price, as applicable, of and interest on such Bonds by the Issuer, and the Issuer shall remain liable for such payment, but only out of such money or securities deposited with the Trustee as aforesaid for their payment, provided further, however, that the provisions of Section 10.04 hereof shall apply in all events. In the event any of said Bonds are not to be redeemed within the next succeeding 60 days, the Issuer shall have given the Trustee in form satisfactory to it irrevocable instructions for it to mail, as soon as practicable in the same manner as a notice of redemption is mailed pursuant to Article IV hereof, a notice to the Registered Owners of such Bonds and to the Securities Depositories and an Information Service that the deposit required above has been made with the Trustee and that said Bonds are deemed to have been paid in accordance with this Section and stating such maturity or redemption dates upon which moneys are to be available for the payment of the principal or redemption price, as applicable, of said Bonds.

SECTION 10.03. DEPOSIT OF MONEY OR SECURITIES WITH TRUSTEE. Whenever in this Indenture it is provided or permitted that there be deposited with or held in trust by the Trustee money or securities in the necessary amount to pay or redeem any Bonds, the money or securities so to be deposited or held may include money or securities held by the Trustee in the funds and accounts established pursuant to this Indenture (exclusive of the Project Fund, the Purchase Fund, the Letter of Credit Account and the Rebate Fund) and shall be:

(a) Available Moneys in an amount equal to the principal amount of such Bonds, all unpaid interest thereon to maturity, and the purchase price of such Bonds except that, in the case of Bonds which are to be redeemed prior to maturity and in respect of which notice of such redemption shall have been given as in Article IV hereof provided or provision satisfactory to the Trustee shall have been made for the giving of such notice, the amount to be deposited or held shall be the redemption price of such Bonds and all unpaid interest thereon to the redemption date; or

(b) Government Obligations purchased with Available Moneys which when due will provide money sufficient to pay the principal or redemption price, as applicable, of, all unpaid interest to maturity, or to the redemption date, as the case may be, on the Bonds to be paid or redeemed, as such principal and interest become due, and the purchase price of such Bonds; provided that, in the case of Bonds which are to be redeemed prior to the maturity thereof, notice of such redemption shall have been given

as provided in Article IV hereof or provision satisfactory to the Trustee shall have been made for the giving of such notice; and provided further that investment securities purchased pursuant to this paragraph shall not be subject to redemption prior to their maturity other than at the option of the holder thereof unless the moneys to be available from the redemption of such securities on the earliest date on which such securities are subject to redemption, other than at the option of the holder thereof, shall be at least equal to the amount of money expected to be derived in connection with such securities in determining that the provisions of this paragraph have been satisfied; provided, in each case, that the Trustee shall have been

irrevocably instructed (by the terms of this Indenture or by Request of the Issuer) to apply such money to the payment of such principal or redemption price, as applicable, and interest with respect to such Bonds.

SECTION 10.04. PAYMENTS AFTER DISCHARGE OF INDENTURE. When there are no longer any Bonds Outstanding, and all fees, charges and expenses of the Trustee, the Tender Agent and any Paying Agents have been paid or provided for, and all expenses of the Issuer relating to this Indenture have been paid or provided for, and all other amounts payable hereunder and under the Agreement have been paid, and this Indenture has been discharged and satisfied, and subject to the escheat laws of the State, the Trustee shall pay any moneys remaining in any fund established and held hereunder (other than moneys held in the Rebate Fund which shall continue to be applied as provided in Section 5.07 hereof) in the following order (a) first, to the Bank to the extent of any amounts due to the Bank pursuant to the Credit Agreement with respect to the Letter of Credit, and (b) otherwise to the Borrower, provided that moneys in the Letter of Credit Account, the Liquidity Account and the Remarketing Account shall be returned to the Bank.

ARTICLE XI

MISCELLANEOUS

SECTION 11.01. LIABILITY OF ISSUER LIMITED TO REVENUES. Notwithstanding anything in this Indenture or in the Bonds contained, the Issuer shall not be required to advance any moneys derived from any source other than the Revenues and other assets pledged under this Indenture for any of the purposes in this Indenture mentioned, whether for the payment of the principal of or interest on the Bonds or for any other purpose of this Indenture.

SECTION 11.02. SUCCESSOR IS DEEMED INCLUDED IN ALL REFERENCES TO PREDECESSOR. Whenever in this Indenture either the Issuer or the Trustee is named or referred to, such reference shall be deemed to include the successors or assigns thereof, and all the covenants and agreements in this Indenture contained by or on behalf of the Issuer or the Trustee shall bind and inure to the benefit of the respective successors and assigns thereof whether so expressed or not.

SECTION 11.03. LIMITATION OF RIGHTS TO PARTIES AND REGISTERED OWNERS. Nothing in this Indenture or in the Bonds expressed or implied is intended or shall be construed to give to any Person other than the Issuer, the Trustee, the Bank, the Borrower and the Registered Owners of the Bonds, any legal or equitable right, remedy or claim under or in respect of this Indenture or any covenant, condition or provision therein or herein contained; and all such covenants,

conditions and provisions are and shall be held to be for the sole and exclusive benefit of the Issuer, the Trustee, the Bank, the Borrower and the Registered Owners of the Bonds.

SECTION 11.04. WAIVER OF NOTICE. Whenever in this Indenture the giving of notice by mail or otherwise is required, the giving of such notice may be waived in writing by the person entitled to receive such notice and in any such case the giving or receipt of such notice shall not be a condition precedent to the validity of any action taken in reliance upon such waiver.

SECTION 11.05. DESTRUCTION OF BONDS. Whenever in this Indenture provision is made for the cancellation by the Trustee and the delivery to the Issuer of any Bonds, the Trustee may, upon Request of the Issuer, in lieu of such cancellation and delivery, destroy such Bonds (in the presence of an officer of the Issuer, if the Issuer shall so require), and deliver a certificate of such destruction to the Issuer.

SECTION 11.06. SEVERABILITY OF INVALID PROVISIONS. If any one or more of the provisions contained in this Indenture or in the Bonds shall for any reason be held to be invalid, illegal or unenforceable in any respect, then such provision or provisions shall be deemed severable from the remaining provisions contained in this Indenture and such invalidity, illegality or unenforceability shall not affect any other provision of this Indenture, and this Indenture shall be construed as if such invalid or illegal or unenforceable provision had never been contained herein. The Issuer hereby declares that it would have entered into this Indenture and each and every other Section, paragraph, sentence, clause or phrase hereof and authorized the issuance of the Bonds pursuant thereto irrespective of the fact that any one or more Sections, paragraphs, sentences, clauses or phrases of this Indenture may be held illegal, invalid or unenforceable.

SECTION 11.07. GOVERNING LAW. This Indenture shall be governed exclusively by and construed in accordance with the applicable laws of the State for contracts executed and delivered, and to be completely performed, in the State without giving effect to conflicts of law provisions.

SECTION 11.08. NOTICES. If a Registered Owner delivers a written request to the Trustee setting forth the appropriate telex or telecopier number and other necessary information to enable the Trustee to deliver notices by telex, telegram, telecopier or other telecommunication device notices shall be delivered to such Registered Owner in the manner requested unless otherwise provided herein and confirmed in writing as soon as practicable. In all other events, notices shall be delivered to each Registered Owner by first-class mail, postage prepaid, at the address set forth for such Registered Owner on the registration books required to be maintained by the Bond Registrar pursuant to Section 2.07 hereof. Any notice to or demand upon the Trustee may be served or presented, and such demand may be made, at the principal corporate trust office of the Trustee in San Francisco, California, which at the date of adoption of this Indenture is located at the address set forth below or at such other address as may have been filed in writing by the Trustee with the Issuer. Any notice to or demand upon the Issuer, the Borrower, the Remarketing Agent, the Tender Agent or the Bank shall be deemed to have been sufficiently given or served for all purposes by being delivered or sent by telex or by being deposited, postage prepaid, in a post office letter box, addressed, as the case may be, as set forth below or at such other addresses as may have been filed in writing with the Trustee.

If to the Economic Development California Infrastructure and Economic

Bank: Development Bank
801 K Street, Suite 1700
Sacramento, California 95814
Attention: Bond Manager

(916) 322-8520 Fax: (916) 322-7214

If to the Borrower:	Roller Bearing Company of America, Inc. 60 Round Hill Road Fairfield, Connecticut 06430 Attention: Michael S. Gostomski (203) 255-1511 Fax: (203) 255-3862
If to the Trustee:	U.S. Bank Trust National Association One California Street, 4th Floor San Francisco, California 94111 Attention: Corporate Trust Department (415) 273-4500 Fax: (415) 273-4590
If to the Tender Agent:	U.S. Bank Trust National Association One California Street, 4th Floor San Francisco, California 94111 Attention: Municipal Trusts and Agency (415) 273-4500 Fax: (415) 273-4590
If to the Bank:	First Union National Bank 1345 Chestnut Street Philadelphia, Pennsylvania 19107 Attention: Robert A. Brown (215) 973-1259 Fax: (215) 786-2877 Credit Suisse First Boston 11 Madison Avenue, 13th Floor New York, New York 10010 Attention: Mark Callahan (212) 325-9940 Fax: (212) 325-8304
If to the Remarketing Agent:	The Chapman Company 115 Sansome Street, Suite 250 San Francisco, California 94104 Attention: Director of Public Finance (415) 392-5505 Fax: (415) 392-5276
If to DTC:	Notices required to be given under this Indenture to DTC by facsimile transmission shall be sent to DTC's Call Notification Department at (516) 227-4039

or (516) 227-4190. Notices to DTC by mail or any other means shall be sent to:

The Depository Trust Company
711 Stewart Avenue
Garden City, New York 11530
Attention: Call Notification Department
Muni Reorganization Manager

SECTION 11.09. EVIDENCE OF RIGHTS OF REGISTERED OWNERS. Any request, consent or other instrument required or permitted by this Indenture to be signed and executed by Registered Owners may be in any number of concurrent instruments of substantially similar tenor and shall be signed or executed by such Registered Owners in person or by an agent or agents duly appointed in writing. Proof of the execution of any such request, consent or other instrument or of a writing appointing any such agent, or of the holding by any person of Bonds transferable by delivery, shall be sufficient for any purpose of this Indenture and shall be conclusive in favor of the Trustee and of the Issuer if made in the manner provided in this Section.

The fact and date of the execution by any person of any such request, consent or other instrument or writing may be proved by the certificate of any notary public or other officer of any jurisdiction, authorized by the laws thereof to take acknowledgments of deeds, certifying that the person signing such request, consent or other instrument acknowledged to such notary public or other officer the execution thereof, or by an affidavit of a witness of such execution duly sworn to before such notary public or other officer.

The ownership of registered Bonds shall be proved by the bond registration books held by the Bond Registrar.

Any request, consent, or other instrument or writing of the Registered Owner of any Bond shall bind every future Registered Owner of the same Bond and the Registered Owner of every Bond issued in exchange therefor or in lieu thereof, in respect of anything done or suffered to be done by the Trustee or the Issuer in accordance therewith or reliance thereon.

SECTION 11.10. DISQUALIFIED BONDS. In determining whether the Registered Owners of the requisite aggregate principal amount of Bonds have concurred in any demand, request, direction, consent or waiver under this Indenture, Bonds which are owned or held by or for the account of the Issuer

or the Borrower, or by any other obligor on the Bonds, or by any person directly or indirectly controlling or controlled by, or under direct or indirect common control with, the Issuer or the Borrower or any other obligor on the Bonds, shall be disregarded and deemed not to be Outstanding for the purpose of any such determination. Bonds so owned which have been pledged in good faith may be regarded as Outstanding for the purposes of this Section if the pledgee shall establish to the satisfaction of the Trustee the pledgee's right to vote such Bonds and that the pledgee is not a person directly or indirectly controlling or controlled by, or under direct or indirect common control with, the Issuer or the Borrower or any other obligor on the Bonds. In case of a dispute as to such right, any decision by the Trustee taken upon the advice of counsel shall be full protection to the Trustee.

SECTION 11.11. MONEY HELD FOR PARTICULAR BONDS.

(a) The money held by the Trustee for the payment of the interest, principal, or premium due on any date with respect to particular Bonds (or portions of Bonds in the case of Bonds redeemed in part only) shall, on and after such date and pending such payment, be set aside on its books and held in trust by it for the Registered Owners of the Bonds entitled thereto, (subject, however, to the provisions of Section 10.04 hereof) for a period of two years but without any liability for interest thereon.

(b) Upon the expiration of the period specified in subsection (a) above, except as provided in subsection (c) below, funds held by the Trustee pursuant to this Indenture shall be paid, subject to any prior payments pursuant to the provisions of Section 10.04 hereof, to the Borrower, and funds held by the Tender Agent shall be paid to the Trustee and thereafter paid, subject to the provisions of Section 10.04 hereof, to the Borrower, upon direction of an Authorized Representative of the Borrower, and thereafter Registered Owners shall be entitled to look only to the Borrower for payment, and then only to the extent of the amount so deposited with the Borrower, and all liability of the Issuer or the Trustee with respect to such money shall thereupon cease, and the Borrower shall not be liable for any interest thereon and shall not be regarded as a trustee of such money.

(c) Any moneys held by the Trustee or the Tender Agent, as the case may be, in the Letter of Credit Account or the Liquidity Account for the payment of the principal, premium, or purchase price of any Bonds not so applied to the payment of the Bonds within two years after the date on which the same shall have become due shall be transferred to the Bank. Upon the expiration of the period specified in subsection (a) above, any moneys held by the Tender Agent representing the proceeds of the remarketing of the Bonds but which were not so applied to the payment of Bonds shall be transferred to the Bank. All such moneys shall be subject to escheat to the State in accordance with the laws thereof. Registered Owners shall be entitled to look only to the Bank for payment from such moneys, and all liability of the Issuer, the Trustee or the Tender Agent with respect to such money shall thereupon cease, and the Trustee, the Tender Agent, the Issuer, the Bank, or the Borrower shall not be liable for any interest thereon and such parties shall not be regarded as a trustee of such money.

SECTION 11.12. FUNDS AND ACCOUNTS. Any fund or account required by this Indenture to be established and maintained by the Trustee may be established and maintained in the accounting records of the Trustee, either as a fund or an account, and may, for the purposes of such records, any audits thereof and any reports or statements with respect thereto, be treated either as a fund or as an account; but all such records with respect to all such funds and accounts shall at all times be maintained in accordance with generally accepted corporate trust industry standards, to the extent practicable, and with due regard for the requirements of Section 6.05 hereof and for the protection of the security of the Bonds and the rights of every Registered Owner thereof and the Bank's interest created herein.

SECTION 11.13. WAIVER OF PERSONAL LIABILITY. No member, officer, agent or employee of the Issuer shall be individually or personally liable for the payment of the principal of or

premium or interest on the Bonds or be subject to any personal liability or accountability by reason of the issuance thereof; but nothing herein contained shall relieve any such member, officer, agent or employee from the performance of any official duty provided by law or by this Indenture.

SECTION 11.14. EXECUTION IN SEVERAL COUNTERPARTS. This Indenture may be executed in any number of counterparts and each of such counterparts shall for all purposes be deemed to be an original; and all such counterparts, or as many of them as the Issuer and the Trustee shall preserve undestroyed, shall together constitute but one and the same instrument.

SECTION 11.15. ACTIONS DUE ON SATURDAYS, SUNDAYS AND HOLIDAYS. Except as otherwise provided in this Indenture, if any date on which a payment, notice or other action required by this Indenture falls on other than a Business Day, then that action or payment need not be taken or made on such date, but may be taken or made on the next succeeding Business Day with the same force and effect as if made on such date.

SECTION 11.16. REFERENCES TO BANK. Notwithstanding any provisions contained herein to the contrary, the Bank shall be entitled to take all actions and exercise its rights hereunder in accordance with the Credit Agreement so long as the Bank has not wrongfully dishonored any drawings under the Letter of Credit and the Bank is not in liquidation, bankruptcy or receivership proceedings. After the expiration or termination of the Letter of Credit and after all obligations owed to the Bank pursuant to the Credit Agreement with respect to the Letter of Credit have been paid in full or discharged, all references to the Bank contained herein (other than in Section 10.04 hereof) shall be null and void and of no further force and effect.

IN WITNESS WHEREOF, the CALIFORNIA INFRASTRUCTURE AND ECONOMIC DEVELOPMENT BANK has caused this Indenture to be signed in its name by the Chair of the Issuer and attested by its Secretary and U.S. BANK TRUST NATIONAL ASSOCIATION, in token of its acceptance of the trusts created hereunder, has caused this Indenture to be signed in its corporate name by its officers thereunto duly authorized, all as of the day and year first above written.

CALIFORNIA INFRASTRUCTURE AND

ECONOMIC DEVELOPMENT BANK

By _____
Lon S. Hatamiya, Chair

Attest:

By _____
Blake Fowler, Secretary

U.S. BANK TRUST NATIONAL ASSOCIATION,
as Trustee

By _____
Authorized Officer

Attest:

By _____
Assistant Secretary

[Signature Page to Indenture of Trust]

EXHIBIT A

FORM OF BOND

NEITHER THE STATE OF CALIFORNIA NOR ANY POLITICAL SUBDIVISION OR AGENCY OF THE STATE OF CALIFORNIA SHALL BE OBLIGATED TO PAY THIS BOND OR THE INTEREST HEREON. NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE OF CALIFORNIA OR ANY POLITICAL SUBDIVISION OR AGENCY THEREOF IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF, PREMIUM, IF ANY,PURCHASE PRICE OF, OR INTEREST ON, THIS BOND. NEITHER THE STATE OF CALIFORNIA NOR ANY POLITICAL SUBDIVISION OR AGENCY OF THE STATE OF CALIFORNIA IS IN ANY MANNER OBLIGATED TO MAKE ANY APPROPRIATION FOR SUCH PAYMENTS. THE ISSUER HAS NO TAXING POWER. THIS BOND, TOGETHER WITH THE INTEREST AND PREMIUM (IF ANY) HEREON AND THE PURCHASE PRICE HEREOF,SHALL NOT BE DEEMED TO CONSTITUTE A DEBT OR LIABILITY OF THE STATE OF CALIFORNIA OR ANY POLITICAL SUBDIVISION OR AGENCY OF THE STATE OF CALIFORNIA.

No. R-1 $4,800,000

CALIFORNIA INFRASTRUCTURE AND ECONOMIC DEVELOPMENT BANK
VARIABLE RATE DEMAND
INDUSTRIAL DEVELOPMENT REVENUE BOND, SERIES 1999
(ROLLER BEARING COMPANY OF AMERICA, INC.
- SANTA ANA PROJECT)

MATURITY DATE	ORIGINAL ISSUE DATE	CUSIP
April 1, 2024	April 30, 1999	

Registered Owner: CEDE & CO.

Principal Sum: FOUR MILLION EIGHT HUNDRED THOUSAND DOLLARS

The CALIFORNIA INFRASTRUCTURE AND ECONOMIC DEVELOPMENT BANK (the “Issuer”), an entity with the Trade and Commerce Agency of the State of California (the “State”), duly organized and existing under the laws of the State, particularly Division 1 of Title 6.7 of the California Government Code (commencing with Section 63000 of the California Government Code), as amended (the “Act”), for value received, hereby promises to pay to the Registered Owner specified above, or registered assigns, on the maturity date set forth above (subject to any right of prior redemption hereinafter mentioned), the principal sum set forth above, in lawful money of the United States of America, and to pay interest thereon in like lawful money from and including the Interest Payment Date (as defined herein) next preceding

the date of registration of this bond (unless this bond is registered after a Record Date (as hereinafter defined) and on or before the next succeeding Interest Payment Date or on an Interest Payment Date, in which event it shall bear interest from and including such Interest Payment Date, or unless this bond is registered on or prior to May 31, 1999, in which event it shall bear interest from and including the date of initial issuance and delivery (the “Date of Delivery”)), until payment of such principal sum shall be discharged as provided in the Indenture (as hereinafter defined), at the rates per annum determined as set forth below. The interest on this bond will be payable on June 1, 1999, and thereafter on the first Business Day of each month on or prior to the date on which this bond is converted to bear a fixed rate of interest as provided in the Indenture (the “Fixed Rate Date”), and thereafter on April 1 and October 1 in

each year (each such date being referred to herein as an "Interest Payment Date"). The principal (or redemption price) hereof is payable upon presentation hereof at the principal corporate trust office of U.S. Bank Trust National Association (together with any successor as trustee under the Indenture, the "Trustee"), in San Francisco, California, or at such other office as the Trustee may designate. Interest hereon is payable by check or draft mailed, except as provided in the Indenture, to the person whose name appears on the bond registration books of the Trustee as the Registered Owner hereof as of the close of business on the Record Date, in each case, at such person's address as it appears on such registration books. The term "Record Date" means, prior to the Fixed Rate Date, the Business Day preceding any Interest Payment Date, and after the Fixed Rate Date, the fifteenth (15th) day of the calendar month preceding any Interest Payment Date.

The Issuer, U.S. Bank Trust National Association, as tender agent (the "Tender Agent"), the Trustee, any paying agent, and any agent of the Issuer, the Tender Agent or the Trustee may treat the person in whose name this bond is registered as the absolute owner hereof for the purpose of receiving payment as herein provided and for all other purposes, and the Issuer, the Tender Agent, the Trustee, any paying agent or any such agent shall not be affected by notice to the contrary.

This bond, together with the interest and premium (if any) hereon shall not be deemed to constitute a debt or liability of the State or any political subdivision or agency of the State or a pledge of the faith and credit of the State or any political subdivision or agency of the State, but shall be payable solely from the funds provided therefor pursuant to the Indenture. This bond is only a special, limited obligation of the Issuer as provided by the Act and the Issuer shall under no circumstances be obligated to pay the principal of, premium, if any, purchase price of, or interest on this bond, or other costs incident hereto except from the revenues and funds pledged therefor pursuant to the Indenture. Neither the State nor any political subdivision or agency of the State is in any manner obligated to make any appropriation for such payments. The Issuer has no taxing power.

No member or officer of the Issuer, nor any person executing this bond shall in any event be subject to any personal liability or accountability by reason of the issuance of this bond.

This bond is one of a duly authorized issue of bonds of the Issuer designated as captioned above (the "Bonds") pursuant to the provisions of the Act, and pursuant to an Indenture of Trust, dated as of April 1, 1999, between the Issuer and the Trustee (the "Indenture"). The Bonds are issued for the purpose of making a loan to Roller Bearing Company of America, Inc., a corporation duly organized and existing under the laws of the State of Delaware and qualified to

do business in the State of California (the "Borrower"), to assist in the financing of a Project (as such term is defined in the Indenture) owned by the Borrower, pursuant to a loan agreement, dated as of April 1, 1999, between the Issuer and the Borrower (the "Agreement"), for the purposes and on the terms and conditions set forth therein. The payment of principal of and interest on the Bonds is secured by an irrevocable Letter of Credit issued by First Union National Bank (the "Letter of Credit" and the "Bank," respectively). Such Letter of Credit may be renewed or substituted by a letter of credit of another financial institution or an alternate credit facility as provided in the Agreement and the Indenture.

Reference is hereby made to the Indenture (a copy of which is on file at said office of the Trustee) and all indentures supplemental thereto and to the Act for a description of the rights thereunder of the registered owners of the Bonds, of the nature and extent of the security, of the rights, duties and immunities of the Trustee and the Tender Agent and of the rights and obligations of the Issuer thereunder, to all the provisions of which Indenture the Registered Owner of this bond, by acceptance hereof, assents and agrees.

The Bonds and the interest thereon are payable solely from Revenues (as defined in the Indenture) and are secured by a pledge of said Revenues and of amounts held in the funds (except as provided in the Indenture) and accounts established pursuant to the Indenture (including proceeds of the sale of the Bonds), subject only to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth in the Indenture. The Bonds are further secured by an assignment of the right, title and interest of the Issuer in the Agreement (to the extent and as more particularly described in the Indenture) and by the Letter of Credit.

The Bonds shall bear interest from and including the Date of Delivery of the Bonds to and including a date specified in the Indenture at the rate specified in the Indenture. Thereafter, prior to the Fixed Rate Date or final maturity date, whichever is earlier, the Bonds shall bear interest, calculated on the basis of a year of 365 or 366 days, as appropriate, at a rate per annum equal to the Weekly Interest Rate (as hereinafter defined). Each period from and including the Date of Delivery to and including May 31, 1999 and, thereafter, the period from and including an Interest Payment Date to and including the day next preceding the immediately succeeding Interest Payment Date is herein called an "Interest Period."

The Weekly Interest Rate shall be the rate determined The Chapman Company (together with any successor as Remarketing Agent under the Indenture, the "Remarketing Agent"), on the basis of the examination of Tax-exempt (as defined in the Indenture) obligations comparable to the Bonds known by the Remarketing Agent to have been priced or traded under then prevailing market conditions, to be the minimum interest rate which, if borne by the Bonds, would enable the Remarketing Agent to sell the Bonds on the date such interest rate becomes effective at a price equal to the principal amount thereof plus accrued interest, if any, but in no event exceeding twelve percent (12%); provided, however, that if for any reason a Weekly Interest Rate so determined shall be held to be invalid or unenforceable by a court of law, the Weekly Interest Rate shall be the rate established in accordance with the Indenture.

The Remarketing Agent shall determine the Weekly Interest Rate as of the close of business on Tuesday in each calendar week until the earlier of the Fixed Rate Date, or payment

in full of the Bonds; provided that if Tuesday in any calendar week shall not be a Business Day then such determination shall be made on the next preceding Business Day, and communicate by telephonic notice such rate to the Trustee (with prompt confirmation in writing). The Weekly Interest Rate so determined shall become effective Wednesday in the week of determination thereof, to and including the following Tuesday irrespective of when the rate was determined by the Remarketing Agent. If the Remarketing Agent shall fail to determine a new Weekly Interest Rate in any week, the previously effective Weekly Interest Rate shall remain in effect for the next succeeding week and shall thereafter be determined in accordance with the Indenture.

Each determination of the Weekly Interest Rate by the Remarketing Agent shall be conclusive and binding on the registered owners of the Bonds.

Anything herein to the contrary notwithstanding, in no event may the interest rate borne by the Bonds exceed twelve percent (12%) per annum or, if lower, the maximum rate of interest which may be charged or collected pursuant to applicable provisions of federal or state law.

On any Interest Payment Date, the interest rate on the Bonds may be converted to a fixed annual rate of interest (the "Fixed Interest Rate") upon receipt by the Issuer, the Trustee, the Tender Agent, the Bank and the Remarketing Agent not less than 45 days in advance of the date on which the Bonds begin to bear interest at the Fixed Interest Rate (the "Fixed Rate Date") of (a) notice from the Borrower electing to have the interest rate on the Bonds converted to a Fixed Interest Rate, (b) an Opinion of Bond Counsel to the effect that conversion to a Fixed Interest Rate is permitted by the Indenture and the Act and that conversion to the Fixed Interest Rate in accordance with the provisions of the Indenture will not cause interest on the Bonds to not be Tax-exempt and (c) satisfaction of certain other conditions set forth in the Indenture.

After the Fixed Rate Date, interest on the Bonds shall be computed on the basis of a year of 360 days and 12 months of 30 days each. The interest rate on all Bonds from the Fixed Rate Date until the maturity or prior redemption or acceleration thereof shall be a rate per annum equal to the Fixed Interest Rate, which shall be determined as follows on or prior to, but not more than 15 days prior to, the Business Day immediately preceding the Fixed Rate Date. The Remarketing Agent shall specify the Fixed Interest Rate to be borne by the Bonds on and after the Fixed Rate Date.

The Fixed Interest Rate shall be the rate, but not exceeding the rate, which at the time of determination thereof in the judgment of the Remarketing Agent, having due regard for prevailing financial market conditions, would be necessary to remarket the Bonds at a price equal to 100% of the principal amount thereof on the Fixed Rate Date. If on the date of determination by the Remarketing Agent of the Fixed Interest Rate, the Fixed Interest Rate so determined is held by a court to be invalid or unenforceable, then the Fixed Interest Rate shall be a rate determined by the Remarketing Agent, not less than 90% or more than 130% of the "Alternate Fixed Rate," which in the judgment of the Remarketing Agent, having due regard for prevailing market conditions, would be the minimum rate at which registered owners of the Bonds would be able to sell the Bonds at a price equal to the principal amount thereof on the Fixed Rate Date. The Alternate Fixed Rate shall be determined by the Remarketing Agent and shall be a rate per annum based upon yield evaluations at par of Tax-exempt securities having a remaining term equal, as nearly as practicable, to the time remaining until the maturity of the

Bonds of not less than five Component Issues (as defined in the Indenture) selected by the Remarketing Agent each of which would be rated by either Moody's Investors Service, Inc. or Standard & Poor's Ratings Group in a long-term debt rating category which is the same as, or is immediately proximate to, the long-term debt rating category which will be assigned to the Bonds after the Fixed Rate Date. Anything to the contrary herein notwithstanding, the Fixed Interest Rate shall not exceed 12% per annum. If, after the Fixed Rate Date the Bonds shall fail to be converted to a Fixed Interest Rate, the Bonds will continue to earn interest at the Weekly Interest Rate as provided in the Indenture and the registered owners of the Bonds shall be notified thereof.

At least 30 days prior to the Fixed Rate Date, the Trustee shall give an irrevocable notice to the registered owners of the Bonds of conversion of the Weekly Interest Rate borne by the Bonds to the Fixed Interest Rate. Such notice shall (a) specify the proposed Fixed Rate Date, (b) require registered owners of all of the Outstanding Bonds to tender their Bonds for purchase on the Fixed Rate Date and (c) state that all Outstanding Bonds not purchased on or before the Fixed Rate Date pursuant to the Indenture will be deemed to be purchased on the Fixed Rate Date at a price equal to the principal amount thereof, plus unpaid interest, if any, accrued to such date.

Any Bond purchased by the Tender Agent from the date notice of the proposed Fixed Rate Date is given to registered owners of the Bonds through the Fixed Rate Date shall be remarketed at the Weekly Interest Rate for a period up to and including the Fixed Rate Date; provided, however, that all Bonds remarketed from the date notice of the proposed Fixed Rate Date is given to a registered owner of the Bonds through the Fixed Rate Date shall be tendered by the registered owner thereof on the Fixed Rate Date pursuant to the provisions of the Indenture.

The Bonds are also subject to mandatory tender for purchase on the date an alternate letter of credit is substituted for the Letter of Credit (the "Letter of Credit Substitution Date"). The Fixed Rate Date and the Letter of Credit Substitution Date are also referred to as the "Mandatory Tender Date."

All Bonds which on the Mandatory Tender Date have not been tendered for purchase ("Non-Tendered Bonds"), shall be deemed purchased by the Tender Agent on the Mandatory Tender Date at a price of the principal amount thereof plus unpaid interest, if any, accrued to such date. Replacement bonds for the Non-Tendered Bonds may be remarketed and delivered to new owners as instructed by the Borrower or the Remarketing Agent. The Tender Agent shall hold in escrow for the owners of the Non-Tendered Bonds the purchase price thereof, and after the Mandatory Tender Date such owners will no longer be entitled to any of the benefits of the Indenture except for the payment of such purchase price.

The Indenture provides that prior to the Fixed Rate Date, the Bonds may be delivered by the registered owners thereof to the Tender Agent at its principal corporate trust office in San Francisco, California or at such other place as the Tender Agent may designate in writing to the registered owners of the Bonds. Any Bond so delivered or notice with respect to which is received shall be purchased by the Tender Agent on demand of the registered owner thereof on the close of any Business Day at a purchase price equal to the principal amount thereof plus

accrued interest to but not including the date of purchase (unless such date is an Interest Payment Date, in which case the purchase price will be the principal amount of such Bond) upon:

(a) delivery to the Tender Agent of an irrevocable written notice by 4:00 p.m., California time, which states (i) the name and address of the registered owner of the Bond, (ii) the number or numbers of the Bond or Bonds to be purchased, (iii) the aggregate principal amount of the Bond or Bonds to be purchased, and (iv) the date on which the Bond is or Bonds are to be purchased, which date shall be a Business Day not prior to the seventh (7th) calendar day next succeeding the date of delivery of such notice; and

(b) delivery to the Tender Agent at or prior to 10:00 a.m., California time, on the Purchase Date specified in the aforesaid notice, of the Bond or Bonds to be tendered; provided, however, that any Bond for which a notice of the exercise of the purchase option has been given as

provided in subsection (a) above and which is not so delivered shall be deemed delivered on the date of purchase and shall be purchased in accordance with the Indenture.

The Bonds are subject to redemption by the Issuer upon the following terms in increments of $5,000, provided that in the event of redemption of less than all of the Bonds, the amount which remains Outstanding shall be in Authorized Denominations (as defined in the Indenture):

(i) The Bonds are not subject to sinking fund redemption.

(ii) On or prior to the Fixed Rate Date, the Bonds are subject to redemption on any Business Day, in whole or in part, to the extent of prepayments of amounts due under the Agreement made at the option of the Borrower, with the written approval of the Bank, at a redemption price of 100% of the principal amount of the Bonds redeemed, plus interest accrued thereon to the redemption date.

(iii) The Bonds Outstanding on the date of the occurrence of a Determination of Taxability (as defined in the Indenture) shall be redeemed in whole, at a price of 100% of the principal amount thereof plus interest accrued thereon to the redemption date, at any time within 60 days after such occurrence. IF THE LIEN OF THE INDENTURE IS DISCHARGED PRIOR TO THE OCCURRENCE OF A DETERMINATION OF TAXABILITY THE BONDS SHALL NOT BE REDEEMED AS DESCRIBED HEREIN.

(iv) The Bonds shall be redeemed in whole, at a redemption price equal to 100% of the principal amount thereof plus interest accrued thereon to the redemption date, on a redemption date not less than fifteen (15) days preceding the expiration date of the Letter of Credit selected by the Trustee if no Alternate Letter of Credit has been delivered to the Trustee in accordance with the Agreement.

(v) The Bonds are subject to redemption in whole or in part, on any date, at a redemption price equal to 100% of the principal amount of Bonds redeemed, plus interest accrued thereon to the redemption date, to the extent of prepayments or required prepayments of amounts due under the Agreement made at the option of the Borrower following the occurrence of damage to, or the destruction of, the Project, the taking thereof under the power of eminent domain or the Agreement is void unenforceable, impossible of performance or unlawful.

(vi) After the Fixed Rate Date, the Bonds are subject to redemption to the extent of prepayments of amounts due under the Agreement made at the option of the Borrower, with the consent of the Bank, in whole or in part, on any Interest Payment Date during the applicable periods specified below, at the applicable redemption price stated below, plus interest accrued thereon to the redemption date:

NUMBER OF YEARS FROM FIXED RATE DATE TO FINAL MATURITY	FIRST OPTIONAL REDEMPTION DATE	REDEMPTION PRICE
greater than 9 years	7 years from conversion	101%, declining .5% annually to 100%
6-9 years	6 years from conversion	100.5%, declining .5% annually to 100%
less than 6 years	no optional redemption	

Notwithstanding the optional redemption schedule set forth above, on or prior to the Fixed Rate Date, the Remarketing Agent may provide an alternate optional redemption schedule if it obtains an Opinion of Bond Counsel that such alternate schedule will not cause interest on the Bonds not to be Tax-exempt.

(vii) The Bonds shall be redeemed in whole, at a redemption price equal to 100% of the principal amount thereof, plus interest accrued thereon to the redemption date, within five calendar days (and before the following Saturday if the fifth calendar day is a Saturday) from the date the Trustee receives written notice from the Bank that the Bank will not reinstate the interest portion of the Letter of Credit or that an event of default has taken place under the Credit Agreement and directing the Trustee to redeem the Bonds.

(viii) The Bonds are subject to redemption, in part on any Interest Payment Date, at a redemption price equal to 100% of the principal amount thereof, plus accrued interest to the redemption date, to the extent of amounts remaining in the Project Fund upon completion of the Project which are deposited in the Surplus Account (as such terms are defined in the Indenture) as provided in the Indenture.

If an Event of Default (as defined in the Indenture) shall occur, the principal of all Bonds may be declared due and payable upon the conditions, in the manner and with the effect provided in the Indenture. The Indenture provides that in certain events such declaration and its consequences may be rescinded.

The Bonds are issuable as fully registered bonds without coupons in denominations of $100,000 or any multiple of $5,000 in excess of $100,000, provided that after the Fixed Rate Date the Bonds will be issued in denominations of $5,000 or any integral multiple thereof. This bond is transferable by the Registered Owner hereof, in person or by his attorney duly authorized in writing, but only in the manner, subject to the limitations and upon payment of the charges, if any, provided in the Indenture, and upon surrender and cancellation of this bond. Upon such transfer a new registered Bond or Bonds, of authorized denomination or denominations, for the same aggregate principal amount, will be issued to the transferee in exchange therefor.

The Indenture and the rights and obligations of the Issuer and of the registered owners of the Bonds and of the Trustee or Tender Agent may be modified or amended from time to time and at any time (and in certain cases without the consent of the registered owners of the Bonds) in the manner, to the

extent, and upon the terms provided in the Indenture; provided that no such modification or amendment shall (a) extend the fixed maturity of this bond, or reduce the amount of principal hereof, or extend the time of payment or change the method of computing the rate of interest hereon, or extend the time of payment of interest hereon, without the consent of the Registered Owner hereof, (b) reduce the percentage of Bonds the consent of the registered owners of which is required to effect any such modification or amendment, or permit the creation of any lien on the Revenues and other assets pledged as security for the Bonds prior to or on a parity with the lien created by the Indenture, or deprive the registered owners of the Bonds of the lien created by the Indenture on such Revenues and other assets (except as expressly provided in the Indenture), without the consent of the registered owners of all Bonds then outstanding, or (c) adversely affect the interests of the Tender Agent without its prior written consent. The Trustee shall not be required to consent to any such amendment which materially adversely affects its rights, duties and immunities under the Indenture or otherwise, all as more fully set forth in the Indenture.

If moneys or securities shall have been set aside and held for the payment or redemption of Bonds and the interest installments therefor to the maturity or redemption date thereof in accordance with the Indenture, such Bonds shall be deemed to be paid within the meaning provided in the Indenture and the pledge of Revenues and other assets made under the Indenture and all covenants, agreements and other obligations of the Issuer under the Indenture shall cease, terminate, become void and be completely discharged and satisfied.

It is hereby certified and recited that any and all conditions, things and acts required to exist, to have happened and to have been performed precedent to and in the issuance of this bond do exist, have happened and have been performed in due time, form and manner as required by the Act, and by the Constitution and laws of the State, and that the amount of this bond, together with all other indebtedness of the Issuer, does not exceed any limit prescribed by the Act, or by the Constitution and laws of the State, and is not in excess of the amount of Bonds permitted to be issued under the Indenture.

This bond shall not be entitled to any benefit under the Indenture, or become valid or obligatory for any purpose, until the certificate of authentication and registration hereon endorsed shall have been signed by the Trustee.

IN WITNESS WHEREOF, the California Infrastructure and Economic Development Bank has caused this bond to be executed in its name and on its behalf by the manual or facsimile signature of the Chair of the Issuer and attested by the manual or facsimile signature of its Secretary, all as of the date set forth above.

CALIFORNIA INFRASTRUCTURE AND
ECONOMIC DEVELOPMENT BANK

By _____
Chair

Attest:

By _____
Secretary

CERTIFICATE OF AUTHENTICATION AND REGISTRATION

This is one of the Bonds described in the within-mentioned Indenture, which has been registered on April 30, 1999.

U.S. BANK TRUST NATIONAL ASSOCIATION,
as Trustee

By _____
Authorized Signatory

ASSIGNMENT

For value received the undersigned do(es) hereby sell, assign and transfer unto (Insert name, address, zip code and Social Security, taxpayer or other identification numbers of Assignee) the within-mentioned registered Bond and hereby irrevocably constitute(s) and appoint(s) attorney, to transfer the same on the books of the Bond Registrar with full power of substitution in the premises.

Dated: _____

_____
Notice: The signature on this Assignment must correspond with the name of the Registered Owner as it appears upon the face of the within Bond in every particular without alteration or enlargement or any change whatsoever.

Signature guaranteed:

(NOTE: Signature must be guaranteed by an Eligible Guarantor Institution

Exhibit 10.23

TAX REGULATORY AGREEMENT

by and among

CALIFORNIA INFRASTRUCTURE AND ECONOMIC DEVELOPMENT BANK

U.S. BANK TRUST NATIONAL ASSOCIATION,
as Trustee,

and

ROLLER BEARING COMPANY OF AMERICA, INC.

DATED AS OF APRIL 1, 1999

EXECUTED AS PART OF THE PROCEEDINGS FOR THE
AUTHORIZATION AND ISSUANCE OF:

$4,800,000
CALIFORNIA INFRASTRUCTURE AND ECONOMIC DEVELOPMENT BANK
VARIABLE RATE DEMAND
INDUSTRIAL DEVELOPMENT REVENUE BONDS, SERIES 1999
(ROLLER BEARING COMPANY OF AMERICA, INC. - SANTA ANA PROJECT)

TABLE OF CONTENTS

(This Table of Contents is for convenience of reference only and is not part of the Tax Regulatory Agreement.)

TAX REGULATORY AGREEMENT

THIS TAX REGULATORY AGREEMENT (this "Tax Regulatory Agreement") is made and dated as of April 1, 1999, by and among CALIFORNIA INFRASTRUCTURE AND DEVELOPMENT BANK and its successors or assigns (the "Issuer"), ROLLER BEARING COMPANY OF AMERICA, INC., a corporation duly organized and existing under the laws of the State of Delaware and its successors or assigns (the "Borrower"), and U.S. BANK TRUST NATIONAL ASSOCIATION, solely in its capacity as trustee under the Indenture, as defined below (the "Trustee");

W I T N E S S E T H:

WHEREAS, the Issuer has authorized the issuance of $4,800,000 aggregate principal amount of its Variable Rate Demand Industrial Development Revenue Bonds, Series 1999 (Roller Bearing Company of America, Inc. (Santa Ana Facility) Project) (the "Bonds"), the proceeds of which are being loaned to the Borrower pursuant to a Loan Agreement, dated as of April 1, 1999, between the Issuer and the Borrower (the "Agreement"), to finance the acquisition and rehabilitation of a manufacturing facility and the acquisition and installation of certain manufacturing equipment, as more fully set forth in the Agreement (the "Project") and to pay a portion of the costs of issuance of the Bonds;

WHEREAS, the Borrower will use the Project in the manufacture of roller bearings and precision components or for the manufacture of other tangible personal property; and

WHEREAS, the Issuer has determined that the issuance, sale and delivery of the Bonds is needed to finance the Project; and

WHEREAS, this Tax Regulatory Agreement has been entered into by the Issuer, the Borrower and the Trustee to ensure compliance with the provisions of the Code (as hereinafter defined; and

WHEREAS, to ensure that interest on the Bonds will be and remain excludable from gross income under the Code, the restrictions listed in this Tax Regulatory Agreement must be satisfied.

NOW THEREFORE, the Issuer, the Borrower and the Trustee hereby agree as follows:

ARTICLE I

DEFINITIONS

SECTION 1.01. DEFINITIONS. The following words and phrases shall have the following meanings. Any capitalized word or term used herein but not defined herein shall have the same meaning given in the hereinafter defined Indenture.

"ABUSIVE ARBITRAGE DEVICE" means any action which has the effect of (a) enabling the Issuer or the Borrower to exploit the difference between taxable and tax-exempt interest rates to

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obtain a material financial advantage; and (b) overburdening the tax-exempt bond market as defined in ss. 1.148-10 of the Regulations.

"ACCOUNTING METHOD" means both the overall method used to account for the Gross Proceeds of the Bonds (e.g., the cash method or a modified accrual method) and the method used to account for or allocate any particular item within that overall accounting method (e.g., accounting for Investments, Expenditures, allocations to and from different sources and particular items of the foregoing).

"AGREEMENT" means the Loan Agreement, dated as of April 1, 1999, between the Issuer and the Borrower, and any amendments and supplements thereto.

"AVERAGE ECONOMIC LIFE" means the average reasonably expected economic life of the Facilities as defined in ss. 147(b) of the Code.

"AVERAGE MATURITY" means the average maturity of the Bonds as defined in ss. 147(b) of the Code.

"BOND COUNSEL" means a law firm of nationally recognized bond counsel who is requested to deliver its approving opinion with respect to the issuance of and the exclusion from federal income taxation of interest on the Bonds.

"BOND YEAR" means the period commencing April 1 of each calendar year and terminating on March 31 of the immediately succeeding calendar year during the term of the Bonds, except that the first Bond Year shall commence on the Date of Issuance and end on March 31, 2000 (unless a different period is required by the Regulations or selected by the Borrower pursuant to the Regulations).

"BOND YIELD" means the Yield of the Bonds calculated in accordance with Section 1.148-4 of the Regulations.

"BORROWER" means Roller Bearing Company of America, Inc., a corporation duly organized and existing under the laws of the State of Delaware or any entity which is the surviving, resulting or transferee entity in any merger, consolidation or transfer permitted under the Agreement.

"CAPITAL EXPENDITURE" means any cost of a type that is for the acquisition, construction, reconstruction or improvement of land or property of a character subject to the allowance for depreciation. For example, costs incurred to acquire, construct, reconstruct or improve land, buildings and equipment generally are Capital Expenditures. Whether an expenditure is a capital expenditure is determined at the time the expenditure is paid with respect to the property. Future changes in law do not affect whether an expenditure is a capital expenditure.

"CAPITAL PROJECT" means all Capital Expenditures that carry out the governmental purpose of the Bonds. For example, a Capital Project may include Capital Expenditures for one or more building improvements or equipment, plus related capitalized interest paid or accrued prior to the in-service date for the Capital Project.

"CLASS OF INVESTMENTS" means one of the following, each of which represents a different Class of Investments:

(a) Each category of yield restricted Purpose Investment and Program Investment, as defined in ss. 1.148-1(b), that is subject to a different definition of materially higher Yield under ss. 1.148-2(d)(2);

(b) Yield restricted Nonpurpose Investments; and

(c) All other Nonpurpose Investments.

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

"COMPUTATION DATE" means the Initial Computation Date, an Installment Computation Date or the Final Computation Date.

"COMPUTATION DATE CREDIT" means on the last day of each Bond Year during which there are Gross Proceeds subject to the rebate requirement of Article IV hereof, and on the Final Computation Date, the amount of $1,000.

"CONSISTENTLY APPLIED" means applied uniformly within a fiscal period and between fiscal periods to account for Gross Proceeds of an issue and any amounts that are in a commingled fund.

"COSTS OF ISSUANCE" means all costs incurred in connection with the issuance of the Bonds, other than fees paid to or on behalf of credit enhancers as fees for "qualified guarantees" as defined in ss. 1.148-4(f) of the Regulations or to the Issuer as a portion of its higher Yield permitted on the Agreement under ss. 1.148-2(d)(2) of the Regulations. Examples of Costs of Issuance include (but are not limited to):

(a) underwriter's spread (whether realized directly or derived through purchase of the Bonds at a discount below the price at which a substantial number of the Bonds are sold to the public) or placement agent's fee;

(b) counsel fees (including bond counsel, underwriter's counsel, placement agent's counsel, issuer's counsel, borrower's counsel, trustee's counsel, and any other specialized counsel fees incurred in connection with the issuance of the Bonds);

(c) financial advisor fees incurred in connection with the issuance of the Bonds;

(d) rating agency fees (except for any such fee that is paid in connection with or as a part of the fee for credit enhancement of the Bonds);

(e) trustee fees incurred in connection with the issuance of the Bonds;

(f) accountant fees incurred in connection with the issuance of the Bonds;

(g) printing costs (for the Bonds and of the preliminary and final offering circulars or official statements);

(h) costs incurred in connection with the required public approval process (e.g., publication costs for public notices generally and costs of the public hearing); and

(i) Issuer fees to cover administrative costs and expenses incurred in connection with the issuance of the Bonds.

"COSTS OF ISSUANCE FUND" means the Costs of Issuance Fund established pursuant to the Indenture.

"CURRENT OUTLAY OF CASH" means an outlay reasonably expected to occur not later than 5 banking days after the date as of which the allocation of Gross Proceeds to the Expenditure is made.

"DATE OF ISSUANCE" means April 30, 1999.

"DISCHARGED" means, with respect to any Bond, the date on which all amounts due with respect to such Bond are actually and unconditionally due, if cash is available at the place of payment, and no interest accrues with respect to such Bond after such date.

"ECONOMIC ACCRUAL METHOD" (also known as the CONSTANT INTEREST METHOD or ACTUARIAL METHOD) means the method of computing Yield that is based on the compounding of interest at the end of each compounding period.

"EXPENDITURE" means a book or record entry which allocates Proceeds of the Bonds in connection with a Current Outlay of Cash.

"FACILITIES" means the Manufacturing Facility financed or refinanced with the Proceeds of the Bonds and described in Exhibit A-2 hereto.

"FAIR MARKET VALUE" means the price at which a willing buyer would purchase an Investment from a willing seller in a bona fide, arm's-length transaction. Fair Market Value generally is determined on the date on which a contract to purchase or sell the Nonpurpose Investment becomes binding (i.e., the trade date rather than the settlement date). Except as otherwise provided in this definition, an Investment that is not of a type traded on an established securities market (within the meaning of ss. 1273 of the Code), is rebuttably presumed to be acquired or disposed of for a price that is not equal to its Fair Market Value. The Fair Market Value of a United States Treasury obligation that is purchased directly from the United States Treasury is its purchase price. The following guidelines shall apply for purposes of determining the Fair Market Value of the obligations described below:

(a) CERTIFICATES OF DEPOSIT. The purchase of certificates of deposit with fixed interest rates, fixed payment schedules and substantial penalties for early withdrawal will be deemed to be an Investment purchased at its Fair Market Value on the purchase date if the Yield on the certificate of deposit is not less than:

(i) the Yield on reasonably comparable direct obligations of the United States; and

(ii) the highest Yield that is published or posted by the provider to be currently available from the provider on reasonably comparable certificates of deposit offered to the public.

(b) GUARANTEED INVESTMENT CONTRACTS. A Guaranteed Investment Contract is a Nonpurpose Investment that has specifically negotiated withdrawal or reinvestment provisions and a specifically negotiated interest rate, and also includes any agreement to supply Investments on two or more future dates (e.g., a forward supply contract). The purchase price of a Guaranteed Investment Contract is treated as its Fair Market Value on the purchase date if:

(i) The Borrower makes a bona fide solicitation for a specified Guaranteed Investment Contract and receives at least three bona fide bids from providers that have no material financial interest in the issue (e.g., as underwriters or brokers);

(ii) The Borrower purchases the highest-Yielding Guaranteed Investment Contract for which a qualifying bid is made (determined net of broker's fees);

(iii) The Yield on the Guaranteed Investment Contract (determined net of broker's fees) is not less than the Yield then available from the provider on reasonably comparable Guaranteed Investment Contracts, if any, offered to other persons from a source of funds other than gross proceeds of tax-exempt bonds;

(iv) The determination of the terms of the Guaranteed Investment Contract takes into account as a significant factor the Borrower's reasonably expected drawdown schedule for the amounts to be invested, exclusive of amounts deposited in debt service funds and reasonably required reserve or replacement funds;

(v) The terms of the Guaranteed Investment Contract, including collateral security requirements, are reasonable; and

(vi) The obligor on the Guaranteed Investment Contract certifies the administrative costs that it is paying (or expects to pay) to third parties in connection with the Guaranteed Investment Contract.

"FINAL COMPUTATION DATE" means the date the last Bond is Discharged.

"FUTURE VALUE" means the Value of a Receipt or Payment at the end of any interval as determined by using the Economic Accrual Method and equals the Value of that Payment or Receipt when it is paid or received (or treated as paid or received), plus interest assumed to be

earned and compounded over the period at a rate equal to the Yield on the Bonds, using the same compounding interval and financial conventions used to compute the Yield on the Bonds.

"GROSS PROCEEDS" means any Proceeds or Replacement Proceeds of the Bonds.

"INDENTURE" means, the Indenture of Trust, dated as of April 1, 1999, between the Issuer and the Trustee, and any amendments and supplements thereto.

"Initial Computation Date" means the date a rebate calculation is required, if any, pursuant to Section 3.03(c) of the Indenture.

"INSTALLMENT COMPUTATION DATE" means the last day of the fifth Bond Year and each succeeding fifth Bond Year as stated in Section 4.01 hereof or the last day of any Bond Year prior to the fifth Bond Year selected by the Borrower.

"INVESTMENT" means any Purpose Investment or Nonpurpose Investment, including any other tax-exempt bond.

"INVESTMENT INSTRUCTIONS" means the letter of instructions set forth as an exhibit to the No Arbitrage Certificate of the Issuer dated the Date of Issuance.

"INVESTMENT PROCEEDS" means any amounts actually or constructively received from investing Proceeds of the Bonds.

"INVESTMENT-TYPE PROPERTY" means any property, other than property described in ss. 148(b)(2)(A), (B), (C) or (E) of the Code that is held principally as a passive vehicle for the production of income. Except as otherwise provided, a prepayment for property or services is Investment-Type Property if a principal purpose for prepaying is to receive an Investment return from the time the prepayment is made until the time payment otherwise would be made. A prepayment is not Investment-Type Property if--

(a) the prepayment is made for a substantial business purpose other than Investment return and the issuer has no commercially reasonable alternative to the prepayment, or

(b) prepayments on substantially the same terms are made by a substantial percentage of persons who are similarly situated to the issuer but who are not beneficiaries of tax-exempt financing.

"ISSUE PRICE" means, except as otherwise provided, issue price as defined in ss.ss. 1273 and 1274 of the Code. Generally, the Issue Price of bonds that are publicly offered is the first price at which a substantial amount of the bonds is sold to the public. Ten percent is a substantial amount. The public does not include bond houses, brokers or similar persons or organizations acting in the capacity of underwriters or wholesalers. The Issue Price does not change if part of the issue is later sold at a different price. The Issue Price of bonds that are not substantially identical is determined separately. The Issue Price of bonds for which a bona fide public offering is made is determined as of the sale date based upon reasonable expectations regarding the initial

public offering price. If a bond is issued for property, the applicable Federal tax-exempt rate is used in lieu of the Federal rate in determining the Issue Price under ss. 1274 of the Code. The issue price of bonds may not exceed their Fair Market Value as of the sale date. With respect to the Bonds, the Issue Price is $4,800,000.

"MANUFACTURING FACILITY" means a Capital Project that is used in the manufacturing or production of tangible personal property (including the processing resulting in a change in the condition of such property) including facilities that are directly related and ancillary to a Manufacturing Facility if such directly related and ancillary facilities are located on the same site as the Manufacturing Facility and not more than 25% of the net proceeds of an issue that finances the Manufacturing Facility (after deducting costs of issuance) are used to provide such directly related and ancillary facilities.

"NET SALE PROCEEDS" means Sale Proceeds, less the portion of those Sale Proceeds invested in a reasonably required reserve or replacement fund under ss. 148(d) of the Code and as part of a minor portion under ss. 148(e) of the Code.

"NONPURPOSE INVESTMENT" means any security, obligation, annuity contract or Investment type property as defined in ss. 148(b) of the Code, but excluding all obligations the interest on which is excludable from federal gross income. The term "Nonpurpose Investment" does not include the Borrower's obligations to make payments to the Issuer pursuant to the provisions of the Agreement.

"PAYMENTS" means, for purposes of computing the Rebate Amount, (a) amounts actually or constructively paid to acquire a Nonpurpose Investment (or treated as paid to a commingled fund); (b) for a Nonpurpose Investment that is allocated to an issue on a date after it is actually acquired (e.g., an Investment that becomes allocable to Transferred Proceeds or to Replacement Proceeds) or that becomes subject to the rebate requirement of the Code on a date after it is actually acquired (e.g., an Investment allocated to a reasonably required reserve or replacement fund for a construction issue at the end of the two-year spending period), the Value of that Investment on that date; (c) for a Nonpurpose Investment that was allocated to an issue at the end of the preceding computation period, the Value of that Investment at the beginning of the computation period; (d) on the last day of each Bond Year during which

there are amounts allocated to Gross Proceeds of an issue that are subject to the rebate requirement of the Code, and on the final maturity date, a Computation Date Credit; and (e) Yield Reduction Payments on Nonpurpose Investments made pursuant to ss. 1.148-5(c) of the Regulations. For purposes of computing the Yield on an Investment (including the Value of the Investment), Payment means amounts to be actually or constructively paid to acquire the Investment; provided, however, that payments made by a conduit borrower, such as the Borrower, are not treated as paid until the conduit borrower ceases to receive the benefit of earnings on those amounts. Payments on Investments, including Guaranteed Investment Contracts, are adjusted for Qualified Administrative Costs of acquiring a Nonpurpose Investment.

"PRE-ISSUANCE ACCRUED INTEREST" means amounts representing interest that accrued on an obligation for a period not greater than one year before the Date of Issuance but only if those amounts are paid within one year after the Date of Issuance.

"PRINCIPAL USER" means a person who is a principal owner, principal lessee, a principal output purchaser or "other" principal user and any Related Person to a Principal User. A principal owner is a person who at any time holds more than a 10% ownership interest (by value) in a facility or, if no person holds more than a 10% ownership interest, then the person (or persons in the case of multiple equal owners) who holds the largest ownership interest in the facility. A person is treated as holding an ownership interest if such person is an owner for federal income tax purposes generally. A principal lessee is a person who at any time leases more than 10% of the facility (disregarding portions used by the lessee under a short-term lease). The portion of a facility leased to a lessee is generally determined by reference to its fair rental value. A short-term lease is one which has a term of one year or less, taking into account all options to renew and reasonably anticipated renewals. A principal output purchaser is any person who purchases output of a facility, unless the total output purchased by such person during each one-year period beginning with the date such facility is placed in service is 10% or less of such facility's output during each such period. An "other" principal user is a person who enjoys a use of a facility (other than a short-term use) in a degree comparable to the enjoyment of a principal owner or a principal lessee, taking into account all the relevant facts and circumstances, such as the person's participation in control over use of such facility or its remote or proximate geographic location.

"PRIOR ISSUES" means any issue of tax-exempt obligations (whether or not the issuer of each issue is the same) to which Section 103(b)(6) of the 1954 Code or Section 144(a) of the Code applies.

"PROCEEDS" means any Sale Proceeds, Investment Proceeds and Transferred Proceeds of an issue. Proceeds do not include, however, amounts actually or constructively received with respect to a Purpose Investment that are properly allocable to the immaterially higher Yield under ss. 1.148-2(d) of the Regulations or section 143(g) of the Code or to Qualified Administrative Costs recoverable under ss. 1.148-5(e) of the Regulations.

"PROJECT" has the meaning given to such term in the preambles hereto.

"PROJECT FUND" means the Project Fund established pursuant to the Indenture.

"PURCHASE FUND" means the Purchase Fund established pursuant to the Indenture.

"PURPOSE INVESTMENT" means an Investment that is acquired to carry out the governmental purpose of an issue. The Agreement constitutes a Purpose Investment.

"QUALIFIED ADMINISTRATIVE COSTS" means reasonable, direct administrative costs, other than carrying costs, such as separately stated brokerage or selling commissions, but not legal and accounting fees, recordkeeping, custody and similar costs. General overhead costs and similar indirect costs of the issuer such as employee salaries and office expenses and costs associated with computing the Rebate Amount are not Qualified Administrative Costs. In general, administrative costs are not reasonable unless they are comparable to administrative costs that would be charged for the same Investment or a reasonably comparable Investment if acquired with a source of funds other than Gross Proceeds of tax-exempt bonds.

"QUALIFIED HEDGING TRANSACTION" means a contract which meets the requirements of ss. 1.148-4(h)(2) of the Regulations.

"REBATE AMOUNT" means the excess of the Future Value of all Receipts on Nonpurpose Investments over the Future Value of all the Payments on Nonpurpose Investments. Future Value is computed as of the Computation Date. Rebate Amount additionally includes any penalties and interest on underpayments reduced for recoveries of overpayments.

"REBATE ANALYST" shall mean the entity chosen by the Borrower and the Issuer in accordance with Section 4.06 hereof to determine the amount of required deposits to the Rebate Fund, if any.

"REBATE FUND" means the Rebate Fund established pursuant to the Indenture.

"RECEIPTS" means, for purposes of computing the Rebate Amount, (a) amounts actually or constructively received from a Nonpurpose Investment (including amounts treated as received from a commingled fund), such as earnings and return of principal; (b) for a Nonpurpose Investment that ceases to be allocated to an issue before its disposition or redemption date (e.g., an Investment that becomes allocable to Transferred Proceeds of another issue or that ceases to be allocable to the issue pursuant to the universal cap under ss. 1.148-6 of the Regulations) or that ceases to be subject to the rebate requirement of the Code on a date earlier than its disposition or redemption date (e.g., an Investment allocated to a fund initially subject to the rebate requirement of the Code but that subsequently qualifies as a bona fide debt service fund), the Value of that Nonpurpose Investment on that date; and (c) for a Nonpurpose Investment that is held at the end of a computation period, the Value of that Investment at the end of that period. For purposes of computing Yield on an Investment, Receipts means amounts to be actually or constructively received from the Investment, such as earnings and return of principal (including the Value of an Investment). Receipts on Investments, including Guaranteed Investment Contracts, are adjusted (reduced) for Qualified Administrative Costs.

"RECOMPUTATION EVENT" means a transfer, waiver, modification or similar transaction of any right that is part of the terms of the Bonds or a Qualified Hedging Transaction is entered into, or terminated, in connection with the Bonds.

"REGULATION" or "REGULATIONS" means the temporary, proposed or final Income Tax Regulations promulgated by the Department of the Treasury and applicable to the Bonds.

"RELATED PERSON" means any person if (a) the relationship to such person would result in a disallowance of loss under Sections 267 or 707(b) of the Code or (b) such person is a member of the same controlled group of corporations (as defined in Section 1563(a) of the Code, except that "more than 50 percent" shall be substituted for "at least 80 percent" each place it appears therein).

"REPLACEMENT PROCEEDS" means amounts which have a sufficiently direct nexus to the Bonds or to the governmental purpose of the Bonds to conclude that the amounts would have been used for that governmental purpose if the Proceeds of the Bonds were not used or to be used for that governmental purpose, as more fully defined in ss. 1.148-1(c) of the Regulations.

"REVENUE FUND" means the Revenue Fund established pursuant to the Indenture.

"SALE PROCEEDS" means any amounts actually or constructively received from the sale of the Bonds, including amounts used to pay underwriters' discount or compensation or placement agent's fee and accrued interest other than Pre-Issuance Accrued Interest.

"SLGS" means United States Treasury Certificates of Indebtedness, Notes and Bonds State and Local Government Series.

"TAX REGULATORY AGREEMENT" means this Tax Regulatory Agreement.

"TEST-PERIOD BENEFICIARY" means any person who is an owner or a Principal User of facilities financed by an issue or issues of tax-exempt obligations issued under the 1954 Code or the Code during the three-year period beginning on the later of the date such facilities were placed in service or the date of issuance for such issue or issues of tax-exempt obligations. For purposes of determining whether a person is a Test-Period Beneficiary, all persons who are Related Persons shall be treated as one person.

"TRANSFERRED PROCEEDS" means Proceeds of a refunding issue which become transferred proceeds of a refunding issue and cease to be Proceeds of a prior issue when Proceeds of the refunding issue discharge any of the outstanding principal amount of the prior issue. The amount of Proceeds of the prior issue that become transferred proceeds of the refunding issue is an amount equal to the Proceeds of the prior issue on the date of that discharge multiplied by a fraction:

(a) the numerator of which is the principal amount of the prior issue discharged with Proceeds of the refunding issue on the date of that discharge; and

(b) the denominator of which is the total outstanding principal amount of the prior issue on the date immediately before the date of that discharge.

"UNIVERSAL CAP" means the Value of all outstanding Bonds.

"VALUE" means Value as determined under ss. 1.148-4(e) of the Regulations for a Bond and Value determined under ss. 1.148-5(d) of the Regulations for an Investment.

"YIELD" means, for purposes of determining the Yield on the Bonds, the Yield computed under the Economic Accrual Method using consistently applied compounding intervals of not more than one year. A short first compounding interval and a short last compounding interval may be used. Yield is expressed as an annual percentage rate that is calculated to at least four decimal places (e.g., 5.2525%). Other reasonable, standard financial conventions, such as the 30 days per month/360 days per year convention, may be used in computing Yield but must be consistently applied. The Yield on an issue that would be a Purpose Investment (absent ss. 148(b)(3)(A) of the Code) is equal to the Yield on the conduit financing issue that financed that Purpose Investment. The Yield on a fixed yield issue is the discount rate that, when used in computing the present Value as of the issue date of all unconditionally payable payments of principal, interest and fees for qualified guarantees on the issue and amounts reasonably expected

to be paid as fees for qualified guarantees on the issue, produces an amount equal to the present Value, using the same discount rate, of the aggregate issue price of bonds of the issue as of the issue date. In the case of obligations purchased or sold at a substantial discount or premium, the Regulations prescribe certain special Yield calculation rules. For purposes of determining the Yield on an Investment, the Yield computed under the Economic Accrual Method, using the same compounding interval and financial conventions, shall be used to compute the Yield on the Bonds.

The Yield on an Investment allocated to the Bonds is the discount rate that, when used in computing the present Value as of the date the Investment is first allocated to the issue of all unconditionally payable receipts from the Investment, produces an amount equal to the present Value of all unconditionally payable payments for the Investment. The Yield on an Investment shall not be adjusted by any hedging transaction entered into in connection with such Investment unless the Issuer, the Trustee and the Borrower have received an opinion of Bond Counsel that such an adjustment is permitted by the Regulations. Yield shall be calculated separately for each Class of Investments.

"YIELD REDUCTION PAYMENT" means a payment to the United States with respect to an Investment which is treated as a Payment for that Investment that reduces the Yield on that Investment in accordance with ss. 1.148-5(c) of the Regulations. Yield Reduction Payments include Rebate Amounts paid to the United States.

"1954 CODE" means the Internal Revenue Code of 1954, as amended, as in effect on the effective date of the Code.

SECTION 1.02. RELIANCE ON BORROWER'S INFORMATION. Bond Counsel and the Issuer shall be permitted to rely upon the contents of any certification, document or instructions provided pursuant to this Tax Regulatory Agreement and shall not be responsible or liable in any way for the accuracy

of their contents or the failure of the Borrower to deliver any required information.

ARTICLE II

CERTAIN REPRESENTATIONS BY THE BORROWER

SECTION 2.01. DESCRIPTION OF THE PROJECT AND DESCRIPTION OF THE FACILITIES. The Borrower hereby represents and warrants for the benefit of the Issuer, the Trustee and the registered owners of the Bonds that:

(a) The description of the Project set forth in the preambles hereto and the description of the Facilities set forth in Exhibit A-2 hereto are true and accurate.

(b) The Facilities constitute a Manufacturing Facility of roller bearings and precision components or facilities directly related and ancillary to such Manufacturing Facility.

(c) The portion of the Facilities which constitutes directly related and ancillary facilities serves solely the manufacturing portion of the Facilities, is on the same

site as the manufacturing portion of the Facilities and is financed with not more than 25% of the net Proceeds of the Bonds. In addition, with respect to the portion of the Facilities to be used for offices, not more than a DE MINIMIS amount of the functions to be performed at such offices is not directly related to day-to-day operations of the Facilities (e.g., a salesman's office is not related to day-to-day operations of the Facilities).

(d) The Facilities were placed in service no earlier than March, 1998.

SECTION 2.02. CAPITAL EXPENDITURES. The Borrower hereby represents and warrants for the benefit of the Issuer, the Trustee and the registered owners of the Bonds that:

(a) During the period beginning three years before the Date of Issuance and ending on the Date of Issuance, the aggregate amount of Capital Expenditures (including any expenditure that was or could have been treated as a Capital Expenditure under any rule or election under the Code) paid or incurred, excluding those to be paid or reimbursed with Proceeds of the Bonds, with respect to (i) facilities located in the incorporated municipality (or unincorporated county) in which the Facilities are located and (ii) the Principal User of which was or is the Borrower, any other Principal User of the Facilities or any Related Person thereto, was $756,407.

(b) During the period beginning on the Date of Issuance and ending on the date three years after the Date of Issuance, the aggregate amount of Capital Expenditures (including any expenditure that was or could have been treated as a Capital Expenditure under any rule or election under the Code) expected to be incurred, excluding those to be paid or reimbursed with Proceeds of the Bonds, with respect to (i) facilities located in the incorporated municipality (or unincorporated county) in which the Facilities are located and (ii) the Principal User of which was or is the Borrower, any other Principal User of the Facilities or any Related Person thereto, is anticipated to be $1,500,000.

(c) The amount of capitalized interest to be paid on all financings for the Facilities excluding that paid from Proceeds of the Bonds is $0. The amount of capitalized interest to be paid in connection with the Facilities paid from Proceeds of the Bonds is $0.

(d) The sum of (i) the Capital Expenditures described in paragraph (a) above plus (ii) the actual Capital Expenditures to be incurred as described in paragraphs (b) and (c) plus (iii) the aggregate outstanding amount of all $1 million or $10 million exempt small issues set forth in Section 2.03(a) below plus (iv) the greater of the Issue Price or the par amount of the Bonds shall not exceed $10 million.

(e) The information contained in subsections (a), (b), (c) and (d) above, which has been provided to the Issuer to enable the Issuer to elect to qualify the Bonds for the $10,000,000 exemption afforded by Section 144(a)(4) of the Code, is true, accurate and complete. The Issuer hereby elects to issue the Bonds pursuant to the exemption afforded by Section 144(a)(4) of the Code.

(f) The Facilities will not be sold, leased or the use otherwise transferred to a person other than the Borrower, any other Principal User of the Facilities or any Related Person thereto identified as of the Date of Issuance during the three-year period ending three years after the Date of Issuance, unless the Borrower has received an approving opinion of Bond Counsel to the effect that such sale, lease or transfer will not adversely affect the tax-exempt status of the Bonds.

SECTION 2.03. PRIOR ISSUES AND $40 MILLION LIMIT. The Borrower hereby represents and warrants for the benefit of the Issuer, the Trustee and the registered owners of the Bonds that:

(a) The aggregate face amount of all Prior Issues outstanding as of the Date of Issuance, the proceeds of which were or will be used to any extent with respect to facilities located in the incorporated municipality (or unincorporated county) in which the Facilities are located and the Principal Users of such facilities are the Borrower, any other Principal User of the Facilities or any Related Person thereto, is $-0-.

(b) The aggregate face amount of all Prior Issues and all exempt facility bonds, qualified redevelopment bonds and industrial development bonds as defined in the 1954 Code or the Code outstanding as of the Date of Issuance, the proceeds of which were used by or were allocated to the Borrower, any other Principal User of the Facilities or any Related Person thereto as a Test-Period Beneficiary is $10,700,000.

SECTION 2.04. FEDERAL TAX RETURN INFORMATION. The Facilities have a SIC Code Number of 2013. The Borrower files its federal income tax return at the Internal Revenue Service Center in Andover, Maryland. The federal employer identification number of the Borrower is 13-3426227.

SECTION 2.05. COMPOSITE ISSUES. The Borrower hereby represents and warrants for the benefit of the Issuer, the Trustee and the registered owners of the Bonds that:

(a) During the period beginning 15 days prior to the sale date of the Bonds and ending 15 days thereafter none of the Borrower, any other Principal User of the Facilities or any Related Person thereto sold, guaranteed, arranged, participated in, assisted with, borrowed the proceeds of, or leased facilities financed by obligations issued under Section 103 of the 1954 Code or Section 103 of the Code by any state or local governmental unit or any constituted authority empowered to issue obligations by or on behalf of any state or local governmental unit.

(b) During the period commencing on the Date of Issuance and ending 15 days thereafter, there will be no obligations sold or issued under Section 103 of the 1954 Code or the Code that are guaranteed by the Borrower, any other Principal User of the Facilities or any Related Person or which are issued with the assistance or participation of, or by arrangement with, the Borrower, any other Principal User of the Facilities or any Related Person without the written opinion of Bond Counsel to the effect that the issuance of such obligations will not adversely affect their opinion as to the exclusion from gross income for federal income tax purposes of interest with respect to the Bonds.

(c) Other than the Borrower, any other Principal User of the Facilities or any Related Person, no person (or Related Person to such other person) has (i) guaranteed, arranged, participated in, assisted with the issuance of, or paid any portion of the Costs of Issuance of the Bonds or (ii) provided any property or any franchise, trademark or trade name (within the meaning of Section 1253 of the Code) which is to be used in connection with the Facilities.

SECTION 2.06. PROHIBITED USES. The Borrower hereby represents and warrants for the benefit of the Issuer, the Trustee and the registered owners of the Bonds that no portion of the Proceeds of the Bonds is being used to provide a facility, a purpose of which is retail food and beverage services, automobile sales or service, or the provision of recreation or entertainment. No portion of the proceeds of the Bonds is being used to provide any private or commercial golf course, country club, health club, massage parlor, tennis club, skating facility (including roller skating, skateboarding and ice skating), racquet sports facility (including any handball, squash or racquetball court), hot tub facility, suntan facility, racetrack, skybox or other luxury box, airplane, store the principal business of which is the sale of alcoholic beverages for consumption off premises, or facility used primarily for gambling. No portion of the Proceeds of the Bonds is being used directly or indirectly to provide residential real property for single- or multi-family units.

SECTION 2.07. NO COMPOSITE PROJECT. The Borrower hereby represents and warrants for the benefit of the Issuer, the Trustee and the registered owners of the Bonds that the Facilities are a stand-alone Manufacturing Facility unconnected to any other facility and do not share any portion of substantial common facilities with any other building (other than the Facilities), (b) an enclosed shopping mall or (c) a strip of offices, stores or warehouses.

SECTION 2.08. ACQUISITION OF EXISTING PROPERTY. The Borrower hereby represents and warrants for the benefit of the Issuer, the Trustee and the registered owners of the Bonds that a portion of the Proceeds of the Bonds in the amount of $1,986,000 will be used to pay the cost of acquisition of real property (other than land or any interest therein) the first use of which will not be pursuant to the acquisition with the Proceeds of the Bonds. The Owner will meet the rehabilitation requirements of Section 147(d)(3) through the rehabilitation and improvement of the Facilities within the two-year period following the later of the Date of Issuance or the date the existing property is acquired. An amount equal to $1,307,137 will be used to accomplish such rehabilitation and improvement, which amount is greater than the 15% of the amount of Bond proceeds used to acquire such existing property.

SECTION 2.09. LAND ACQUISITION LIMIT AND NO ACQUISITION OF FARMLAND. The Borrower hereby represents and warrants for the benefit of the Issuer, the Trustee and the registered owners of the Bonds that:

(a) The amount of Proceeds of the Bonds expended for land will not exceed $364,000, which is not greater than 25% of the Proceeds of the Bonds.

(b) No portion of the Proceeds of the Bonds will be used directly or indirectly for the acquisition of land or any interest therein to be used for the purpose of farming.

SECTION 2.10. REPRESENTATIONS BY THE BORROWER FOR PURPOSES OF IRS FORM 8038. Section 149(e) of the Code requires as a condition to qualification for tax-exemption that the Issuer provide to the Secretary of the Treasury certain information with respect to the Bonds and the application of the proceeds derived therefrom. The following representations of the Borrower will be relied upon by the Issuer and Bond Counsel in satisfying this information reporting requirement. Accordingly, the Borrower hereby represents, covenants and warrants to the best of its knowledge, for the benefit of the Issuer, Bond Counsel and the registered owners of the Bonds, the truth and accuracy of (c) through (t) below:

(a)	Issuer’s employer identification number		68-0304653
(b)	Number of 8038 reports previously filed by the Issuer this calendar year		1
(c)	Issue price of the Bonds	$	4,800,000
(d)	Proceeds used for Accrued Interest	$	0
(e)	Costs of Issuance (including Underwriter’s Discount)	$	96,000
(f)	Reasonably required Reserve Fund Deposits	$	0
(g)	Proceeds used for Credit Enhancement	$	0

(h)	Proceeds used to refund prior issue	$	0
(i)	Nonrefunding Proceeds	$	4,704,000
(j)	Date of final maturity of the Bonds		April 1, 2024
(k)	Interest Rate on the final maturity of the Bonds		VR
(l)	Issue price of the final maturity of the Bonds	$	4,800,000
(m)	Issue price on the entire issue of the Bonds	$	4,800,000
(n)	Stated redemption price at maturity of the final maturity of the Bonds	$	4,800,000
(o)	Stated redemption price at maturity of the entire issue of the Bonds	$	4,800,000
(p)	Weighted average maturity of the entire issue of the Bonds		24.92 years
(q)	Yield on the entire issue of the Bonds		VR
(r)	Net interest cost for the entire issue of the Bonds		VR
(s)	The Standard Industrial Classification Code(s) for the Facilities is		3562
(t)	Type of Property financed by Nonrefunding Proceeds of the Bonds:		
	Land	$	364,000
	Buildings	$	1,986,000
	Equipment with recovery period of more than 5 years	$	1,046,863
	Equipment with recovery period of 5 years or less	$	0
	Other	$	1,307,137
	Total	$	4,704,000

ARTICLE III

USE OF BOND PROCEEDS

SECTION 3.01. ANTICIPATED USE OF PROCEEDS. The Borrower covenants, represents and warrants for the benefit of the Issuer, the Trustee and the registered owners of the Bonds that the Proceeds of the Bonds will be used in the manner set forth in Exhibit A-2 hereto and that the Proceeds of the Bonds will be invested in accordance with the Investment Instructions.

SECTION 3.02. CERTIFICATION AS TO COSTS OF THE PROJECT. The Borrower hereby certifies, with respect to the amounts shown in Exhibit A-1, that such amounts consist only of costs which are directly related to and necessary for the financing of the Project.

ARTICLE IV

ARBITRAGE

SECTION 4.01. ARBITRAGE REPRESENTATIONS AND ELECTIONS. In connection with the issuance of the Bonds, the Borrower hereby represents, certifies and warrants as follows:

(a) The Borrower has entered into contracts with third parties for the acquisition, construction and equipping of the Facilities obligating an expenditure in excess of 5% of the Net Sale Proceeds of the Bonds and the Borrower will proceed with due diligence in completing the Facilities and in allocating the Net Sale Proceeds of the Bonds to such Expenditures.

(b) The Borrower will use a reasonable, Consistently Applied Accounting Method to account for Gross Proceeds, Investments and Expenditures for the Bonds. The Borrower shall additionally use a Consistently Applied Accounting Method for allocating Proceeds of the Bonds to Expenditures, subject to the Current Outlay of Cash rule.

(c) The Borrower shall not commingle Proceeds of the Bonds with any other funds.

(d) In connection with the Bonds, there has not been created or established and the Borrower does not expect that there will be created or established, any sinking fund, pledged fund or similar fund (other than as specifically identified in the Indenture), including without limitation any

arrangement under which money, securities or obligations are pledged directly or indirectly to secure the Bonds or any contract securing the Bonds or any arrangement providing for compensating or minimum balances to be maintained by the Borrower with any registered owner or credit enhancer of the Bonds.

(e) The allocation of Net Proceeds of the Bonds to the reimbursement portion of the costs of the Facilities will be made as of and completed on the Date of Issuance. The declaration of official intent required by ss. 1.150-2 of the Regulations with respect to Net Proceeds of the Bonds used to reimburse the Borrower for certain Capital Expenditures made in connection with the Facilities is attached hereto as Exhibit D.

(f) The Borrower reasonably expects that 85% of the Net Sale Proceeds of the Bonds will be used to complete the Facilities within three years of the Date of Issuance and not more than 50% of the Proceeds of the Bonds will be invested in Nonpurpose Investments having a substantially guaranteed Yield for four years or more. The Borrower reasonably expects that the Net Sale Proceeds of the Bonds deposited to the Project Fund will be expended in accordance with the schedule contained in the No Arbitrage Certificate executed and delivered by the Issuer in connection with the issuance and delivery of the Bonds.

(g) All funds and accounts established pursuant to the Indenture will be invested pursuant to the No Arbitrage Certificate executed by the Issuer on the Date of Issuance and the Investment Instructions delivered to the Issuer and the Borrower on the Date of Issuance.

(h) The Borrower will not enter into and will not direct the Trustee to engage in any Abusive Arbitrage Devises. If the Borrower directs the Trustee to invest any of the Gross Proceeds in certificates of deposit or pursuant to an investment contract or a certificate of deposit, the Borrower will obtain and provide to the Trustee certifications in the form attached hereto as Exhibit B.

(i) The Borrower hereby makes, and the Issuer hereby accepts, the following elections and other choices pursuant to the Regulations with respect to the Bonds:

(i) The Borrower elects the bond year stated in the definition of the Bond Year.

(ii) The Borrower elects to avail itself of all unrestricted yield investments granted in the Regulations for temporary period, reasonably required reserve fund and minor portion investments.

(iii) The Borrower elects to treat the last day of the fifth Bond Year (March 31, 2004) as the initial Installment Computation Date and the initial rebate payment date. The Borrower elects to treat the last day of each subsequent fifth

Bond Year as subsequent Installment Computation Dates and subsequent rebate payment dates. The Borrower may change or adjust such dates as permitted by the Regulations.

(iv) With respect to the Universal Cap, the Borrower as of the Date of Issuance does not expect that the operation of the Universal Cap will result in a reduction or reallocation of Gross Proceeds of the Bonds and that the Borrower (A) does not expect to pledge funds (other than those described in the Indenture) to the payment of the Bonds; (B) expects to expend Sale Proceeds of the Bonds within the expected temporary periods; and (C) does not expect to retire any of the Bonds earlier than shown in the Yield computations for the Bonds pursuant to this Article IV.

SECTION 4.02. ARBITRAGE COMPLIANCE.

(a) The Borrower and the Issuer acknowledge that the continued exclusion of interest on the Bonds from gross income of the recipients thereof for purposes of federal income taxation depends, in part, upon compliance with the arbitrage limitations imposed byss. 148 of the Code, including the rebate requirement described in Section 4.03 below. The Borrower and the Issuer hereby agree and covenant that they shall not permit at any time or times any of the Proceeds of the Bonds or other funds of the Borrower to be used, directly or indirectly, to acquire any asset or obligation, the acquisition of which would cause the Bonds to be “arbitrage bonds” for purposes ofss. 148 of the Code. The Borrower further agrees and covenants that it shall, to the extent that any Proceeds of the Bonds are invested in any Investment which is not Investment Securities, do and perform all acts and things necessary in order to ensure that the requirements ofss. 148 of the Code and the Regulations are met. To the extent that Proceeds of the Bonds are invested in any Investment which is not an Investment Security, the Borrower shall retain, at its own expense, a Rebate Analyst to make such determinations and calculations as may be necessary in order to ensure that the Borrower takes the actions described in Sections 4.02 through 4.06 hereof with respect to the Investment of Gross Proceeds on deposit in the funds and accounts established under the Indenture. If the Borrower fails to retain such a Rebate Analyst, the Issuer shall, upon being notified in writing of such failure, at the Borrower’s expense, retain such a Rebate Analyst. The Borrower shall direct the Trustee to make the required transfers and dispositions described in Sections 4.02, 4.03 and 4.04 hereof, and the Trustee may rely upon information provided by the Borrower.

(b) The Revenue Fund and the Purchase Fund will be used primarily to achieve a proper matching of revenues and debt service on the Bonds within each Bond Year. With respect to the Revenue Fund and the Purchase Fund: (i) to the extent amounts are deposited therein, the Revenue Fund and the Purchase Fund will be depleted at least once a year except for a carryover amount not to exceed in the aggregate the greater of one-twelfth of the principal and interest payments on the Bonds for the immediately preceding Bond Year or the earnings on the Revenue Fund and the Purchase Fund for the immediately preceding Bond Year; (ii) any amounts contributed to the Revenue Fund and the Purchase Fund will be spent within thirteen (13) months of the

date of such contribution to pay debt service on the Bonds; and (iii) any amount received from the investment or reinvestment of moneys held in the Revenue Fund and the Purchase Fund will be spent within one year of receipt thereof, all in accordance with the Indenture. To the extent the provisions of this Section 4.2(b) are satisfied, amounts in the Revenue Fund and the Purchase Fund will be invested without regard to yield and no rebate calculations will need to be made with respect to any moneys in the Revenue Fund or the Purchase Fund during any Bond Year.

(c) In general, no rebate calculations will be required with respect to Sale Proceeds or Investment Proceeds if (i) 100% of expected Gross Proceeds actually are spent within six (6) months after the Date of Issuance or (ii) at least 15% of expected Gross Proceeds actually are spent within six (6) months after the Date of Issuance, at least 60% of expected Gross Proceeds actually are spent within twelve (12) months after the Date of Issuance, and 100% of actual Gross Proceeds actually are spent within eighteen (18) months after the Date of Issuance. The requirement that 100% of actual Gross Proceeds be spent within eighteen (18) months after the Date of Issuance will be met if at least 95% of Gross Proceeds is spent within eighteen (18) months and the remainder is held as a reasonable retainage and such remainder is spent within thirty months after the Date of Issuance.

SECTION 4.03. CALCULATION OF REBATE AMOUNT.

(a) ss. 148(f) of the Code requires the payment to the United States of the Rebate Amount. Except as provided below, the Revenue Fund, the Project Fund, the Costs of Issuance Fund, the Rebate Fund and all other funds or accounts treated as containing Gross Proceeds, are subject to this rebate requirement.

(b) In accordance with the requirements set out in the Code and pursuant to the Indenture, the Issuer has created the Rebate Fund, to be held by the Trustee, in its capacity as Trustee under the Indenture, and used as provided in this Section.

(i) On or before 25 days following each Computation Date, upon the Borrower's written direction, an amount shall be deposited to the Rebate Fund by the Trustee from source or sources stated in such direction so that the balance of the Rebate Fund shall equal the aggregate Rebate Amount as of such determination date.

(ii) Amounts deposited in the Rebate Fund shall be invested in accordance with the Investment Instructions by the Trustee at the written direction of the Borrower.

(iii) All money at any time deposited in the Rebate Fund shall be held by the Trustee, to the extent required by this Tax Regulatory Agreement and the Indenture, for payment to the United States of America of the Rebate Amount. All amounts deposited into or on deposit in the Rebate Fund shall be governed by this Tax Regulatory Agreement.

(iv) For purposes of crediting amounts to the Rebate Fund or withdrawing amounts from the Rebate Fund, Nonpurpose Investments shall be valued in the manner provided in this Article.

(c) In order to meet the rebate requirement of ss. 148(f) of the Code, the Borrower agrees and covenants to take, or cause to be taken by the Trustee or the Rebate Analyst described in Section 4.06 hereof, as appropriate, the following actions:

(i) For each Investment of amounts held with respect to the Bonds in (A) the Revenue Fund, (B) the Purchase Fund, (C) the Project Fund, (D) the Costs of Issuance Fund and (E) the Rebate Fund, the Trustee shall record the purchase date of such Investment, its purchase price, accrued interest due on its purchase date, its face amount, its coupon rate, its Yield, the frequency of its interest payment, its disposition price, accrued interest due on its disposition date and its disposition date. The Rebate Analyst retained by the Borrower shall determine the Fair Market Value for such Investments and the Yield thereon as may be required by the Regulations. The Yield for an Investment shall be calculated by using the method set forth in the Regulations.

(ii) For each Computation Date specified in paragraph (iii) below, the Rebate Analyst shall compute the Yield on the Bonds as required by the Regulations based on the definition of issue price contained in Section 148(h) of the Code and the Regulations. The Bonds are a variable rate issue and accordingly the yield on the Bonds cannot be determined at this time. The Yield on the Bonds shall be calculated by the Rebate Analyst at such time in order to comply with this Tax Regulatory Agreement and the Regulations based on the definitions of issue price contained in Section 148(h) of the Code using payments or prepayments of the principal of, premium, if any, and interest on the Bonds required by the Regulations. For purposes of this Tax Regulatory Agreement the initial offering price to the public (not including bond houses and brokers, or similar persons or organizations acting in the capacity of underwriters or wholesalers) at which a substantial amount of the Bonds were sold is the Issue Price. Any reasonable amounts paid for credit enhancement have been and may generally be treated as interest on the Bonds for purposes of Yield computation to the extent permitted by the Regulations.

(iii) Subject to the special rules set forth in paragraphs (iv) and (v) below, the Rebate Analyst shall determine the amount of earnings received on all Nonpurpose Investments described in paragraph (i) above, for each Computation Date. In addition, where Nonpurpose Investments are retained by the Trustee after retirement of the Bonds, any unrealized gains or losses as of the date of retirement of the Bonds must be taken into account in calculating the earnings on such Nonpurpose Investments to the extent required by the Regulations.

(iv) In determining the Rebate Amount computed pursuant to this Section, (A) all earnings on any bona fide debt service fund (including the Revenue Fund and the Purchase Fund) shall not be taken into account for any

Bond Year during which the gross earnings of such funds total less than $100,000, (B) the Universal Cap applicable to the Bonds pursuant to ss. 1.148-6(b)(2) of the Regulations shall be taken into account, (C) all of the Borrower's elections and other choices set forth in Section 4.01 hereof shall be taken into account and (D) all spending exceptions to rebate met by the Borrower shall be taken into account.

(v) For each Computation Date specified in paragraph (iii) above, the Rebate Analyst shall calculate for each Investment described in paragraphs (i) and (iii) above, an amount equal to the earnings which would have been received on such Investment at an interest rate

equal to the Yield on the Bonds as described in paragraph (ii) above. The method of calculation shall follow that set forth in the Regulations.

(vi) For each Computation Date, the Rebate Analyst shall determine the amount of earnings received on all Investments held in the Rebate Fund for the Computation Date. The method of calculation shall follow that set forth in the Regulations.

(vii) For each Computation Date, the Rebate Analyst shall calculate the Rebate Amount, by any appropriate method to be described in the Code and Regulations applicable or which becomes applicable to the Bonds. The determination of the Rebate Amount shall account for the amount (to be rounded down to the nearest multiple of $100) equal to the sum of all amounts determined in paragraph (iii), all amounts determined in paragraphs (v) and (vi), and less any amount which has previously been paid to the United States pursuant to Section 4.04 below. The Rebate Analyst shall notify the Trustee of the Rebate Amount.

(viii) If the Rebate Amount exceeds the amount on deposit in the Rebate Fund, the Borrower shall immediately pay such amount to the Trustee for deposit into the Rebate Fund.

SECTION 4.04. PAYMENT TO UNITED STATES.

(a) Not later than sixty (60) days after each Installment Computation Date (or such longer period as may be permitted by the Regulations), the Trustee shall pay to the United States an amount that, when added to the Future Value as of such Computation Date of previous rebate payments made for the Bonds, equals at least ninety percent (90%) of the Rebate Amount required to be on deposit in the Rebate Fund as of such payment date. No later than sixty (60) days after the Final Computation Date the Trustee shall pay to the United States an amount that, when added to the Future Value as of such Computation Date of previous rebate payments made for the Bonds, equals at least one hundred percent (100%) of the balance remaining in the Rebate Fund.

(b) The Trustee shall mail each payment of an installment to the Internal Revenue Service Center, Philadelphia, Pennsylvania 19255. Each payment shall be

accompanied by Internal Revenue Form 8038-T, and, if necessary, a statement summarizing the determination of the Rebate Amount.

(c) If on any Computation Date, the aggregate amount earned on Nonpurpose Investments in which the Gross Proceeds of the Bonds are invested is less than the amount that would have been earned if the obligations had been invested at a rate equal to the Yield on the Bonds as determined in Section 4.03 hereof, such deficit may at the written request of the Borrower be withdrawn from the Rebate Fund and paid to the Borrower or as the Borrower shall direct. The Borrower may direct that any overpayment of rebate may be recovered from any Rebate Amount previously paid to the United States pursuant to ss. 1.148-3(i) of the Regulations.

(d) The Borrower shall also pay any penalty or interest on underpayments of Rebate Amount not paid in a timely manner pursuant to this Tax Regulatory Agreement, the Code and the Regulations.

SECTION 4.05. RECORDKEEPING. In connection with the rebate requirement, the Borrower and the Trustee shall maintain the following records:

(a) The Borrower and the Trustee shall record all amounts paid to the United States pursuant to Section 4.04 hereof. The Trustee shall furnish to the Issuer and the Borrower copies of any materials filed with the Internal Revenue Service pertaining thereto and shall provide the Issuer and the Borrower with all records in its possession that the Issuer, the Borrower or the Rebate Analyst may request relating to the calculation of any Rebate Amount.

(b) The Borrower and the Trustee shall retain records of the rebate calculations until six years after the retirement of the last obligation of the Bonds.

SECTION 4.06. REBATE ANALYST

(a) To the extent required to comply with the provisions of Section 4.02 hereof, the Borrower shall appoint a Rebate Analyst and any successor Rebate Analyst for the Bonds reasonably acceptable to the Issuer, subject to the conditions set forth in this Section. The Rebate Analyst and each successor Rebate Analyst shall signify its acceptance of the duties imposed upon it hereunder by a written instrument of acceptance delivered to the Trustee, the Issuer and the Borrower under which such Rebate Analyst will agree to discharge its duties pursuant to this Tax Regulatory Agreement in a manner consistent with prudent industry practice.

(b) The Rebate Analyst may at any time resign and be discharged of the duties and obligations created by this Tax Regulatory Agreement by giving notice to the Trustee, the Issuer and the Borrower. The Rebate Analyst may be removed at any time by an instrument signed by the Issuer and the Borrower and filed with the Issuer, the Borrower and the Trustee. The Borrower and the Issuer shall, upon the resignation or removal of the Rebate Analyst, appoint a successor Rebate Analyst.

(c) Each successor Rebate Analyst appointed pursuant to this Section shall be either a firm of independent accountants or Bond Counsel or another entity experienced in calculating rebate payments required by ss. 148(f) of the Code.

(d) In order to provide for the administration of the matters pertaining to arbitrage rebate calculations set forth herein, and in the Investment Instructions and No Arbitrage Certificate, the Trustee, the Borrower and the Issuer may provide for the employment of the Rebate Analyst on or prior to March 31, 2004. The Trustee and the Issuer may rely conclusively upon and shall be fully protected from all liability in relying upon the

opinions, calculations, determinations, directions and advice of the Rebate Analyst. The charges and fees for such Rebate Analyst shall be paid by the Borrower upon presentation of an invoice for services rendered in connection therewith.

ARTICLE V

COMPLIANCE WITH CODE

In order to ensure that interest on the Bonds is excludable from the gross income of the recipients thereof for purposes of federal income taxation, the Borrower hereby represents and covenants as follows:

(a) The Average Maturity of the Bonds does not exceed 120% of the Average Economic Life of the Facilities within the meaning of ss. 147(b) of the Code as set forth in Exhibit C hereto.

(b) The Bonds are not and shall not become directly or indirectly "federally guaranteed." Unless otherwise excepted underss. 149(b) of the Code, the Bonds will be considered "federally guaranteed" if (i) the payment of principal and interest with respect to the Bonds is guaranteed (in whole or in part) by the United States (or any agency or instrumentality thereof), (ii) 5% or more of the Proceeds of the Bonds is (A) to be used in making loans, the payment of principal or interest with respect to which are to be guaranteed (in whole or in part) by the United States (or any agency or instrumentality thereof) or (B) to be invested (directly or indirectly) in federally insured deposits or accounts or (iii) the payment of principal or interest on the Bonds is otherwise indirectly guaranteed (in whole or in part) by the United States (or any agency or instrumentality thereof).

(c) The Borrower will provide to the Issuer all information necessary to enable the Issuer to complete and file Internal Revenue Forms 8038 and 8038-T pursuant to ss. 149(e) of the Code.

(d) As required by ss. 147(f) of the Code, the Bonds and the Project were the subject of a public hearing held on January 28, 1999, which was preceded by reasonable public notice.

(e) The Borrower will comply with, and make all filings required by, all effective rules, rulings or regulations promulgated by the Department of the Treasury or

IRS with respect to obligations described in ss.ss. 103 and 144 of the Code, such as the Bonds.

(f) The Borrower agrees to rebate all amounts required to be rebated to the United States of America pursuant to ss. 148(f) of the Code. The Borrower agrees to provide any instructions to the Trustee that are necessary to satisfy the requirements of ss. 148(f) of the Code. The Borrower will not deposit or instruct the Trustee to deposit amounts in the Rebate Fund in excess of the amounts reasonably expected to be needed to make the payments to the United States as required by ss. 148(f) of the Code.

(g) The Sale Proceeds of the Bonds and any Investment Proceeds will be expended for the purposes set forth in the Agreement and in the Indenture and no amount of such Proceeds of the Bonds in excess of 2% of the Sale Proceeds of the Bonds will be expended to pay the costs of issuing the Bonds within the meaning of ss. 147(g) of the Code.

(h) The Issuer shall not sell any other tax-exempt obligations within 15 days of the sale date of the Bonds pursuant to the same plan of financing with the Bonds and payable from substantially the same source of funds, determined without regard to qualified guaranties from unrelated parties and used to pay the Bonds.

(i) The Bonds were approved by the Treasurer of the State of California following the public hearing referred to in (d) above.

ARTICLE VI

TERM OF TAX REGULATORY AGREEMENT

This Tax Regulatory Agreement shall be effective from the Date of Issuance through the date that the last Bond is redeemed, paid or deemed paid pursuant to the terms of the Indenture, except that the requirements of Section 4.05 hereof shall survive until six years after the retirement of the last obligations of the Bonds.

ARTICLE VII

AMENDMENTS

Notwithstanding any other provision hereof, any provision of this Tax Regulatory Agreement may be deleted or modified at any time at the option of the Borrower, with the consent of the Issuer, if the Borrower has provided to the Trustee and the Issuer an opinion, in form and substance satisfactory to the Trustee and the Issuer, of Bond Counsel that such deletion or modification will not adversely affect the exclusion of interest on the Bonds from the gross income of the recipients thereof for purposes of federal income taxation.

ARTICLE VIII

EVENTS OF DEFAULT, REMEDIES

SECTION 8.01. EVENTS OF DEFAULT. The failure of any party to this Tax Regulatory Agreement to perform any of its required duties under any provision hereof shall constitute an Event of Default under this Tax Regulatory Agreement and under the Indenture.

SECTION 8.02. REMEDIES FOR AN EVENT OF DEFAULT. Upon an occurrence of an Event of Default under Section 8.01 hereof, the Issuer or the Trustee may in their discretion, proceed to protect and enforce their rights and the rights of the registered owners of the Bonds by pursuing any available remedy under the Indenture or by pursuing any other available remedy, including, but not limited to, a suit at law or in equity.

IN WITNESS WHEREOF, the Issuer, the Borrower and the Trustee have caused this Tax Regulatory Agreement to be executed in their respective names and by their proper officers thereunto duly authorized, all as of the day and year first written above.

CALIFORNIA INFRASTRUCTURE AND
DEVELOPMENT BANK

Attest:

By _____
Lon S. Hatamiya, Chair

By _____
Blake Fowler, Secretary

ROLLER BEARING COMPANY OF AMERICA, INC.

By _____
Authorized Signatory

U.S. BANK TRUST NATIONAL ASSOCIATION,
as Trustee

By _____
Authorized Signatory

[Signature Page to Tax Regulatory Agreement]

EXHIBIT A-1

SOURCES AND USES OF FUNDS

1. Amount received from the sale of the Bonds (exclusive of accrued interest) is as follows:

Face amount of the Bonds	$	4,800,000
Less: Underwriters' discount	$	0
Total amount received from the sale of the Bonds	$	4,800,000

2. Proceeds of the Bonds totaling $4,704,000, representing 100% of the Net Sale Proceeds of the Bonds after deduction of the amounts described in 3 below will be deposited to the Project Fund

3. $96,000 of the Bond proceeds will be deposited in the Costs of Issuance Fund to pay a portion of the Costs of Issuance of the Bonds.

		Estimated Use of Substantially all of the Proceeds of the Bonds	
(1)	Issue price of Bonds	$	4,800,000
(2)	Substantially All Factor		.95%
(3)	Total	$	4,560,000
(4)	Amount paid for qualified Project Costs* (including interest during construction, if any)	$	4,704,000

Note: All investment earnings, if any, on the Bond proceeds will be used for qualified Project Costs (including interest during construction, if any).

*Qualified Project Costs:

Land	$	364,000
Building	$	1,986,000
Equipment	$	1,046,863
Improvements	$	1,307,137

EXHIBIT A-2

PROPERTY FINANCED OR REFINANCED BY THE BONDS

1. Acquisition of the real property located at 3131 West Segerstrom Avenue, Santa Ana, California 92702 $2,350,000.

2. Rehabilitation of manufacturing facility $1,307,137.

3. Acquisition and installation of manufacturing equipment $1,046,863.

EXHIBIT B-1

FORM OF PROVIDER CERTIFICATION
FOR A CERTIFICATE OF DEPOSIT

I, [Name], [Position], of [Entity Providing the Certificate of Deposit] (the "Provider") HEREBY CERTIFY that the yield on the Certificate of Deposit entered into on [DATE] is not less than the highest yield that the Provider publishes or posts for comparable certificates of deposit offered to the public and that the yield on the Certificate of Deposit is not less than the yield available on reasonably comparable direct obligations offered by the United States Treasury.

IN WITNESS WHEREOF, I have hereunto set my hand this day of 19 .

By _____
Name _____
Title _____

EXHIBIT B-2

FORM OF PROVIDER CERTIFICATION
FOR AN INVESTMENT CONTRACT

I, [Name], [Position], of [Entity Providing Investment Contract] (the "Provider") HEREBY CERTIFY in connection with the Investment Contract between [NAME] and the Provider dated as of [DATE] (the "Investment Contract") that the yield on the Investment Contract is at least equal to the yield offered on reasonably comparable Investment contracts offered to other persons, if any, from a source of funds other than gross proceeds of an issue of tax-exempt bonds and that the amount of administrative costs that are reasonably expected to be paid by the Provider to third parties in connection with the Investment Contract is $. For purposes of this certification, administrative costs include all brokerage or selling commissions paid by the Provider to third parties in connection with the Investment Contract, legal or accounting fees, investment advisory fees, recordkeeping, safekeeping, custody and other similar costs or expenses.

IN WITNESS WHEREOF, I have hereunto set my hand this day of 19 .

By _____
Name _____
Title _____

EXHIBIT B-3

FORM OF BORROWER'S CERTIFICATION FOR AN

INVESTMENT CONTRACT INVOLVING THREE BIDS

I, [[Name], [Position], of Roller Bearing Company of America, Inc., a Delaware corporation (the "Borrower"), HEREBY CERTIFY in connection with the Investment contract between the Borrower and [Entity Providing Investment Contract] (the "Provider") dated as of , the "Investment Contract") that (i) at least three bids on the Investment Contract were received from persons other than those with a material financial advantage in the California Infrastructure and Economic Development Bank Variable Rate Demand Industrial Development Revenue Bonds, Series 1999 (Roller Bearing Company of America, Inc. - Santa Ana Project), (ii) the yield on the Investment Contract purchased is at least equal to the yield offered under the highest bid received from an uninterested party, (iii) the price of the Investment Contract takes into account as a significant factor the Borrower's expected drawdown for the funds to be invested (other than float funds or reasonably required reserve or replacement funds) and (iv) any collateral security requirements for the Investment Contract are reasonable.

IN WITNESS WHEREOF, I have hereunto set my hand this day of 19 .

ROLLER BEARING COMPANY OF AMERICA, INC.

By _____
Name _____
Title _____

EXHIBIT C

USEFUL LIFE OF THE PROPERTY FINANCED
OR REFINANCED BY THE BONDS

	COST		USEFUL LIFE*		
Land	$ 364,000	X	n/a		
Building	1,986,000	X	35	$	69,510,000
Equipment	1,046,863	X	10	$	10,468,630
Improvements	$ 1,307,137		20	$	26,142,740
	4,704,000				106,121,370
Less: cost of land	364,000				
	$ 4,340,000				

Average life of Project = $106,121,370 / $4,340,000 = 24.45 years.
Useful life of Project for purposes of Section 147(b) of the Code = 24.45 years x 1.20 = 29.34 years

Average life of Bonds = 24.92 years

The information contained in this schedule, attached as an exhibit hereto, setting forth the respective cost, economic life, ADR midpoint life, if any, under Revenue Procedure 87-56, 1987-42 I.R.B. 4, and Revenue Procedure 83-35, 1983-2 C.B. 745, as supplemented and amended from time to time, and guideline life, if any, under Revenue Procedure 62-21, 1962-2 C.B. 118, as supplemented and amended from time to time, of each asset of the Facilities financed with the Proceeds of the Bonds, is true, accurate and complete.

*Includes time from date of issuance until property is placed in service.

EXHIBIT D

DECLARATION OF OFFICIAL INTENT

[See Attached]

Exhibit 10.24

LEASE AGREEMENT

between

SCHAUBLIN SA

Rue Principale 2-4
2735 Bevilard

(hereinafter the “Lessor”)

and

RBC SCHAUBLIN SA

Rue de la Blancherie 9
2800 Delemont

(hereinafter the “Lessee”)
(hereinafter together the “Parties/Party”)

regarding

THE SITE ON RUE DE LA BLANCHERIE 9, IN 2800 DELeMONT

(hereinafter the “Lease Agreement”)

1. LEASE OBJECT

The “Lease Object” are the entire premises of Schaublin SA at Rue de la Blancherie 9, in 2800 Del6mont, including all manufacturing and offices facilities and all park fields. (A site map is enclosed as Appendix 1 hereto.)

2. TERM OF THE LEASE

The lease shall start on December 13, 1999 for a fix initial term until 31. December 2009.

3. OPTIONS

Lessee shall have two options to extend this Lease Agreement for two terms of five years each.

Lessee shall give written notice to Lessor of the use of such option twelve months in advance. Therefore Lessee shall notify Lessor by December 31, 2008 if Lessee wants to make use of its first option and Lessee shall notify Lessor by December 31, 2013 Lessee wants to make use of its second option.

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4. REGISTRATION

Lessor herewith consents that Lessee will register (vormerken) this Lease Agreement in accordance with art. 216 III OR, 261 (b) OR and 959 ZGB.

5. LEASE

The annual lease for the Lease Object shall be:

Calendar Year	Amount In CHF
2000	800’000
2001	822’000
2002	844’500
2003	866’500
2004	989’000
2005	911’500
2006	933’500
2007	956’000
2008	978’500
2009	1’000’000

The above amounts do not include VAT.

The lease shall be paid in quarterly installment. The installments shall be due monthly in advance.

The lease for the time period as of December 13, 1999 until December 31, 1999 shall be free of charge for Lessee.

There is not deposit to be paid for the lease. Clause 11 of Appendix 2 shall not be applicable.

6. MODIFICATION OF LEASE

The lease applicable for the term of the options according to clause 3 hereinabove shall be mutually agreed by the Parties. Clause 6 of Appendix 2 shall not apply. There is no reserve according to clause 17 of Appendix 2.

7. RIGHT OF FIRST REFUSAL

The Lessee shall have the first right to purchase the Lease Object. Lessor shall not sell the Lease Object prior to notify its intention to sell to Lessee. Such notification shall name the purchase price. If Lessee, within thirty days after having been notified, does not declare his intention to buy the Lease Object, Lessor may sell the Lease Object within one year after notification to Lessee, however, for a price not lower than the price notified to Lessee. If Lessee does not answer to a notification received from Lessor, this shall be deemed to be a refusal to buy the Lease Object.

The same right of first refusal shall apply if Lessor intends to assign the Lease Object free of charge. However, Lessee shall not be entitled to obtain the Lease Object free of charge. In such case, the purchase price for the Lease Object shall either be mutually agreed between the parties or by a third party mutually agreed by the parties or, in the absence of such agreement, by a third party to be designated by the president of the Swiss association of owners of real estate (Schweizerischer Hauseigentumer Verband).

8. ADDITIONAL COST ACCORDING TO CLAUSE 5 OF APPENDIX 2

Lessee shall pay the cost for electricity directly.

For all other additional cost according to clause 5 of Appendix 2, Lessee shall pay to Lessor an amount of CHF 17’000.— monthly in advance.

Lessor shall make yearly accounts on such additional cost and submit it to Lessee for review. Lessee shall be entitled to audit such accounts. The balance resulting of the accounts as approved by the parties shall be paid by the owing party within 20 days after approval of such accounts.

9. TAKE OVER PROTOCOL AND MODIFICATIONS OF THE LEASE OBJECT

The Parties agree to set up a take over protocol for the Lease Object during January 2000.

Lessee shall have no obligations to put the Lease Object back into original condition when handing the Lease Object back to the Lessor upon termination of this Lease Agreement and clause 8.2.2 of Appendix 2 shall not apply. Lessee shall only be obliged to remove all machinery and equipment and all furniture and computer installations from the Lease Object and to hand over the Lease Object empty, and reasonably clean (besenrein). Lessor is aware of the fact that upon termination of the Lease Agreement and upon moving out there will be major reconstruction and redecoration work to be performed.

The Lease Object can be used for all activities of Lessee. Lessor, however, shall not be under any obligation to reinforce the buildings of the Lease Object, except for reinforcement required due to maintenance.

Modifications of the Lease Object by Lessor according to clause 8.1 of Appendix 2 shall require Lessees prior consent.

10. PANELS

Lessee shall be entitled to fix panels to the outside of the buildings of the Lease Object ac-cording to his sole an free discretion, however, within the limits of the applicable laws and regulations, but with no prior consent of Lessor being required.

11. GENERAL TERMS AND CONDITIONS

In addition to the above provisions, which shall supersede and overwrite any provisions to the contrary, the general terms and conditions as per Appendix 2 shall apply.

12. GOVERNING LAW

This Lease Agreement shall be subject to the Swiss Federal Code of Obligations, art. 253 ff.

Zurich,

Dr. Matthias V. Jermann

Michael S. Gostomski
Schaublin SA

RBC Schaublin SA

Appendix 1	Site Map to be provided by Lessor by December 31, 1999
Appendix 2	Bail a loyer bernois pour locaux commerciaux (Association des proprietaires foncier du canton de Berne)

Exhibit 10.25

L E A S E

By and between

ABCS PROPERTIES, LLC
2909 Gary Drive
Plymouth, IN 46563
And
MICHAEL H. SHORT and LYNN C. SHORT

As Lessor,

and

BREMEN BEARINGS INC.
60 Round Hill
Fairfield, CT 06430

a Delaware Corporation,

As Lessee,

For the premises known as

The East 300' and the South 500' of Lot 3 Phase V
Van Vactor Subdivision
Plymouth, IN

TABLE OF CONTENTS

L E A S E

THIS LEASE, made as of this day of August, 2001, (this "Lease"), by and between ABCS Properties, LLC, (hereinafter called "Lessor") and Bremen Bearings Inc., a Delaware Corporation (hereinafter called "BBI"),

W I T N E S S E T H:

That, in consideration of the sum of One Dollar ($1.00) in hand paid by each to the other, the receipt and sufficiency of which is hereby acknowledged by each party as of the time of its execution hereof, and in further consideration of the rents reserved and the covenants and conditions set forth herein, Lessor and BBI agree as follows:

ARTICLE I

PREMISES

Lessor does hereby let and lease unto BBI the premises situated in the City of Plymouth, County of Marshall and State of Indiana, and known and described as follows to wit:

A certain pre-engineered steel building (hereinafter referred to as the "Building"), to be constructed upon the land, a legal description of which is attached hereto as Exhibit "A" and made a part hereof (the "Land"). References to the premises, demised premised or leased premises shall mean the collective reference to the Land and the Building.

Said Building is to comprise approximately 31,500 square feet of space, as defined in Article III, and will be located as outlined in red on the plot plan, attached hereto as Exhibit "B" and made a part hereof.

ARTICLE II

TERM

The term of this Lease shall be for a period of twenty (20) years, to commence on the Commencement Date (as hereinafter defined)and terminating on the day preceding the twentieth (20^{th}) anniversary of the Commencement Date.

ARTCILE III

RENT

BBI hereby covenants and agrees to pay Lessor as fixed Base Rent for said premises during said term the sum of Fourteen Thousand Eight Hundred Sixty Six and NO/00 Dollars ($14,866.00) in advance upon the first day of every calendar month during said term beginning on the Commencement Date. Until further notice from Lessor to BBI, rent checks shall be payable and mailed to ABCS Properties, LLC, 2909 Gary Drive, Plymouth, IN 46563. If the Commencement Date is not the first day of a calendar month, or if the expiration date is not the last day of a calendar month, the Base Rent for the partial calendar month occurring at the beginning or end of the term of this Lease, as applicable, shall be prorated.

BBI shall have the right to request and approve changes, modification, additions or deletions to Lessor's Work and the Construction Specifications (as defined in Article VI). In the event BBI approves changes, modifications, additions or deletions evidenced by a signed change order that result in credits and/or additional costs, it is agreed and understood that said credit and/or additional costs may result in a change in the Base Rent rate. The annual Base Rent hereunder decrease or

increase, as applicable, by an amount equal to 10% times the aggregate net credit or aggregate additional cost resulting from all change orders, and such change shall be applicable for the life of the lease. The per year credit or additional cost shall be divided by 12 to determine the change in the monthly Base Rent rate.

BBI covenants and agrees that all sums to be paid under this Lease, if not paid within five days of when due, shall bear interest on the unpaid portion thereof at the rate of twelve percent (12%) per annum from the date when due, but not in excess of the highest rate legally chargeable. In addition, if BBI fails to pay any sum to be paid by BBI hereunder within three (3) business days of when due, Lessor may impose a late charge in the amount of five percent (5%) of the sum due to help defray the extra expense of handling delinquent payments. This is not a grace period; any payment not received when due is in default. All obligations under this paragraph shall survive the expiration or termination of this Lease.

All sums payable by BBI or which are at the expense of BBI hereunder are deemed to be rent and, if not paid, Lessor shall have with respect thereto all the rights and remedies provided for herein and by law for nonpayment of rent.

Any payment by BBI or acceptance by Lessor of a lesser amount than shall be due shall be treated as a payment on account. The acceptance by Lessor of a check for a lesser amount with an endorsement or statement thereon or upon any letter accompanying such check that such lesser amount is payment in full shall be given no effect, and Lessor may accept such check without prejudice.

ARTICLE IV

WAIVER OF CLAIMS

Lessor and Lessor's agents, servants and employees shall not be liable for, and BBI hereby releases Lessor and Lessor's agents, servants and employees from, all claims for injury, death or damage to property (including but not limited to disappearance or theft of property and loss or interruption of business) sustained by BBI or any person claiming through BBI or sustained by any other person resulting from any fire, accident, occurrence or condition in or upon the premises, the land, the buildings, or any streets, sidewalks or other areas abutting or adjacent to the land or building, including but not limited to such claims for damage resulting from (except as a result of Lessor's, or its agents', servants' or employees', negligence):

(i) any defect in or failure of plumbing, heating or air conditioning equipment, elevators, electric wiring or installation thereof, water pipes, stairs, railings or walks;
(ii) any equipment or appurtenances necessitating repair;
(iii) the bursting, leaking or running of any tank, washstand, toilet, sink, water closet, waste pipe, drain or any other pipe or tank in, upon or about the land, building or premises;
(iv) the backing up of any sewer pipes or downspout;
(v) the escape of hot water;
(vi) water, snow or ice being upon or coming through the roof or any other place upon or near the premises, building or the land;
(vii) the falling of any fixture, plaster or stucco;
(viii) broken glass;
(ix) any act or omission of BBI or other occupants of the building or adjoining or contiguous property or buildings;
(x) any act or omission of parties other than Lessor, its employees or agents.

All property placed or moved into the premises shall be at the sole risk of BBI or other owner of such personal property.

ARTICLE V

ENVIRONMENTAL MATTERS

Lessor represents that it is aware of no Hazardous Materials, environmental problems or underground storage tanks in, on or about the premises. Lessor shall indemnify and hold harmless BBI against any loss, cost, damage, expense or claim that may arise as a result of or relate to any presence, use, handling or Release of Hazardous Materials in, to or from the premises, or other environmental issues or violation of any Environmental Laws, in each case occurring, or existing prior to the Commencement Date.

Further, BBI agrees that in its occupancy of the premises it will comply with all Environmental Laws, both Federal and State and will emit no contaminants or pollutants which contaminate the premises. Further, BBI is responsible for any clean-up costs associated with its occupancy of the premises during the term and shall indemnify and hold harmless Lessor in connection therewith (except to the extent such clean-up costs are caused by the acts or omissions of Lessor, its agents, servants or employees), and while the Lessor has the right to inspect from time to time, it by no means has the obligation to police the conduct of BBI in order to make sure the Environmental Laws are being complied with.

For purposes hereof, the following capitalized terms shall have the following meanings:

"Hazardous Materials" shall mean any flammable or explosive materials, any petroleum or petroleum products (including oil, crude oil, natural or synthetic gas), any radioactive materials, any asbestos or asbestos containing materials, PCBs, or any other waste, material or substance with respect to which liability or standards of conduct are imposed pursuant to any Environmental Law, including, without limitation, any waste, material or substance now or hereafter included in the definition of "hazardous substances," "hazardous wastes," "hazardous materials," "toxic substances," "toxic wastes" or "toxic materials" (or similar term) thereunder.

"Environmental Law" shall mean any federal, state, or local law (including common law), statute, code, ordinance, rule, regulation, permit, order, directive relating to or addressing human health and/or the environment, and shall include but not be limited to the Comprehensive Environmental Response, Compensation and Liability Act, 42 U.S.C. S 9601, et seq., as amended, the Clean Air Act, 42 U.S.C. S 7401, et seq., as amended, the Federal Water Pollution Control Act, 33 U.S.C. S 1251, et seq., as amended, the Emergency Planning and Community Right-to-Know Act, 42 U.S.C. S11001, et seq., as amended, the Resource Conservation and Recovery Act, 42 U.S.C. S 6901, et seq., as amended, the Safe Drinking Water Act, 42 U.S.C. S300f, et seq., as amended, the Oil Pollution Act, 33 U.S.C. S 2701, et seq., as amended, and any regulation promulgated thereunder, and any similar state or local law or regulation.

"Release" shall mean any spilling, leaking, pumping, pouring, emitting, emptying, discharging, injecting, escaping, leaching, dumping, or disposing.

ARTICLE VI

CONSTRUCTION AND DELIVERY OF PREMISES

(a) Promptly after the execution and delivery of this Lease, Lessor shall commence and thereafter prosecute with diligence and continuity to completion the construction of the Building and all other work and improvements on the Land called for by the Construction Specifications attached hereto as Exhibit "D" (collectively, the "Lessor's Work").

(b) Lessor represents and warrants to BBI that Lessor's Work shall be (I) sound, first-class work, using good quality materials and freed from defects, (ii) in compliance with all legal requirements, and (iii) free of any and all asbestos, asbestos-containing materials and other Hazardous Materials whatsoever. Lessor shall not deviate in performing Lessor's Work in

accordance with the Construction Specifications in any material respect without the prior consent of BBI. During the course of Lessor's Work, Lessor shall, with BBI's full cooperation, obtain all approvals, if any, required by any governmental authority for the leasing and occupancy of the premises by BBI and the conduct of its business therein.

(c) Lessor shall obtain, maintain and comply with all permits and licenses required in connections with the performance and completion of Lessor's Work and shall maintain, and cause its contractors to maintain, commercial general liability insurance policy having a combined single limit of at least $3 million per occurrence (in the case of the policy maintained by each of Lessor's contractors), on which BBI shall be named as an additional insured.

(d) Lessor agrees to deliver the demised premises completed in accordance with the Construction Specifications to BBI no later than January 15, 2002 or 165 days after the signing of this lease whichever is later (the "Target Completion Date). Lessor shall deliver the premises with all construction, decorating and improvements as provided in the Construction Specifications completed at Lessor's expense except BBI's furnishing of its trade fixtures, equipment and furniture. Notwithstanding the foregoing, if Lessor shall not have completed Lessor's Work by the date ninety (90) days following the Target Completion Date, then BBI, by written notice to Lessor may cancel this Lease, and this Lease shall be of no further force and effect except that Lessor shall promptly return to BBI the deposit provided for in Article XXI. BBI agrees that in the event of the inability of Lessor to deliver possession of the Premises by the Target Completion Date, Lessor shall not be liable for any damages, and BBI shall not be liable for any rent until such time as Lessor can and does deliver possession of the Premises to BBI in the condition required hereunder, and the total rent payable by BBI and the Commencement Date (as hereinafter defined) of the Lease term shall both be adjusted accordingly.

(e) Lessor's Work shall be deemed "completed" on such date (the "Commencement Date") as Lessor shall have furnished to BBI each of the following:

(i) a certificate of Lessor's architect confirming that Lessor's Work has been substantially completed (subject only to completion of minor "punchlist items" which Lessor shall diligently prosecute to completion); and

(ii) a permanent certificate of occupancy issued by the appropriate municipal authority covering the Building with respect to BBI's intended use hereunder.

(f) The Construction Specifications shall be and remain the property of BBI, and Lessor shall provide BBI with a complete "as-built" set of plans and specifications promptly following the Completion Date.

ARTICLE VII

TITLE

Lessor hereby represents and warrants that it has full right and lawful authority to enter into this Lease in accordance with the terms hereof and that it has good title in fee simple to the demised premises and the Building is, and on the Commencement Date shall be, free and clear of all claims, liens and encumbrances which are superior to or affect BBI leasehold interest, use or occupancy of the premises. Subject to Article XXV, Lessor shall have the right to place mortgages against subject real estate subject to BBI's leasehold interest.

ARTICLE VIII

PARKING

BBI and BBI's visitors, customers, agent and employees shall have the right, without charge, in common with all others so entitled, to use all sidewalks, driveways, service areas and parking spaces at the subject location as per the attached site plot, see Exhibit "B".

ARTICLE IX

RIGHT OF PRIOR INSTALLATION

BBI, at any time prior to the Commencement Date, shall have the right to enter the premises for the purpose of taking measurements and may install in the leased premises fixtures, equipment and merchandise, provided that said installations do not unreasonably interfere with any prior occupancy or, if applicable, Lessor's completion of said premises. Any entry by BBI for the purpose of installing fixtures and equipment shall not be deemed acceptance of the premises by BBI.

ARTICLE X

CONFORMITY WITH LAW

BBI will use and occupy said premises and appurtenances in a careful, safe and proper manner and comply with the valid requirements of the proper public authorities regarding the conduct of BBI's business. BBI may use and occupy the premises for manufacturing, industrial, general warehouse, sales and office use, and all uses incidental thereto. BBI will not permit said premises to be used for any unlawful purpose. To the extent of Lessor's control thereof, Lessor warrants that the Building is and in the future will be in conformance with the applicable building and zoning codes and other laws, ordinances or regulations of any authority having jurisdiction. Lessor shall not grant any occupancy rights in the sidewalk space surrounding the leased premises without BBI's consent. Lessor represents to the best of its knowledge that the premises upon the Commencement Date shall be in compliance with and not subject to the presence or effect of any Hazardous Materials, asbestos or petroleum product or other contaminating materials in violation of applicable Environmental Laws.

Lessor represents and warrants to BBI that (a) there is no litigation pending, or to the best of Lessor's knowledge threatened, against Lessor, the Land or the premises, (b) the Land in zoned to permit the Building and the intended use hereunder and, to the best of Lessor's knowledge, there is no pending or threatened requests, applications or proceedings to alter or restrict the zoning or other use restrictions applicable to the Land, (c) Lessor has not received, and does not otherwise know of, any notice or other instrument or advice form any governmental agency relating to any actual or alleged violation of any legal requirement applicable to the Land or the premises, (d) Lessor has not entered into, and to the best of Lessor's knowledge, the Land is not subject to any agreement or transfer relating to development rights, (e) Lessor has not knowledge of any actual, proposed, pending, threatened or studied (I) special assessment, (ii) condemnation proceeding, or (iii) proceeding relating to or changing the grade of any street, (f) the Land is bounded by open and dedicated public streets, and served by fire and police protection, telephone, gas and electricity, (g) no easements are required for the proper and continued enjoyment by the premises of the services and utilities referred to above and, to the best of Lessor's knowledge, there is no basis for, or proceeding pending with a view to, interruption or curtailment of any thereof, and (h) there are no covenants, conditions or restrictions of record providing for an easement over any part of the Land or which restrict the use of the Land or which require the owner thereof to pay any assessment or other charge.

ARTICLE XI

UTILITIES

BBI shall pay, when due, all bills for gas, water, electricity and other utilities used on the leased premises from the date of delivery of possession and until expiration of term. If Lessor resells any utility services, BBI may purchase same from Lessor at the lowest step in Lessor's cost. Lessor shall install all utilities to the Building and shall connect all utilities and pay all costs of construction, installation, and connection fees.

ARTICLE XII

REPAIRS & MAINTENANCE

BBI agrees to perform all nonstructural interior and exterior repairs and replacements to the premises, including repair or replacement of damaged or broken doors and windows except those repairs necessary to correct defects or lack of workmanship in the Lessor's construction and installation of the Building and other improvements to the premises or damages caused thereby, and to keep and maintain the interior and exterior of said premises in a clean and sanitary condition. Lessor shall assign to BBI, or provide BBI with the benefit of, all warranties or guaranties provided or issued in connection with Lessor's Work. Subject to the effect of the waiver of subrogation and claims hereinafter provided, BBI shall be required to make structural repairs or repairs necessitated by reason of the neglect, fault or default of BBI, its agents, employees or contractors, and only if not covered by insurance required to be provided under this Lease.

BBI agrees to perform maintenance of lawn, landscape, building, parking lot, drives and snow removal on the Premises in a reasonable manner at BBI's expense. Also, BBI shall without injury to the roof, remove all snow and ice or other loads from the same when necessary, and keep the same clean of debris and weight.

ARTICLE XIII

ACCESS BY LESSOR

BBI shall permit Lessor's access to the premises at reasonable times during BBI's normal business hours for the purpose of examining same or making any alterations or repairs to the Building which Lessor may deem necessary for safety or its preservation, provided that Lessor shall use its reasonable efforts not to interfere with BBI's business. During the last two (2) months of the term of this Lease, provided that same shall not interfere with BBI's business, Lessor may have access to the premises during BBI's normal business hours for the purpose of exhibiting said premises and posting the usual notice "to rent" or "for sale", which notice shall not be removed, obliterated or hidden by BBI. No more than one (1) sign shall be placed upon the premises at a reasonable location and same shall not exceed thirty-two (32) square feet in surface area.

ARTICLE XIV

BBI'S FIXTURES

BBI may install and operate interior and exterior electric and other signs, including signs on poles erected by BBI, machinery and any other mechanical equipment and, in so doing, shall comply with all laws and ordinances. BBI may also install and maintain in the leased premises, pipes, conduits and ventilating ducts as required in addition to those installed as part of Lessor's Work. BBI shall at all times, including upon expiration or other termination of the term hereof, have the right to remove all fixtures, machinery, equipment, appurtenances or other property heretofore or hereafter furnished or installed by BBI, provided it repairs any damage caused thereby, it being expressly understood and agreed that said property shall not become part of the premises but shall at all times be and remain the property of BBI and not subject to any Landlord's lien. Subject building is structurally designed for a ten (10) pound (#) collateral load which may not be exceeded by the installations of any fixtures, equipment or otherwise without written permission subject to an approved design analysis acceptable to Lessor and at BBI's expense.

ARTICLE XV

ALTERATIONS

BBI, at BBI's cost and expense, may make changes and alterations to the interior of the premises, but shall obtain Lessor's consent, which consent shall not be unreasonably withheld, before making any changes to the Building structure. In the event BBI has not received written objections from Lessor within thirty (30) days after submission of BBI's written request for its consent, Lessor, not so responding within said thirty (30) day period, shall be deemed to have consented thereto. Lessor, if

requested by BBI, shall cooperate in securing necessary permits and authority. BBI shall not permit any mechanics' or other liens to stand against the premises for work or material furnished to it except that BBI may defend against any lien claim without removal thereof if it deposits by surety bond or otherwise adequate security in accordance with the Indiana mechanic liens laws to protect Lessor against adverse effects of enforcement of such lien claim. Any alterations, additions and/or improvements made in, to or on the premises and consented to by Lessor shall be the property of Lessor, and shall remain upon and be surrendered with the premises.

ARTICLE XVI

SURRENDER OF PREMISES

Subject to the effect of the application of the waiver of subrogation and waiver of claims, BBI will deliver and surrender to the Lessor possession of the premises hereby leased upon the expiration of this Lease, or its termination in any way, in as good condition and repair as same shall be at the commencement of said term, loss by fire; ordinary wear, tear and decay; casualty; neglect, fault or default of Lessor; and taking by eminent domain only excepted.

ARTICLE XVII

HOLDING OVER

In the event of BBI's continued occupancy of the premises after expiration of the term of this Lease or any renewal or extension thereof, or any earlier termination provided or permitted by this Lease, either with or without the consent of Lessor, such tenancy shall be from month-to-month at a rate one and one-half (1 ½) times the monthly rental and in no event from year-to-year and such continued occupancy shall not defeat Lessor's right to possession of the premises and the month-to-month tenancy hereunder may be cancelled at the end of any calendar month upon not less than sixty (60) days' prior written notice from either party. All other covenants, provisions, obligations and conditions of the Lease shall remain in full force and effect during such month-to-month tenancy.

ARTICLE XVIII

LESSOR'S REMEDIES UPON DEFAULT

In the event BBI shall at any time be in default of the payment of rent or the performance of any of its other obligations under this Lease and BBI shall fail to remedy such default within:

(i) ten (10) days after receipt of written notice thereof from Lessor if said default relates to the payment of rent; or
(ii) thirty (30) days after receipt of written notice thereof from Lessor if said default relates to matters other than the payment of rent,

then Lessor may declare the term of this Lease terminated, enter into possession of said premises and sue for and recover all rent and damages accrued or accruing under this Lease, less rentals or other monies or value received by Lessor for or during the unexpired term, or less the reasonable value of the unexpired leasehold term restored to Lessor, or Lessor may sue and recover without declaring this Lease void or entering into possession of said premises, provided, however, that if Lessor shall take back the premises it shall attempt to relet same in order to mitigate its damages. Anything to the contrary contained herein notwithstanding, BBI shall not be deemed in default of a matter (other than payment of rent) if it commences to remedy same with due diligence. In additions, but not by way of limitation, the occurrence of any of the following events shall be deemed a matter of default:

(i) BBI shall be adjudged a bankrupt; or
(ii) BBI shall make an assignment for the benefit of creditors; or

(iii) a receiver of any property of BBI in or upon the premises be appointed in any action, suit or proceeding by or against BBI and not removed within sixty (60) days after appointment; or
(iv) if the interest of BBI in the premises shall be sold under execution or other legal process.

Notwithstanding the recital of any specific remedies, Lessor shall likewise have all rights without limitation to which Lessor is entitled at law or in equity.

ARTICLE XIX

NON-WAIVER OF DEFAULT

No acquiescence by either party in any breach of covenant or default by the other party hereunder shall operate as a waiver of its rights with respect to any other breach or default, whether of the same or any other covenant or condition, nor shall the acceptance of rent by Lessor at any time constitute a waiver of any rights of Lessor hereunder.

ARTICLE XX

QUIET ENJOYMENT

Lessor covenants and agrees that in the event BBI shall perform all covenants and agreements herein stipulated to be performed on BBI's part, BBI shall at all times during this term have the peaceable and quiet enjoyment and possession of said premises and easement rights herein granted with respect to the common facilities, without any manner of let or hindrance from Lessor or any other person or persons.

Lessor represents and warrants that the execution of this Lease, compliance with the terms hereof and occupation of the premises by BBI will not conflict with, cause a breach of or constitute a default under the terms of any lease agreement or instrument to which Lessor is a party.

A breach of this Article by Lessor shall entitle BBI to all available equitable relief as well as any and all remedies at law and Lessor shall indemnify BBI from and against all damages, expenses and costs arising out of or resulting therefrom.

ARTICLE XXI

DAMAGE BY FIRE OR CASUALTY

During the term of this Lease, BBI agrees to carry fire and extended coverage insurance on the Building wherein the premises are situated for full replacement thereof in the amount of $2,000,000 and shall provide Lessor with a certificate of insurance reflecting such coverage with a loss payable clause to said Lessor and BBI as their interests may appear. As a part of the insurance coverage, BBI shall carry rental loss insurance coverage in the amount to cover the rent for a minimum duration of twelve (12) months.

If the demised premises shall be destroyed or damaged by any cause and such destruction or damage could reasonably be repaired within one hundred eighty (180) days after the happening of such destruction or damage, then BBI shall not be entitled to surrender possession of the demised premises, nor shall BBI's liability to pay rent under this Lease cease; but in the event of such destruction or damage, Lessor shall with due diligence substantially complete such repairs and restoration within one hundred eighty (180) days after the happening of such destruction or damage.

If such destruction or damage cannot reasonably be repaired within one hundred eighty (180) days after the happening thereof, Lessor shall notify BBI within thirty (30) days after the happening of such

destruction or damage whether or not the Lessor will repair or rebuild. If Lessor elects not to repair or rebuild, this Lease shall terminate effective as of the date of destruction or damage. If Lessor shall elect to repair or rebuild, Lessor shall specify the time within which repairs or construction will be completed, and BBI shall have the option, by notifying Lessor within thirty (30) days after the receipt of Lessor's notice, to elect either to terminate this Lease and further liability hereunder or to extend the term hereof by a period of time equivalent to the period from the happening of such destruction or damage until the premises are restored to their former condition. In the event BBI elects to extend the term of this Lease, Lessor shall with due diligence restore the premises to their former condition within the time specified in the notice and BBI shall be entitled to an equitable abatement of rent.

If this Lease is terminated by reason of destruction or damage or rent is required to be abated, Lessor shall refund any rent paid in advance and any unearned charges.

ARTICLE XXII

WAIVER OF SUBROGATION AND WAIVER OF CLAIMS

Lessor and BBI hereby waive all rights of subrogation and waive all claims against the other which either has or which may arise hereafter against the other for any damage to premises, property or business caused by any perils covered by fire and extended coverage, building, contents and business interruption insurance, or for which either party may be reimbursed as a result of insurance coverage affecting any loss suffered by it; provided, however, that the foregoing waiver shall apply only to the extent of any recovery made by the parties hereto under any policy of insurance now or hereafter issued and, further provided, that the foregoing waivers do not invalidate any policy of insurance of the parties hereto, now or hereafter issued, it being stipulated by the parties hereto that such waivers shall not apply in any case which would result in the invalidation of any such policy of insurance. Each of Lessor and BBI is required to take all reasonable action, including payment of reasonable levels of additional premium, to obtain its insurer's agreement and endorsement of policies for the waiver of subrogation and waiver of claim.

ARTICLE XXIII

EMINENT DOMAIN

In the event that the entire demised premises or a significant part thereof or the means of access to the premises shall at any time after execution of this Lease be taken by public or quasi-public use or condemned under eminent domain, then this Lease shall terminate and expire effective the date of such taking and any rent paid in advance and any unearned charges shall be refunded to BBI.

BBI shall have the right to terminate this Lease, with an appropriate refund of rent paid in advance and any unearned charges, if, as a result of such eminent domain proceeding or other governmental or quasi-public action any portion of the demised premises shall be taken, which materially interferes with BBI's business operation.

ARTICLE XXIV

PUBLIC LIABILITY INSURANCE

BBI shall, during the entire term hereof, keep in full force and effect a policy of Commercial General public liability and property damage insurance with respect to the leased premises, and the business operated by BBI therein, under which the public liability limits shall be not less than $500,000 per person and $1,000,000 per incident and under which the property damage liability limit shall be not less than $250,000 per incident or a combined single limit policy with a limit of $1,000,000 and a liability umbrella of an additional $1,000,000. A certificate reflecting such insurance coverage and designating Lessor as additional insured thereunder, with respect to BBI's intentional or negligent acts and omissions, shall be delivered to Lessor upon request therefor.

ARTICLE XXV

SUBORDINATION OF LEASE

BBI shall, upon the request of Lessor in writing, subordinate this Lease to the lien of any future mortgage upon the demised premises or any property of which the demised premises form a part, provided that the mortgagee to which BBI is asked to subordinate shall enter into a written agreement with BBI (in form reasonably acceptable to BBI) to the effect that, in the event of foreclosure, deed in lieu of foreclosure, or other action taken under the mortgage by such mortgagee, this Lease and the rights of BBI hereunder shall not be disturbed but shall continue in full force and effect so long as BBI shall not be in default hereunder beyond any applicable notice and cure period and that such mortgagee shall permit insurance proceeds to be used for any restoration and repair required by the provisions of this Lease as set forth in prior Articles. The word "mortgage", as used herein, includes mortgage, deed of trust or other similar instruments and any modifications, extensions, renewals and replacements thereof.

ARTICLE XXVI

TRANSFER OF INTERESTS

Lessor may at any time transfer or assign its interest in this Lease and the underlying fee but no transfer or sale of Lessor's interest hereunder shall be binding upon BBI until BBI has received a copy of the original instrument assigning Lessor's interest in this Lease or a certified and conformed copy of any deed conveying Lessor's fee interest in the entire demised premises subject to this Lease. Such instruments shall evidence the fact that such assignee or transferee has assumed all of Lessor's obligations hereunder and acquired sufficient title to the demised premises to enable it to perform such obligations; provided, however, this provision shall not be applicable to any such transfer as security only for any loans made to Lessor if there is compliance with the terms of Article XXV.

BBI shall not have the right at any time to assign this Lease or sublet all or any part of the demised premises without the expressed written consent of the Lessor, the same to not be unreasonably delayed or withheld, provided that BBI shall remain liable for the full performance of all terms, covenants and conditions of this Lease; and further provided, that such assignees or sublessees shall agree to be bound by all the terms and provisions hereof. Notwithstanding the foregoing, BBI may assign this Lease or sublet all or any portion of the premises to (I) any person or entity which, directly or indirectly, controls BBI or is controlled by BBI or is under common control with BBI, (ii) any successor to BBI by merger, consolidation or operation of law, or (iii) any person or entity to whom all or substantially all of BBI's assets are conveyed.

ARTICLE XXVII

NOTICES

Any notice of consent required to be given by or on behalf of either party to the other shall be in writing and given by mailing such notice or consent by registered or certified mail, return receipt requested, or by overnight or expedited delivery service courier, addressed to the other party as follows:

(i) If to Lessor:

(ii) If to BBI:

BREMEN BEARING INC.
C/o Roller Bearing Company of America
60 Round Hill
Fairfield, CT 06430

(iii) If to Guarantor:

ROLLER BEARING COMPANY OF AMERICA, INC.
60 Round Hill
Fairfield, CT 06430

With a copy to:

McDermott, Will & Emery
50 Rockefeller Plaza
New York, NY 10020-1605
Att: Christopher Paul

or at such other address as may be specified from time to time in writing by either party. Any notice or consent given hereunder by the parties hereto shall be deemed effective three (3) business days after the date such notice or consent is deposited in a post office of the United States Postal Service, or one (1) business day after depositing same with said overnight or expedited delivery service courier.

ARTICLE XXVIII

SEVERABILITY OF PROVISIONS

If any term or provision of this Lease, or the application thereof to any person or circumstances, shall to any extent be determined to be invalid or unenforceable by a court of competent jurisdiction, then the remainder of this Lease, or the application of such term or provision to persons or circumstances other than those as to which it is held invalid or unenforceable, shall not be affected thereby.

ARTICLE XXIX

TAXES AND ASSESSMENTS

BBI agrees to pay all real estate taxes and all personal property taxes attributable to the demised premises during the term. The term real estate taxes shall mean all real estate taxes and assessments, extraordinary as well as ordinary, levied or assessed by the lawful taxing authorities upon the premises. Lessor shall arrange for the bills for the Indiana real estate taxes to be sent directly to BBI, if possible (and, if not, Lessor shall forward them to BBI promptly after receipt thereof by Lessor), and BBI shall pay the Indiana real estate taxes directly to the taxing authority. BBI shall pay said installment of Indiana real estate taxes on or before the date which is the latter of: (I) the date such taxes are due and payable; and (ii) ten (10) days after receipt of a bill therefore from Lessor or the appropriate taxing authority. In the event that any fine, penalty or interest is imposed as a result of BBI late payment of taxes, BBI shall pay such fine, penalty or interest unless Lessor has failed to furnish BBI the relevant tax bill on or before the date which is ten (10) days prior to the date the same as due, in which event Lessor shall be responsible for any fine, interest or penalty imposed as a result of the late payment of taxes.

BBI shall pay the tax assessments thus imposed commencing with the spring installment of calendar year 2002. Said payment shall continue for so long as this Lease is in effect.

BBI shall contest, in good faith or by appropriate proceedings, in its own name, or, when necessary in Lessor's name, but at BBI's own expense (in which case Lessor agrees to execute all necessary appropriate documents), the amount of validity of any such tax assessment.

Nothing in this Lease contained shall require the BBI to pay any tax, charge or levy imposed or assessed upon or against Lessor under any federal, state or local law, on account of the receipt by the Lessor of the rents herein reserved or upon the transfer of Lessor's interest under this Lease or of Lessor's interest in, or to, the premises. Lessor agrees that any refunds of real estate taxes or personal property tax, abatements or Tax Incremental Fund (TIF) credits attributable to the demised premises shall be to the benefit of BBI and promptly paid over to BBI upon receipt. Lessor represents that the demised premises constitute a separately assessable taxed lot.

ARTICLE XXX

RECORDING

This Lease shall not be recorded, but the parties hereto have, simultaneously with the execution and delivery of this Lease, executed and delivered to each other duplicate copies of a Notice of Lease, a copy of which BBI may cause to be recorded in the proper governmental office.

ARTICLE XXXI

ESTOPPEL CERTIFICATES

Upon the reasonable request of either party, at any time and from time to time, Lessor and BBI shall execute, acknowledge and deliver to the other, within ten (10) days after request, a written instrument certifying that this Lease has not been modified and is in full force and effect or, if there has been a modification of this Lease, that this Lease is in full force and effect as modified and stating such modifications, specifying the dates to which the fixed annual rent and additional rent have been paid, and stating whether or not, to the knowledge of the party executing such instrument, the other party hereto is in default and, if such party is in default, stating the nature of such default.

ARTICLE XXXII

DEPOSIT

BBI shall deposit ONE (1) month's rent with said Lessor as the initial consideration for validating subject Lease. Said deposit shall be credited to BBI's last month's rent thereby lowering the amount due accordingly.

ARTICLE XXXIII

ENTIRE AGREEMENT

This instrument shall merge all undertakings between the parties hereto with respect to the demised premises and, upon execution by both parties, shall constitute the entire Lease, unless otherwise hereafter modified by both parties in writing.

ARTICLE XXXIV

ATTACHMENTS

Attached hereto and made a part of this Lease are the following:

Exhibit "A"	Legal Description
Exhibit "B"	Site Plan
Exhibit "C"	Floor Plan
Exhibit "D"	Specifications

ARTICLE XXXV

MISCELLANEOUS

Each provision of this Lease shall extend to and shall bind and inure to the benefit not only of Lessor and BBI, but also their respective heirs, legal representatives, successors and assigns, but this provision shall not operate to permit any transfer, assignment, mortgage or subletting contrary to the provision of this Lease.

BBI and Lessor each represent that it has dealt with no broker in connection with this Lease.

This Lease may be executed in any number of counterparts, each of which shall be considered an original instrument but all of which together shall constitute one agreement.

ARTICLE XXXVI

INDEMNIFICATION AND RELEASE

BBI shall indemnify, defend (with counsel reasonably acceptable to Lessor) and hold harmless Lessor from and against all damages, claims and liability (other than damages, claims, and liabilities arising from or related to the negligence or willful misconduct of Lessor or its agents, contractors or employees) arising from or directly related to BBI's control or use of the premises, including without limitation, any damage or injury to person or property. If Lessor shall, without fault, become a party to litigation commenced by or against BBI, then BBI shall indemnify, defend (with counsel reasonably acceptable to Lessor) and hold Lessor harmless. Lessor and BBI do each hereby release the other from all liability from any accident, damage or injury caused to person or property provided, this release shall be effective only to the extent that the injured or damaged party is insured against such injury or damage and only if this release shall not adversely affect the right of the injured or damaged party to recover under such insurance policy.

ARTICLE XXXVII

ATTORNEY'S FEES

If any litigation shall be initiated involving this lease agreement, the prevailing party in addition to any other judgment rendered therein, shall be entitled to recover from the other party reasonably attorney fees and other fees and expenses incurred by such prevailing party in such litigation.

ARTICLE XXXVIII

GUARANTY

As an inducement for Lessor to enter into this Lease and as a part of the consideration of this Contract, Roller Bearing Company of America, Inc. (Guarantor), hereby guarantees the prompt and complete performance by BBI of all the terms and conditions of this Lease to be performed by BBI hereunder and agrees to indemnify and hold Lessor or its legal representatives, harmless from and against any and all liability, loss, damage or expense, including attorney fees, which Lessor may incur or sustain by reason of the failure of BBI to fully perform and comply with all of the terms and obligations of this Lease; and Guarantor hereby understand and agree that this Guaranty shall continue until all of the terms of this Lease have been satisfactorily performed or otherwise discharged by BBI and Guarantor shall not be released of its obligations hereunder so long as any claim of Lessor against BBI arising out of this Lease is not settled or discharged in full.

Guarantor hereby waives notice of acceptance hereof, and of non-performance or non-payment by BBI of any of its obligations or liabilities under this Lease and Guarantor hereby waives all rights which it has or may have by statute or otherwise to require the Lessor to institute suit against the BBI or to

exhaust its rights or remedies against the BBI, Guarantor, being bound to all of the terms, conditions and obligations of payment and all indebtedness of the BBI to the Lessor, whether now existing or hereafter accruing. Forbearance of the part of the Lessor to take steps to enforce the payment of any indebtedness held by it against BBI, arising from its default in any respect whatever, or the giving of further time to BBI shall in no way release Guarantor, but rather, Guarantor shall remain liable hereunder for the prompt payment and performance of all terms and conditions by the BBI and made to the Lessor.

ARTICLE XXXIX

RIGHT TO PURCHASE

BBI, or RBC, or their successors in interest, shall have the right to purchase the building and real estate outlined in red shown on Exhibit B (the legal description of which shall be provided by Lessor), for the sum of two million four-hundred thirty-four thousand four-hundred seventy-five dollars ($2,434,475.00) for a period of five years starting from the commencement date. The rights shall be exercised by so notifying Lessor, or its successors in interest, in writing. Thereafter, the matter shall close within sixty days, somewhere in the State of Indiana, with Lessor (owner) conveying title to the real estate outlined in red on Exhibit B by Warranty Deed free and clear of all liens and encumbrances save and except those which might be attributable to BBI or its parties in interest. The real estate and improvements shall be sold as is.

Additionally, for a period of time commencing sixty (60) days prior to the expiration of the Lease and running until the lease ends, BBI, RBC, or its successors in interest shall have the right to purchase the real estate and improvements at a price to be determined by an MAI appraiser agreeable to both parties. Thirty (30) days after notice is mailed by the MAI appraiser of the appraised value, BBI, RBC, or its successors in interest shall, if they are agreeable to purchasing the real estate at that price, shall so notify Lessor, or their successors in interest and the obligations for conveyance shall be the same as set forth in the proceeding paragraph.

THIS SPACE LEFT BLANK

IN WITNESS WHEREOF, the parties hereto have executed six copies of this Lease as of the date first above written.

In the Presence of:

BREMEN BEARINGS INC.
A Delaware Corporation

_____ By: _____

_____ By: _____

ABCS PROPERTIES, LLC
An Indiana Limited Liability Company

_____ By: _____

_____ By: _____

Michael H. Short
“LESSOR”

_____ By: _____

Lynn C. Short
“LESSOR”

_____ By: _____

ROLLER BEARING OF AMERICA, INC.
“GUARANTOR”

_____ By: _____

By: _____

LESSEE ACKNOWLEDGEMENT (CORPORATE)

STATE OF)
) SS:
COUNTY OF)

Before me, the undersigned, a Notary Public in and for said County and State, personally appeared , as of the Bremen Bearings Inc., a Delaware Corporation, known to me to be the person and officer whose name is subscribed to the foregoing instrument and acknowledged to me that the same was the free act and deed of Bremen Bearings Inc., and such person executed the same as the act of such corporation for the purposes and consideration therein expressed and in the capacity therein stated.

IN TESTIMONY WHEREOF, I have hereunto set my hand and official seal at , this day of , 20 .

Notary Public Signature

My commission expires:

Printed Name

A Resident of County

LESSOR ACKNOWLEDGEMENT (CORPORATE)

STATE OF INDIANA)
) SS:
COUNTY OF MARSHALL)

Before me, the undersigned, a Notary Public in and for said County and State, personally appeared , as of the ABCS PROPERTIES, LLC, an Indiana limited liability company, known to me to be the person and officer whose name is subscribed to the foregoing instrument and acknowledged to me that the same was the free act and deed of the said limited liability company and they executed the same as the act of such company for the purposes and consideration therein expressed and in the capacity therein stated.

IN TESTIMONY WHEREOF, I have hereunto set my hand and official seal at , this day of , 20 .

Notary Public Signature

My commission expires:

Printed Name

A Resident of County

LESSOR ACKNOWLEDGEMENT (CORPORATE)

STATE OF INDIANA)
) SS:
COUNTY OF MARSHALL)

Before me, the undersigned, a Notary Public in and for said County and State, personally appeared , and , known to me to be the person and whose name is subscribed to the foregoing instrument and acknowledged to me that the same was the free act and deed of the said limited liability company and they executed the same as the act of such company for the purposes and consideration therein expressed and in the capacity therein stated.

IN TESTIMONY WHEREOF, I have hereunto set my hand and official seal at , this day of , 20 .

Notary Public Signature

My commission expires:

Printed Name

A Resident of County

GUARANTOR ACKNOWLEDGEMENT (CORPORATE)

STATE OF)
) SS:
COUNTY OF)

Before me, the undersigned, a Notary Public in and for said County and State, personally appeared and of ROLLER BEARING COMPANY OF AMERICA, INC., a Connecticut corporation, known to me to be the persons whose names are subscribed to the foregoing instrument and acknowledged to me that the same was the free act and deed of the said limited liability company and they executed the same as the act of such company for the purposes and consideration therein expressed and in the capacity therein stated.

IN TESTIMONY WHEREOF, I have hereunto set my hand and official seal at this day of , 20 .

Notary Public Signature

My commission expires:

Printed Name

A Resident of County

Exhibit 10.26

FOURTH AMENDED AND RESTATED CREDIT AGREEMENT

Dated as of June 29, 2004

among

ROLLER BEARING COMPANY OF AMERICA, INC.,

as Borrower,

THE OTHER CREDIT PARTIES SIGNATORY HERETO,

as Credit Parties,

THE LENDERS SIGNATORY HERETO

FROM TIME TO TIME,

as Lenders,

GENERAL ELECTRIC CAPITAL CORPORATION,

as Agent and Lender,

and

GECC CAPITAL MARKETS GROUP, INC.,

as Lead Arranger

TABLE OF CONTENTS

INDEX OF APPENDICES

This FOURTH AMENDED AND RESTATED CREDIT AGREEMENT (this "Agreement"), dated as of June 29, 2004, among ROLLER BEARING COMPANY OF AMERICA, INC., a Delaware corporation ("Borrower"); the other Credit Parties signatory hereto; GENERAL ELECTRIC CAPITAL CORPORATION, a Delaware corporation (in its individual capacity, "GE Capital"), for itself, as Lender, and as Agent for Lenders, and the other Lenders signatory hereto from time to time.

RECITALS

WHEREAS, certain parties hereto are parties to a Third Amended and Restated Credit Agreement dated as of December 19, 2003 (the "Prior Credit Agreement"), pursuant to which the Lenders extended revolving and term credit facilities to Borrower of up to Ninety-Six Million Nine Hundred Thousand Dollars ($96,900,000) in the aggregate for the purpose of refinancing certain Indebtedness of Borrower and the other Credit Parties and to provide (a) working capital financing for Borrower and the other Credit Parties, (b) funds for other general corporate purposes of Borrower and the other Credit Parties and (c) funds for other purposes not prohibited hereunder, including financing of Permitted Loan Funded Acquisitions;

WHEREAS, the parties hereto desire to amend and restate the Prior Credit Agreement on the terms set forth herein (a) to increase the aggregate Commitments of the Lenders to One Hundred Sixty-Five Million Dollars ($165,000,000) for the purpose of funding the repayment of the balance of the outstanding amounts under the Prior Credit Agreement, the redemption of the Borrower's Prior Senior Subordinated Notes (as defined below) and the payment of related transaction costs and expenses and (b) the other purposes provided herein; and

WHEREAS, capitalized terms used in this Agreement shall have the meanings ascribed to them in Annex A and, for purposes of this Agreement and the other Loan Documents, the rules of construction set forth in Annex A shall govern. All Annexes, Disclosure Schedules, Exhibits and other attachments (collectively, "Appendices") hereto, or expressly identified to this Agreement, are incorporated herein by reference, and taken together with this Agreement, shall constitute but a single agreement. These Recitals shall be construed as part of the Agreement.

NOW, THEREFORE, in consideration of the premises and the mutual covenants hereinafter contained, and for other good and valuable consideration, the parties hereto agree as follows:

1. AMOUNT AND TERMS OF CREDIT

1.1 Credit Facilities.

(a) Revolving Credit Facility.

(i) Subject to the terms and conditions hereof, each Revolving Lender agrees to make available to Borrower from time to time until the Commitment Termination Date its Pro Rata Share of advances (each, a "Revolving Credit Advance"). The Pro Rata Share of the Revolving Loan of any Revolving Lender shall not at any time exceed its separate Revolving Loan Commitment. The obligations of each Revolving Lender hereunder shall be several and

not joint. Until the Commitment Termination Date, Borrower may from time to time borrow, repay (without notice) and reborrow under this Section 1.1(a); *provided*, that the amount of any Revolving Credit Advance to be made at any time shall not exceed Borrowing Availability at such time. Borrowing Availability may be further reduced by Reserves imposed by Agent in accordance with this Agreement. Each Revolving Credit Advance shall be made on

notice by Borrower to one of the representatives of Agent identified in Schedule 1.1 at the address specified therein. Any such notice must be given no later than (1) 11:00 a.m. (Chicago time) on the Business Day of the proposed Revolving Credit Advance, in the case of an Index Rate Loan, or (2) 11:00 a.m. (Chicago time) on the date which is three (3) Business Days prior to the proposed Revolving Credit Advance, in the case of a LIBOR Loan. Each such notice (a "Notice of Revolving Credit Advance") must be given in writing (by telecopy or overnight courier) substantially in the form of Exhibit 1.1(a)(i), and shall include the information required in such Exhibit. If Borrower desires to have the Revolving Credit Advances bear interest by reference to a LIBOR Rate, it must comply with Section 1.5(e).

(ii) Except as provided in Section 1.12, Borrower shall execute and deliver to each Revolving Lender a note to evidence the Revolving Loan Commitment of that Revolving Lender. Each note shall be in the principal amount of the Revolving Loan Commitment of the applicable Revolving Lender, dated the Effective Date and substantially in the form of Exhibit 1.1(a)(ii) (each a "Revolving Note" and, collectively, the "Revolving Notes"). Each Revolving Note shall represent the obligation of Borrower to pay the amount of the relevant Revolving Lender's Revolving Loan Commitment or, if less, such Revolving Lender's Pro Rata Share of the aggregate unpaid principal amount of all Revolving Credit Advances to Borrower together with interest thereon as prescribed in Section 1.5. The entire unpaid balance of the Revolving Loan and all other non-contingent monetary Obligations shall be immediately due and payable in full in immediately available funds on the Commitment Termination Date.

(iii) Any provision of this Agreement to the contrary notwithstanding, at the request of Borrower, in its discretion Agent may (but shall have absolutely no obligation to), make Revolving Credit Advances to Borrower on behalf of Revolving Lenders in amounts that cause Borrowing Availability to be less than $0 (any such excess Revolving Credit Advances are herein referred to collectively as "Overadvances"); *provided*, that (A) no such event or occurrence shall cause or constitute a waiver of Agent's, the Swing Line Lender's or Revolving Lenders' right to refuse to make any further Overadvances, Swing Line Advances or Revolving Credit Advances, or incur any Letter of Credit Obligations, as the case may be, at any time that an Overadvance exists, and (B) no Overadvance shall result in a Default or Event of Default due to Borrower's failure to comply with Section 1.3(b)(i) for so long as Agent permits such Overadvance to remain outstanding, but solely with respect to the amount of such Overadvance. In addition, Overadvances may be made even if the conditions to lending set forth in Section 2 have not been met. All Overadvances shall constitute Index Rate Loans, shall bear interest at the Default Rate and shall be payable within three (3) Business Days after demand. Except as otherwise provided in Section 1.11(b), the authority of Agent to make Overadvances is limited to an aggregate amount not to exceed $4,000,000 at any time, shall not cause the Revolving Loan to exceed the Maximum Amount, and the authority of Agent to make Overadvances that exceed $2,000,000 in the aggregate amount may be revoked prospectively by a written notice to Agent signed by Requisite Revolving Lenders. No Overadvance shall be

outstanding for more than sixty (60) consecutive days, and not more than two Overadvances shall be made in any period of one hundred eighty (180) consecutive days, in each case without the consent of Requisite Revolving Lenders.

(b) Term Loan.

(i) Subject to the terms and conditions hereof, each Term Lender agrees to make a term loan (collectively, the "Term Loan") on the Effective Date to Borrower in the original principal amount of its Term Loan Commitment. The obligations of each Term Lender hereunder shall be several and not joint. The Term Loan shall be evidenced by promissory notes substantially in the form of Exhibit 1.1(b) (each a "Term Note" and collectively the "Term Notes"), and, except as provided in Section 1.12, Borrower shall execute and deliver each Term Note to the applicable Term Lender. Each Term Note shall represent the obligation of Borrower to pay the amount of the applicable Term Lender's Term Loan Commitment, together with interest thereon as prescribed in Section 1.5.

(ii) Borrower shall repay the principal amount of the Term Loan in twenty-five (25) consecutive quarterly installments on the first day of January, April, July and October of each year, commencing October 1, 2004, as follows:

Payment Dates	Installment Amounts
October 1, 2004 through and including October 1, 2010	$ 275,000 each

and by making the final payment, which shall be due on December 29, 2010 and shall be in the amount of $103,125,000 or, if different, the remaining principal balance of the Term Loan.

(iii) Notwithstanding Section 1.1(b)(ii), the aggregate outstanding principal balance of the Term Loan shall be due and payable in full in immediately available funds on the Commitment Termination Date, if not sooner paid in full. No payment with respect to the Term Loan may be reborrowed.

(iv) Each payment of principal with respect to the Term Loan shall be paid to Agent for the ratable benefit of each Term Lender, ratably in proportion to each such Term Lender's respective Term Loan Commitment.

(c) Swing Line Facility.

(i) Agent shall notify the Swing Line Lender upon Agent's receipt of any Notice of Revolving Credit Advance. Subject to the terms and conditions hereof, the Swing Line Lender may, in its discretion, make available from time to time until the Commitment Termination Date advances (each, a "Swing Line Advance") in accordance with any such notice. The provisions of this Section 1.1(c) shall not relieve Revolving Lenders of their obligations to make Revolving Credit Advances under Section 1.1(a); *provided*, that if the Swing Line Lender makes a Swing Line Advance pursuant to any such notice, such Swing Line Advance shall be in lieu of any Revolving Credit Advance that otherwise may be made by Revolving Credit Lenders pursuant to such notice. The aggregate amount of Swing Line Advances outstanding shall not

exceed at any time the lesser of (A) the Swing Line Commitment and (B) the lesser of the Maximum Amount and (except for Overadvances) the Borrowing Base, in each case, less the outstanding balance of the Revolving Loan at such time ("Swing Line Availability"). Until the Commitment Termination Date,

Borrower may from time to time borrow, repay and reborrow under this Section 1.1(c). Each Swing Line Advance shall be made pursuant to a Notice of Revolving Credit Advance delivered by Borrower to Agent in accordance with Section 1.1(a). Any such notice must be given no later than 11:00 a.m. (Chicago time) on the Business Day of the proposed Swing Line Advance. Unless the Swing Line Lender has received at least one (1) Business Day's prior written notice from Requisite Revolving Lenders instructing it not to make a Swing Line Advance, the Swing Line Lender shall, notwithstanding the failure of any condition precedent set forth in Sections 2.2, be entitled to fund that Swing Line Advance, and to have such Revolving Lender make Revolving Credit Advances in accordance with Section 1.1(c)(iii) or purchase participating interests in accordance with Section 1.1(c)(iv). Notwithstanding any other provision of this Agreement or the other Loan Documents, the Swing Line Loan shall constitute an Index Rate Loan. Borrower shall repay the aggregate outstanding principal amount of the Swing Line Loan upon demand therefor by Agent.

(ii) Borrower shall execute and deliver to the Swing Line Lender a promissory note to evidence the Swing Line Commitment. Such note shall be in the principal amount of the Swing Line Commitment of the Swing Line Lender, dated the Effective Date and substantially in the form of Exhibit 1.1(c)(ii) (the "Swing Line Note"). The Swing Line Note shall represent the obligation of Borrower to pay the amount of the Swing Line Commitment or, if less, the aggregate unpaid principal amount of all Swing Line Advances made to Borrower together with interest thereon as prescribed in Section 1.5. The entire unpaid balance of the Swing Line Loan and all other non-contingent Obligations shall be immediately due and payable in full in immediately available funds on the Commitment Termination Date if not sooner paid in full.

(iii) The Swing Line Lender, at any time and from time to time in its sole and absolute discretion, but not less frequently than once each week, shall on behalf of Borrower (and Borrower hereby irrevocably authorizes the Swing Line Lender to so act on its behalf) request each Revolving Lender (including the Swing Line Lender) to make a Revolving Credit Advance to Borrower (which shall be an Index Rate Loan) in an amount equal to that Revolving Lender's Pro Rata Share of the principal amount of the Swing Line Loan (the "Refunded Swing Line Loan") outstanding on the date such notice is given. Unless any of the events described in Sections 8.1(h) or 8.1(i) has occurred (in which event the procedures of Section 1.1(c)(iv) shall apply) and regardless of whether the conditions precedent set forth in this Agreement to the making of a Revolving Credit Advance are then satisfied, each Revolving Lender shall disburse directly to Agent, its Pro Rata Share of a Revolving Credit Advance on behalf of the Swing Line Lender, prior to 2:00 p.m. (Chicago time), in immediately available funds on the Business Day next succeeding the date that notice is given. The proceeds of those Revolving Credit Advances shall be immediately paid to the Swing Line Lender and applied to repay the Refunded Swing Line Loan.

(iv) If, prior to refunding a Swing Line Loan with a Revolving Credit Advance pursuant to Section 1.1(c)(iii), one of the events described in Sections 8.1(h) or 8.1(i) has occurred, then, subject to the provisions of Section 1.1(c)(v) below, each Revolving Lender

shall, on the date such Revolving Credit Advance was to have been made for the benefit of Borrower, purchase from the Swing Line Lender an undivided participation interest in the Swing Line Loan in an amount equal to its Pro Rata Share of such Swing Line Loan. Upon request, each Revolving Lender shall promptly transfer to the Swing Line Lender, in immediately available funds, the amount of its participation interest.

(v) Each Revolving Lender's obligation to make Revolving Credit Advances in accordance with Section 1.1(c)(iii) and to purchase participation interests in accordance with Section 1.1(c)(iv) shall be absolute and unconditional and shall not be affected by any circumstance, including (A) any setoff, counterclaim, recoupment, defense or other right that such Revolving Lender may have against the Swing Line Lender, Borrower or any other Person for any reason whatsoever; (B) the occurrence or continuance of any Default or Event of Default; (C) any inability of Borrower to satisfy the conditions precedent to borrowing set forth in this Agreement at any time or (D) any other circumstance, happening or event whatsoever, whether or not similar to any of the foregoing. If any Revolving Lender does not make available to Agent or the Swing Line Lender, as applicable, the amount required pursuant to Sections 1.1(c)(iii) or 1.1(c)(iv), as the case may be, the Swing Line Lender shall be entitled to recover such amount on demand from such Revolving Lender, together with interest thereon for each day from the date of non-payment until such amount is paid in full at the Federal Funds Rate for the first two (2) Business Days and at the Index Rate thereafter.

(d) Reliance on Notices. Agent shall be entitled to rely upon, and shall be fully protected in relying upon, any Notice of Revolving Credit Advance, Notice of Conversion/Continuation or similar notice reasonably believed by Agent to be genuine. Agent may assume that each Person executing and delivering any notice in accordance herewith was duly authorized, unless the responsible individual acting thereon for Agent has actual knowledge to the contrary.

1.2 Letters of Credit. Subject to and in accordance with the terms and conditions contained herein and in Annex B, Borrower shall have the right to request, and Revolving Lenders agree to incur, or purchase participations in, Letter of Credit Obligations in respect of Borrower or any Secured Guarantor.

1.3 Prepayments.

(a) Voluntary Prepayments; Reductions in Revolving Loan Commitments. Borrower may at any time on at least three (3) days' prior written notice to Agent (i) voluntarily prepay all or part of the Term Loan and/or (ii) permanently reduce (but not terminate) the Revolving Loan Commitment; *provided* that (A) any such prepayments or reductions shall be in a minimum amount of $500,000 and integral multiples of $100,000 in excess of such amount, (B) the Revolving Loan Commitment shall not be reduced pursuant to this sentence to an amount less than $30,000,000 and (C) after giving effect to such reductions, Borrower shall comply with Section 1.3(b)(i). In addition, Borrower may at any time on at least ten (10) days' prior written notice to Agent terminate the Revolving Loan Commitment, *provided*, that upon such termination all Loans and other Obligations shall be immediately due and payable in full and all Letter of Credit Obligations shall be cash collateralized or otherwise satisfied in accordance with Annex B hereto. Any such voluntary prepayment and any reduction or termination of the

Revolving Loan Commitment must be accompanied by the payment of any applicable LIBOR funding breakage costs in accordance with Section 1.13(b). Upon any such reduction or termination of the Revolving Loan Commitment, Borrower's right to request Revolving Credit Advances, or request that Letter of Credit Obligations be incurred on its behalf, or request Swing Line Advances, shall simultaneously be permanently reduced or terminated, as the case may be. Each notice of partial prepayment shall designate the Loan or other Obligations to which such prepayment is to be applied; *provided*, that any partial prepayments of the Term Loan made by Borrower shall be applied to prepay the scheduled installments of the Term Loan in inverse order of maturity.

(b) Mandatory Prepayments.

(i) If at any time Borrowing Availability is less than $0, Borrower shall immediately repay the aggregate outstanding Revolving Credit Advances to the extent required to eliminate such deficiency. If any such deficiency remains after repayment in full of the aggregate outstanding Revolving Credit Advances, Borrower shall provide cash collateral for the Letter of Credit Obligations in the manner set forth in Annex B to the extent required to eliminate such deficiency. Notwithstanding the foregoing, any Overadvance made pursuant to Section 1.1(a)(iii) shall be repaid only on demand in accordance with such Section.

(ii) Immediately upon receipt by Borrower or any Secured Guarantor of any proceeds of any cash asset disposition (excluding proceeds of asset dispositions permitted by Section 6.8(a)) to the extent the net cash proceeds of such asset disposition exceed $250,000 in any single transaction or, when added to the net proceeds of all other asset dispositions (other than asset dispositions permitted by Section 6.8(a)) during a Fiscal Year, exceed $500,000, Borrower shall prepay the Obligations in an amount equal to all such proceeds, net of (A) commissions and other reasonable transaction costs (including reasonable relocation costs), fees and expenses properly attributable to such transaction and payable by Borrower or any Secured Guarantor in connection therewith (in each case, paid to non-Affiliates), (B) transfer taxes, (C) amounts payable to holders of senior Liens (to the extent such Liens constitute Permitted Encumbrances hereunder), if any, (D) appropriate reserves for income taxes payable in cash in connection therewith and any adjustment in respect of the sale price of such assets(s) specified by the definitive documents evidencing such sale (so long as any such unused sale price reserve is applied at the end of the applicable adjustment period as a mandatory prepayment hereunder) and (E) any portion of the purchase price held in escrow (so long as such escrowed funds, upon release to any Credit Party, are applied as a mandatory prepayment hereunder); *provided*, that if Borrower or the applicable Secured Guarantor intends to reinvest all or any portion of the net proceeds of any asset disposition within 270 days thereafter in fixed assets and Borrower promptly notifies Agent of that intention in writing, and if (x) no Event of Default shall have occurred and be continuing at the date of such written notification, and (y) Borrower or such Secured Guarantor, as the case may be, grants a first security interest to Agent in such replacement assets when acquired, then the amount of any such mandatory prepayment shall be reduced by the amount to be reinvested; *provided*, further that if and to the extent that Borrower or such Secured Guarantor, as the case may be, does not reinvest such net proceeds within that 270-day period, Borrower shall then repay the Loans with net proceeds that have not been reinvested on the last day of such 270-day period. Any prepayment pursuant to this Section 1.3(b)(ii) shall be applied in accordance with Section 1.3(c).

(iii) If Borrower or any Secured Guarantor shall suffer any Event of Loss, then such Person shall (A) promptly notify the Agent of such Event of Loss with anticipated net proceeds in excess of $1,000,000 (including the amount of the estimated net insurance proceeds net of amounts payable to holders of senior Liens (to the extent such Liens constitute Permitted Encumbrances hereunder, if any) or other awards payable in connection with such Event of Loss) and (B) promptly upon receipt of such proceeds by such Person, Borrower shall prepay the Obligations in an amount equal to such proceeds net of (x) all money actually applied (or held in reserve pending such application) to repair or reconstruct the damaged property or property affected by condemnation or taking but subject to the terms of Section 5.4(c), (y) all out-of-pocket transaction costs and (z) related cash taxes. Any prepayment pursuant to this Section 1.3(b)(iii) shall be applied in accordance with Section 1.3(d).

(iv) Proceeds of Keyman Life Insurance pledged to the Agent shall be immediately used to prepay the Obligations in an amount equal to such proceeds, which shall be applied in accordance with Section 1.3(c).

(v) If Holdings or Borrower issues Stock, no later than the Business Day following the date of receipt of any cash proceeds thereof net of underwriting discounts and commissions and other reasonable costs, fees and expenses paid to non-Affiliates in connection therewith, Borrower shall prepay the Obligations in an amount , if any, required pursuant to Section 5.8. Any prepayment pursuant to Section 5.8(a) shall be applied in accordance with Section 1.3(c) and all prepayments pursuant to Section 5.8(b) shall be applied in accordance with Section 1.3(f).

(vi) Until the Termination Date, Borrower shall prepay the Obligations on the date that is ten (10) days after the earlier of (A) the date on which Borrower's annual audited Financial Statements for the immediately preceding Fiscal Year (commencing with the Fiscal Year of 2004 as such immediately preceding Year) are delivered pursuant to Annex E or (B) the 15th day after the date on which such annual audited Financial Statements were required to be delivered pursuant to Annex E, in an amount equal to seventy-five percent (75%) of Excess Cash Flow for the immediately preceding Fiscal Year. If Holdings and its Subsidiaries on a consolidated basis maintain a ratio of (i) Funded Debt measured as of the last day of any Fiscal Year to (ii) EBITDA for the four Fiscal Quarters then ended of less than 4.25 to 1.00 but more than 3.75 to 1.0, the Excess Cash Flow percentage shall be equal to fifty percent (50%) for that Fiscal Year. If Holdings and its Subsidiaries on a consolidated basis maintain a ratio of (i) Funded Debt measured as of the last day of any Fiscal Year to (ii) EBITDA for the four Fiscal Quarters then ended equal to or less than 3.75 to 1.00, the Excess Cash Flow percentage shall be equal to twenty-five percent (25%) for that Fiscal Year. Any prepayments from Excess Cash Flow paid pursuant to this clause (vi) shall be applied in accordance with Section 1.3(c). Each such prepayment shall be accompanied by an Officer Certificate of Borrower's Chief Financial Officer, or another responsible officer of Borrower having substantially the same authority and responsibility or otherwise acceptable to Agent, certifying the manner in which Excess Cash Flow and the resulting prepayment were calculated, which certificate shall be in form and substance satisfactory to Agent.

(c) Application of Certain Mandatory Prepayments. Any prepayments made by the Borrower pursuant to Sections 1.3(b)(ii), 1.3(b)(iv), 1.3(b)(v) (by reference to Section 5.8(a)),

or 1.3(b)(vi) shall be applied as follows: first, to Fees and reimbursable expenses of Agent then due and payable pursuant to any of the Loan Documents; second, to interest then due and payable on the Term Loan; third, to prepay the scheduled principal installments of the Term Loan in inverse order of maturity, until such Term Loan shall have been prepaid in full; fourth, to interest then due and payable on the Swing Line Loan; fifth, to the principal balance of the Swing Line Loan until the same has been repaid in full; sixth, to interest then due and payable on the Revolving Credit Advances; seventh, to the outstanding principal balance of the Revolving Credit Advances until the same has been paid in full; and eighth, to any Letter of Credit Obligations, to provide cash collateral therefor in the manner set forth in Annex B, until all such Letter of Credit Obligations have been fully cash collateralized in the manner set forth in Annex B. Neither the Revolving Loan Commitment nor the Swing Line Commitment shall be permanently reduced by the amount of any such prepayments.

(d) Application of Prepayments from Insurance Proceeds and Condemnation Proceeds. Prepayments from insurance or condemnation proceeds in connection with an Event of Loss in accordance with Sections 1.3(b)(iii) and 5.4(c) and the Mortgage(s), respectively, shall be applied as follows: insurance proceeds from casualties or losses to cash or Inventory shall be applied first, to the Swing Line Loans and, second, to the Revolving Credit Advances; insurance or condemnation proceeds from casualties or losses to Equipment, Fixtures and Real Estate shall be applied to scheduled installments of the Term Loan in inverse order of maturity. Neither the Revolving Loan Commitment nor the Swing Line Loan Commitment shall be permanently reduced by the amount of any such prepayments. If the precise amount of insurance or condemnation proceeds allocable to Inventory as compared to Equipment, Fixtures and Real Estate are not otherwise determined, the allocation and application of those proceeds shall be jointly determined by Agent and Borrower.

(e) No Implied Consent. Nothing in this Section 1.3 shall be construed to constitute Agent's or any Lender's consent to any transaction that is not permitted by other provisions of this Agreement or the other Loan Documents.

(f) Application of Mandatory Prepayments arising from a Qualified Public Offering. Prepayments made by the Borrower pursuant to Section 1.3(b)(v) (by reference to Section 5.8(b)) shall be applied as follows: first, to interest then due and payable on the Term Loan; second, to prepay the scheduled principal installments of the Term Loan in inverse order of maturity, until the Term Loan has been prepaid in full; third, to interest then due and payable on the Swing Line Loan; fourth, to the principal balance of the Swing Line Loan until the same has been repaid in full; fifth, to interest then due and payable on the Revolving Credit Advances; sixth, to the outstanding principal balance of the Revolving Credit Advances until the same has been paid in full; and seventh, to any Letter of Credit Obligations, to provide cash collateral therefor in the manner set forth in Annex B, until all such Letter of Credit Obligations have been fully cash collateralized in the manner set forth in Annex B. Neither the Revolving Loan Commitment nor the Swing Line Commitment shall be permanently reduced by the amount of any such prepayments.

1.4 Use of Proceeds. Borrower shall utilize the proceeds of the Term Loan, the Revolving Loan and the Swing Line Loan for the Refinancing and any related transaction costs, fees and expenses, for the financing of Borrower's ordinary working capital and general

corporate needs and for any other purpose not prohibited hereunder, and Borrower may use the proceeds of the Revolving Loan to finance Permitted Loan Funded Acquisitions, subject to the terms and conditions set forth herein. Disclosure Schedule (1.4) contains a description of Borrower's sources and uses of funds as of the Effective Date, including Loans and Letter of Credit Obligations to be made or incurred on that date, and a funds flow memorandum detailing how funds from each source are to be transferred to particular uses.

1.5 Interest and Applicable Margins.

(a) Borrower shall pay interest to Agent, for the ratable benefit of Lenders in accordance with the various Loans being made by each Lender, in arrears on each applicable Interest Payment Date, at the following rates:

(i) with respect to the Revolving Credit Advances, the Index Rate plus the Applicable Revolver Index Margin per annum or, at the election of Borrower, the applicable LIBOR Rate plus the Applicable Revolver LIBOR Margin per annum, based on the aggregate Revolving Credit Advances outstanding from time to time;

(ii) with respect to the Term Loan, the Index Rate plus the Applicable Term Loan Index Margin per annum or, at the election of Borrower, the applicable LIBOR Rate plus the Applicable Term Loan LIBOR Margin per annum; and

(iii) with respect to the Swing Line Loan, the Index Rate plus the Applicable Revolver Index Margin per annum.

The Applicable Margins are as follows:

Applicable Revolver Index Margin	1.75%
Applicable Revolver LIBOR Margin	3.00%
Applicable Term Loan Index Margin	2.50%
Applicable Term Loan LIBOR Margin	3.75%

(b) If any payment on any Loan becomes due and payable on a day other than a Business Day, the maturity thereof will be extended to the next succeeding Business Day (except as set forth in the definition of LIBOR Period) and, with respect to payments of principal, interest thereon shall be payable at the then applicable rate during such extension.

(c) All computations of Fees calculated on a per annum basis and interest shall be made by Agent on the basis of a 360-day year, in each case for the actual number of days occurring in the period for which such interest and Fees are payable. The Index Rate is a floating rate determined for each day. Each determination by Agent of an interest rate and Fees hereunder shall be final, binding and conclusive on Borrower, absent manifest error.

(d) So long as an Event of Default has occurred and is continuing under Section 8.1(a), (h) or (i), or so long as any other Event of Default has occurred and is continuing and at the election of Agent (or upon the written request of Requisite Lenders) confirmed by written notice from Agent to Borrower, the interest rates applicable to the Loans and the Letter of Credit Fees shall be increased by two percentage points (2%) per annum above the rates of interest or the rate of such Fees otherwise applicable hereunder ("Default Rate"). Interest and Letter of Credit Fees at the Default Rate shall accrue from the initial date of such Event of Default if such Event of Default arose under Section 8.1(a), (h) or (i) or from the date of the delivery of the written notice from Agent to Borrower for all other Events of Default, until that Event of Default is cured or waived and shall be payable upon demand.

(e) Subject to the conditions precedent set forth in Section 2.2, Borrower shall have the option to (i) request that any Revolving Credit Advance be made as a LIBOR Loan, (ii) convert at any time all or any part of outstanding Loans (other than the Swing Line Loan) from Index Rate Loans to LIBOR Loans, (iii) convert any LIBOR Loan to an Index Rate Loan, subject to payment of LIBOR breakage costs in accordance with Section 1.13(b) if such conversion is made prior to the expiration of the LIBOR Period applicable thereto, or (iv) continue all or any portion of any Loan (other than the Swing Line Loan) as a LIBOR Loan upon the expiration of the applicable LIBOR Period and the succeeding LIBOR Period of that continued Loan shall commence on the first day after the last day of the LIBOR Period of the Loan to be continued. Any Loan or group of Loans having the same proposed LIBOR Period to be made or continued as, or converted into, a LIBOR Loan must be in a minimum amount of $1,000,000 and integral multiples of $250,000 in excess of such amount. Any such election must be made by 11:00 a.m. (Chicago time) on the 3rd Business Day prior to (1) the date of any proposed Advance which is to bear interest at the LIBOR Rate, (2) the end of each LIBOR Period with respect to any LIBOR Loans to be continued as such, or (3) the date on which Borrower wishes to convert any Index Rate Loan (other than the Swing Line) to a LIBOR Loan for a LIBOR Period designated by Borrower in such election. If no election is received with respect to a LIBOR Loan by 11:00 a.m. (Chicago time) on the 3rd Business Day prior to the end of the LIBOR Period with respect thereto (or if a Default or an Event of Default has occurred and is continuing or if the additional conditions precedent set forth in Section 2.2 shall not have been satisfied), that LIBOR Loan shall be converted to an Index Rate Loan at the end of its LIBOR Period. Borrower must make such election by notice to Agent in writing, by telecopy or overnight courier. In the case of any conversion or continuation, such election must be made pursuant to a written notice (a "Notice of Conversion/Continuation") in the form of Exhibit 1.5(e). No Loan may be made as or converted into a LIBOR Loan until the earlier of (i) 45 days after the Effective Date and (ii) completion of Primary Syndication as determined by Agent. As used in this Section 1.5(e), "Primary Syndication" shall occur when GE Capital's aggregate Commitments, together with the total Loans funded by GE Capital, do not exceed $50,000,000.

(f) Notwithstanding anything to the contrary set forth in this Section 1.5, if a court of competent jurisdiction determines in a final order that the rate of interest payable hereunder exceeds the highest rate of interest permissible under law (the "Maximum Lawful Rate"), then so long as the Maximum Lawful Rate would be so exceeded, the rate of interest payable hereunder shall be equal to the Maximum Lawful Rate; *provided*, *however*, that if at any time thereafter the rate of interest payable hereunder is less than the Maximum Lawful Rate, Borrower shall continue to pay interest hereunder at the Maximum Lawful Rate until such time

as the total interest received by Agent, on behalf of Lenders, is equal to the total interest that would have been received had the interest rate payable hereunder been (but for the operation of this paragraph) the interest rate payable since the Original Closing Date as otherwise provided in this Agreement. Thereafter, interest hereunder shall be paid at the rate(s) of interest and in the manner provided in Sections 1.5(a) through (e), unless and until the rate of interest again exceeds the Maximum Lawful Rate, and at that time this paragraph shall again apply. In no event shall the total interest received by any Lender pursuant to the terms hereof exceed the amount that such Lender could lawfully have received had the interest due hereunder been calculated for the full term hereof at the Maximum Lawful Rate. If the Maximum Lawful Rate is calculated pursuant to this paragraph, such interest shall be calculated at a daily rate equal to the Maximum Lawful Rate divided by the number of days in the year in which such calculation is made. If, notwithstanding the provisions of this Section 1.5(f), a court of competent jurisdiction shall finally determine that a Lender has received interest hereunder in excess of the Maximum Lawful Rate, Agent shall, to the extent permitted by applicable law, promptly apply such excess in the order specified in Section 1.11 and thereafter shall refund any excess to Borrower or as a court of competent jurisdiction may otherwise order.

1.6 Eligible Accounts. All of the Accounts owned by Borrower or any Secured Guarantor and reflected in the most recent Borrowing Base Certificate delivered by Borrower to Agent shall be "Eligible Accounts" for purposes of this Agreement, except any Account to which any of the exclusionary criteria set forth below applies. Agent shall have the right to establish or modify or eliminate Reserves against Eligible Accounts from time to time in its reasonable credit judgment to reflect issues with respect to the collectability of Accounts arising or discovered by Agent after the Original Closing Date. In addition, Agent reserves the right, at any time and from time to time after the Original Closing Date, to adjust any of the criteria set forth below or to establish new criteria in its reasonable credit judgment to reflect changes in the Borrower's or the applicable Secured Guarantor's business operations or the collectability of Accounts, subject to the approval of Requisite Revolving Lenders in the case of adjustments or new criteria which have the effect of making more credit available. Eligible Accounts shall not include any Account of Borrower or a Secured Guarantor:

(a) that does not arise from the sale of goods or the performance of services by Borrower or a Secured Guarantor in the ordinary course of its business;

(b) (i) upon which Borrower's or the applicable Secured Guarantor's right to receive payment is not absolute or is contingent upon the fulfillment of any condition whatsoever or (ii) as to which Borrower or the applicable Secured Guarantor is not able to bring suit or otherwise enforce its remedies against the Account Debtor through judicial process, or (iii) if the Account represents a progress billing consisting of an invoice for goods sold or used or services rendered pursuant to a contract under which the Account Debtor's obligation to pay that invoice is subject to Borrower's or the applicable Secured Guarantors' completion of further performance under such contract or is subject to the equitable lien of a surety bond issuer;

(c) to the extent that any defense, counterclaim, setoff or dispute is asserted as to such Account;

(d) that is not a true and correct statement of bona fide indebtedness incurred in the amount of the Account for merchandise sold to or services rendered and accepted by the applicable Account Debtor;

(e) with respect to which an invoice has not been sent to the applicable Account Debtor;

(f) that (i) is not owned by Borrower or a Secured Guarantor or (ii) is subject to any right, claim, security interest or other interest of any other Person, other than Liens described in clauses (a), (e) and (t) of the definition of Permitted Encumbrances and Liens in favor of Agent, on behalf of itself and Lenders but only to the extent of such right, claim, security interest or other interest;

(g) that arises from a sale to any director, officer, other employee or Affiliate of any Credit Party, or to any entity that has any common officer with any Credit Party;

(h) that constitutes an Eligible Government Account or is the obligation of an Account Debtor that is the United States government or a political subdivision thereof, or any state, county or municipality or department, agency or instrumentality thereof, unless Borrower or the applicable Secured Guarantor has complied with respect to such obligation with the Federal Assignment of Claims Act of 1940, or any applicable state, county or municipal law restricting assignment thereof;

(i) that is the obligation of an Account Debtor located in a foreign country other than Canada (excluding the province of Newfoundland, the Northwest Territories and the Territory of Nunavut), unless payment thereof is assured by a letter of credit or credit insurance assigned and delivered to Agent, satisfactory to Agent as to form, amount and issuer;

(j) to the extent Borrower or any Secured Guarantor or any Subsidiary thereof is liable for goods sold or services rendered by the applicable Account Debtor to Borrower or any Secured Guarantor or any Subsidiary thereof but only to the extent of the potential offset;

(k) that arises with respect to goods that are delivered on a bill-and-hold, cash-on-delivery basis or placed on consignment, guaranteed sale or other terms by reason of which the payment by the Account Debtor is or may be conditional;

(l) that is in default; *provided*, that, an Account shall be deemed in default upon the occurrence of any of the following:

(i) the Account is not paid within the earlier of: sixty (60) days following its due date or one hundred twenty (120) days following its original invoice date unless payment thereof is secured by a letter of credit satisfactory to Agent as to form, substance and issuer;

(ii) the Account Debtor obligated upon such Account suspends business, makes a general assignment for the benefit of creditors or fails to pay its debts generally as they come due; or

(iii) a petition is filed by or against any Account Debtor obligated upon such Account under any bankruptcy law or any other federal, state or foreign (including any provincial) receivership, insolvency relief or other law or laws for the relief of debtors;

(m) that is the obligation of an Account Debtor if 50% or more of the Dollar amount of all Accounts owing by that Account Debtor are ineligible under the criteria set forth in clause (l) above;

(n) as to which Agent's Lien thereon, on behalf of itself and Lenders, is not a first priority perfected Lien;

(o) as to which any of the representations or warranties in the Loan Documents are untrue in any material respect;

(p) to the extent such Account is evidenced by a judgment, Instrument or Chattel Paper;

(q) to the extent that such Account, together with all other Accounts owing by such Account Debtor and its Affiliates (excluding the United States government as Account Debtor) as of any date of determination exceed 15% of all Eligible Accounts; or

(r) that is payable in any currency other than Dollars, Canadian Dollars, Pounds Sterling or Euros.

It is understood and agreed that any Account excluded from eligibility under clause (l) above shall be excluded in its entirety, meaning that any past due credits with respect thereto shall also be excluded thereunder.

1.7 Eligible Inventory. All of the Inventory owned by the Borrower or any Secured Guarantor and reflected in the most recent Borrowing Base Certificate delivered by Borrower to Agent shall be "Eligible Inventory" for purposes of this Agreement, except any Inventory to which any of the exclusionary criteria set forth below applies. Agent shall have the right to establish, modify, or eliminate Reserves against Eligible Inventory from time to time in its reasonable credit judgment to reflect issues with respect to the salability of Inventory arising or discovered by Agent after the Effective Date. In addition, Agent reserves the right, at any time and from time to time after the Effective Date, to adjust any of the criteria set forth below or to establish new criteria in its reasonable credit judgment to reflect changes in the Borrower's or the applicable Secured Guarantor's business operations or salability of Inventory, subject to the approval of Requisite Revolving Lenders in the case of adjustments or new criteria which have the effect of making more credit available. Eligible Inventory shall not include any Inventory of Borrower or any Secured Guarantor that:

(a) is not owned by Borrower or any Secured Guarantor free and clear of all Liens and rights of any other Person (including the rights of a purchaser that has made progress payments and the rights of a surety that has issued a bond to assure Borrower's or a Secured Guarantor's performance with respect to that Inventory), except Liens described in clauses (a), (d), (e) and (t) of the definition of Permitted Encumbrances and the Liens in favor of Agent, on behalf of itself and Lenders;

(b) (i) is not located on premises owned, leased or rented by Borrower or any Secured Guarantor and set forth in Disclosure Schedule (3.2), (ii) is not located on premises acquired or leased by Borrower or any Secured Guarantor in connection with any Permitted Loan Funded Acquisition, or (iii) is stored at a leased location, unless Agent has given its prior consent thereto and unless either (x) a reasonably satisfactory landlord waiver has been delivered to Agent, or (y) Reserves reasonably satisfactory to Agent have been established with respect thereto, or (iii) is stored with a bailee or warehouseman unless a reasonably satisfactory, acknowledged bailee letter has been received by Agent and Reserves reasonably satisfactory to Agent have been established with respect thereto, or (iv) is located at a location owned by Borrower or any Secured Guarantor subject to a mortgage in favor of a lender other than Agent, unless a reasonably satisfactory mortgagee waiver has been delivered to Agent, or (v) is located at any site if the aggregate book value of Inventory at any such location is less than $50,000;

(c) is placed on consignment or is in transit, except for Inventory in transit between domestic locations of Credit Parties as to which Agent's Liens have been perfected at origin and destination;

(d) is covered by a negotiable document of title, unless such document has been delivered to Agent with all necessary endorsements, free and clear of all Liens except those in favor of Agent and Lenders;

(e) is excess, obsolete, slow moving (in excess of 2-years' supply), unsalable, shopworn, seconds, damaged or unfit for sale;

(f) consists of display items or packing or shipping materials, manufacturing supplies, custom-made Inventory which is not subject to an outstanding purchase order that is not revocable by its terms or is not sold in the ordinary course of business, work-in-process Inventory or replacement parts (excluding Component Parts and Purchased Parts);

(g) is not of a type held for sale in the ordinary course of Borrower's or the applicable Secured Guarantor's business;

(h) is not subject to a first priority lien in favor of Agent on behalf of itself and Lenders;

(i) breaches in any material respect any of the representations or warranties pertaining to Inventory set forth in the Loan Documents;

(j) consists of any costs associated with "freight-in" charges;

(k) consists of Hazardous Materials or goods that can be transported or sold only with licenses that are not readily available; or

(l) is not covered by casualty insurance in accordance with Section 5.4.

1.8 Cash Management Systems. On or prior to the Effective Date, Borrower will establish and will maintain until the Termination Date, the cash management systems described in Annex C (the "Cash Management Systems").

1.9 Fees.

(a) Borrower has paid and shall pay to GE Capital, individually, the Fees specified in the GE Capital Fee Letter, at the times specified for payment therein.

(b) As additional compensation for the Revolving Lenders, Borrower shall pay to Agent, for the ratable benefit of such Lenders, in arrears, on the first Business Day of each month prior to the Commitment Termination Date and on the Commitment Termination Date, a Fee for Borrower's non-use of available funds in an amount equal to one-half of one percent (0.50%) per annum (calculated on the basis of a 360 day year for actual days elapsed) multiplied by the difference between (x) the Maximum Amount (as it may be reduced from time to time) and (y) the average for the period of the daily closing balances of the Revolving Loan and the Swing Line Loan outstanding during the period for which such Fee is due.

(c) Borrower shall pay to Agent, for the ratable benefit of Revolving Lenders, the Letter of Credit Fee as provided in Annex B.

1.10 Receipt of Payments. Borrower shall make each payment under this Agreement not later than 1:00 p.m. (Chicago time) on the day when due in immediately available funds in Dollars to the Collection Account. For purposes of computing interest and Fees and determining Borrowing Availability as of any date, all payments shall be deemed received on the Business Day on which immediately available funds therefor are received in the Collection Account prior to 1:00 p.m. (Chicago time). Payments received after 1:00 p.m. (Chicago time) on any Business Day or on a day that is not a Business Day shall be deemed to have been received on the following Business Day.

1.11 Application and Allocation of Payments.

(a) So long as no Event of Default has occurred and is continuing and the Commitment Termination Date has not occurred, (i) payments received in the ordinary course of business and not subject to clauses (ii), (iii) and (iv) below shall be applied, first, to the Swing Line Loan and, second, to the Revolving Loan; (ii) payments matching specific scheduled payments then due shall be applied to those scheduled payments; (iii) voluntary prepayments shall be applied as determined by Borrower, subject to the provisions of Section 1.3(a); and (iv) mandatory prepayments shall be applied as set forth in Sections 1.3(c), 1.3(d) and 1.3(f). All payments and prepayments applied to a particular Loan shall be applied ratably to the portion thereof held by each Lender as determined by its Pro Rata Share. As to any other payment, and as to all payments made when an Event of Default has occurred and is continuing or following the Commitment Termination Date, Borrower and each other Credit Party hereby irrevocably waive the right to direct the application of any and all payments (including monetary proceeds of collections of or realizations upon any Collateral) received from or on behalf of Borrower or any other Credit Party, and Borrower and each other Credit Party hereby irrevocably agree that Agent and the Requisite Lenders shall have the continuing exclusive right to apply any and all such payments against the Obligations as Agent and the Requisite Lenders may deem advisable notwithstanding any previous entry by Agent in the Loan Account or any other books and records and agree to be bound by all such payment applications. In the absence of a specific determination by Agent and the Requisite Lenders with respect thereto, payments shall be

applied to amounts then due and payable in the following order: (1) to Fees and Agent's expenses reimbursable hereunder; (2) to interest on the Swing Line Loan; (3) to principal payments on the Swing Line Loan; (4) to interest on the other Loans, ratably in proportion to the interest accrued as to each Loan; (5) to principal payments on the other Loans and to provide cash collateral for Letter of Credit Obligations in the manner described in Annex B, ratably to the aggregate, combined principal balance of the other Loans and outstanding Letter of Credit Obligations; and (6) to all other Obligations, including any Hedging Termination Value owed by Borrower and/or one or more Secured Guarantors with respect to the Specified Hedging Agreements and expenses of Lenders to the extent reimbursable under Section 11.3.

(b) Agent is authorized to, and at its sole election may, charge to the Revolving Loan balance on behalf of Borrower and cause to be paid all Fees, Charges, reimbursable expenses (including insurance premiums in accordance with Section 5.4(a)) and interest and principal, other than

principal of the Revolving Loan, owing by Borrower under this Agreement or any of the other Loan Documents if and to the extent Borrower fails to pay promptly any such amounts as and when due, even if the amount of such charges would exceed Borrowing Availability at such time. At Agent's option and to the extent permitted by law, any charges so made shall constitute part of the Revolving Loan hereunder.

1.12 Loan Account and Accounting. Agent shall maintain a loan account (the "Loan Account") on its books to record all Advances and the Term Loan, all payments made by or on behalf of Borrower, and all other debits and credits as provided in this Agreement with respect to the Loans or any other Obligations. All entries in the Loan Account shall be made in accordance with Agent's customary accounting practices as in effect from time to time. The balance in the Loan Account, as recorded on Agent's most recent printout or other written statement, shall be presumptive evidence of the amounts due and owing to Agent and Lenders by Borrower; *provided* that any failure to so record or any error in so recording shall not limit or otherwise affect Borrower's duty to pay the Obligations. Agent shall render to Borrower a monthly accounting of transactions with respect to the Loans setting forth the balance of the Loan Account for the immediately preceding month. Unless Borrower notifies Agent in writing of any objection to any such accounting (specifically describing the basis for such objection), within ninety (90) days after the date thereof, each and every such accounting shall, absent manifest error, be deemed conclusive. Only those items expressly objected to in such notice shall be deemed to be disputed by Borrower. Notwithstanding any provision herein contained to the contrary, any Lender may elect (which election may be revoked) to dispense with the issuance of Notes to that Lender and may rely on the Loan Account as evidence of the amount of Obligations from time to time owing to it.

1.13 Indemnity.

(a) Each Credit Party that is a signatory hereto shall jointly and severally indemnify and hold harmless each of Agent, Lenders and their respective Affiliates, and each such Person's respective officers, directors, employees, attorneys, agents and representatives (each, an "Indemnified Person"), from and against any and all suits, actions, proceedings, claims, damages, losses, liabilities and expenses (including reasonable attorneys' fees and disbursements and other costs of investigation or defense, including those incurred upon any appeal) that may be instituted or asserted against or incurred by any such Indemnified Person as the result of credit

having been extended, suspended or terminated under this Agreement and the other Loan Documents and the administration of such credit, and in connection with or arising out of the transactions contemplated hereunder and thereunder and any actions or failures to act in connection therewith, and legal costs and expenses arising out of or incurred in connection with disputes between or among any parties to any of the Loan Documents (other than disputes between and among Agent/or the Lenders arising when no Event of Default has occurred and is continuing) (collectively, "Indemnified Liabilities"); *provided*, that no such Credit Party shall be liable for any indemnification to an Indemnified Person to the extent that any such suit, action, proceeding, claim, damage, loss, liability or expense results from that Indemnified Person's gross negligence or willful misconduct; and, *provided further*, that any obligations of the Credit Parties to the Indemnified Persons with respect to Environmental Liabilities and Hazardous Materials shall be governed exclusively by the terms and provisions of the Environmental Indemnity Agreement and not by the terms and provisions of this Section 1.13 or any other term and provision of this Agreement or any other Loan Document other than the Environmental Indemnity Agreement. NO INDEMNIFIED PERSON SHALL BE RESPONSIBLE OR LIABLE TO ANY OTHER PARTY TO ANY LOAN DOCUMENT, ANY SUCCESSOR, ASSIGNEE OR THIRD PARTY BENEFICIARY OF SUCH PERSON OR ANY OTHER PERSON ASSERTING CLAIMS DERIVATIVELY THROUGH SUCH PARTY, FOR INDIRECT, PUNITIVE, EXEMPLARY OR CONSEQUENTIAL DAMAGES WHICH MAY BE ALLEGED AS A RESULT OF CREDIT HAVING BEEN EXTENDED, SUSPENDED OR TERMINATED UNDER ANY LOAN DOCUMENT OR AS A RESULT OF ANY OTHER TRANSACTION CONTEMPLATED HEREUNDER OR THEREUNDER.

(b) To induce Lenders to provide the LIBOR Rate option on the terms provided herein, if (i) any LIBOR Loans are repaid in whole or in part prior to the last day of any applicable LIBOR Period (whether that repayment is made pursuant to any provision of this Agreement or any other Loan Document or occurs as a result of acceleration, by operation of law or otherwise); (ii) Borrower shall default in payment when due of the principal amount of or interest on any LIBOR Loan; (iii) Borrower shall refuse to accept any borrowing of, or shall request a termination of any borrowing, conversion into or continuation of LIBOR Loans after Borrower has given notice requesting the same in accordance herewith; or (iv) Borrower shall fail to make any prepayment of a LIBOR Loan after Borrower has given a notice thereof in accordance herewith, then Borrower shall indemnify and hold harmless each Lender from and against all losses, costs and expenses resulting from or arising from any of the foregoing. Such indemnification shall include any loss (including loss of margin) or expense arising from the reemployment of funds obtained by it or from fees payable to terminate deposits from which such funds were obtained. For the purpose of calculating amounts payable to a Lender under this subsection, each Lender shall be deemed to have actually funded its relevant LIBOR Loan through the purchase of a deposit bearing interest at the LIBOR Rate in an amount equal to the amount of that LIBOR Loan and having a maturity comparable to the relevant LIBOR Period; *provided*, that each Lender may fund each of its LIBOR Loans in any manner it sees fit, and the foregoing assumption shall be utilized only for the calculation of amounts payable under this subsection. This covenant shall survive the termination of this Agreement and the payment of the Notes and all other amounts payable hereunder. As promptly as practicable under the circumstances, each Lender shall provide Borrower with its written calculation of all amounts payable pursuant to this Section 1.13(b), and such calculation shall be presumed to be correct unless Borrower shall object in writing within twenty (20) Business Days of receipt thereof,

specifying the basis for such objection in detail. The payment of any amounts due under this Section 1.13(b) by Borrower as a result of any of the events described in clause (i) (other than as a result of acceleration following an Event of Default), clause (iii) or clause (iv) above shall constitute a cure of any Default or Event of Default arising solely from such events.

1.14 Access. Each Credit Party that is a party hereto shall, during normal business hours, from time to time upon three (3) Business Days' prior notice as frequently as Agent determines to be appropriate: (a) provide Agent and any of its officers, employees and agents access to its properties, facilities, advisors, officers, employees of each Credit Party and to the Collateral, (b) permit Agent, and any of its officers, employees and agents, to inspect, audit and make extracts from any Credit Party's books and records, and (c) permit Agent, and its officers, employees and agents, to inspect, review, evaluate and make test verifications and counts of the Accounts, Inventory and other Collateral of any Credit Party. If an Event of Default has occurred and is continuing or if access is necessary to preserve or protect the Collateral as determined by the Agent, each such Credit Party shall provide such access to Agent and to each Lender at all times and without advance notice. Furthermore, so long as any Event of Default has occurred and is continuing, Borrower shall provide Agent and each Lender with access to its suppliers and customers. Each Credit Party shall make available to Agent and its counsel, as quickly as is possible under the circumstances, originals or copies of all books and records of the Credit Parties that Agent may reasonably request. Each Credit Party shall

deliver any document or instrument necessary for Agent, as it may from time to time reasonably request, to obtain records from any service bureau or other Person that maintains records for such Credit Party. As long as a Trigger Event has occurred and is continuing, Agent and Lenders agree that Agent shall conduct a field Collateral audit of Borrower, the Secured Guarantors and Schaublin every six months from the date of the last field Collateral audit. Agent will give Lenders at least five (5) days' prior written notice of regularly scheduled audits. Representatives of other Lenders may accompany Agent's representatives on regularly scheduled audits at no charge to Borrower.

1.15 Taxes.

(a) Any and all payments by Borrower hereunder or under the Notes shall be made, in accordance with this Section 1.15, free and clear of and without deduction for any and all present or future Taxes. If Borrower shall be required by law to deduct any Taxes from or in respect of any sum payable hereunder or under the Notes, (i) the sum payable shall be increased as much as shall be necessary so that after making all required deductions (including deductions applicable to additional sums payable under this Section 1.15) Agent or Lenders, as applicable, receive an amount equal to the sum they would have received had no such deductions been made, (ii) Borrower shall make such deductions, and (iii) Borrower shall pay the full amount deducted to the relevant taxing or other authority in accordance with applicable law. Within thirty (30) days after the date of any payment of any such Taxes, Borrower shall furnish to Agent the original or a certified copy of a receipt evidencing payment thereof.

(b) Each Credit Party that is a signatory hereto shall indemnify and, within thirty (30) days of demand therefor, pay Agent and each Lender for the full amount of Taxes (including any Taxes imposed by any jurisdiction on amounts payable under this Section 1.15) paid by Agent or such Lender, as appropriate, and any liability (including penalties, interest and

expenses) arising therefrom or with respect thereto, whether or not such Taxes were correctly or legally asserted.

(c) Each Lender organized under the laws of a jurisdiction outside the United States (a "Foreign Lender") shall provide to Borrower and Agent a properly completed and executed IRS Form W-8ECI or Form W-8BEN or other applicable form, certificate or document prescribed by the IRS or the United States certifying as to such Foreign Lender's entitlement to an exemption from United States withholding tax (a "Certificate of Exemption"). Any foreign Person that seeks to become a Lender under this Agreement shall provide a Certificate of Exemption to Borrower and Agent prior to becoming a Lender hereunder. No foreign Person may become a Lender hereunder if such Person fails to deliver a Certificate of Exemption in advance of becoming a Lender. Any foreign Person that has become a Lender hereunder and that has provided a Certificate of Exemption shall, to the extent legally able to do so, renew its Certificate of Exemption upon the expiration of the previously delivered Certificate of Exemption.

1.16 Capital Adequacy; Increased Costs; Illegality.

(a) If any Lender shall have determined that any law, treaty, governmental (or quasi-governmental) rule, regulation, guideline or order regarding capital adequacy, reserve requirements or similar requirements or compliance by any Lender with any request or directive regarding capital adequacy, reserve requirements or similar requirements (whether or not having the force of law), in each case, adopted after the Effective Date, from any central bank or other Governmental Authority increases or would have the effect of increasing the amount of capital, reserves or other funds required to be maintained by such Lender and thereby reducing the rate of return on such Lender's capital as a consequence of its obligations hereunder, then Borrower shall from time to time upon demand by such Lender issued within ninety (90) days after adoption thereof and setting forth a calculation of the reduction (with a copy of such demand to Agent) pay to Agent, for the account of such Lender, additional amounts sufficient to compensate such Lender for such reduction. A certificate as to the amount of that reduction and showing the basis of the computation thereof submitted by such Lender to Borrower and to Agent shall, absent manifest error, be presumptive evidence of the matters set forth therein.

(b) If, due to either (i) the introduction of or any change in any law or regulation (or any change in the interpretation thereof) or (ii) the compliance with any guideline or request from any central bank or other Governmental Authority (whether or not having the force of law), in each case adopted after the Original Closing Date, there shall be any increase in the cost to any Lender of agreeing to make or making, funding or maintaining any Loan, then Borrower shall from time to time, upon demand by such Lender issued within ninety (90) days after the introduction thereof or compliance therewith and setting forth a calculation of such increased costs (with a copy of such demand to Agent), pay to Agent for the account of such Lender additional amounts sufficient to compensate such Lender for such increased cost. A certificate as to the amount of such increased cost, submitted to Borrower and to Agent by such Lender, shall be presumptive evidence of the matters set forth therein, absent manifest error. Each Lender agrees that, as promptly as practicable after it becomes aware of any circumstances referred to above which would result in any such increased cost, the affected Lender shall, to the extent not inconsistent with such Lender's internal policies of general application, use reasonable

commercial efforts to minimize costs and expenses incurred by it and payable to it by Borrower pursuant to this Section 1.16(b).

(c) Notwithstanding anything to the contrary contained herein, if the introduction of or any change in any law or regulation (or any change in the interpretation thereof) shall make it unlawful, or any central bank or other Governmental Authority shall assert that it is unlawful, for any Lender to agree to make or to make or to continue to fund or maintain any LIBOR Loan, then, unless that Lender is able to make or to continue to fund or to maintain such LIBOR Loan at another branch or office of that Lender without, in that Lender's opinion, adversely affecting it or its Loans or the income obtained therefrom, on notice thereof and demand therefor by such Lender to Borrower through Agent, (i) the obligation of such Lender to agree to make or to make or to continue to fund or maintain LIBOR Loans shall terminate and (ii) Borrower shall forthwith prepay in full all outstanding LIBOR Loans owing to such Lender, together with interest accrued thereon, unless Borrower, within five (5) Business Days after the delivery of such notice and demand, converts all LIBOR Loans into Index Rate Loans.

(d) Within fifteen (15) days after receipt by Borrower of written notice and demand from any Lender (an "Affected Lender") as provided in Sections 1.15(a), 1.15(b), 1.16(a) or 1.16(b), Borrower may, at its option, notify Agent and such Affected Lender of its intention to replace the Affected Lender. So long as no Default or Event of Default has occurred and is continuing, Borrower, with the consent of Agent, may obtain, at Borrower's expense, a replacement Lender ("Replacement Lender") for the Affected Lender, which Replacement Lender must be reasonably satisfactory to Agent. If Borrower obtains a Replacement Lender within one hundred eighty (180) days following notice of its intention to do so, the Affected Lender must sell and

assign its Loans and Commitments to such Replacement Lender for an amount equal to the principal balance of all Loans held by the Affected Lender and all accrued interest and Fees with respect thereto through the date of such sale; *provided*, that Borrower shall have reimbursed such Affected Lender for the additional amounts or increased costs that it is entitled to receive under Sections 1.15(a), 1.15(b), 1.16(a) or 1.16(b) through the date of such sale and assignment. Notwithstanding the foregoing, Borrower shall not have the right to obtain a Replacement Lender if the Affected Lender rescinds its demand for increased costs or additional amounts within fifteen (15) days following its receipt of Borrower's notice of intention to replace such Affected Lender. Furthermore, if Borrower gives a notice of intention to replace and does not so replace such Affected Lender within one hundred eighty (180) days thereafter, Borrower's rights under this Section 1.16(d) shall terminate with respect to the increased costs or additional amounts of such Affected Lender giving rise to such notice to replace such Affected Lender and Borrower shall promptly pay all increased costs and or additional amounts demanded by such Affected Lender pursuant to Sections 1.15(a), 1.15(b), 1.16(a) and 1.16(b).

1.17 Single Loan. All Loans to Borrower and all of the other Obligations of Borrower arising under this Agreement, the Prior Credit Agreement and the other Loan Documents shall constitute one general obligation of Borrower secured, until the Termination Date, by all of the Collateral.

2. CONDITIONS PRECEDENT

2.1 Conditions to the Initial Loans. No Lender shall be obligated to make any Loan or incur any Letter of Credit Obligations on the Effective Date, or to take, fulfill, or perform any other action hereunder, until the following conditions have been satisfied or provided for in a manner satisfactory to Agent, or waived in writing by Agent and Requisite Lenders:

(a) Credit Agreement; Loan Documents. This Agreement or counterparts hereof shall have been duly executed by, and delivered to, Borrower, each other Credit Party, Agent and Lenders; and Agent shall have received such documents, instruments, agreements and legal opinions as Agent shall reasonably request in connection with the transactions contemplated by this Agreement and the other Loan Documents, including all those listed in the Closing Checklist attached hereto as Annex D, each in form and substance reasonably satisfactory to Agent.

(b) Prior Debt Obligations. Agent shall have received evidence satisfactory to Agent confirming that all required actions have been taken and required notices have been given under the Prior Senior Subordinated Indenture to redeem all of the outstanding Prior Senior Subordinated Notes on a date not later than 30 days from the Effective Date. Concurrently with the funding of the Loans and the SCIL Loan and the deposit of the Refinancing Proceeds with the trustee under the Prior Senior Subordinated Indenture (the "Trustee"), the Agent shall have received a copy of the written acknowledgment from the Trustee confirming the satisfaction and discharge of the Prior Senior Subordinated Indenture in accordance with the terms of Section 8.01(a) thereof. In addition, the Agent shall be satisfied that the SCIL Lenders have agreed to advance all net proceeds of the SCIL Loan to the Trustee in respect of the Refinancing on the Effective Date and that Borrower has directed Agent to disburse a portion of the Term Loan to fund the remaining Refinancing Proceeds to the Trustee on the Effective Date.

(c) Approvals. Agent shall have received (i) satisfactory evidence that the Credit Parties have obtained all required consents and approvals of all Persons (including all requisite Governmental Authorities) to the execution, delivery and performance of this Agreement, the other Loan Documents and the consummation of the Related Transaction or (ii) an Officer Certificate in form and substance reasonably satisfactory to Agent affirming that no such consents or approvals are required.

(d) Opening Availability. The Eligible Accounts and Eligible Inventory supporting the Revolving Credit Advances to be made on the Effective Date and the outstanding Letter of Credit Obligations and the amount of the Reserves to be established on the Effective Date shall be sufficient in value, as reasonably determined by Agent, to provide Borrower with Borrowing Availability on the Effective Date, after adding thereto all unrestricted cash on hand of Borrower and after giving effect to the Revolving Credit Advance to be made on the Effective Date, the outstanding Letter of Credit Obligations and the consummation of the Related Transactions (on a pro forma basis, with trade payables being paid currently, and expenses and liabilities being paid in the ordinary course of business and without acceleration of sales) of at least $15,000,000.

(e) Effective Date Draw. After giving effect to the payment of, or the creation of a Reserve for, all fees and expenses related to the Related Transactions, no more than $25,000,000 in Revolving Loans (including, without duplication, all Letter of Credit Obligations) will be drawn as of the Effective Date.

(f) Consummation of the Related Transactions. The Agent shall have received fully executed copies of final and complete copies of the documents relating to the SCIL Loan, each of which shall be in full force and effect and in form and substance reasonably satisfactory to Agent. The Related Transactions shall, on the Effective Date, be consummated in accordance with the terms of the Related Transactions Documents simultaneously with the making of the Loans on the Effective Date.

(g) Payment of Fees. Borrower shall have paid the Fees required to be paid on the Effective Date in the respective amounts specified in Section 1.9 (including the Fees specified in the GE Capital Fee Letter), and shall have reimbursed Agent for all reimbursable fees, costs and expenses of closing presented as of the Effective Date.

(h) Term Loan Rating. The Term Loan shall be rated "B" or better by S&P and "B2" or better by Moody's, as evidenced by ratings letters received from such rating agencies.

(i) Life Insurance. Agent shall have received evidence that the Keyman Life Insurance is in effect.

(j) Capital Structure: Other Indebtedness. The capital structure of each Credit Party and the terms and conditions of all Indebtedness of each Credit Party shall be acceptable to Agent in its sole discretion. Without limiting the generality of the foregoing,

(i) Unaudited Adjusted EBITDA for the period of 12 consecutive months ended on April 30, 2004 shall be not less than $39,200,000 (it being understood and agreed that the unaudited Adjusted EBITDA is subject to normal year end audit adjustments);

(ii) Senior Debt of Holdings and its Subsidiaries (less Holdings' and its Subsidiaries' consolidated unrestricted cash and Cash Equivalents on hand) shall not exceed 3.54 times Adjusted EBITDA for the period of 12 consecutive months ended on April 30, 2004;

(iii) Funded Debt of Holdings and its Subsidiaries (less Holdings' and its Subsidiaries' consolidated unrestricted cash and Cash Equivalents on hand) shall not exceed 5.66 times Adjusted EBITDA for the period of 12 consecutive months ended on April 30, 2004; and

(iv) Aggregate Indebtedness of Holdings and its Subsidiaries on a consolidated basis on the Effective Date (including Loans and the SCIL Loan to be made on the Effective Date and after taking into account the repayment of existing Indebtedness on the Effective Date) shall not exceed $223,500,000.

(k) Field Exams. Agent shall have completed its field examination of Borrower's and its Subsidiaries respective businesses, operations, financial conditions, and assets, including a roll forward of its previous Collateral audit, with results reasonably satisfactory to Agent.

2.2 Further Conditions to Each Loan. Except as otherwise expressly provided herein, no Lender shall be obligated to fund any Advance or incur any Letter of Credit Obligation, if, as of the date thereof:

(a) any representation or warranty by any Credit Party contained herein or in any other Loan Document is untrue or incorrect as of such date in any material respect, except to the extent that such representation or warranty expressly relates to an earlier date and except for changes therein expressly permitted or expressly contemplated by this Agreement, and Agent or Requisite Revolving Lenders have determined not to make such Advance or incur such Letter of Credit Obligation as a result of the fact that such warranty or representation is untrue or incorrect;

(b) any event or circumstance (i) having a Material Adverse Effect as set forth in clauses (c) or (d) of the definition thereof or (ii) which could reasonably be expected to result in costs, liabilities or damages, individually or in the aggregate, to any Credit Party or Credit Parties in an amount that would have caused any of the Financial Covenants to have been breached if such event or occurrence had occurred and such costs, liabilities or damages had been paid on the first day of the Fiscal Quarter most recently ended or (iii) which results in an uninsured loss of tangible assets with a value in excess of $4,000,000 has occurred since the date hereof as determined by the Requisite Revolving Lenders, and Agent or Requisite Revolving Lenders have determined not to make such Advance or incur such Letter of Credit Obligation as a result of the fact that such event or circumstance has occurred; or

(c) any Event of Default has occurred and is continuing or would result after giving effect to any Advance (or the incurrence of any Letter of Credit Obligation), and Agent or Requisite Revolving Lenders shall have determined not to make any Advance or incur any Letter of Credit Obligation as a result of that Event of Default.

The request and acceptance by Borrower of the proceeds of any Advance, the incurrence of any Letter of Credit Obligations or the conversion or continuation of any Loan into, or as, a LIBOR Loan shall be deemed to constitute, as of the date thereof, (i) a representation and warranty by Borrower that the conditions in this Section 2.2 have been satisfied and (ii) a reaffirmation by Borrower of the granting and continuance of Agent's Liens, on behalf of itself and Lenders, pursuant to the Collateral Documents.

2.3 Conditions to Revolving Credit Advances Funding Permitted Loan Funded Acquisitions. In addition to the conditions set forth in Section 2.2 with respect to all Advances, no Lender shall be obligated to advance its Pro Rata Share of any Revolving Credit Advance used for the purpose of funding all or part of the purchase price of any acquisition of Stock, any purchase of all or substantially all of the assets of any Person, or any business or division of any Person or any acquisition of a Person by a merger, consolidation or any other combination unless the conditions set forth in the definition of the term "Permitted Loan Funded

Acquisition" have been satisfied (or provided for in a manner satisfactory to Agent) or waived in writing by Agent and Lenders (including, without limitation, the condition in clause(vi) of the definition of the term "Permitted Loan Funded Acquisition" applicable to any Foreign Qualified Target).

2.4 Commitment Increase Conditions.

(a) From time to time after the Effective Date, the Commitments may be increased at the option of the Borrower pursuant to a proposed Commitment Increase if each of the following conditions have been met:

(i) The conditions set forth in Section 2.2 have been satisfied;

(ii) Agent has received evidence satisfactory to it that Borrower (i) would have been in compliance with the Financial Covenants set forth in Annex G for the quarterly period reflected in the Compliance Certificate most recently delivered to Agent pursuant to Annex E on or prior to the proposed Commitment Increase (after giving effect to the Indebtedness to be incurred as a result of the proposed Commitment Increase as if such Indebtedness was incurred on the first day of such period) and (ii) will remain in compliance with the Financial Covenants set forth in Annex G for the four consecutive quarterly periods beginning on the Business Day after the Fiscal Quarter following the proposed Commitment Increase (after giving effect to the Indebtedness to be incurred as a result of the proposed Commitment Increase as if such Indebtedness was incurred on the first day of such period);

(iii) The second anniversary of the Effective Date has not occurred;

(iv) The Borrower has not previously caused the Commitments and this Agreement or the commitments under the SCIL Credit Agreement to have been increased more than once;

(v) Borrower has forwarded to GE Capital and Agent a written offer to GE Capital to provide on the proposed Commitment Increase whereupon GE Capital shall have the right, but no obligation, to commit to all or any portion of the proposed Commitment Increase, *provided* that,

no later than fourteen (14) days after receipt of such written request, GE Capital shall advise Agent and the Borrower whether GE Capital will commit to provide all or any portion of the proposed Commitment Increase and, if so, the amount of its proposed Commitment (the "First Offer Requirement"). After satisfying the First Offer Requirement, Borrower shall be entitled to offer participation in the portion of the proposed Commitment Increase not committed to by GE Capital, if any, to other Lenders and/or New Lenders. Borrower acknowledges and agrees that GE Capital and/or its Affiliates may elect to syndicate all or any portion of any Commitment Increase to which GE Capital may hereafter commit; *provided*, that Borrower shall not be obligated to pay any additional fees or provide any increase in pricing to ensure a successful syndication of such commitments by GE Capital or its Affiliates;

(vi) The proposed Commitment Increase has been consented to in writing by the Lenders or New Lenders whose increase in Commitments or New Commitments in the aggregate equals such proposed Commitment Increase (it being understood and agreed that

no Commitment of a Lender may be increased hereunder without such Lender's written consent);

(vii) Any increase in the Term Loan Commitment shall be in the minimum amount of $5,000,000;

(viii) Any increase in the Revolving Loan Commitment shall be in the minimum amount of $5,000,000;

(ix) the proposed Commitment Increase together with any prior Commitment Increase shall not exceed the Commitment Increase Cap;

(x) The Applicable Margins pertaining to the type of Loan or Loans which are the subject of any Commitment Increase shall be equal to the Applicable Margins pertaining to same type of Loan or Loans under this Agreement. If, in connection with any Commitment Increase, any Applicable Margin for a particular type of Loan is increased, a reciprocal increase in the relevant Applicable Margin(s) for such type of Loan under this Agreement shall be required to occur from and after the effective date of such Commitment Increase. By way of example, if a proposed Commitment Increase consists of $20,000,000 of additional Term Loan Commitments and Borrower agrees to increase the Applicable Term Loan LIBOR Margin by 0.20% over the levels then in effect under this Agreement to attract such additional Term Loan Commitments, the Applicable Term Loan LIBOR Margin for all Term Loans from and after the effective date of such Commitment Increase would be increased by such amount; and

(xi) Agent shall have received amendments to this Agreement and the Loan Documents, joinders and other agreements, documents and instruments reasonably satisfactory to Agent in its sole discretion evidencing and setting forth the terms of the Commitment Increase.

(b) Borrower, Credit Parties, Lenders and Agent acknowledge and agree that each Commitment Increase meeting the conditions set forth in Section 2.4(a) (each, a "Qualifying Commitment Increase") shall not require the consent of any Lender other than those Lenders, if any, which have agreed to increase their Commitments in connection with such proposed Qualifying Commitment Increase. Each Lender hereby authorizes the Agent, without any further consent from or agreement of such Lender, to execute on behalf of such Lender such amendments to this Agreement and/or the other Loan Documents as may be necessary to implement each such Qualifying Commitment Increase.

3. REPRESENTATIONS AND WARRANTIES

To induce Lenders to make the Loans and to incur Letter of Credit Obligations, the Credit Parties executing this Agreement, jointly and severally, make the following representations and warranties to Agent and each Lender with respect to all Credit Parties, each and all of which shall survive the execution and delivery of this Agreement.

3.1 Corporate Existence; Compliance with Law. Each Credit Party (a) is a corporation, limited liability company or limited partnership duly organized, validly existing and

in good standing under the laws of its respective jurisdiction of incorporation or organization set forth in Disclosure Schedule (3.1); (b) is duly qualified to conduct business and is in good standing in each other jurisdiction where its ownership or lease of property or the conduct of its business requires such qualification, except where the failure to be so qualified would not have a Material Adverse Effect; (c) has the requisite power and authority and the legal right to own, pledge, mortgage or otherwise encumber and operate its properties, to lease the property it operates under lease and to conduct its business as now conducted; (d) subject to specific representations regarding Environmental Laws contained in the Environmental Indemnity Agreement, has all material licenses, permits, consents or approvals from or by, and has made all material filings with, and has given all material notices to, all Governmental Authorities having jurisdiction, to the extent required for such ownership, operation and conduct, except as could not reasonably be expected to have a Material Adverse Effect; (e) is in compliance with its charter and bylaws or partnership or operating agreement, as applicable; and (f) subject to specific representations set forth herein regarding ERISA, tax and other laws, or specific representations regarding Environmental Laws set forth in the Environmental Indemnity Agreement, is in compliance with all applicable provisions of law, except where the failure to comply, individually or in the aggregate, could not reasonably be expected to have a Material Adverse Effect.

3.2 Executive Offices, Collateral Locations, FEIN. As of the Effective Date, each Credit Party's name as it appears in official filings in its state of incorporation or organization, state of incorporation or organization, organization type, organization number, if any, issued by its state incorporation or organization, and the location of each Credit Party's chief executive office and the warehouses and premises at which any Collateral is located on the Effective Date are set forth in Disclosure Schedule (3.2), and each Credit Party has only one state of incorporation or organization. In addition, Disclosure Schedule (3.2) lists the federal employer identification number of each domestic Credit Party.

3.3 Corporate Power, Authorization, Enforceable Obligations. The execution, delivery and performance by each Credit Party of the Loan Documents to which it is a party and the creation of all Liens provided for therein: (a) are within such Person's power; (b) have been duly authorized by all necessary corporate, limited liability company or limited partnership action; (c) do not contravene any provision of such Person's charter, bylaws or partnership or operating agreement as applicable; (d) do not violate any applicable law or regulation, or any order or decree of any court or Governmental Authority; (e) do not conflict with or result in the breach or termination of, constitute a default under or accelerate or permit the acceleration of any

performance required by, any indenture, mortgage, deed of trust, lease, or other material agreement or instrument to which such Person is a party or by which such Person or any of its property is bound; (f) do not result in the creation or imposition of any Lien upon any of the property of such Person other than those in favor of Agent, on behalf of itself and Lenders, or the counterparty to any Specified Hedging Agreement pursuant to the Loan Documents; and (g) do not require the consent or approval of any Governmental Authority or any other Person, except those referred to in Section 2.1(c), all of which will have been duly obtained, made or complied with prior to or on the Effective Date unless otherwise agreed to by Agent in writing. As of the Effective Date, each of the Loan Documents shall be duly executed and delivered by each Credit Party that is a party thereto and each such Loan Document shall constitute a legal, valid and binding obligation of such Credit Party enforceable against it in accordance with its terms,

except as the enforceability thereof may be limited by applicable bankruptcy laws or similar laws affecting creditors' rights in general.

3.4 Financial Statements and Projections. Except for the Projections, all Financial Statements concerning Holdings, Borrower and its Subsidiaries that are referred to in this Section 3.4 have been prepared in accordance with GAAP consistently applied throughout the periods covered (except as disclosed therein and except, with respect to unaudited Financial Statements, for the absence of footnotes and normal year-end audit adjustments) and present fairly in all material respects the financial position of the Persons covered thereby as at the dates thereof and the results of their operations and cash flows for the periods then ended.

(a) Financial Statements. The following Financial Statements attached hereto as Disclosure Schedule (3.4(a)) have been delivered to Agent on or before the Effective Date:

(i) The audited consolidated and consolidating balance sheets at March 31, 2003 and the related statements of income and cash flows of Holdings, Borrower and its Subsidiaries for the Fiscal Year then ended, certified by Ernst & Young LLP.

(ii) The unaudited balance sheet(s) at April 30, 2004 and the related statement(s) of income and cash flows of Holdings, Borrower and its Subsidiaries for the four Fiscal Quarters then ended.

(b) Pro Forma. The Pro Forma delivered to Agent on or before the Effective Date and attached hereto as Disclosure Schedule (3.4(b)) was prepared by Borrower giving pro forma effect to the Related Transactions, was based on the unaudited consolidated and consolidating balance sheets of Borrower and its Subsidiaries dated December 27, 2003, and was prepared in accordance with GAAP, with only such adjustments thereto as would be required in accordance with GAAP.

(c) Projections. The Projections delivered to Agent on or before the Effective Date and attached hereto as Disclosure Schedule (3.4(c)) have been prepared by Borrower in light of the past operations of its and its Subsidiaries' businesses, but including future payments of known contingent liabilities, and reflect projections for the three year period beginning on April 4, 2004, on a month-by-month basis solely in respect of the income statement and on a quarterly basis for all other financial statements for the first year and on a year-by-year basis thereafter. The Projections are based upon material and relevant estimates and assumptions stated therein, all of which Borrower believes to be reasonable and fair in light of current conditions and current facts known to Borrower and, as of the Effective Date, reflect Borrower's good faith and reasonable estimates of the future financial performance of Borrower and of the other information projected therein for the period set forth therein.

3.5 Material Adverse Effect. Between March 31, 2003 and the Effective Date, (a) no Credit Party has incurred any obligations, contingent or noncontingent liabilities, liabilities for Charges, long-term leases or unusual forward or long-term commitments that are not reflected in the Pro Forma and that, alone or in the aggregate, could reasonably be expected to have a Material Adverse Effect, (b) no contract, lease or other agreement or instrument has been entered into by any Credit Party or has become binding upon any Credit Party's assets and no

law or regulation applicable to any Credit Party has been adopted, in each case, that has had or could reasonably be expected to have a Material Adverse Effect, and (c) no Credit Party is in default and to the best of Borrower's knowledge no third party is in default under any material contract, lease or other agreement or instrument, in any case which default alone or in the aggregate could reasonably be expected to have a Material Adverse Effect. Between March 31, 2003 and the Effective Date no event has occurred, that alone or together with other events, could reasonably be expected to have a Material Adverse Effect.

3.6 Ownership of Property; Liens. As of the Effective Date, the real estate ("Real Estate") listed in Disclosure Schedule (3.6) includes all of the real property owned, leased, subleased, or used by any Credit Party. As of the Effective Date, each Credit Party owns good and marketable fee simple title to all of its owned Real Estate, and valid leasehold interests in all of its leased Real Estate, all as described on Disclosure Schedule (3.6), and copies of all such leases have been delivered to Agent. Disclosure Schedule (3.6) further describes any Real Estate with respect to which any Credit Party is a lessor, sublessor or assignor as of the Effective Date. Each Credit Party also has good and marketable title to, or valid leasehold interests in, all of its personal property and assets. As of the Effective Date, none of the properties and assets of any Credit Party are subject to any Liens other than Permitted Encumbrances, and no Credit Party has received written notice of any facts, circumstances or conditions that are likely to result in any Liens (including Liens arising under Environmental Laws) on any Collateral other than Permitted Encumbrances. As of the Effective Date, the Liens granted to Agent pursuant to the Loan Documents are first priority perfected Liens, subject only to Permitted Encumbrances. As of the Effective Date, each Credit Party has to its knowledge received all deeds, assignments, waivers, consents, nondisturbance and attornment or similar agreements, bills of sale and other documents, and has duly effected all recordings, filings and other actions reasonably necessary to establish, protect and perfect such Credit Party's right, title and interest in and to all such Real Estate and other properties and assets. Disclosure Schedule (3.6) also describes any purchase options, rights of first refusal or other similar contractual rights pertaining to any Real Estate. During the period from March 31, 2003 through the Effective Date, no portion of any Credit Party's Real Estate has suffered any material damage by fire or other casualty loss that has not heretofore been repaired and restored in all material respects to its original condition or otherwise remedied. As of the Effective Date, all material permits required to have been issued or appropriate to enable the Real Estate to be lawfully occupied and used for all of the purposes for which it is currently occupied and used have been lawfully issued and are in full force and effect, except as could not reasonably be expected to have a Material Adverse Effect.

3.7 Labor Matters. As of the Effective Date (a) no strikes or other material labor disputes against any Credit Party are pending or, to any Credit Party's knowledge, threatened; (b) hours worked by and payment made to employees of each Credit Party comply with the Fair Labor Standards Act and each other federal, state, local or foreign law applicable to such matters; (c) all payments due from any Credit Party for employee health and welfare insurance have been paid or accrued as a liability on the books of such Credit Party; (d) except as set forth in Disclosure Schedule (3.7), no Credit Party is a party to or bound by any collective bargaining agreement, management agreement, consulting agreement, employment agreement, bonus, restricted stock, stock option, or stock appreciation plan or agreement or any similar plan, agreement or arrangement (and true and complete copies of any agreements described on Disclosure Schedule (3.7) have been delivered to Agent); (e) to any Credit Party's knowledge,

there is no organizing activity involving any Credit Party pending or threatened by any labor union or group of employees; (f) there are no representation proceedings pending or, to any Credit Party's knowledge, threatened with the National Labor Relations Board, and no labor organization or group of employees of any Credit Party has made a pending demand for recognition; and (g) except as set forth in Disclosure Schedule (3.7), there are no material complaints or charges against any Credit Party pending or, to the knowledge of any Credit Party, threatened to be filed with any Governmental Authority or arbitrator based on, arising out of, in connection with, or otherwise relating to the employment or termination of employment by any Credit Party of any individual; in each case except as could not reasonably be expected to have a Material Adverse Effect.

3.8 Ventures, Subsidiaries and Affiliates; Outstanding Stock and Indebtedness. Except as set forth in Disclosure Schedule (3.8), as of the Effective Date, no Credit Party has any Subsidiaries, is engaged in any joint venture or partnership with any other Person, or is an Affiliate of any other Person. As of the Effective Date, all of the issued and outstanding Stock of each Credit Party is owned by each of the Stockholders and in the amounts set forth in Disclosure Schedule (3.8). Except as set forth in Disclosure Schedule (3.8), as of the Effective Date there are no outstanding rights to purchase, options, warrants or similar rights or agreements pursuant to which any Credit Party may be required to issue, sell, repurchase or redeem any of its Stock or other equity securities or any Stock or other equity securities of its Subsidiaries. All outstanding Indebtedness and Guaranteed Indebtedness of each Credit Party as of the Effective Date (except for the Obligations) is described in Section 6.3 (including Disclosure Schedule (6.3)).

3.9 Government Regulation. No Credit Party is an "investment company" or an "affiliated person" of, or "promoter" or "principal underwriter" for, an "investment company" that is required to register as such under the Investment Company Act of 1940, in each case as such terms are defined in such act. No Credit Party is subject to regulation under the Public Utility Holding Company Act of 1935, the Federal Power Act, or any other federal or state statute that restricts or limits its ability to incur Indebtedness or to perform its obligations hereunder. The making of the Loans by Lenders to Borrower, the incurrence of the Letter of Credit Obligations on behalf of Borrower, the application of the proceeds thereof and repayment thereof and the consummation of the Related Transactions will not violate any provision of any such statute or any rule, regulation or order issued by the Securities and Exchange Commission.

3.10 Margin Regulations. No Credit Party 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" as such terms are defined in Regulation U of the Federal Reserve Board as now and from time to time hereafter in effect (such securities being referred to herein as "Margin Stock"). No Credit Party owns any Margin Stock, and none of the proceeds of the Loans or other extensions of credit under this Agreement will be used, directly or indirectly, for the purpose of purchasing or carrying any Margin Stock, for the purpose of reducing or retiring any Indebtedness that was originally incurred to purchase or carry any Margin Stock or for any other purpose that might cause any of the Loans or other extensions of credit under this Agreement to be considered a "purpose credit" within the meaning of Regulations T, U or X of the Federal Reserve Board. No Credit Party will take or permit to be

taken any action that might cause any Loan Document to violate any regulation of the Federal Reserve Board.

3.11 Taxes. As of the Effective Date, all tax returns, reports and statements, including information returns, required by any Governmental Authority to be filed by any Credit Party have been filed with the appropriate Governmental Authority and all Charges have been paid prior to the date on which any fine, penalty, interest or late charge may be added thereto for nonpayment thereof (or any such fine, penalty, interest, late charge or loss has been paid), excluding Charges or other amounts being contested in accordance with the terms described in Section 5.2(b). As of the Effective Date, proper and accurate amounts have been withheld by each Credit Party from its respective employees for all periods in compliance in all material respects with all applicable federal, state, local and foreign laws and such withholdings have been timely paid to the respective Governmental Authorities. Disclosure Schedule (3.11) sets forth as of the Effective Date those taxable years for which any Credit Party's tax returns are currently being audited by the IRS or any other applicable Governmental Authority and any assessments or threatened assessments in connection with such audit, or that are otherwise currently outstanding. Except as described in Disclosure Schedule (3.11), as of the Effective Date, no Credit Party has executed or filed with the IRS or any other Governmental Authority any agreement or other document extending, or having the effect of extending, the period for assessment or collection of any Charges. As of the Effective Date, none of the Credit Parties and their respective predecessors are liable for any Charges: (a) under any agreement (including any tax sharing agreements), except as described in Disclosure Schedule (3.11) or (b) to each Credit Party's knowledge, as a transferee. As of the Effective Date, no Credit Party has agreed or been requested to make any adjustment under IRC Section 481(a), by reason of a change in accounting method or otherwise, which would have a Material Adverse Effect.

3.12 ERISA.

(a) Disclosure Schedule (3.12) lists (i) all ERISA Affiliates and (ii) all Plans and separately identifies all Pension Plans, including Title IV Plans, Multiemployer Plans, ESOPs and Welfare Plans, including all Retiree Welfare Plans. Copies of all such listed Plans (other than Multiemployer Plans), together with a copy of the latest form IRS/DOL 5500-series form for each such Plan and the most recent actuarial report for any Title IV Plans and Welfare Plans have been delivered to Agent. Except with respect to Multiemployer Plans, each Qualified Plan has been determined by the IRS to qualify under Section 401 of the IRC, the trusts created thereunder have been determined to be exempt from tax under the provisions of Section 501 of the IRC, and nothing has occurred that would cause the loss of such qualification or tax-exempt status. Except as could not reasonably be expected to have a Material Adverse Effect, each Plan is in compliance with the applicable provisions of ERISA and the IRC, including the timely filing of all reports required under the IRC or ERISA, including the statement required by 29 CFR Section 2520.104-23. Neither any Credit Party nor ERISA Affiliate has failed to make any contribution or pay any amount due as required by either Section 412 of the IRC or Section 302 of ERISA or the terms of any such Plan. Except as could not be reasonably be expected to have a Material Adverse Effect, no "prohibited transaction," as defined in Section 406 of ERISA and Section 4975 of the

IRC, in connection with any Plan has occurred that would subject any Credit Party to a material tax on prohibited transactions imposed by Section 502(l) of ERISA or Section

4975 of the IRC, and no event has occurred with respect to a Plan which would subject any Credit Party to any material liability under Section 502(l) of ERISA.

(b) Except as set forth in Disclosure Schedule (3.12): (i) no Title IV Plan has any Unfunded Pension Liability; (ii) no ERISA Event or event described in Section 4062(e) of ERISA with respect to any Title IV Plan has occurred or is reasonably expected to occur; (iii) there are no pending, or to the knowledge of any Credit Party, threatened claims (other than claims for benefits in the normal course), sanctions, actions or lawsuits, asserted or instituted against any Plan or any Person as fiduciary or sponsor of any Plan; (iv) no Credit Party or ERISA Affiliate has incurred or reasonably expects to incur any liability as a result of a complete or partial withdrawal from a Multiemployer Plan; (v) within the last five years no Title IV Plan of any Credit Party or ERISA Affiliate has been terminated, whether or not in a "standard termination" as that term is used in Section 4041(b)(1) of ERISA, nor has any Title IV Plan of any Credit Party or ERISA Affiliate (determined at any time within the past five years) with Unfunded Pension Liabilities been transferred outside of the "controlled group" (within the meaning of Section 4001(a)(14) of ERISA) of any Credit Party or ERISA Affiliate (determined at such time); (vi) except in the case of any ESOP, Stock of all Credit Parties and their ERISA Affiliates makes up, in the aggregate, no more than 10% of fair market value of the assets of any Plan measured on the basis of fair market value as of the latest valuation date of any Plan; and (vii) no liability under any Title IV Plan has been satisfied with the purchase of a contract from an insurance company that is not rated AAA by the Standard & Poor's Corporation or an equivalent rating by another nationally recognized rating agency.

3.13 No Litigation. No action, claim, lawsuit, demand, investigation or proceeding is now pending or, to the knowledge of any Credit Party, threatened in writing against any Credit Party, before any Governmental Authority or before any arbitrator or panel of arbitrators (collectively, "Litigation"), (a) that challenges any Credit Party's right or power to enter into or perform any of its obligations under the Loan Documents to which it is a party, or the validity or enforceability of any Loan Document or any action taken thereunder, or (b) that is reasonably likely to be determined adversely to any Credit Party and that, if so determined, would have a Material Adverse Effect. Except as set forth on Disclosure Schedule (3.13), as of the Effective Date there is no Litigation pending or, to any Credit Party's knowledge, threatened that seeks damages in excess of $250,000 or injunctive relief against, or alleges criminal misconduct of, any Credit Party.

3.14 Brokers. No broker or finder acting on behalf of any Credit Party or Affiliate thereof brought about the obtaining, making or closing of the Loans or the Related Transactions, and no Credit Party or Affiliate thereof has any obligation to any Person in respect of any finder's or brokerage fees in connection therewith.

3.15 Intellectual Property. As of the Effective Date, each Credit Party owns or has rights to use all Intellectual Property necessary to continue to conduct its business as now or heretofore conducted by it or proposed to be conducted by it, and each Patent, registered Trademark, registered Copyright and License is listed, together with application or registration numbers, as applicable, in Disclosure Schedule (3.15). To the knowledge of each Credit Party, as of the Effective Date, each Credit Party conducts its business and affairs without infringement of or interference with any Intellectual Property of any other Person in any material respect.

Except as set forth in Disclosure Schedule (3.15), as of the Effective Date, no Credit Party is aware of any infringement claim by any other Person with respect to any Intellectual Property.

3.16 Full Disclosure. No information contained in this Agreement, any of the other Loan Documents, any Projections, Financial Statements or Collateral Reports or other written reports from time to time delivered hereunder or any written statement furnished by or on behalf of any Credit Party to Agent or any Lender pursuant to the terms of this Agreement contains or will contain any untrue statement of a material fact or omits or will omit to state a material fact necessary to make the statements contained herein or therein not misleading in light of the circumstances under which they were made; *provided* that, with respect to Projections from time to time delivered hereunder, Borrower represents only that (A) such Projections are based on good faith estimates and assumptions believed by Borrower to be reasonable and attainable at the time made and (B) such Projections are or will be based upon the material and relevant estimates and assumptions stated therein, all of which Borrower believed at the time of delivery to be reasonable and fair in light of current conditions and current facts known to Borrower as of such delivery date, and reflect Borrower's good faith and reasonable estimates of the future financial performance of Borrower and of the other information projected therein for the period set forth therein. Each Credit Party will use its best efforts to ensure that the Liens granted to Agent, on behalf of itself and Lenders, pursuant to the Collateral Documents will at all times be fully perfected first priority Liens in and to the Collateral described therein, subject, as to priority, only to Permitted Encumbrances (other than clause (t) of the definition of the term "Permitted Encumbrances"). On the Effective Date, after giving effect to the consummation of the Related Transactions, no default or event of default under or with respect to any of the Related Transactions Documents has occurred and is continuing

3.17 **[**Intentionally Omitted**]**.

3.18 Insurance. Disclosure Schedule (3.18) lists all insurance policies of any nature maintained, as of the Effective Date, for current occurrences by each Credit Party, as well as a summary of the terms of each such policy.

3.19 Deposit and Disbursement Accounts. Disclosure Schedule (3.19) lists all banks and other financial institutions at which any Credit Party maintains deposit or other accounts as of the Effective Date, including any Disbursement Accounts, and such Schedule correctly identifies the name, address and telephone number of each depository, the name in which the account is held, a description of the purpose of the account, and the complete account number therefor.

3.20 Government Contracts. Except as set forth in Disclosure Schedule (3.20), as of the Effective Date, no Credit Party is a party to any contract or agreement with any Governmental Authority and no Credit Party's Accounts are subject to the Federal Assignment of Claims Act (31 U.S.C. Section 3727) or any similar state or local law.

3.21 Customer and Trade Relations. During the twelve months preceding the Effective Date, there was no termination or cancellation of: the business relationship of any Credit Party with any customer or group of related customers whose purchases during the most

recent Fiscal Year caused it to be ranked among the ten largest customers of such Credit Party; or the business relationship of any Credit Party with any supplier that cannot be easily replaced.

3.22 Agreements and Other Documents. As of the Effective Date, each Credit Party has provided to Agent or its counsel, on behalf of Lenders, complete copies (or accurate summaries) of all of the following agreements or documents to which it is subject and each of which is listed in Disclosure Schedule (3.22) without duplication of the agreements or documents provided as of the Original Closing Date or as of the date of the Prior Credit Agreement: supply agreements and purchase agreements not terminable by such Credit Party within sixty (60) days following written notice issued by such Credit Party and involving transactions in excess of $1,000,000 per annum; leases of Equipment having a remaining term of one year or longer and requiring aggregate rental and other payments in excess of $500,000 per annum; licenses and permits held by the Credit Parties, the absence of which could be reasonably likely to have a Material Adverse Effect; instruments and documents evidencing any Indebtedness or Guaranteed Indebtedness of such Credit Party in excess of $500,000 and any Lien granted by such Credit Party with respect thereto; and instruments and agreements evidencing the issuance of any equity securities, warrants, rights or options to purchase equity securities of such Credit Party.

3.23 Solvency. Both before and after giving effect to (a) the Loans and Letter of Credit Obligations to be made or incurred on or prior to the Effective Date, if any, or such other date as Loans and Letter of Credit Obligations requested hereunder are made or incurred, (b) the disbursement of the proceeds of such Loans pursuant to the instructions of Borrower, (c) the consummation of the Related Transactions and (d) the payment and accrual of all transaction costs, fees and expenses in connection with the foregoing, each Credit Party is and will be Solvent.

3.24 Status of Holdings. As of the Effective Date, Holdings has not engaged in any trade or business and has not incurred any Indebtedness other than holding, managing and directing its equity and debt positions in Borrower and performing its obligations under existing arrangements with its stockholders and taking actions incident thereto.

3.25 Subordinated Debt; other Indebtedness. As of the Effective Date, Borrower has delivered to Agent a complete and correct copy of the Discount Debentures Documents and any other debt instrument of any Credit Party evidencing Indebtedness in excess of $500,000 (including, in each case, all schedules, exhibits, amendments, supplements, modifications, assignments and all other documents delivered pursuant thereto or in connection therewith). As of the relevant dates, Holdings had the corporate power and authority to incur the Indebtedness evidenced by the Discount Debentures Documents. The execution, delivery and performance of this Agreement and the other Loan Documents and the funding of the Loans do not violate any term or provision of any of Discount Debentures Documents.

3.26 Motor Vehicles. As of the Effective Date, the value of all motor vehicles owned by Credit Parties does not exceed $100,000 in the aggregate.

4. FINANCIAL STATEMENTS AND INFORMATION

4.1 Reports and Notices.

(a) From and after the Effective Date and until the Termination Date, Borrower shall deliver to Agent for distribution to the Lenders, the Financial Statements, notices, Projections and other information at the times, to the Persons and in the manner set forth in Annex E.

(b) From and after the Effective Date and until the Termination Date, Borrower shall deliver to Agent or to Agent for distribution to the Lenders, the various Collateral Reports (including Borrowing Base Certificates in the form of Exhibit 4.1(b)) at the times, to the Persons and in the manner set forth in Annex F.

4.2 Communication with Accountants. Each Credit Party executing this Agreement authorizes (a) Agent and (b) so long as an Event of Default has occurred and is continuing, each Lender, to communicate directly with its independent certified public accountants, including Ernst & Young LLP, and authorizes and shall instruct those accountants and advisors to disclose and make available to Agent and each Lender any reasonably requested information in its possession or under its control relating to any Credit Party with respect to the business, results of operations and financial condition of any Credit Party.

5. AFFIRMATIVE COVENANTS

Each Credit Party executing this Agreement jointly and severally agrees as to all Credit Parties that from and after the date hereof and until the Termination Date:

5.1 Maintenance of Existence and Conduct of Business. Except as otherwise permitted by the Loan Documents, each Credit Party shall: (i) do or cause to be done all things necessary to preserve and keep in full force and effect its corporate existence and its rights and franchises; (ii) continue to conduct its business substantially as now conducted or as otherwise permitted hereunder; and (iii) at all times maintain, preserve and protect all of its assets and properties used or useful in the conduct of its business, and keep the same in good repair, working order and condition in all material respects (taking into consideration ordinary wear and tear) and from time to time make, or cause to be made, all necessary or appropriate repairs, replacements and improvements thereto consistent with industry practices, except in each case where the failure to do so would result in a Material Adverse Effect. Each Credit Party shall transact business only in such corporate and trade names as are set forth in Disclosure Schedule (5.1) or such other names as such Credit Party may provide to Agent on at least thirty (30) days' prior written notice.

5.2 Payment of Charges.

(a) Subject to Section 5.2(b), each Credit Party shall pay and discharge or cause to be paid and discharged promptly all Charges payable by it, including (i) Charges imposed upon it, its income and profits, or any of its property (real, personal or mixed) and all Charges with respect to tax, social security and unemployment withholding with respect to its employees, (ii) lawful claims for labor, materials, supplies and services or otherwise, and (iii) all

storage or rental charges payable to warehousemen and bailees, in each case, before any thereof shall become thirty (30) days past due.

(b) Each Credit Party may in good faith contest, by appropriate proceedings, the validity or amount of any Charges, Taxes or claims described in Section 5.2(a); *provided*, that (i) adequate reserves with respect to such contest are maintained on the books of such Credit Party, in accordance with GAAP; (ii) no Lien shall be imposed to secure payment of such Charges (other than payments to warehousemen and/or bailees) that is superior to any of the Liens securing the Obligations and such contest is maintained and prosecuted continuously and with diligence and operates to suspend collection or enforcement of such Charges, (iii) no tangible asset of any Credit Party becomes subject to forfeiture or loss during the pendency of such contest, and (iv) such Credit Party shall promptly pay or discharge such contested Charges, Taxes or claims and all additional charges, interest, penalties and expenses, if any, and shall deliver to Agent evidence reasonably acceptable to Agent of such compliance, payment or discharge, if such contest is terminated or discontinued adversely to such Credit Party or the conditions set forth in this Section 5.2(b) are no longer met.

5.3 Books and Records. The Credit Parties shall keep adequate books and records with respect to their business activities in which proper entries, reflecting all material financial transactions, are made in accordance with GAAP and on a basis consistent with the Financial Statements attached as Disclosure Schedule (3.4(a)).

5.4 Insurance; Damage to or Destruction of Collateral.

(a) The Credit Parties shall, at their sole cost and expense, maintain the policies of insurance described on Disclosure Schedule (3.18) as in effect on the date hereof or otherwise in form and amounts determined by the Credit Parties and reasonably acceptable to Agent and with insurers selected by the Credit Parties and reasonably acceptable to Agent. Such policies of insurance (or the loss payable and additional insured endorsements delivered to Agent) shall contain provisions pursuant to which the insurer agrees to provide thirty (30) days' prior written notice to Agent in the event of any non-renewal, cancellation or amendment of any such insurance policy. If any Credit Party at any time or times hereafter shall fail to obtain or maintain any of the policies of insurance required above or to pay all premiums relating thereto, Agent may at any time or times thereafter obtain and maintain such policies of insurance and pay such premiums and take any other action with respect thereto that Agent deems reasonably advisable. Agent shall have no obligation to obtain insurance for any Credit Party or pay any premiums therefor. By doing so, Agent shall not be deemed to have waived any Default or Event of Default arising from any Credit Party's failure to maintain such insurance or pay any premiums therefor. All sums so disbursed, including reasonable attorneys' fees, court costs and other charges related thereto, shall be payable on demand by Borrower to Agent and shall be additional Obligations hereunder secured by the Collateral.

(b) Agent reserves the right at any time upon any change in any Credit Party's risk profile (including any material change in the product mix maintained by any Credit Party or any laws affecting the potential liability of such Credit Party) to require additional forms and limits of insurance customary in the industry for such changed risk profile. If reasonably requested by Agent, each Credit Party shall deliver to Agent from time to time a report of a

reputable insurance broker, reasonably satisfactory to Agent, with respect to its insurance policies.

(c) Each Credit Party shall deliver to Agent, in form and substance reasonably satisfactory to Agent, endorsements to (i) all "All Risk" and business interruption insurance naming Agent, on behalf of itself and Lenders, as loss payee, and (ii) all general liability and other liability policies maintained by such Credit Party naming Agent, on behalf of itself and Lenders, as additional insured. Each Credit Party irrevocably makes, constitutes and appoints Agent (and all officers, employees or agents designated by Agent), so long as any Event of Default has occurred and is continuing, as each Credit Party's true and lawful agent and attorney-in-fact for the purpose of making, settling and adjusting claims under such "All Risk" policies of insurance, endorsing the name of each Credit Party on any check or other item of payment for the proceeds of such "All Risk" policies of insurance and for making all determinations and decisions with respect to such "All Risk" policies of insurance. Agent shall have no duty to exercise any rights or powers granted to it pursuant to the foregoing power-of-attorney. Borrower shall promptly notify Agent of any Event of Loss and of any loss, damage, or destruction to the Collateral in the amount of $250,000 or more, whether or not covered by insurance. After deducting from the insurance proceeds received in connection with such Event of Loss the costs, fees and expenses, if any, incurred by Agent in the collection or handling thereof, Agent shall either, at its option, apply such proceeds to the reduction of the Obligations in accordance with Section 1.3(d) or permit or require each Credit Party to use such money, or any part thereof, to replace, repair, restore or rebuild the Collateral in a diligent and expeditious manner with materials and workmanship of substantially the same quality as existed before the loss, damage or destruction. Notwithstanding the foregoing, if an Event of Loss giving rise to insurance proceeds could not reasonably be expected to have a Material Adverse Effect (after giving effect to the application of the insurance proceeds to repair and restoration) and such insurance proceeds do not exceed $2,000,000 in the aggregate, the applicable Credit Party may elect, in its discretion, to replace, restore, repair or rebuild the property; *provided* that if such Credit Party has not completed or entered into binding agreements to complete such replacement, restoration, repair or rebuilding within 270 days of such casualty, Agent may apply such insurance proceeds to the Obligations in accordance with Section 1.3(d). All insurance proceeds that are to be made available to Borrower to replace, repair, restore or rebuild the Collateral shall be applied by Agent to reduce the outstanding principal balance of the Revolving Loan (which application shall not result in a permanent reduction of the Revolving Loan Commitment) and upon such application, Agent shall establish a Reserve against the Borrowing Base in an amount equal to the amount of such proceeds so applied. Thereafter, such funds shall be made available to such Credit Party to provide funds to replace, repair, restore or rebuild the Collateral as follows: (i) Borrower shall request a Revolving Credit Advance be made to such Credit Party in the amount requested to be released; (ii) so long as the conditions set forth in Section 2.2 have been met and subject to the provisions of any Mortgage encumbering such Collateral, Revolving Lenders shall make such Revolving Credit Advance; and (iii) in the case of insurance proceeds applied against the Revolving Loan, the Reserve established with respect to such insurance proceeds shall be reduced by the amount of such Revolving Credit Advance. To the extent not used to replace, repair, restore or rebuild the Collateral, such insurance proceeds shall be applied in accordance

with Section 1.3(d); *provided*, that in the case of insurance proceeds pertaining to any Credit Party other than Borrower, such insurance proceeds shall be applied to the Loans owing by Borrower in accordance with Section 1.3(d).

5.5 Compliance with Laws. Each Credit Party shall comply with all federal, state, local and foreign laws and regulations applicable to it, including those relating to FAA, ERISA and labor matters and Environmental Laws and Environmental Permits, except to the extent that the failure to comply, individually or in the aggregate, could not reasonably be expected to have a Material Adverse Effect.

5.6 Supplemental Disclosure. From time to time as may be reasonably requested by Agent (which request will not be made more frequently than once each year absent the occurrence and continuance of an Event of Default), the Credit Parties shall supplement each Disclosure Schedule hereto, or any representation herein or in any other Loan Document, with respect to any matter hereafter arising that, if existing or occurring at the date of this Agreement, would have been required to be set forth or described in such Disclosure Schedule or as an exception to such representation or that is necessary to correct any information in such Disclosure Schedule or representation which has been rendered inaccurate thereby (and, in the case of any supplements to any Disclosure Schedule, such Disclosure Schedule shall be appropriately marked to show the changes made therein); *provided* that (a) no such supplement to any such Disclosure Schedule or representation shall amend, supplement or otherwise modify any Disclosure Schedule or representation, or be or be deemed a waiver of any Event of Default resulting from the matters disclosed therein, except as consented to by Agent and Requisite Lenders in writing, and (b) no supplement shall be required or permitted as to representations and warranties that relate solely to the Original Closing Date or the Effective Date, as applicable.

5.7 Intellectual Property. Each Credit Party will conduct its business and affairs without infringement of or interference with any Intellectual Property of any other Person in any material respect, except as could not reasonably be expected to have a Material Adverse Effect.

5.8 Proceeds from Stock Issuances. If Holdings or Borrower issues Stock, the cash proceeds thereof (net of underwriting discounts and commissions and other reasonable costs, fees and expenses paid to non-Affiliates of Holdings or Borrower in connection therewith) shall be used as follows:

(a) in the case of an issuance of such Stock other than pursuant to a Qualified Public Offering, after repayment of outstanding Holdco Debenture Debt elected to be repaid by Holdings from the proceeds of issuance of Stock (other than Disqualified Stock) to the extent permitted by Section 6.14(a)(J), 50% of any remaining net proceeds shall be used to prepay Obligations in accordance with Section 1.3(b)(v) and the other 50% of such remaining net proceeds shall be used by Borrower or Holdings for general corporate purposes subject to the terms and conditions of this Agreement.

(b) in the case of an issuance of Stock pursuant to a Qualified Public Offering, such proceeds shall be used as follows:

(i) *first*, up to 100% of such proceeds shall be used to repay outstanding Holdco Debenture Debt, if any, until paid in full;

(ii) *second*, 50% of any proceeds remaining after application of clause (b)(i) above (such remaining proceeds being the "Post-Holdco Debenture Debt Proceeds") shall be used to repay obligations owing in respect of the SCIL Loan and/or to prepay Obligations in accordance with Section 1.3(b)(v) (the application of such proceeds being allocated between the prepayment of the Obligations and the SCIL Loan by Borrower); and

(iii) *third*, the remaining 50% of any Post-Holdco Debenture Proceeds (such amount, (the "Credit Party Post-Holdco Debenture Debt Proceeds") shall be used by Borrower or Holdings for one or more of the following purposes: (A) general corporate purposes, (B) to prepay obligations in respect of the SCIL Loan in accordance with the SCIL Credit Agreement or (C) to make Restricted Payments in respect of the Holdings' preferred Stock to the extent permitted by Section 6.14(a)(I), subject in each case to terms and conditions of this Agreement; *provided that* Holdings and Borrower may use no more than 50% of the Credit Party Post-Holdco Debenture Debt Proceeds to (x) make Restricted Payments in respect of Holding's preferred Stock promptly upon receipt thereof to the extent permitted by Section 6.14(a)(I) or (y) prepay obligations owing in respect of the SCIL Loan in accordance with the SCIL Credit Agreement promptly upon receipt thereof to the extent permitted by Section 6.14(a)(I).

(c) Notwithstanding the foregoing, Section 5.8(a) and (b) shall not apply to:

(i) issuances of Stock (other than Disqualified Stock) of Holdings to the existing Stockholders of Holdings (and in the case such Stockholders are Michael J. Hartnett or Whitney & Co., issuance of Stock of Holdings to any Person controlled by or under common control with Michael J. Hartnett or Whitney & Co. (any such Person being a "Related Stockholder Party") in the aggregate amount not to exceed $10,000,000**;**

(ii) issuances of Stock (other than Disqualified Stock) of Holdings to the existing Stockholders of Holdings (and/or any Related Stockholder Party) or to seller(s) involved in a Permitted Acquisition, in each case to the extent (but only to the extent) that such Stock or the proceeds thereof are immediately used as a consideration for all or a portion of the purchase price of a Permitted Acquisition, so long as no Change of Control results after giving effect to such issuance or series of related issuances (proceeds from Stock issuances to the existing Stockholders (and/or any Related Stockholder Party) used as a consideration for Permitted Acquisitions described in this clause (ii) being the "Stockholder Proceeds");

(iii) issuance of directors' qualifying shares;

(iv) issuances of Stock of Holdings issued to any holder of Indebtedness of Holdings or Borrower to the extent (but only to the extent) issued in connection with an issuance, refinancing or restructuring of Indebtedness permitted hereunder, so long as no Change of Control results after giving effect to such issuance or a series of related issuances; or

(v) sales or issuances of common Stock to officers, directors or employees of Holdings, Borrower or any Subsidiary, as the case may be, pursuant to a director, management or employee compensation benefit plan, to the extent the aggregate cash proceeds received from the issuance of such common Stock in excess of the aggregate redemption

proceeds paid in connection with redemptions of common Stock of employees does not exceed $2,000,000 in any Fiscal Year.

5.9 Landlords' Agreements, Mortgagee Agreements, Bailee Letters and Real Estate Purchases. Unless Agent shall otherwise agree in writing, each Credit Party shall use commercially reasonable efforts to obtain a landlord's agreement, mortgagee agreement or bailee letter, as applicable, from the lessor of each leased property, mortgagee of owned property or bailee with respect to any warehouse, processor or converter facility or other location where Collateral is stored or located, which agreement or letter shall contain a waiver or subordination of all Liens or claims that the landlord, mortgagee or bailee may assert against the Collateral at that location, and shall otherwise be satisfactory in form and substance to Agent. With respect to such locations or warehouse space leased or owned as of the Effective Date and thereafter, if Agent has not received a landlord or mortgagee agreement or bailee letter as of the Effective Date (or, if later, as of the date such location is acquired or leased), Borrower's Eligible Inventory at that location shall be subject to such Reserves as may be established by Agent in its reasonable credit judgment. After the Effective Date, no real property or warehouse space shall be leased by any Credit Party, and no material amount of Inventory shall be shipped to a processor or converter under arrangements established after the Effective Date without the prior written consent of Agent (which consent, in Agent's discretion, may be conditioned upon the exclusion from the Borrowing Base of Eligible Inventory at that location or the establishment of Reserves reasonably acceptable to Agent) or, unless and until a reasonably satisfactory landlord agreement or bailee letter, as appropriate, shall first or simultaneously have been obtained with respect to such location. Each Credit Party shall timely and fully pay and perform its obligations in all material respects under all leases and other agreements with respect to each leased location or public warehouse where any Collateral is or may be located. Except to the extent otherwise permitted hereunder, if any Credit Party proposes to acquire a fee ownership interest in Real Estate after the Effective Date, it shall first provide to Agent a mortgage or deed of trust granting Agent a first priority Lien on such Real Estate, together with environmental audits, mortgage title insurance commitment, real property survey, local counsel opinion(s), and, if required by Agent, casualty insurance and flood insurance, and such other documents, instruments or agreements reasonably requested by Agent, in each case, in form and substance reasonably satisfactory to Agent.

5.10 Motor Vehicles. In the event the value of all motor vehicles owned by Credit Parties shall exceed $100,000 in the aggregate, each Credit Party will grant to Agent perfected Liens on all motor vehicles owned by such Credit Party and deliver all title certificate for each motor vehicle owned by such Credit Party noting Agent's security interest therein, signed by the relevant Credit Party, in a manner satisfactory to Agent.

5.11 Interest Rate. Within one hundred and eighty (180) days after the Effective Date and at all times thereafter prior to the Termination Date, Borrower shall enter into and maintain one or more Specified Hedging Agreements designed to provide protection against fluctuations in interest rates, and pursuant to which Borrower is protected against increases in interest rates as currently in effect from and after the date of such contracts such that aggregate principal amount equal to at least 50% of the aggregate outstanding principal amount of the Term Loan and the SCIL Loan is either (i) fixed rate Indebtedness or (ii) subject to Specified Hedging Agreements.

5.12 Maturity of the Holdco Debenture Debt No later than the 180th day prior to June 15, 2009, the Holdco Debenture Debt shall be refinanced or the terms and provisions of the Discount Debentures Documents shall be amended, in each case on terms and conditions satisfactory to Agent in its sole discretion, so that the Indebtedness refinancing the Holdco Debenture Debt or the Indebtedness evidenced by the amended the Discount Debentures Documents, as the case may be, matures no earlier than December 29, 2011.

5.13 Further Assurances. Each Credit Party shall, at such Credit Party's expense, execute any and all further documents, financing statements, agreements and instruments, and take all further action (including filing Code and other financing statements, mortgages and deeds of trust) as may be required under applicable law, or that the Agent may reasonably request, in order to effectuate the transactions contemplated by the Loan Documents and in order to grant, preserve, protect and perfect the validity and priority of the security interests created or intended to be created by the Loan Documents.

6. NEGATIVE COVENANTS

Each Credit Party executing this Agreement jointly and severally agrees as to all Credit Parties that from and after the Effective Date hereof until the Termination Date:

6.1 Mergers, Subsidiaries, Etc. No Credit Party shall, nor shall it cause or permit any Subsidiaries to, directly or indirectly, by operation of law or otherwise, (i) form or acquire any Subsidiary, or (ii) merge with, consolidate with, acquire all or substantially all of the assets or Stock of, or otherwise combine with or acquire, any Person, except (A) any Credit Party may merge with another Credit Party, *provided* that Borrower shall be the survivor of any such merger to which it is a party; (B) any Credit Party may form one or more wholly owned Domestic Subsidiaries so long as (i) no Event of Default shall have occurred and be continuing or result therefrom, (ii) Agent receives an Officer Certificate of Borrower executed by the Chief Financial Officer of Borrower, or another responsible officer of Borrower having substantially the same authority and responsibility or otherwise acceptable to Agent, certifying as to the purpose of such New Subsidiary, the amount of cash and fair market value of any other assets being contributed to such New Subsidiary and Borrower's compliance with the terms of the restrictions on such investments in Section 6.2 hereof, and (iii) such Subsidiary shall have become a Secured Guarantor and Borrower and/or its Subsidiaries shall have caused to be executed and delivered such documents and taken such actions as may be reasonably required by Agent in connection therewith, including, without limitation, delivery of financing statements, supplemental security agreements, mortgages, joinder agreements, a Guaranty, environmental indemnity agreements, blocked account agreements, and other documents, certificates and opinions, in each case in form and substance acceptable reasonably to Agent; (C) Borrower or any Secured Guarantor may consummate a Permitted Loan Funded Acquisition; and (D) any Foreign Subsidiary may consummate a Permitted Non-Loan Funded Acquisition.

6.2 Investments; Loans and Advances. Except as otherwise expressly permitted by this Section 6, no Credit Party shall, nor shall it cause or permit any Subsidiaries to, make or permit to exist any investment in, or make, accrue or permit to exist loans or advances of money to, any Person, through the direct or indirect lending of money, holding of securities or otherwise, except that: (a) Borrower and Credit Parties may hold investments comprised of

notes payable, or stock or other securities issued by Account Debtors to Borrower pursuant to negotiated agreements with respect to settlement of such Account Debtor's Accounts in the ordinary course of business or pursuant to a plan of reorganization approved by a court of competent jurisdiction; (b) each Credit Party may maintain (but not increase) its existing investments in its Subsidiaries as of the Effective Date which are not Credit Parties; (c) so long as no Default or Event of Default has occurred and is continuing, Credit Parties may make investments, subject to a Control Letter in favor of Agent for the benefit of Lenders or otherwise subject to a perfected security interest in favor of Agent for the benefit of Lenders, in (i) marketable direct obligations issued or unconditionally guaranteed by the United States of America or any agency thereof maturing within one year from the date of acquisition thereof, (ii) commercial paper maturing no more than one year from the date of creation thereof and currently having the highest rating obtainable from either Standard & Poor's Ratings Group or Moody's Investors Service, Inc., (iii) certificates of deposit maturing no more than one year from the date of creation thereof issued by commercial banks incorporated under the laws of the United States of America, each having combined capital, surplus and undivided profits of not less than $300,000,000 and having a senior unsecured rating of "A" or better by a nationally recognized rating agency (an "A Rated Bank"), (iv) time deposits maturing no more than thirty (30) days from the date of creation thereof with A Rated Banks and (v) mutual funds that invest solely in one or more of the investments described in clauses (i) through (iv) above; (d) Borrower may make investments in the capital Stock of any of the Secured Guarantors; (e) Borrower and the Secured Guarantors may make investments in Borrower and Secured Guarantors consisting of the intercompany loans in accordance with Section 6.3; (f) Credit Parties may make loans and advances to employees permitted under Section 6.4(b); (g) each Credit Party may make Permitted Acquisitions, form Acquisition Companies for the purpose of making Permitted Acquisitions and form new wholly owned Subsidiaries in accordance with the terms of Section 6.1 so long as the value of any cash or other assets contributed by any Credit Party to (1) any one Acquisition Company or new Subsidiary does not exceed five (5%) percent of the consolidated total assets of Holdings and its Subsidiaries on the date of contribution plus any Stockholder Proceeds or (2) all such Acquisition Companies and/or new Subsidiaries do not exceed ten (10%) percent of the consolidated total assets of Holdings and its Subsidiaries on the date of contribution plus any Stockholder Proceeds; (h) each Credit Party may provide cash collateral to Agent in accordance with the Loan Documents; (i) each Credit Party may enter into currency hedging arrangements to the extent permitted by Section 6.3(a)(xiv), (j) Borrower may make additional investments after the Effective Date in RBC de Mexico S De R.L. de CV in an amount not to exceed $500,000 in the aggregate during any Fiscal Year; (k) Borrower may enter into Specified Hedging Agreements to the extent permitted by Section 6.3(a)(xiii); and (l) Credit Parties may make other investments not to exceed $2,000,000 in the aggregate. For purposes of this Section 6.2, the value of any non-cash investment shall be, in the case of Equipment, its appraised orderly liquidation value at the time of investment and, in the case of any other non-cash investment, its fair market value at the time of investment.

6.3 Indebtedness.

(a) No Credit Party shall create, incur, assume or permit to exist any Indebtedness, except (without duplication) (i) Indebtedness secured by purchase money security interests and Capital Leases permitted in Section 6.7(c), (ii) the Loans and the other Obligations, (iii) unfunded pension fund and other employee benefit plan obligations and liabilities to the

extent they are permitted to remain unfunded under applicable law, (iv) existing Indebtedness described in Disclosure Schedule (6.3) (including earn-outs payable to sellers of businesses, if any, constituting Indebtedness) and refinancings thereof or amendments or modifications thereto that do not have the effect of increasing the principal amount thereof or changing the amortization thereof (other than to extend the same) and that are otherwise on terms and conditions no less favorable to any Credit Party, Agent or any Lender, as reasonably determined by Agent, than the terms of the Indebtedness being refinanced, amended or modified, (v) Indebtedness specifically permitted under Section 6.1, (vi) Indebtedness consisting of intercompany loans and advances made by Borrower to any Secured Guarantor or by any Secured Guarantor to Borrower or another Secured Guarantor; *provided*, that: (A) Borrower shall have executed and delivered to each such Secured Guarantor, and each such Secured Guarantor shall have executed and delivered to Borrower or another such Secured Guarantor, as applicable, a demand note (collectively, the "Intercompany Notes") to evidence any such intercompany Indebtedness owing at any time by Borrower to such Secured Guarantor or by such Secured Guarantor to Borrower or such other Guarantor, which Intercompany Notes shall be in form and substance reasonably satisfactory to Agent and shall be pledged and delivered to Agent pursuant to the applicable Pledge Agreement or Security Agreement as additional collateral security for the Obligations; (B) Borrower and each Secured Guarantor shall record all intercompany transactions on its books and records in a manner reasonably satisfactory to Agent; (C) the obligations of Borrower and each Secured Guarantor under any such Intercompany Notes shall be subordinated to the Obligations of Borrower and each Secured Guarantor hereunder in a manner reasonably satisfactory to Agent; (D) no Event of Default shall be continuing after giving effect to any such proposed intercompany loan; and (E) the aggregate balance of all such intercompany loans owing by any Secured Guarantor incurred during the time that the EBITDA of such Secured Guarantor has been negative for a trailing twelve month period ending on the last day of any Fiscal Month shall not be increased by more than $2,000,000 over the amount of such Secured Guarantor's intercompany loan obligations as of the last day of such period; *provided* that a Secured Guarantor shall no longer be subject to that $2,000,000 limitation if that Secured Guarantor has had positive EBITDA for the trailing twelve-month periods ending on the last day of six consecutive Fiscal Months; *provided*, *further*, that if a Secured Guarantor has been subject to that $2,000,000 limitation, then became exempt from it and again has a negative EBITDA for a trailing twelve-month period, not more than $2,000,000 of additional intercompany loans may be received by it after the date when it again has a negative EBITDA; (vii) unsecured Indebtedness of Borrower so long as such unsecured Indebtedness is subordinated to the Obligations in a manner and form satisfactory to Agent in its sole discretion, as to right and time of payment and as to any other terms, rights and remedies thereunder and so long as: (A) no Event of Default has occurred and is continuing or would result after giving effect to such unsecured Indebtedness, (B) Holdings was, on a pro forma basis, in compliance with the Fixed Charge Coverage Ratio Financial Covenant set forth on Annex G as of the last day of the Fiscal Quarter reflected in the Compliance Certificate most recently delivered prior to the date such unsecured Indebtedness is incurred (after giving effect to such unsecured Indebtedness and the use thereof as if incurred on the first day of such period); and (C) the proceeds of such Indebtedness have been wholly used, promptly upon receipt thereof, to directly pay (by way of refinancing or exchange) the following Indebtedness in the following order: first, Holdco Debenture Debt, until the same has been repaid in full; second, interest then due and payable on the Term Loan; third, the scheduled principal installments of the Term Loan in

inverse order of maturity; fourth, the SCIL Loan, until the same has been repaid in full; fifth, interest then due and payable on the Revolving Credit Advances; and sixth, the outstanding principal balance of the Revolving Credit Advances until the same has been repaid in full; (viii) Indebtedness of a Qualified Target assumed or incurred in a Permitted Acquisition described in Section 6.1(a)(iv) as long as such Indebtedness was not incurred in contemplation of such Permitted Acquisition; (ix) Indebtedness resulting from endorsement of negotiable instruments for collection in the ordinary course of business; (x) Indebtedness arising with respect to customary indemnification and purchase price adjustment obligations incurred in connection with Permitted Acquisitions; (xii) Indebtedness incurred in the ordinary course of business with respect to surety and appeal bonds, performance and return-of-money bonds and other similar obligations not exceeding at any time $250,000 in aggregate outstanding liability; (xiii) Indebtedness of Borrower under any Specified Hedging

Agreement constituting Interest Rate Protection Agreements and providing for hedging obligations specifically permitted under Section 6.17; (xiv) currency hedging arrangements providing for hedging obligations specifically permitted under Section 6.17; (xv) Indebtedness incurred pursuant to the SCIL Loan Documents as in effect on the Effective Date and as amended or otherwise modified in a manner and to the extent permitted by and in accordance with the Intercreditor Agreement; and (xvi) Indebtedness not permitted by clauses (i) through (xv) above, so long as much Indebtedness, in the aggregate at any time outstanding, does not exceed $500,000.

(b) No Credit Party shall, directly or indirectly, voluntarily purchase, redeem, defease or prepay: any principal of, premium, if any, interest or other amount payable in respect of any Indebtedness, other than (i) the Obligations; (ii) Indebtedness secured by a Permitted Encumbrance if the asset securing such Indebtedness has been sold or otherwise disposed of in accordance with Sections 6.8(b) or (c); (iii) Indebtedness permitted by Section 6.3(a)(iv) upon any refinancing thereof in accordance with Section 6.3(a)(iv); (iv) the SCIL Loan, to the extent permitted by Section 1.3(b)(v) or Section 6.3(a)(vii); (v) intercompany Indebtedness; and (vi) as otherwise permitted by Section 6.14.

6.4 Employee Loans and Affiliate Transactions.

(a) No Credit Party shall enter into or be a party to any transaction with any other Credit Party or any Affiliate thereof except (i) in the ordinary course of and pursuant to the reasonable requirements of such Credit Party's business and upon fair and reasonable terms that are no less favorable to such Credit Party than would be obtained in a comparable arm's length transaction with a Person not an Affiliate of such Credit Party; (ii) the intercompany sale in the ordinary course of the Credit Parties' business on fair and reasonable terms consistent with past practices of work in process Inventory by any Credit Party to RBC de Mexico S. De R.L. de CV ("RBC Mexico") for finishing and resale and shipment back to a Credit Party ("Intercompany WIP"); provided, that the aggregate book value of such Intercompany WIP (valued at the lower of cost or market) at any time owned or possessed by RBC Mexico shall not exceed $5,000,000; (iii) as and to the extent permitted in Section 6.14(a)(E) and Section 6.14(a)(G); and (iv) as and to the extent permitted by Section 6.3(a)(vi), Section 6.4(b) or Sections 6.2(d)-(g). All such transactions existing as of the date hereof are described in Disclosure Schedule (6.4(a)).

(b) Excluding loans set forth in Disclosure Schedule (6.4(b)), no Credit Party shall enter into any lending or borrowing transaction with any employees of any Credit Party,

except loans to its respective employees on an arm's-length basis in the ordinary course of business consistent with past practices for travel and entertainment expenses, relocation costs and similar purposes up to a maximum of $250,000 to any employee and up to a maximum of $1,000,000 in the aggregate at any one time outstanding and except for loans or advances made in connection with a management or employee stock ownership program, the proceeds of which are immediately invested in Holdings' Stock and contributed to the capital of Borrower.

6.5 Capital Structure and Business. No Credit Party shall amend its charter or bylaws (or similar governing documents)in a manner that could reasonably be expected to adversely affect Agent or Lenders or such Credit Party's duty or ability to repay the Obligations. No Credit Party shall engage in any business other than the businesses currently engaged in by the Credit Parties or any business reasonably related thereto. No Credit Party other than Borrower shall issue any additional shares of Stock.

6.6 Guaranteed Indebtedness. No Credit Party shall create, incur, assume or permit to exist any Guaranteed Indebtedness except (a) by endorsement of instruments or items of payment for deposit to the general account of any Credit Party, and (b) for Guaranteed Indebtedness incurred for the benefit of any other Credit Party if the primary obligation is expressly permitted by this Agreement (including Guaranteed Indebtedness incurred with respect to the SCIL Obligations); *provided*, that neither Borrower nor any of its Domestic Subsidiaries shall create, incur, assume or permit to exist any Guaranteed Indebtedness for the benefit of Holdings or any Foreign Subsidiary; *provided*, *further*, that any such Guaranteed Indebtedness is subordinated to the Obligations to the same extent as the Indebtedness to which it relates is subordinated to the Obligations (and in the case of the Guaranteed Indebtedness incurred with respect to the SCIL Obligations, the Liens securing such Guaranteed Indebtedness are subordinated to the Liens securing Obligations pursuant to and in accordance with the terms of the Intercreditor Agreement).

6.7 Liens. No Credit Party shall create, incur, assume or permit to exist any Lien on or with respect to its Accounts (whether now owned or hereafter acquired) other than Lien in favor of the Agent, on behalf of itself and Lenders. No Credit Party shall create, incur, assume or permit to exist any Lien on or with respect to any of its other properties or assets (whether now owned or hereafter acquired) except for (a) Permitted Encumbrances; (b) Liens in existence on the date hereof and summarized on Disclosure Schedule (6.7) securing the Indebtedness described on Disclosure Schedule (6.3) and permitted refinancings, extensions and renewals thereof, including extensions or renewals of any such Liens; *provided* that the principal amount of the Indebtedness so secured is not increased and the Lien does not attach to any other property; (c) Liens created after the date hereof by conditional sale or other title retention agreements (including Capital Leases) or in connection with purchase money Indebtedness with respect to real estate, improvements thereto, or Equipment and Fixtures acquired by any Credit Party in the ordinary course of business, involving the incurrence of an aggregate amount of purchase money Indebtedness and Capital Lease Obligations of not more than $5,000,000 outstanding at any one time for all such Liens (*provided* that such Liens attach only to the assets subject to such purchase money debt and such Indebtedness is incurred within thirty (30) days following such purchase and does not exceed 100% of the purchase price of the subject assets); (d) Liens permitted in accordance with Section 6.1; (e) Liens securing the SCIL Obligations, subject to the Intercreditor Agreement and (f) Liens securing other obligations not to exceed

$500,000 in the aggregate. In addition, no Credit Party shall become a party to any agreement, note, indenture or instrument, or take any other action, that would prohibit the creation of a Lien on any of its properties or other assets in favor of Agent, on behalf of itself and Lenders, as additional collateral for the Obligations, except operating leases, Capital Leases or Licenses which prohibit Liens upon the assets that are subject thereto.

6.8 Sale of Stock and Assets. No Credit Party shall sell, transfer, convey, assign or otherwise dispose of any of its properties or other assets, including the Stock of any of its Subsidiaries (whether in a public or a private offering or otherwise) or any of its Accounts, other than (a) the sale of Inventory in the ordinary course of business, (b) the sale, transfer, conveyance or other disposition by a Credit Party of Equipment, Fixtures and Real Estate that are obsolete or no longer used or useful in such Credit Party's business and having a book value not exceeding $500,000 in the aggregate in any Fiscal Year, (c) the sale, transfer, conveyance or other disposition of other Equipment and Fixtures having a value not exceeding $500,000 in the aggregate in any Fiscal Year, (d) assets acquired as part of a Permitted Acquisition and designated for disposition in a written notice to Agent when acquired as long as such

assets are disposed of within one year after being acquired in such Permitted Acquisition, (e) Permitted Asset Sales as long as the Fair Market Value of all Permitted Asset Sales does not exceed $15,000,000 in the aggregate and (f) as permitted under Section 6.1 and/or Section 6.2. With respect to any disposition of assets or other properties permitted pursuant to clauses (b) and (c) above, subject to compliance with Section 1.3(b), Agent agrees on reasonable prior written notice to release its Lien on such assets or other properties in order to permit the applicable Credit Party to effect such disposition and shall execute and promptly deliver to Borrower, at Borrower's expense, appropriate UCC-3 termination statements and other releases as reasonably requested by Borrower.

6.9 ERISA. No Credit Party shall, or shall cause or permit any ERISA Affiliate to, cause or permit to occur an event that could result in the imposition of a Lien under Section 412 of the IRC or Section 302 or 4068 of ERISA or cause or permit to occur an ERISA Event to the extent such ERISA Event could reasonably be expected to have a Material Adverse Effect.

6.10 Financial Covenants. Borrower shall not breach or fail to comply with any of the Financial Covenants.

6.11 **[**RESERVED**]**

6.12 Sale-Leasebacks. No Credit Party shall engage in any sale-leaseback, synthetic lease or similar transaction involving any of its assets except in respect of the Real Estate of the Credit Parties described on Disclosure Schedule 6.12 hereto; provided, that (i) the Credit Parties receive net proceeds in connection with any such proposed transaction in excess of the amounts set forth opposite such Real Estate on Disclosure Schedule 6.12 and (ii) the net proceeds of any such transaction are applied as an asset sale in accordance with Section 1.3(c).

6.13 Cancellation of Indebtedness. No Credit Party shall cancel any claim or debt owing to it, except for reasonable consideration negotiated on an arm's-length basis and in the ordinary course of its business consistent with past practices.

6.14 Restricted Payments.

(a) No Credit Party shall make any Restricted Payment, except (A) payments of interest and principal of intercompany loans and advances between Borrower and Secured Guarantors to the extent permitted by Section 6.3, (B) dividends and distributions by Subsidiaries of Borrower paid to Borrower or to an intermediate Subsidiary of Borrower, as applicable, (C) transactions permitted under Section 6.4(a) or (b), (D) payments of interest and principal of Intercompany Notes as permitted and issued in accordance with Section 6.3, (E) payments of management fees to Whitney & Co. in equal quarterly installments, as long as such payments of management fees do not exceed $450,000 in the aggregate during any Fiscal Year and no Event of Default shall have occurred and be continuing or result after giving effect to such Restricted Payment, (F) dividends or distributions payable to Holdings solely in common Stock of Holdings, (G) payments to Dr. Michael J. Hartnett not to exceed those set forth in that certain Employment Agreement, dated December 18, 2000, by and between Borrower and Dr. Michael J. Hartnett, as in effect on the Original Closing Date, (H) payments and distributions with respect to Holdco Debenture Debt permitted in accordance with Section 6.3(a)(vii), (I) (i) payments and distributions in respect of redemptions, defeasance, sinking fund or other retirement or acquisition for value (or similar payments and distributions having substantially the same effect of any of the foregoing) of the preferred Stock of Holdings or (ii) prepayments of obligations owing in respect of the SCIL Loan in accordance with the SCIL Credit Agreement, in each case from the portion of the Credit Party Post-Holdco Debenture Debt Proceeds permitted to be retained by the Borrower and/or Holdings and used to make such payments and distributions pursuant to Section 5.8(b)(iii) as long as, as of the date of such payment, distribution or prepayment, no Default or Event of Default shall have occurred or is continuing, (J) repayments of Holdco Debenture Debt with proceeds from the issuances of Stock pursuant to Section 5.8(a) as long as, as of the date of such repayment, no Default or Event of Default shall have occurred or is continuing, (K) dividends or distributions payable to Holdings solely with (x) proceeds of a Qualified Public Offering contributed to the capital of Borrower that are not otherwise required to be applied to prepay the Obligations pursuant to Section 1.3(b)(v) and/or (y) commencing on and after the fiscal year ending December 31, 2006, proceeds of Excess Cash Flow in respect of the immediately preceding fiscal year that are not otherwise required to be applied to prepay the Obligations pursuant to Section 1.3(b)(vi), *provided*, that, as to each payment of such dividends or distributions, each of the following conditions is satisfied: (1) the Holdco Debenture Debt and the SCIL Loan have been repaid in full in cash, (2) Agent shall have received not less than ten (10) Business Days prior written notice of the intention of Borrower to pay such dividend or distribution, (3) as of the date of such payment and after giving effect thereto, no Default or Event of Default, shall have occurred or is continuing, and (4) as of the date of payment of such dividend or distribution, on a pro forma basis, Holdings and its Subsidiaries would have had a Senior Leverage Ratio of not more than 2.5 to 1.0 for the twelve month period most recently ended for which financial statements have been delivered to Agent pursuant to Annex E of this Agreement (giving effect to payment of such dividend or distribution as if made on the first day of such period) as certified by an Officer Certificate of the Chief Financial Officer of Borrower or another responsible officer of Borrower having substantially the same authority and responsibility or otherwise acceptable to Agent delivered to Agent, and (L) subject to the terms and conditions of the Intercreditor Agreement, Permitted SCIL Obligation Payments;

(b) Notwithstanding the foregoing Section 6.14(a), Borrower may pay cash dividends to Holdings ("Dividends") as long as (A) reasonably promptly upon receipt thereof, Holdings uses all of the proceeds of such Dividends solely for one or more of the following purposes: (i) payments of scheduled interest as of the Original Closing Date on, and the redemption required as of the Original Closing Date of, the Holdco Debenture Debt, (ii) payment of dividends on the preferred Stock of Holdings, (iii) payments at such times and in such amounts as are sufficient to enable Holdings to pay the federal and state income taxes attributable to the taxable income of Borrower and Subsidiaries pursuant to the Tax Sharing Agreement, (iv) repurchase of Holdings' Stock from employees or former employees an aggregate amount not to exceed $500,000 per year, it being agreed that no more than $100,000 of such aggregate amount may consist of such repurchases from employees whose employment continues, and (v) payment of operating expenses of Holdings in an amount not to exceed (1) at all times prior to the occurrence of a Qualified Public Offering, $500,000 in the aggregate in any Fiscal Year and (2) from and after the occurrence of a Qualified Public Offering, $1,000,000 in the aggregate in any Fiscal Year; (B) no Default or Event of Default and no default or an event of default under any Discount Debentures Documents or any other debt instrument of Holdings, Borrower or any other Credit Party or in respect of charter of Holdings, Borrower or any other Credit Party has occurred and is continuing or would result after giving effect to any such Dividend and Revolving Credit Advances, if any, used to fund such Dividend; (C) Borrower and Holdings are in compliance with the Fixed Charge Coverage Ratio set forth in Annex G for the four quarter period reflected in the Compliance Certificate most recently delivered pursuant to Annex E prior to such proposed Dividend and all Revolving Credit Advances, if any, used to fund such Dividend (after giving effect to such proposed Dividend and Revolving Credit Advances, if any, as if made on the first day of such period); and (D) Borrower has Borrowing Availability of at least $10,000,000, after giving effect to the proposed Dividend and Revolving Credit Advances, if any, used to fund such Dividend and without any manipulation of working capital of Borrower.

6.15 Change of Corporate Name or Location; Change of Fiscal Year. No Credit Party shall (a) change its name as it appears in official filings in the state of its incorporation or other organization, (b) change its chief executive office, principal place of business, corporate offices or warehouses or locations at which Collateral is held or stored, or the location of its records concerning the Collateral, (c) change the type of entity that it is, (d) cause to be changed its organization identification number, if any, issued by its state of incorporation or other organization, or (e) change its state of incorporation or organization or incorporate or organize in any additional jurisdictions, in each case without at least thirty (30) days prior written notice to Agent and after Agent's written acknowledgment that any reasonable action requested by Agent in connection therewith, including to continue the perfection of any Liens in favor of Agent, on behalf of Lenders, in any Collateral, has been completed or taken, and *provided* that any such new location shall be in the continental United States. Without limiting the foregoing, no Credit Party shall cause to be changed its name, identity or corporate structure in any manner that might make any financing or continuation statement filed in connection herewith seriously misleading as such term is defined in and/or used in the Code or any other then applicable provision of the Code except upon prior written notice to Agent and Lenders and after Agent's written acknowledgment that any reasonable action requested by Agent in connection therewith, including to continue the perfection of any Liens in favor of Agent, on behalf of Lenders, in any Collateral, has been completed or taken. No Credit Party shall change its Fiscal Year.

6.16 No Impairment of Intercompany Transfers. No Credit Party shall directly or indirectly enter into or become bound by any agreement, instrument, indenture or other obligation (other than this Agreement and the other Loan Documents) that could directly or indirectly restrict, prohibit or require the consent of any Person with respect to the payment of dividends or distributions or the making or repayment of intercompany loans by a Secured Guarantor to Borrower.

6.17 No Speculative Transactions. No Credit Party shall engage in any transaction involving commodity options, futures contracts or similar transactions, except solely to hedge against fluctuations in the prices of commodities owned or purchased by it and the values of foreign currencies receivable or payable by it and interest swaps, caps or collars.

6.18 Changes Relating to Subordinated Debt; Material Contracts. No Credit Party shall change or amend the terms of any Subordinated Debt (or any indenture or agreement in connection therewith) if the effect of such amendment is to: (a) increase the interest rate on such Subordinated Debt; (b) change the dates upon which payments of principal or interest are due on such Subordinated Debt other than to extend such dates; (c) change any default or event of default other than to delete or make less restrictive any default provision therein, or add any covenant with respect to such Subordinated Debt; (d) change the redemption or prepayment provisions of such Subordinated Debt other than to extend the dates therefor or to reduce the premiums payable in connection therewith; (e) grant any security or collateral to secure payment of such Subordinated Debt; or (f) change or amend any other term if such change or amendment would materially increase the obligations of the Credit Party thereunder or confer additional material rights on the holder of such Subordinated Debt in a manner adverse to any Credit Party, Agent or any Lender.

6.19 Holdings. Holdings shall not engage in any trade or business or incur any Indebtedness other than to hold, manage and direct its equity and debt positions in Borrower and to perform its obligations under existing arrangements with its stockholders and take actions incident thereto.

6.20 Modifications of SCIL Loan Documents. Notwithstanding any provision contained in this Agreement or in the Intercreditor Agreement, Borrower shall not, nor shall it cause or permit any of its Subsidiaries to:

(a) modify Sections 6.1, 6.2, 6.7(c), 6.8 or 6.10 of the SCIL Loan Agreement or any included capitalized term as defined in Annex A of the SCIL Loan Agreement included in any of the foregoing sections (provided that such limitation shall only apply to such defined term to the extent such term is used in one or more of the foregoing sections and for no other purpose) (the covenants and definitions described in this clause (a) are herein sometimes referred to as the "Non-Change Covenants"); or

(b) add materially more restrictive covenants, representations, warranties or events of default or make materially more restrictive the covenants, representations, warranties or events of default under the SCIL Loan Documents (but the foregoing shall not prevent the charging of fees or the making of changes to conform the SCIL Loan Documents to changes made to the First Lien Loan Documents); provided, however, that the terms of this clause (b) do

not relate to the Non-Change Covenants all of which are governed by the terms of the preceding clause (a); and provided further, that there shall be no modification of or addition to or of any covenant, representation, warranty or event of default (or any included capitalized term to the extent such term is used in any one or more of the covenants, representations, warranties or events of default) (all of the foregoing covenants, representations, warranties, events of default and related definitions are referred to herein as "Subject Clauses") contained or proposed to be contained in any of the SCIL Loan Documents except following satisfaction of the following terms and conditions including the absence of a notice of objection by the Agent as of 5:00 p.m., (Chicago time), on the last day of the five Business Day period referred to in the following paragraph (2) of this clause (b):

(1) the Borrower shall deliver to the Agent and each Lender ten (10) Business Days' prior written notice (the "Borrower Change Notice") containing the full text of any proposed amendment to or addition of a Subject Clause in the SCIL Loan Documents (a "Proposed Second Lien Change");

(2) within ten (10) Business Days following the Agent's receipt of the Borrower Change Notice, the Agent, which shall act or not act based on a determination to be made by the Requisite Lenders, shall deliver to the Borrower (with a copy to the SCIL Agent) written notice of objection if, and so stating that, the Agent or Requisite Lenders consider the Proposed Second Lien Change to be inconsistent with or to cause a breach under the terms of clause (b) above (it being understood that the Agent's failure timely to deliver such a notice shall constitute the Agent's and Lenders' non-objection to the Proposed Second Lien Change);

(3) the Borrower shall not agree to, permit or suffer to occur, any modification to the SCIL Loan Documents to the extent that such modification has been objected to by the Agent pursuant to and in accordance with the terms of the preceding paragraph (2);

(4) the preceding paragraphs (1), (2) and (3) shall not apply to any amendments or modifications to the Non-Change Covenants.

7. TERM

7.1 Termination. The financing arrangements contemplated hereby shall be in effect until the Commitment Termination Date, and the Loans and all other Obligations shall be automatically due and payable in full on such date.

7.2 Survival of Obligations Upon Termination of Financing Arrangements. Except as otherwise expressly provided for in the Loan Documents, no termination or cancellation (regardless of cause or procedure) of any financing arrangement under this Agreement shall in any way affect or impair the obligations, duties and liabilities of the Credit Parties or the rights of Agent and Lenders relating to any unpaid portion of the Loans or any other Obligations, due or not due, liquidated, contingent or unliquidated or any transaction or event occurring prior to such termination, or any transaction or event, the performance of which is required after the Commitment Termination Date. Except as otherwise expressly provided herein or in any other Loan Document, all undertakings, agreements, covenants, warranties and

representations of or binding upon the Credit Parties, and all rights of Agent and each Lender, all as contained in the Loan Documents shall continue in full force and effect until the Termination Date; *provided*, that the provisions of Section 11, the payment obligations under Sections 1.15 and 1.16, and the indemnities contained in the Loan Documents shall survive the Termination Date.

8. EVENTS OF DEFAULT; RIGHTS AND REMEDIES

8.1 Events of Default. The occurrence of any one or more of the following events (regardless of the reason therefor) shall constitute an "Event of Default" hereunder:

(a) Borrower (i) fails to make any payment of principal hereunder when due; (ii) fails to make any payment of interest on, or Fees owing in respect of, the Loans or any of the other Obligations within three (3) days after such payment is due; or (iii) fails to pay or reimburse Agent or Lenders for any expense reimbursable hereunder or under any other Loan Document within ten (10) days following Agent's demand for such reimbursement or payment of expenses.

(b) Any Credit Party fails or neglects to perform, keep or observe any of the provisions of Sections 1.4, 1.8, 5.4(a), 5.8, 5.11, 5.12 or 6, any of the provisions set forth in Annexes C or G, respectively, or any of the provisions of Section 3.2 of the Environmental Indemnity Agreement.

(c) Borrower fails or neglects to perform, keep or observe (i) any of the provisions of Section 4 or any provisions set forth in Annexes E or F (other than paragraph (d) of Annex E), respectively, and the same shall remain unremedied for five (5) days or more or (ii) any of the provisions set forth in paragraph (d) of Annex E, and the same shall remain unremedied for fifteen (15) days or more.

(d) Any Credit Party fails or neglects to perform, keep or observe any other provision of this Agreement or of any of the other Loan Documents (other than any provision embodied in or covered by any other clause of this Section 8.1) and the same shall remain unremedied for fifteen (15) days or more after Agent's notice thereof to Borrower.

(e) A default or breach occurs under any other agreement, document or instrument to which any Credit Party is a party that is not cured within any applicable grace period therefor, and such default or breach (i) involves the failure to make any payment when due in respect of any Indebtedness or Guaranteed Indebtedness (other than the Obligations) of any Credit Party in excess of $3,000,000 in the aggregate (including (x) undrawn committed or available amounts and (y) amounts owing to all creditors under any combined or syndicated credit arrangements), or (ii) causes, or permits any holder of such Indebtedness or Guaranteed Indebtedness or a trustee to cause, Indebtedness or Guaranteed Indebtedness or a portion thereof in excess of $3,000,000 in the aggregate to become due prior to its stated maturity or prior to its regularly scheduled dates of payment, or cash collateral to be demanded in respect thereof, in each case, regardless of whether such default is waived, or such right is exercised, by such holder or trustee.

(f) Any information contained in any Borrowing Base Certificate is untrue or incorrect in any respect resulting in the making of a Revolving Credit Advance in excess of the actual Borrowing Availability (other than inadvertent, immaterial errors not exceeding $150,000 in any Borrowing Base Certificate), or any representation or warranty herein or in any Loan Document or in any written statement, report, financial statement or certificate (other than a Borrowing Base Certificate) made or delivered to Agent or any Lender by any Credit Party is untrue or incorrect in any material respect as of the date when made or deemed made.

(g) Assets of any Credit Party with a fair market value of $1,500,000 or more are attached, seized, levied upon or subjected to a writ or distress warrant, or come within the possession of any receiver, trustee, custodian or assignee for the benefit of creditors of any Credit Party and such condition continues for thirty (30) days or more.

(h) A case or proceeding is commenced against any Credit Party or Holdings seeking a decree or order in respect of such Credit Party or Holdings (i) under the Bankruptcy Code or any other applicable federal, state or foreign bankruptcy or other similar law, (ii) appointing a custodian, receiver, liquidator, assignee, trustee or sequestrator (or similar official) for such Credit Party or Holdings or for any substantial part of any such Credit Party's assets or of assets of Holdings, or (iii) ordering the winding-up or liquidation of the affairs of such Credit Party or Holdings, and such case or proceeding shall remain undismissed or unstayed for sixty (60) days or more or a decree or order granting the relief sought in such case or proceeding by a court of competent jurisdiction.

(i) Any Credit Party or Holdings (i) files a petition seeking relief under the Bankruptcy Code or any other applicable federal, state or foreign bankruptcy or other similar law, (ii) consents to or fails to contest in a timely and appropriate manner to the institution of proceedings thereunder or to the filing of any such petition or to the appointment of or taking possession by a custodian, receiver, liquidator, assignee, trustee or sequestrator (or similar official) for such Credit Party or Holdings or for any substantial part of any such Credit Party's assets or of assets of Holdings, (iii) makes an assignment for

the benefit of creditors, or (iv) takes any action in furtherance of any of the foregoing, or (v) admits in writing its inability to, or is generally unable to, pay its debts as such debts become due.

(j) An uninsured final judgment or judgments for the payment of money in excess of $1,500,000 in the aggregate at any time are outstanding against one or more of the Credit Parties and the same are not, within thirty (30) days after the entry thereof, discharged or execution thereof stayed or bonded pending appeal, or such judgments are not discharged prior to the expiration of any such stay.

(k) Any material provision of any Loan Document for any reason ceases to be valid, binding and enforceable in accordance with its terms (or any Credit Party shall challenge the enforceability of any Loan Document or shall assert in writing, or engage in any action or inaction based on any such assertion, that any provision of any of the Loan Documents has ceased to be or otherwise is not valid, binding and enforceable in accordance with its terms), or any Lien created under any Loan Document ceases to be a valid and perfected first priority Lien (except as otherwise permitted herein or therein) in any of the Collateral purported to be covered

thereby, and remains unremedied for a period of ten (10) days after Borrower obtains knowledge thereof.

(l) Any Change of Control occurs.

(m) Any event occurs, whether or not insured or insurable, as a result of which revenue-producing activities cease or are substantially curtailed at any facility of Borrower or any Secured Guarantor generating more than 5% of Borrower's consolidated revenues for the Fiscal Year preceding such event and such cessation or curtailment continues for more than one hundred eighty (180) days.

(n) Holdings shall fail (i) to become a Guarantor and pledge all of the Stock of Borrower as Collateral within ten (10) days after payment in full of the Holdco Debenture Debt; (ii) to contribute to the capital of Borrower all net cash proceeds of any Qualified Public Offering within ten (10) days of the receipt thereof except for those amounts used with such 10-day period (x) to purchase, retire, redeem or otherwise acquire for value all or any portion of the Holdco Debenture Debt and (y) to redeem, defease or otherwise retire or acquire for value (or make similar payments or distributions having substantially the same effect of any of the foregoing) the preferred Stock of Holdings to the extent permitted by this Agreement; or (iii) to contribute to the capital of Borrower all net cash proceeds of any issuance of Stock (other than net cash proceeds received pursuant to a Qualified Public Offering), other than any portion of such net proceeds that Holdings uses to purchase, retire, redeem or otherwise acquire for value all or any portion of the Holdco Debenture Debt within ten (10) days of the receipt of such net cash proceeds to the extent permitted by this Agreement.

(o) A default or breach under any agreement document or instrument to which Schaublin Holding or any of its Subsidiaries is a party that evidences the Schaublin Financing that is not cured within any applicable grace period thereto and such default or breach (involves the failure to make any payment when due in respect of any Indebtedness or Guaranteed indebtedness, or (ii) causes, or permits any holder of such Indebtedness or Guaranteed Indebtedness or a trustee to cause, Indebtedness or Guaranteed Indebtedness or a portion thereof in the aggregate to become due prior to its stated maturity or prior to its regularly scheduled dates of payment, or cash collateral to be demanded in respect thereof, in each case, regardless of whether such default is waived, or such right is exercised, by such holder or trustee.

8.2 Remedies.

(a) If any Default or Event of Default has occurred and is continuing, Agent may (and at the written request of the Requisite Revolving Lenders shall), without notice, suspend the Revolving Loan facility with respect to additional Advances and/or the incurrence of additional Letter of Credit Obligations, whereupon any additional Advances and additional Letter of Credit Obligations shall be made or incurred in Agent's sole discretion (or in the sole discretion of the Requisite Revolving Lenders, if such suspension occurred at their direction) so long as such Default or Event of Default is continuing. If any Default or Event of Default has occurred and is continuing, Agent may (and at the written request of Requisite Lenders shall), without notice except as otherwise expressly provided herein, increase the rate of interest applicable to the Loans and the Letter of Credit Fees to the Default Rate.

(b) If any Event of Default has occurred and is continuing, Agent may (and at the written request of the Requisite Lenders shall), without notice: (i) terminate the Revolving Loan facility with respect to further Advances or the incurrence of further Letter of Credit Obligations; (ii) reduce the Revolving Loan Commitments from time to time upon written notice to Borrower; (iii) declare all or any portion of the Obligations, including all or any portion of any Loan to be forthwith due and payable, and require that the Letter of Credit Obligations be cash collateralized as provided in Annex B, all without presentment, demand, protest or further notice of any kind, all of which are expressly waived by Borrower and each other Credit Party; and (iv) exercise any rights and remedies provided to Agent under the Loan Documents or at law or equity, including all remedies provided under the Code; *provided*, that upon the occurrence of an Event of Default specified in Sections 8.1(h) or (i), the Commitments shall be immediately terminated and all of the Obligations, including the Revolving Loan, shall become immediately due and payable without declaration, notice or demand by any Person.

8.3 Waivers by Credit Parties. Except as otherwise provided for in this Agreement or by applicable law, each Credit Party waives: (a) presentment, demand and protest and notice of presentment, dishonor, notice of intent to accelerate, notice of acceleration, protest, default, nonpayment, maturity, release, compromise, settlement, setoff rights, extension or renewal of any or all commercial paper, accounts, contract rights, documents, instruments, chattel paper and guaranties at any time held by Agent on which any Credit Party may in any way be liable, and hereby ratifies and confirms whatever Agent may do in this regard, (b) all rights to notice and a hearing prior to Agent's taking possession or control of, or to Agent's replevy, attachment or levy upon, the Collateral or any bond or security that might be required by any court prior to allowing Agent to exercise any of its remedies, and (c) the benefit of all valuation, appraisal, marshaling and exemption laws.

9. ASSIGNMENT AND PARTICIPATIONS; APPOINTMENT OF AGENT

9.1 Assignment and Participations.

(a) Subject to the terms of this Section 9.1, any Lender may make an assignment to a Qualified Assignee or a Related Fund of, or sell participations in, at any time or times, the Loan Documents, Loans, Letter of Credit Obligations and any Commitment or any portion thereof or interest therein, including any Lender's rights, title, interests, remedies, powers or duties thereunder. Any assignment by a Lender shall: (i) require the consent of Agent (which consent shall not be unreasonably withheld or delayed with respect to a Qualified Assignee) and the execution of an assignment agreement (an "Assignment Agreement" substantially in the form attached hereto as Exhibit 9.1(a) and otherwise in form and substance reasonably satisfactory to, and acknowledged by, Agent; (ii) be conditioned on such assignee Lender representing to the assigning Lender and Agent that it is purchasing the applicable Loans to be assigned to it for its own account, for investment purposes and not with a view to the distribution thereof; (iii) after giving effect to any such partial assignment, (x) in the case of Revolving Loan, the assignee Lender shall have Revolving Commitments in an amount at least equal to $5,000,000 and the assigning Lender shall have retained Revolving Commitments in an amount at least equal to $5,000,000, and (y) in the case of Term Loan, the assignee Lender and its Affiliates and Related Funds shall have Term Loan Commitments of at least $1,000,000 in the aggregate and the assigning Lender and its Affiliates and Related Funds shall have retained Term Loan

Commitments of at least $1,000,000 in the aggregate; (iv) include a payment to Agent of an assignment fee of $3,500; and (vi) so long as no Event of Default shall have occurred or be continuing, require the consent of Borrower (which consent shall not be unreasonably withheld or delayed with respect to a Qualified Assignee and shall not be required (x) for an assignment by a Lender to another Lender or to an Affiliate of a Lender or to a Related Fund or (y) for an assignment of the Term Loan and the related Loan Documents). In the case of an assignment by a Lender under this Section 9.1, the assignee shall have, to the extent of such assignment, the same rights, benefits and obligations as all other Lenders hereunder. The assigning Lender shall be relieved of its obligations hereunder with respect to its Commitments or assigned portion thereof from and after the date of such assignment. Borrower hereby acknowledges and agrees that any assignment shall give rise to a direct obligation of Borrower to the assignee and that the assignee shall be considered to be a "Lender". In all instances, each Lender's liability to make Loans hereunder shall be several and not joint and shall be limited to such Lender's Pro Rata Share of the applicable Commitment. In the event Agent or any Lender assigns or otherwise transfers all or any part of the Obligations, Agent or any such Lender shall so notify Borrower and Borrower shall, upon the request of Agent or such Lender, execute new Notes in exchange for the Notes, if any, being assigned. Notwithstanding the foregoing provisions of this Section 9.1(a), any Lender may at any time pledge all or any portion of the Obligations held by it and all or any portion of such Lender's rights under this Agreement and the other Loan Documents to a Federal Reserve Bank or a Qualified Assignee as collateral security to secure obligations of such Lender, Affiliates of such Lender or funds or accounts managed by such Lender or an Affiliate of such Lender to such Federal Reserve Bank or such Qualified Assignee (without requesting the consent of the Borrower or the Agent but in each case by providing to the Agent an advance written notice thereof which shall identify the Person obligated under the obligations secured by such pledge and the Person in whose favor such pledge is made); *provided*, that no such pledge shall release such Lender from such Lender's obligations hereunder or under any other Loan Document; *provided, further*, any such pledgee or grantee (other than any Federal Reserve Bank) shall be entitled to further transfer all of any portion of the rights pledged or granted to it, whether by means of foreclosure or otherwise, as long as (x) such pledgee or grantee transfers such rights to a Qualified Assignee, (y) such right to transfer is at all times subject to the terms of this Agreement and (z) each such pledgee or grantee shall have provided in each case a written notice of such transfer to the Agent which identifies the transferee of such rights. Agent shall maintain in its offices located at 100 California Street, 10th Floor, San Francisco, California 94111 (or such other offices as Agent may elect from time to time) a "register" for recording the name, address, commitment and Loans owing to each Lender. The entries in such register shall be presumptive evidence of the amounts due and owing to each Lender in the absence of manifest error. Borrower, Agent and each Lender may treat each Person whose name is recorded in such register pursuant to the terms hereof as a Lender for all purposes of this Agreement. The register described herein shall be available for inspection by Borrower and any Lender, at any reasonable time upon reasonable prior notice.

(b) Any participation by a Lender of all or any part of its Commitments shall be made with the understanding that all amounts payable by Borrower hereunder shall be determined as if that Lender had not sold such participation, and that the holder of any such participation shall not be entitled to require such Lender to take or omit to take any action hereunder except actions directly affecting (i) any reduction in the principal amount of, or interest rate or Fees payable with respect to, any Loan in which such holder participates, (ii) any

extension of the scheduled amortization of the principal amount of any Loan in which such holder participates or the final maturity date thereof, and (iii) any release of all or substantially all of the Collateral (other than in accordance with the terms of this Agreement, the Collateral Documents or the other Loan Documents). Neither Borrower nor any other Credit Party shall have any obligation or duty to any participant. Neither Agent nor any Lender (other than the Lender selling a participation) shall have any duty to any participant and may continue to deal solely with the Lender selling a participation as if no such sale had occurred.

(c) Except as expressly provided in this Section 9.1, no Lender shall, as between Borrower and that Lender, or Agent and that Lender, be relieved of any of its obligations hereunder as a result of any sale, assignment, transfer or negotiation of, or granting of participation in, all or any part of the Loans, the Notes or other Obligations owed to such Lender.

(d) Each Credit Party executing this Agreement shall assist any Lender permitted to sell assignments or participations under this Section 9.1 as reasonably required to enable the assigning or selling Lender to effect any such assignment or participation, including the preparation of informational materials for, and the participation of management in meetings with, potential assignees or participants. Each Credit Party executing this Agreement shall certify the correctness, completeness and accuracy of all descriptions of the Credit Parties and their respective affairs contained in any selling materials provided by it and all other information provided by it and included in such materials, except that any Projections delivered by Borrower shall only be certified by Borrower as having been prepared by Borrower in compliance with the representations contained in Section 3.4(c).

(e) A Lender may furnish any information concerning Credit Parties in the possession of such Lender from time to time to assignees and participants (including prospective assignees and participants); *provided* that such Lender shall obtain from assignees or participants confidentiality covenants substantially equivalent to those contained in Section 11.8.

(f) No Lender shall assign or sell participations in any portion of its Loan or Commitments to a potential Lender or participant, if, as of the date of the proposed assignment or sale, the assignee Lender or participant would be subject to capital adequacy or similar requirements under Section 1.16(a), increased costs under Section 1.16(b), an inability to fund LIBOR Loans under Section 1.16(c), or taxes in accordance with Section 1.15(a) or Section 1.15(b).

(g) Notwithstanding anything to the contrary contained herein, any Lender (a "Granting Lender"), may grant to a special purpose funding vehicle (an "SPC"), identified as such in writing by the Granting Lender to Agent and Borrower, the option to provide to Borrower all or any part of any Loans that such Granting Lender would otherwise be obligated to make to Borrower pursuant to this Agreement; *provided* that (i) nothing herein shall constitute a commitment by any SPC to make any Loan; and (ii) if an SPC elects not to exercise such option or otherwise fails to provide all or any part of such Loan, the Granting Lender shall be obligated to make such Loan pursuant to the terms hereof. The making of a Loan by an SPC hereunder shall utilize the Commitment of the Granting Lender to the same extent, and as if such Loan were made by such Granting Lender. No SPC shall be liable for any indemnity or similar payment obligation under this Agreement (all liability for which shall remain with the Granting

Lender). Any SPC may (i) with notice to, but without the prior written consent of, Borrower and Agent and assign all or a portion of its interests in any Loans to the Granting Lender or to any financial institutions (consented to by Borrower and Agent) providing liquidity and/or credit support to or for the account of such SPC to support the funding or maintenance of Loans and (ii) disclose on a confidential basis any non-public information relating to its Loans to any rating agency, commercial paper dealer or provider of any surety, guaranty or credit or liquidity enhancement to such SPC. This Section 9.1(g) may not be amended without the prior written consent of each Granting Lender, all or any of whose Loans are being funded by an SPC at the time of such amendment. For the avoidance of doubt, the Granting Lender shall for all purposes, including without limitation, the approval of any amendment or waiver of any provision of any Loan Document or the obligation to pay any amount otherwise payable by the Granting Lender under the Loan Documents, continue to be the Lender of record hereunder.

9.2 Appointment of Agent. GE Capital is hereby appointed to act on behalf of all Lenders as Agent under this Agreement and the other Loan Documents. The provisions of this Section 9.2 are solely for the benefit of Agent and Lenders and no Credit Party nor any other Person shall have any rights as a third party beneficiary of any of the provisions hereof. In performing its functions and duties under this Agreement and the other Loan Documents, Agent shall act solely as an agent of Lenders and does not assume and shall not be deemed to have assumed any obligation toward or relationship of agency or trust with or for any Credit Party or any other Person. Agent shall have no duties or responsibilities except for those expressly set forth in this Agreement and the other Loan Documents. The duties of Agent shall be mechanical and administrative in nature and Agent shall not have, or be deemed to have, by reason of this Agreement, any other Loan Document or otherwise a fiduciary relationship in respect of any Lender. Except as expressly set forth in this Agreement and the other Loan Documents, Agent shall not have any duty to disclose, and shall not be liable for failure to disclose, any information relating to any Credit Party or any of their respective Subsidiaries or any Account Debtor that is communicated to or obtained by GE Capital or any of its Affiliates in any capacity. Neither Agent nor any of its Affiliates nor any of their respective officers, directors, employees, agents or representatives shall be liable to any Lender for any action taken or omitted to be taken by it hereunder or under any other Loan Document, or in connection herewith or therewith, except for damages caused by its or their own gross negligence or willful misconduct.

Each Lender hereby irrevocably authorizes Agent to execute and deliver the Intercreditor Agreement and to observe and perform each and all of the obligations of Agent under the Intercreditor Agreement and to take such action or to refrain from taking such action on behalf of itself and the Lenders under the Intercreditor Agreement and to exercise such powers as are set forth herein or therein, together with such other powers as are reasonably incidental thereto. Each Lender agrees to be, and is, bound by the provisions of the Intercreditor Agreement, and each future Lender, by taking an assignment of, or purchasing participations in, the Loan Documents and one or more Loans or any portion thereof or interest therein, shall be deemed to have agreed to be bound by the terms and provisions of the Intercreditor Agreement.

If Agent shall request instructions from Requisite Lenders, Requisite Revolving Lenders, or all affected Lenders with respect to any act or action (including failure to act) in connection with this Agreement or any other Loan Document, then Agent shall be entitled to refrain from such act or taking such action unless and until Agent shall have received

instructions from Requisite Lenders, Requisite Revolving Lenders, or all affected Lenders, as the case may be, and Agent shall not incur liability to any Person by reason of so refraining. Agent shall be fully justified in failing or refusing to take any action hereunder or under any other Loan Document (a) if such action would, in the opinion of Agent, be contrary to law or the terms of this Agreement or any other Loan Document, (b) if such action would, in the opinion of Agent, expose Agent to Environmental Liabilities or (c) if Agent shall not first be indemnified to its satisfaction against any and all liability and expense which may be incurred by it by reason of taking or continuing to take any such action or if Agent has not received sufficient cash deposits to satisfy expected liabilities and expenses related to such action. Without limiting the foregoing, no Lender shall have any right of action whatsoever against Agent as a result of Agent acting or refraining from acting hereunder or under any other Loan Document in accordance with the instructions of Requisite Lenders, Requisite Revolving Lenders, or all affected Lenders, as applicable.

9.3 Agent's Reliance, Etc. Neither Agent nor any of its Affiliates nor any of their respective directors, officers, agents or employees shall be liable for any action taken or omitted to be taken by it or them under or in connection with this Agreement or the other Loan Documents, except for damages caused by its or their own gross negligence or willful misconduct. Without limiting the generality of the foregoing, Agent: (a) may treat the payee of any Note as the holder thereof until Agent receives written notice of the assignment or transfer thereof signed by such payee and in form reasonably satisfactory to Agent; (b) may consult with legal counsel, independent public accountants and other experts selected by it and shall not be liable for any action taken or omitted to be taken by it in good faith in accordance with the advice of such counsel, accountants or experts; (c) makes no warranty or representation to any Lender and shall not be responsible to any Lender for any statements, warranties or representations made in or in connection with this Agreement or the other Loan Documents; (d) shall not have any duty to ascertain or to inquire as to the performance or observance of any of the terms, covenants or conditions of this Agreement or the other Loan Documents on the part of any Credit Party or to inspect the Collateral (including the books and records) of any Credit Party; (e) shall not be responsible to any Lender for the due execution, legality, validity, enforceability, genuineness, sufficiency or value of this Agreement or the other Loan Documents or any other instrument or document furnished pursuant hereto or thereto; and (f) shall incur no liability under or in respect of this Agreement or the other Loan Documents by acting upon any notice, consent, certificate or other instrument or writing (which may be by telecopy, telegram, cable or telex) believed by it to be genuine and signed or sent by the proper party or parties.

9.4 GE Capital and Affiliates. With respect to its Commitments hereunder, GE Capital shall have the same rights and powers under this Agreement and the other Loan Documents as any other Lender and may exercise the same as though it were not Agent; and the term "Lender" or "Lenders" shall, unless otherwise expressly indicated, include GE Capital in its individual capacity. GE Capital and its Affiliates may lend money to, invest

in, and generally engage in any kind of business with, any Credit Party, any of their Affiliates and any Person who may do business with or own securities of any Credit Party or any such Affiliate, all as if GE Capital were not Agent and without any duty to account therefor to Lenders. GE Capital or one or more of Affiliates may also purchase certain equity interests in Holdings, which is a corporation that currently owns 100% of the outstanding Stock of Borrower. GE Capital and its Affiliates may accept fees and other consideration from any Credit Party for services in

connection with this Agreement or otherwise without having to account for the same to Lenders. GE Capital also acts as agent for the holders of the SCIL Loan. Each Lender acknowledges the potential conflict of interest between GE Capital as a Lender holding disproportionate interests in the Loans, GE Capital or its Affiliates as a Stockholder and GE Capital as Agent or that may arise from GE Capital acting as agent for the holders of the SCIL Loan; *provided* that any equity investment by GE Capital shall not exceed 7.5% in the aggregate of the Stock of Holdings outstanding on a fully diluted basis, and shall not exceed $7,500,000 of investments in the aggregate.

9.5 Lender Credit Decision. Each Lender acknowledges that it has, independently and without reliance upon Agent or any other Lender and based on the Financial Statements referred to in Section 3.4(a) and such other documents and information as it has deemed appropriate, made its own credit and financial analysis of the Credit Parties and its own decision to enter into this Agreement. Each Lender also acknowledges that it will, independently and without reliance upon Agent or any other Lender and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under this Agreement. Each Lender acknowledges the potential conflict of interest of each other Lender as a result of Lenders holding disproportionate interests in the Loans, and expressly consents to, and waives any claim based upon, such conflict of interest.

9.6 Indemnification. Lenders agree to indemnify Agent (to the extent not reimbursed by Credit Parties on demand and without limiting the obligations of Credit Parties hereunder), ratably according to their respective Pro Rata Shares, from and against any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind or nature whatsoever (including reasonable attorneys', accountants', experts' and advisors' fees and disbursements and all costs of investigation, testing or defense, including those incurred on any appeal) that may be instituted or asserted against, imposed on or incurred by Agent in any way relating to or arising out of this Agreement or any other Loan Document or any action taken or omitted to be taken by Agent in connection therewith (all such liabilities, obligations, losses, damages, penalties, actions, judgments, suits costs, expenses or disbursements, collectively, the "Agent Indemnified Items"); *provided*, that no Lender shall be liable to Agent for that portion, if any, of such Agent Indemnified Items which resulted from Agent's gross negligence or willful misconduct. Without limiting the foregoing, each Lender agrees to reimburse Agent promptly upon demand for its ratable share of any out-of-pocket expenses (including reasonable counsel, accountant, expert and advisor fees and disbursements) incurred by Agent in connection with the preparation, execution, delivery, administration, modification, amendment or enforcement (whether through negotiations, legal proceedings or otherwise) of, or legal advice in respect of rights or responsibilities under, this Agreement and each other Loan Document to the extent that Agent is not reimbursed for such expenses by the Credit Parties upon demand.

9.7 Successor Agent. Agent may resign at any time by giving not less than thirty (30) days' prior written notice thereof to Lenders and Borrower. Upon any such resignation, the Requisite Lenders shall have the right to appoint a successor Agent. If no successor Agent shall have been so appointed by the Requisite Lenders and shall have accepted such appointment within thirty (30) days after the resigning Agent's giving notice of resignation,

then the resigning Agent may, on behalf of Lenders, appoint a successor Agent, which shall be a Lender, if a Lender is willing to accept such appointment, or otherwise shall be a commercial bank or financial institution or a subsidiary of a commercial bank or financial institution if such commercial bank or financial institution is organized under the laws of the United States of America or of any State thereof and has a combined capital and surplus of at least $300,000,000. If no successor Agent has been appointed pursuant to the foregoing, within thirty (30) days after the date such notice of resignation was given by the resigning Agent, such resignation shall become effective and the Requisite Lenders shall thereafter perform all the duties of Agent hereunder until such time, if any, as the Requisite Lenders appoint a successor Agent as provided above. Any successor Agent appointed by Agent or Requisite Lenders hereunder shall be subject to the approval of Borrower, such approval not to be unreasonably withheld or delayed; *provided* that such approval shall not be required if a Default or an Event of Default has occurred and is continuing. Upon the acceptance of any appointment as Agent hereunder by a successor Agent, such successor Agent shall succeed to and become vested with all the rights, powers, privileges and duties of the resigning Agent. Upon the earlier of the acceptance of any appointment as Agent hereunder by a successor Agent or the effective date of the resigning Agent's resignation, the resigning Agent shall be discharged from its duties and obligations under this Agreement and the other Loan Documents, except that any indemnity rights or other rights in favor of such resigning Agent shall continue. After any resigning Agent's resignation hereunder, the provisions of this Section 9 shall inure to its benefit as to any actions taken or omitted to be taken by it while it was acting as Agent under this Agreement and the other Loan Documents.

9.8 Setoff and Sharing of Payments. In addition to any rights now or hereafter granted under applicable law and not by way of limitation of any such rights, upon the occurrence and during the continuance of any Event of Default and subject to Section 9.9(f), each Lender is hereby authorized at any time or from time to time, without notice to any Credit Party or to any other Person, any such notice being hereby expressly waived, to offset and to appropriate and to apply any and all balances held by it at any of its offices for the account of Borrower or any Guarantor (regardless of whether such balances are then due to Borrower or any Guarantor) and any other properties or assets at any time held or owing by that Lender or that holder to or for the credit or for the account of Borrower or any Guarantor against and on account of any of the Obligations that are not paid when due. Any Lender exercising the foregoing right of setoff or otherwise receiving any payment on account of the Obligations in excess of its Pro Rata Share thereof determined in accordance with Section 1.11 shall purchase for cash (and the other Lenders or holders shall sell) such participations in each such other Lender's or holder's Pro Rata Share of the Obligations as would be necessary to cause such Lender to share the amount so offset or otherwise received with each other Lender or holder in accordance with their respective Pro Rata Shares determined in accordance with Section 1.11, (other than offset rights exercised by any Lender with respect to Sections 1.13, 1.15 or 1.16). Each Credit Party agrees, to the fullest extent permitted by law, that (a) any Lender may exercise the foregoing right to offset with respect to amounts in excess of its Pro Rata Share of the Obligations and may sell participations in such amounts so offset to other Lenders and holders and (b) any Lender so purchasing a participation in the Loans made or other Obligations held by other Lenders or holders may exercise all rights of offset, bankers' lien, counterclaim or similar rights with respect to such participation as fully as if such Lender or holder were a direct holder of the Loans and the other Obligations in the amount of such participation. Notwithstanding the foregoing, if all or any portion of the offset amount or payment otherwise received is thereafter

recovered from the Lender that has exercised the right of offset, the purchase of participations by that Lender shall be rescinded and the purchase price restored without interest.

9.9 Advances; Payments; Non-Funding Lenders; Information; Actions in Concert.

(a) Advances; Payments.

(i) Revolving Lenders shall refund or participate in the Swing Line Loan in accordance with clauses (iii) and (iv) of Section 1.1(c). If the Swing Line Lender declines to make a Swing Line Loan or if Swing Line Availability is zero, Agent shall notify Revolving Lenders, promptly after receipt of a Notice of Revolving Credit Advance and in any event prior to 1:00 p.m. (Chicago time) on the date such Notice of Revolving Advance is received, by telecopy, telephone or other similar form of transmission. Each Revolving Lender shall make the amount of such Lender's Pro Rata Share of such Revolving Credit Advance available to Agent in same day funds by wire transfer to Agent's account as set forth in Annex H not later than 3:00 p.m. (Chicago time) on the requested funding date, in the case of an Index Rate Loan and not later than 11:00 a.m. (Chicago time) on the requested funding date in the case of a LIBOR Loan. After receipt of such wire transfers (or, in the Agent's sole discretion, before receipt of such wire transfers), subject to the terms hereof, Agent shall make the requested Revolving Credit Advance to Borrower. All payments by each Revolving Lender shall be made without setoff, counterclaim or deduction of any kind.

(ii) On the 2nd Business Day of each calendar week or more frequently at Agent's election (each, a "Settlement Date"), Agent shall advise each Lender by telephone, or telecopy of the amount of such Lender's Pro Rata Share of principal, interest and Fees paid for the benefit of Lenders with respect to each applicable Loan. Provided that each Lender has funded all payments and Advances required to be made by it and purchased all participations required to be purchased by it under this Agreement and the other Loan Documents as of such Settlement Date, Agent shall pay to each Lender such Lender's Pro Rata Share of principal, interest and Fees paid by Borrower since the previous Settlement Date for the benefit of such Lender on the Loans held by it. To the extent that any Lender (a "Non-Funding Lender") has failed to fund all such payments and Advances or failed to fund the purchase of all such participations, Agent shall be entitled to set off the funding short-fall against that Non-Funding Lender's Pro Rata Share of all payments received from Borrower. Such payments shall be made by wire transfer to such Lender's account (as specified by such Lender in Annex H or the applicable Assignment Agreement) not later than 1:00 p.m. (Chicago time) on the next Business Day following each Settlement Date.

(b) Availability of Lender's Pro Rata Share. Agent may assume that each Revolving Lender will make its Pro Rata Share of each Revolving Credit Advance available to Agent on each funding date. If such Pro Rata Share is not, in fact, paid to Agent by such Revolving Lender when due, Agent will be entitled to recover such amount on demand from such Revolving Lender without setoff, counterclaim or deduction of any kind. If any Revolving Lender fails to pay the amount of its Pro Rata Share forthwith upon Agent's demand, Agent shall promptly notify Borrower and Borrower shall immediately repay such amount to Agent. Nothing in this Section 9.9(b) or elsewhere in this Agreement or the other Loan Documents shall

be deemed to require Agent to advance funds on behalf of any Revolving Lender or to relieve any Revolving Lender from its obligation to fulfill its Commitments hereunder or to prejudice any rights that Borrower may have against any Revolving Lender as a result of any default by such Revolving Lender hereunder. To the extent that Agent advances funds to Borrower on behalf of any Revolving Lender and is not reimbursed therefor on the same Business Day as such Advance is made, Agent shall be entitled to retain for its account all interest accrued on such Advance until reimbursed by the applicable Revolving Lender.

(c) Return of Payments.

(i) If Agent pays an amount to a Lender under this Agreement in the belief or expectation that a related payment has been or will be received by Agent from Borrower and such related payment is not received by Agent, then Agent will be entitled to recover such amount from such Lender on demand without setoff, counterclaim or deduction of any kind.

(ii) If Agent determines at any time that any amount received by Agent under this Agreement must be returned to Borrower or paid to any other Person pursuant to any insolvency law or otherwise, then, notwithstanding any other term or condition of this Agreement or any other Loan Document, Agent will not be required to distribute any portion thereof to any Lender. In addition, each Lender will repay to Agent on demand any portion of such amount that Agent has distributed to such Lender, together with interest at such rate, if any, as Agent is required to pay to Borrower or such other Person, without setoff, counterclaim or deduction of any kind.

(d) Non-Funding Lenders. The failure of any Non-Funding Lender to make any Revolving Credit Advance or any payment required by it hereunder, or to purchase any participation in any Swing Line Loan to be made or purchased by it on the date specified therefor shall not relieve any other Lender (each such other Revolving Lender, an "Other Lender") of its obligations to make such Advance or purchase such participation on such date, but neither any Other Lender nor Agent shall be responsible for the failure of any Non-Funding Lender to make an Advance, purchase a participation or make any other payment required hereunder. Notwithstanding anything set forth herein to the contrary, a Non-Funding Lender shall not have any voting or consent rights under or with respect to any Loan Document or constitute a "Lender" or a "Revolving Lender" (or be included in the calculation of "Requisite Lenders" or "Requisite Revolving Lenders" hereunder) for any voting or consent rights under or with respect to any Loan Document (except that a Lender that becomes a Non-Funding Lender solely by reason of Section 2.2(c) shall retain its voting or consent rights under or with respect to any Loan Document). At Borrower's request, Agent or a Person acceptable to Agent shall have the right with Agent's consent and in Agent's sole discretion (but shall have no obligation) to purchase from any Non-Funding Lender, and each Non-Funding Lender agrees that it shall, at Agent's request, sell and assign to Agent or such Person, all of the Commitments of that Non-Funding Lender for an amount equal to the principal balance of all Loans held by such Non-Funding Lender and all accrued interest and fees with respect thereto through the date of sale, such purchase and sale to be consummated pursuant to an executed Assignment Agreement.

(e) Dissemination of Information. Agent shall use reasonable efforts to provide Lenders with any notice of Default or Event of Default received by Agent from, or

delivered by Agent to, any Credit Party, with notice of any Event of Default of which Agent has actually become aware and with notice of any action taken by Agent following any Event of Default; *provided* that Agent shall not be liable to any Lender for any failure to do so, except to the extent that such failure is attributable to Agent's gross negligence or willful misconduct. Lenders acknowledge that Borrower is required to provide Financial Statements and Collateral Reports to Lenders in accordance with Annexes E and F hereto and agree that Agent shall have no duty to provide the same to Lenders.

(f) Actions in Concert. Anything in this Agreement to the contrary notwithstanding, each Lender hereby agrees with each other Lender that no Lender shall take any action to protect or enforce its rights arising out of this Agreement or the Notes (including exercising any rights of setoff) without first obtaining the prior written consent of Agent and Requisite Lenders, it being the intent of Lenders that any such action to protect or enforce rights under this Agreement and the Notes shall be taken in concert and at the direction or with the consent of Agent or Requisite Lenders. With respect to any action by Agent to enforce the rights and remedies of Agent and the Lenders under this Agreement and the other Loan Documents, each Lender hereby consents to the jurisdiction of the court in which such action is maintained, and agrees to deliver its Notes to Agent to the extent necessary to enforce the rights and remedies of Agent for the benefit of the Lenders under the Mortgages in accordance with the provisions hereof.

10. SUCCESSORS AND ASSIGNS

10.1 Successors and Assigns. This Agreement and the other Loan Documents shall be binding on and shall inure to the benefit of each Credit Party, Agent, Lenders and their respective successors and assigns (including, in the case of any Credit Party, a debtor-in-possession on behalf of such Credit Party), except as otherwise provided herein or therein. No Credit Party may assign, transfer, hypothecate or otherwise convey its rights, benefits, obligations or duties hereunder or under any of the other Loan Documents without the prior express written consent of Agent and all Lenders. Any such purported assignment, transfer, hypothecation or other conveyance by any Credit Party without the prior express written consent of Agent and all Lenders shall be void. The terms and provisions of this Agreement are for the purpose of defining the relative rights and obligations of each Credit Party, Agent and Lenders with respect to the transactions contemplated hereby and no Person shall be a third party beneficiary of any of the terms and provisions of this Agreement or any of the other Loan Documents.

11. MISCELLANEOUS

11.1 Complete Agreement; Modification of Agreement. The Loan Documents constitute the complete agreement between the parties with respect to the subject matter thereof and may not be modified, altered or amended except as set forth in Section 11.2. Any letter of interest, commitment letter, or fee letter (other than the GE Capital Fee Letter or any confidentiality agreement), if any, between any Credit Party and Agent or any Lender or any of their respective Affiliates, predating this Agreement and relating to a financing of substantially similar form, purpose or effect shall be superseded by this Agreement.

11.2 Amendments and Waivers.

(a) Except for actions expressly permitted to be taken by Agent, no amendment, modification, termination or waiver of any provision of this Agreement or any other Loan Document, or any consent to any departure by any Credit Party therefrom, shall in any event be effective unless the same shall be in writing and signed by Agent and Borrower, and by Requisite Lenders, Requisite Revolving Lenders, Term Lenders or all affected Lenders, as applicable. Except as set forth in clauses (b) and (c) below, all such amendments, modifications, terminations or waivers shall require the written consent of Requisite Lenders.

(b) No amendment, modification, termination or waiver of or consent with respect to any provision of this Agreement that increases the percentage advance rates set forth in the definition of the Borrowing Base, or that makes less restrictive the nondiscretionary criteria for exclusion from Eligible Accounts and Eligible Inventory set forth in Sections 1.6 and 1.7, shall be effective unless the same shall be in writing and signed by Agent, Requisite Revolving Lenders and Borrower. No amendment, modification, termination or waiver of or consent with respect to any provision of this Agreement that waives compliance with the conditions precedent set forth in Section 2.2 to the making of any Loan or the incurrence of any Letter of Credit Obligations shall be effective unless the same shall be in writing and signed by Agent, Requisite Revolving Lenders and Borrower. Notwithstanding anything contained in this Agreement to the contrary, no waiver or consent with respect to any Default or any Event of Default shall be effective for purposes of the conditions precedent to the making of Loans or the incurrence of Letter of Credit Obligations set forth in Section 2.2 and Section 2.3 unless the same shall be in writing and signed by Agent, Requisite Revolving Lenders and Borrower.

(c) No amendment, modification, termination or waiver shall, unless in writing and signed by Agent and each Lender directly affected thereby: (i) increase the principal amount of any Lender's Commitment (which action shall be deemed only to affect those Lenders whose Commitments are increased and must be approved by Requisite Lenders, including those Lenders whose Commitments are increased); (ii) reduce the principal of, rate of interest on or Fees payable with respect to any Loan or Letter of Credit Obligations of any affected Lender; (iii) waive or extend any scheduled payment date (other than payment dates of mandatory prepayments under Section 1.3(b)(ii)-(vi)) or final maturity date of the principal amount of any Loan of any affected Lender; (iv) waive, forgive, defer, extend or postpone any payment of interest or Fees as to any affected Lender; (v) amend the second sentence of Section 10.1 or release any Guaranty or except as otherwise permitted herein or in the other Loan Documents, release, or permit any Credit Party to sell or otherwise dispose of, any Collateral with a value exceeding $4,000,000 in the aggregate (which action shall be deemed to directly affect all Lenders); (vi) change the percentage of the Commitments or of the aggregate unpaid principal amount of the Loans that shall be required for Lenders or any of them to take any action hereunder (which action shall be deemed to directly affect all Lenders); and (vii) amend or waive this Section 11.2 or the definitions of the terms "Requisite Lenders" or "Requisite Revolving Lenders" insofar as such definitions affect the substance of this Section 11.2 (which action shall be deemed to directly affect all Lenders). Furthermore, no amendment, modification, termination or waiver affecting the rights or duties of Agent or L/C Issuer under this Agreement or any other Loan Document shall be effective unless in writing and signed by Agent or L/C Issuer, as the case may be, in addition to Lenders required hereinabove to take such action. Each

amendment, modification, termination or waiver shall be effective only in the specific instance and for the specific purpose for which it was given. No amendment, modification, termination or waiver shall be required for Agent to take additional Collateral pursuant to any Loan Document. No amendment, modification, termination or waiver of any provision of any Note shall be effective without the written concurrence of the holder of that Note. No notice to or demand on any Credit Party in any case shall entitle such Credit Party or any other Credit Party to any other or further notice or demand in similar or other circumstances. Any amendment, modification, termination, waiver or consent effected in accordance with this Section 11.2 shall be binding upon each holder of the Notes at the time outstanding and each future holder of the Notes.

(d) If, in connection with any proposed amendment, modification, waiver or termination (a "Proposed Change"):

(i) requiring the consent of all affected Lenders, the consent of Requisite Lenders is obtained, but the consent of other Lenders whose consent is required is not obtained (any such Lender whose consent is not obtained as described in this clause (i) and in clause (ii) below being referred to as a "Non-Consenting Lender"), or

(ii) requiring the consent of all affected Revolving Lenders, the consent of Requisite Revolving Lenders is obtained, but the consent of other Revolving Lenders whose consent is required is not obtained,

then, so long as Agent is not a Non-Consenting Lender, at Borrower's request Agent, or a Person reasonably acceptable to Agent, shall have the right with Agent's consent and in Agent's sole discretion (but shall have no obligation) to purchase from such Non-Consenting Lenders, and such Non-Consenting Lenders agree that they shall, upon Agent's request, sell and assign to Agent or such Person, all of the Commitments of such Non-Consenting Lenders for an amount equal to the principal balance of all Loans held by the Non-Consenting Lenders and all accrued interest and Fees with respect thereto through the date of sale, such purchase and sale to be consummated pursuant to an executed Assignment Agreement.

(e) Upon payment in full in cash and performance of all of the Obligations (other than indemnification Obligations), termination of the Commitments and a release of all claims against Agent and Lenders, and so long as no suits, actions proceedings, or claims are pending or threatened against any Indemnified Person asserting any damages, losses or liabilities that are Indemnified Liabilities, Agent shall deliver to Borrower termination statements, mortgage releases and other documents necessary or appropriate to evidence the termination of the Liens securing payment of the Obligations.

11.3 Fees and Expenses. Borrower shall reimburse (i) Agent for all reasonable out-of-pocket fees, costs and expenses (including the reasonable fees and expenses of all of its counsel, advisors, consultants and auditors) and (ii) Agent (and, with respect to clauses (c) and (d) below, all Lenders) for all reasonable out-of-pocket fees, costs and expenses, including the reasonable fees, costs and expenses of counsel or other advisors (including environmental and management consultants and appraisers) incurred in connection with the negotiation, preparation and filing and/or recordation of the Loan Documents and incurred in connection with:

(a) the forwarding to Borrower or any other Person on behalf of Borrower by Agent of the proceeds of any Loan (including a wire transfer fee of $25 per wire transfer);

(b) any amendment, modification or waiver of, or consent with respect to, or termination of, any of the Loan Documents or Related Transactions Documents or advice in connection with the syndication and administration of the Loans made pursuant hereto or its rights hereunder or thereunder;

(c) any litigation, contest, dispute, suit, proceeding or action (whether instituted by Agent, any Lender, any Credit Party or any other Person and whether as a party, witness or otherwise) in any way relating to the Collateral, any of the Loan Documents or any other agreement to be executed or delivered in connection herewith or therewith, including any litigation, contest, dispute, suit, case, proceeding or action, and any appeal or review thereof, in connection with a case commenced by or against any or all of the Credit Parties or any other Person that may be obligated to Agent by virtue of the Loan Documents, including any such litigation, contest, dispute, suit, proceeding or action arising in connection with any work-out or restructuring of the Loans during the pendency of one or more Events of Default; *provided* that in the case of reimbursement of counsel for Lenders other than Agent, such reimbursement shall be limited to one counsel for all such Lenders; *provided*, further, that no Person shall be entitled to reimbursement under this clause (c) in respect of any litigation, contest, dispute, suit, proceeding or action to the extent any of the foregoing results from such Person's gross negligence or willful misconduct;

(d) any attempt to enforce any remedies of Agent or any Lender against any or all of the Credit Parties or any other Person that may be obligated to Agent or any Lender by virtue of any of the Loan Documents, including any such attempt to enforce any such remedies in the course of any work-out or restructuring of the Loans during the pendency of one or more Events of Default; *provided* that in the case of reimbursement of counsel for Lenders other than Agent, such reimbursement shall be limited to one counsel for all such Lenders;

(e) any workout or restructuring of the Loans during the pendency of one or more Events of Default; and

(f) efforts to (i) monitor the Loans or any of the other Obligations, and (ii) verify, protect, evaluate, assess, appraise, collect, sell, liquidate or otherwise dispose of any of the Collateral;

including, as to each of clauses (a) through (f) above, all reasonable attorneys' and other professional and service providers' fees arising from such services and other advice, assistance or other representation, including those in connection with any appellate proceedings, and all expenses, costs, charges and other fees incurred by such counsel and others in connection with or relating to any of the events or actions described in this Section 11.3, all of which shall be payable, on demand, by Borrower to Agent. Without limiting the generality of the foregoing, such expenses, costs, charges and fees may include: fees, costs and expenses of accountants, environmental advisors, appraisers, investment bankers, management and other consultants and paralegals; court costs and expenses; photocopying and duplication expenses; court reporter fees, costs and expenses; long distance telephone charges; air express charges; telegram or telecopy

charges; secretarial overtime charges; expenses for travel, lodging and food paid or incurred in connection with the performance of such legal or other advisory services and, in the case of auditors, a per diem charge at the Agents' then applicable rate per person per day for each such auditor in the field and office plus all reasonable out-of-pocket costs and expenses (including, without limitation, air fare, lodging and meals) incurred in connection with or relating to audits to be conducted pursuant hereunder. As of the Effective Date, the Agent's applicable rate for auditors is $750 per person per day.

11.4 No Waiver. Agent's or any Lender's failure, at any time or times, to require strict performance by the Credit Parties of any provision of this Agreement or any other Loan Document shall not waive, affect or diminish any right of Agent or such Lender thereafter to demand strict compliance and performance herewith or therewith. Any suspension or waiver of an Event of Default shall not suspend, waive or affect any other Event of Default whether the same is prior or subsequent thereto and whether the same or of a different type. Subject to the provisions of Section 11.2, none of the undertakings, agreements, warranties, covenants and representations of any Credit Party contained in this Agreement or any of the other Loan Documents and no Default or Event of Default by any Credit Party shall be deemed to have been suspended or waived by Agent or any Lender, unless such waiver or suspension is by an instrument in writing signed by an officer of or other authorized employee of Agent and the applicable required Lenders and directed to Borrower specifying such suspension or waiver.

11.5 Remedies. Agent's and Lenders' rights and remedies under this Agreement shall be cumulative and nonexclusive of any other rights and remedies that Agent or any Lender may have under any other agreement, including the other Loan Documents, by operation of law or otherwise. Recourse to the Collateral shall not be required.

11.6 Severability. Wherever possible, each provision of this Agreement and the other Loan Documents shall be interpreted in such a manner as to be effective and valid under applicable law, but if any provision of this Agreement or any other Loan Document shall be prohibited by or invalid under applicable law, such provision shall be ineffective only to the extent of such prohibition or invalidity, without invalidating the remainder of such provision or the remaining provisions of this Agreement or such other Loan Document.

11.7 Conflict of Terms. Except as otherwise provided in this Agreement or any of the other Loan Documents by specific reference to the applicable provisions of this Agreement, if any provision contained in this Agreement conflicts with any provision in any of the other Loan Documents, the provision contained in this Agreement shall govern and control.

11.8 Confidentiality. Agent and each Lender agree to use commercially reasonable efforts (equivalent to the efforts Agent or such Lender applies to maintain the confidentiality of its own confidential information) to maintain as confidential all confidential information provided to them by the Credit Parties and designated as confidential for a period of two (2) years following receipt thereof, except that Agent and any Lender may disclose such information (a) to Persons employed or engaged by Agent or such Lender, including any agents that have been granted access pursuant to Section 1.14; (b) to any bona fide assignee or participant or potential assignee or participant that has agreed to comply with the covenant contained in this Section 11.8 (and any such bona fide assignee or participant or potential

assignee or participant may disclose such information to Persons employed or engaged by them as described in clause (a) above); (c) as required or requested by any Governmental Authority or reasonably believed by Agent or such Lender to be compelled by any court decree, subpoena or legal or administrative order or process; (d) as, on the advice of Agent's or such Lender's counsel, is required by law; (e) in connection with the exercise of any right or remedy under the Loan Documents or in connection with any Litigation to which Agent or such Lender is a party; (f) to a Person that is an investor or prospective investor in a Securitization (as defined below) that agrees that its access to information regarding the Borrower and the Loans is solely for purposes of evaluating an investment in such Securitization, (g) to a Person that is a trustee, collateral manager, servicer, investor, potential investor or secured party in a Securitization in connection with the administration, servicing and reporting on the assets serving as collateral for such Securitization. For purposes of this Section "Securitization" shall mean a public or private offering by a Lender or any of its Affiliates or their respective successors and assigns, of securities which represent an interest in, or which are collateralized in whole or in part by, the Loans; or (h) that ceases to be confidential through no fault of Agent or any Lender.

11.9 GOVERNING LAW. **EXCEPT AS OTHERWISE EXPRESSLY PROVIDED IN ANY OF THE LOAN DOCUMENTS, IN ALL RESPECTS, INCLUDING ALL MATTERS OF CONSTRUCTION, VALIDITY AND PERFORMANCE, THE LOAN DOCUMENTS AND THE OBLIGATIONS SHALL BE GOVERNED BY, AND CONSTRUED AND ENFORCED IN ACCORDANCE WITH, THE INTERNAL LAWS OF THE STATE OF NEW YORK APPLICABLE TO CONTRACTS MADE AND PERFORMED IN THAT STATE AND ANY APPLICABLE LAWS OF THE UNITED STATES OF AMERICA. EACH CREDIT PARTY HEREBY CONSENTS AND AGREES THAT THE STATE OR FEDERAL COURTS LOCATED IN NEW YORK COUNTY, CITY OF NEW YORK, NEW YORK SHALL HAVE EXCLUSIVE JURISDICTION TO HEAR AND DETERMINE ANY CLAIMS OR DISPUTES BETWEEN THE CREDIT PARTIES, AGENT AND LENDERS PERTAINING TO THIS AGREEMENT OR ANY OF THE OTHER LOAN DOCUMENTS OR TO ANY MATTER ARISING OUT OF OR RELATING TO THIS AGREEMENT OR ANY OF THE OTHER LOAN DOCUMENTS; *PROVIDED*, THAT AGENT, LENDERS AND THE CREDIT PARTIES ACKNOWLEDGE THAT ANY APPEALS FROM THOSE COURTS MAY HAVE TO BE HEARD BY A COURT LOCATED OUTSIDE OF NEW YORK COUNTY AND; *PROVIDED, FURTHER* THAT NOTHING IN THIS AGREEMENT SHALL BE DEEMED OR OPERATE TO PRECLUDE AGENT FROM BRINGING SUIT OR TAKING OTHER LEGAL ACTION IN ANY OTHER JURISDICTION TO REALIZE ON THE COLLATERAL OR ANY OTHER SECURITY FOR THE OBLIGATIONS, OR TO ENFORCE A JUDGMENT OR OTHER COURT ORDER IN FAVOR OF AGENT. EACH CREDIT PARTY EXPRESSLY SUBMITS AND CONSENTS IN ADVANCE TO SUCH JURISDICTION IN ANY ACTION OR SUIT COMMENCED IN ANY SUCH COURT, AND EACH CREDIT PARTY HEREBY WAIVES ANY OBJECTION THAT SUCH CREDIT PARTY MAY HAVE BASED UPON LACK OF PERSONAL JURISDICTION, IMPROPER VENUE OR FORUM NON CONVENIENS AND HEREBY CONSENTS TO THE GRANTING OF SUCH LEGAL OR EQUITABLE RELIEF AS IS DEEMED APPROPRIATE BY SUCH COURT. EACH CREDIT PARTY HEREBY WAIVES PERSONAL SERVICE OF THE SUMMONS, COMPLAINT AND OTHER PROCESS ISSUED IN ANY SUCH ACTION OR SUIT AND AGREES THAT**

SERVICE OF SUCH SUMMONS, COMPLAINTS AND OTHER PROCESS MAY BE MADE BY REGISTERED OR CERTIFIED MAIL ADDRESSED TO SUCH CREDIT PARTY AT THE ADDRESS SET FORTH IN ANNEX I OF THIS AGREEMENT AND THAT SERVICE SO

MADE SHALL BE DEEMED COMPLETED UPON THE EARLIER OF SUCH CREDIT PARTY'S ACTUAL RECEIPT THEREOF OR THREE (3) DAYS AFTER DEPOSIT IN THE UNITED STATES MAILS, PROPER POSTAGE PREPAID.

11.10 Notices. Except as otherwise provided herein, whenever it is provided herein that any notice, demand, request, consent, approval, declaration or other communication shall or may be given to or served upon any of the parties by any other parties, or whenever any of the parties desires to give or serve upon any other parties any communication with respect to this Agreement, each such notice, demand, request, consent, approval, declaration or other communication shall be in writing and shall be deemed to have been validly served, given or delivered (a) upon the earlier of actual receipt and three (3) Business Days after deposit in the United States Mail, registered or certified mail, return receipt requested, with proper postage prepaid, (b) upon transmission, when sent by telecopy or other similar facsimile transmission (with such telecopy or facsimile promptly confirmed by delivery of a copy by personal delivery or United States Mail as otherwise provided in this Section 11.10); (c) one (1) Business Day after deposit with a reputable overnight courier with all charges prepaid or (d) when delivered, if hand-delivered by messenger, all of which shall be addressed to the party to be notified and sent to the address or facsimile number indicated in Annex I or to such other address (or facsimile number) as may be substituted by notice given as herein provided. The giving of any notice required hereunder may be waived in writing by the party entitled to receive such notice. Failure or delay in delivering copies of any notice, demand, request, consent, approval, declaration or other communication to any Person (other than Borrower or Agent) designated in Annex I to receive copies shall in no way adversely affect the effectiveness of such notice, demand, request, consent, approval, declaration or other communication.

11.11 Section Titles. The Section titles and Table of Contents contained in this Agreement are and shall be without substantive meaning or content of any kind whatsoever and are not a part of the agreement between the parties hereto.

11.12 Counterparts. This Agreement may be executed in any number of separate counterparts, each of which shall collectively and separately constitute one agreement.

11.13 WAIVER OF JURY TRIAL**. BECAUSE DISPUTES ARISING IN CONNECTION WITH COMPLEX FINANCIAL TRANSACTIONS ARE MOST QUICKLY AND ECONOMICALLY RESOLVED BY AN EXPERIENCED AND EXPERT PERSON AND THE PARTIES WISH APPLICABLE STATE AND FEDERAL LAWS TO APPLY (RATHER THAN ARBITRATION RULES), THE PARTIES DESIRE THAT THEIR DISPUTES BE RESOLVED BY A JUDGE APPLYING SUCH APPLICABLE LAWS. THEREFORE, TO ACHIEVE THE BEST COMBINATION OF THE BENEFITS OF THE JUDICIAL SYSTEM AND OF ARBITRATION, THE PARTIES HERETO WAIVE TO THE FULLEST EXTENT PERMITTED BY LAW ALL RIGHT TO TRIAL BY JURY IN ANY ACTION, SUIT, OR PROCEEDING BROUGHT TO RESOLVE ANY DISPUTE, WHETHER SOUNDING IN CONTRACT, TORT OR**

OTHERWISE, AMONG AGENT, LENDERS AND ANY CREDIT PARTY ARISING OUT OF, CONNECTED WITH, RELATED TO, OR INCIDENTAL TO THE RELATIONSHIP ESTABLISHED AMONG THEM IN CONNECTION WITH, THIS AGREEMENT OR ANY OF THE OTHER LOAN DOCUMENTS OR THE TRANSACTIONS RELATED THERETO.

11.14 Press Releases and Related Matters. Each Credit Party executing this Agreement agrees that neither it nor its Affiliates will in the future issue any press releases or other public disclosure using the name of GE Capital or its affiliates or referring to this Agreement, the other Loan Documents or the Related Transactions Documents without at least two (2) Business Days' prior notice to GE Capital and without the prior written consent of GE Capital unless (and only to the extent that) such Credit Party or Affiliate is required to do so under law and then, in any event, such Credit Party or Affiliate will consult with GE Capital before issuing any press release. Each Credit Party consents to the publication by Agent or any Lender of a tombstone or similar advertising material relating to the financing transactions contemplated by this Agreement. Agent or such Lender shall provide a draft of any such tombstone or similar advertising material to each Credit Party for review and comment prior to the publication thereof. Agent reserves the right to provide to industry trade organizations information necessary and customary for inclusion in league table measurements.

11.15 Reinstatement. This Agreement shall remain in full force and effect and continue to be effective should any petition be filed by or against any Credit Party for liquidation or reorganization, should any Credit Party become insolvent or make an assignment for the benefit of any creditor or creditors or should a receiver or trustee be appointed for all or any significant part of any Credit Party's assets, and shall continue to be effective or to be reinstated, as the case may be, if at any time payment and performance of the Obligations, or any part thereof, is, pursuant to applicable law, rescinded or reduced in amount, or must otherwise be restored or returned by any obligee of the Obligations, whether as a "voidable preference," "fraudulent conveyance," or otherwise, all as though such payment or performance had not been made. In the event that any payment, or any part thereof, is rescinded, reduced, restored or returned, the Obligations shall be reinstated and deemed reduced only by such amount paid and not so rescinded, reduced, restored or returned.

11.16 Advice of Counsel. Each of the parties represents to each other party hereto that it has discussed this Agreement and, specifically, the provisions of Sections 11.9 and 11.13, with its counsel.

11.17 No Strict Construction. The parties hereto have participated jointly in the negotiation and drafting of this Agreement. In the event an ambiguity or question of intent or interpretation arises, this Agreement shall be construed as if drafted jointly by the parties hereto and no presumption or burden of proof shall arise favoring or disfavoring any party by virtue of the authorship of any provisions of this Agreement.

12. RESTATEMENT OF PRIOR CREDIT AGREEMENT.

The parties hereto agree that, on the Effective Date, the following transactions shall be deemed to occur automatically, without further action by any party hereto:

(a) the Prior Credit Agreement shall be deemed to be amended and restated in its entirety in the form of this Agreement;

(b) all Existing Obligations outstanding on the Effective Date shall, to the extent not paid on the Effective Date, be deemed to be Obligations outstanding hereunder;

(c) the guaranties and Collateral Documents, including the Liens created thereunder in favor of Agent for the benefit of Agent and Lenders or in favor of Agent and Lenders, as applicable, and securing payment of the Existing Obligations, as amended and restated on the Effective Date, shall remain in full force and effect with respect to the Obligations and are hereby reaffirmed; and

(d) all references in the other Loan Documents to the Prior Credit Agreement shall be deemed to refer without further amendment to this Agreement.

The parties acknowledge and agree that this Agreement and the other Loan Documents do not constitute a novation, payment and reborrowing or termination of the Existing Obligations and that all such Existing Obligations are in all respects continued and outstanding as Obligations under this Agreement and the Notes with only the terms being modified from and after the Effective Date of this Agreement as provided in this Agreement, the Notes and the other Loan Documents.

[Signature Page Follows]

IN WITNESS WHEREOF, this Agreement has been duly executed as of the date first written above.

BORROWER:

ROLLER BEARING COMPANY OF AMERICA, INC., a Delaware corporation

By: _____
Name: _____
Title: _____

AGENT AND LENDERS:

GENERAL ELECTRIC CAPITAL CORPORATION, as Agent and Lender

By: _____
Duly Authorized Signatory

LASALLE BANK NATIONAL ASSOCIATION, as a Lender

By: _____
Name: _____
Title: _____

OPPENHEIMER SENIOR FLOATING RATE FUND, as a Lender

By: _____
Name: _____
Title: _____

AMALGAMATED BANK, as a Lender

By: _____
Name: _____
Title: _____

WACHOVIA BANK, NATIONAL ASSOCIATION, as a Lender

By: _____
Name: _____
Title: _____

[Signature Page to 4th Amended and Restated Credit Agreement]

The following Persons are signatories to this Agreement in their capacity as Credit Parties and not as a Borrower.

CREDIT PARTIES:

INDUSTRIAL TECTONICS BEARINGS CORPORATION, a Delaware corporation

By: _____
Name: _____
Title: _____

RBC NICE BEARINGS INC., a Delaware corporation

By: _____
Name: _____
Title: _____

BREMEN BEARINGS, INC., a Delaware corporation

By: _____
Name: _____
Title: _____

TYSON BEARING COMPANY, **INC.,** a Delaware corporation

By: _____
Name: _____
Title: _____

RBC AIRCRAFT PRODUCTS, INC., a Delaware corporation

By: _____
Name: _____
Title: _____

[Signature Page to 4th Amended and Restated Credit Agreement]

RBC LINEAR PRECISION PRODUCTS, INC., a Delaware corporation

By: _____
Name: _____
Title: _____

MILLER BEARING COMPANY, INC., a Delaware corporation

By: _____
Name: _____
Title: _____

RBC OKLAHOMA, INC., a Delaware corporation

By: _____
Name: _____
Title: _____

[Signature Page to 4th Amended and Restated Credit Agreement]

ANNEX A (Recitals)
to
CREDIT AGREEMENT

DEFINITIONS

Capitalized terms used in the Loan Documents shall have (unless otherwise provided elsewhere in the Loan Documents) the following respective meanings and all references to Sections, Exhibits, Schedules or Annexes in the following definitions shall refer to Sections, Exhibits, Schedules or Annexes of or to the Agreement:

"A Rated Bank" has the meaning ascribed to it in Section 6.2.

"Account Debtor" means any Person who may become obligated to any Credit Party under, with respect to, or on account of, an Account, Chattel Paper or General Intangibles (including a payment intangible).

"Accounting Changes" has the meaning ascribed thereto in Annex G.

"Accounts" means all "accounts," as such term is defined in the Code, now owned or hereafter acquired by any Credit Party, including (a) all accounts receivable, other receivables, book debts and other forms of obligations (other than forms of obligations evidenced by Chattel Paper or Instruments), (including any such obligations that may be characterized as an account or contract right under the Code), (b) all of each Credit Party's rights in, to and under all purchase orders or receipts for goods or services, (c) all of each Credit Party's rights to any goods represented by any of the foregoing (including unpaid sellers' rights of rescission, replevin, reclamation and stoppage in transit and rights to returned, reclaimed or repossessed goods), (d) all rights to payment due to any Credit Party for property sold, leased, licensed, assigned or otherwise disposed of, for a policy of insurance issued or to be issued, for a secondary obligation incurred or to be incurred, for energy provided or to be provided, for the use or hire of a vessel under a charter or other contract, arising out of the use of a credit card or charge card, or for services rendered or to be rendered by such Credit Party or in connection with any other transaction (whether or not yet earned by performance on the part of such Credit Party), (e) all healthcare insurance receivables, and (f) all collateral security of any kind, now or hereafter in existence, given by any Account Debtor or other Person with respect to any of the foregoing.

"Acquisition" means a Domestic Acquisition or a Foreign Acquisition, or either of them.

"Acquisition Company" means (a) in the case of any Domestic Acquisition, a Delaware corporation, limited liability company or limited partnership and (b) in the case of any Acquisition outside the United States, a corporation, limited liability company or limited partnership or any equivalent legal entity under the laws of any jurisdiction in which a Permitted Acquisition outside the United State is consummated, which, in the case of clause (a) or clause (b), is a direct or indirect wholly-owned Subsidiary of Borrower formed for the sole purpose of completing a Permitted Acquisition of a Qualified Target.

"Acquisition Compliance Certificate" means a certificate in the form of Exhibit 6.1 showing compliance with the terms and provision of clauses (iv)(C) and (iv)(D) of the definition of the term "Permitted Loan Funded Acquisition" and clauses (iv)(C) and (iv)(D) of the definition of the term "Permitted Non-Loan Funded Acquisition", as the case may be, and a designation of assets, if any, in accordance with Section 6.8(d) with respect to such Acquisition.

"Acquisition Pro Forma" has the meaning ascribed to it in clause(xiv)(A) of the definition of the term "Permitted Loan Funded Acquisition".

"Acquisition Subordinated Debt" means Indebtedness issued to seller(s) as consideration for a Permitted Loan Funded Acquisition in an amount, on such terms, and subordinated to the Obligations in a manner and form satisfactory to Agent and Lenders in their reasonable discretion as to right and time of payment and as to any other terms, rights and remedies thereunder, *provided* that Borrower may determine the maturity date thereof and Agent's and Lenders' discretion with respect to subordination provisions shall not preclude a maturity date otherwise permitted under the definition of the term "Permitted Loan Funded Acquisition".

"Activation Event" and "Activation Notice" have the meanings ascribed thereto in Annex C.

"Activation Trigger Event" has the meanings ascribed to it in Annex C.

"Advance" means any Revolving Credit Advance or Swing Line Advance, as the context may require.

"Adjusted EBITDA" means for any period with respect to Holdings, on a consolidated basis, an amount equal to (i) EBITDA of Holdings, on a consolidated basis, for such period, plus (ii) the Permitted Adjustments, if any, relevant to such period, plus (iii) to the extent that the calculation thereof has been approved by the Agent (in consultation with Requisite Lenders) and to the extent not included in such EBITDA, the aggregate EBITDA for such period on pro forma basis of any Qualified Target of a Permitted Acquisition (other than in respect of RBC Aircraft) which closed within such period (it being understood that any EBITDA of such Qualified Target shall be included in the EBITDA of Holdings, on a consolidated basis, only for those Fiscal Quarters in such period occurring prior to the closing of such Permitted Acquisition, (iv) less the aggregate EBITDA of any Person or assets, as the case may be, sold by the Holdings or any Subsidiary thereof (if such EBITDA is positive), the sale of which closed during such period.

"Affected Lender" has the meaning ascribed to it in Section 1.16(d).

"Affiliate" means, with respect to any Person, (a) each Person that, directly or indirectly, owns or controls, whether beneficially, or as a trustee, guardian or other fiduciary, 10% or more of the Stock having ordinary voting power in the election of directors of such Person, (b) each Person that controls, is controlled by or is under common control with such Person, (c) each of such Person's officers, directors, joint venturers and partners and (d) in the case of Borrower, the immediate family members, spouses and lineal descendants of individuals

who are Affiliates of Borrower. For the purposes of this definition, "control" of a Person shall mean the possession, directly or indirectly, of the power to direct or cause the direction of its management or policies, whether through the ownership of voting securities, by contract or otherwise; *provided*, *however*, that with respect to each Credit Party and its Affiliates, the term "Affiliate" shall specifically exclude (i) Agent and each Lender and their respective Affiliates and (ii) any Person in which an investment fund managed by Whitney & Co. or its Affiliates has a direct or indirect equity or debt interest.

"Agent" means GE Capital in its capacity as Agent for Lenders or its successor appointed pursuant to Section 9.7.

"Agreement" means the Credit Agreement by and among Borrower, the other Credit Parties party thereto, GE Capital, as Agent and Lender and the other Lenders from time to time party thereto, as the same may be amended, supplemented, restated or otherwise modified from time to time.

"Appendices" has the meaning ascribed to it in the recitals to the Agreement.

"Applicable Margins" means collectively the Applicable Revolver Index Margin, the Applicable Term Loan Index Margin, the Applicable Revolver LIBOR Margin and the Applicable Term Loan LIBOR Margin.

"Applicable Revolver Index Margin" means the per annum interest rate margin from time to time in effect and payable in addition to the Index Rate applicable to the Revolving Loan, as determined by reference to Section 1.5(a).

"Applicable Revolver LIBOR Margin" means the per annum interest rate from time to time in effect and payable in addition to the LIBOR Rate applicable to the Revolving Loan, as determined by reference to Section 1.5(a).

"Applicable Term Loan Index Margin" means the per annum interest rate from time to time in effect and payable in addition to the Index Rate applicable to the Term Loan, as determined by reference to Section 1.5(a).

"Applicable Term Loan LIBOR Margin" means the per annum interest rate from time to time in effect and payable in addition to the LIBOR Rate applicable to the Term Loan, as determined by reference to Section 1.5(a).

"Average Borrowing Availability" has the meaning ascribed to it in Annex C.

"Assignment Agreement" has the meaning ascribed to it in Section 9.1(a).

"Bankruptcy Code" means the provisions of Title 11 of the United States Code, 11 U.S.C. §§ 101 et seq.

"Blocked Accounts" has the meaning ascribed to it in Annex C.

"Borrower" has the meaning ascribed thereto in the preamble to the Agreement.

"Borrower Mexican Pledge Agreement" means the Pledge Agreement of even date herewith executed by Borrower in favor of Agent, on behalf of itself and Lenders, pledging sixty-six (66%) percent of the outstanding Stock of RBC de Mexico S De R.L. de CV governed by Mexican law, as the same may be amended, restated, modified and/or supplemented from time to time.

"Borrower Pledge Agreement" means the Pledge Agreement as of the Original Closing Date executed by Borrower in favor of Agent, on behalf of itself and Lenders, pledging (i) all Stock of its Domestic Subsidiaries, and (ii) all Intercompany Notes owing to or held by it, as the same may be amended, restated, modified and/or supplemented from time to time including, without limitation, by any joinder thereto.

"Borrower Swiss Pledge Agreement" means the Pledge Agreement executed by Borrower in favor of Agent, on behalf of itself and Lenders, dated as of June 19, 2003, as amended, restated or otherwise modified from time to time including, without limitation, by any joinder thereto, pledging sixty-six (66%) percent of the outstanding Stock of Schaublin Holding governed by Swiss law.

"Borrowing Availability" means as of any date of determination the lesser of (i) the Maximum Amount and (ii) the Borrowing Base, in each case, less the sum of the Revolving Loan and Swing Line Loan then outstanding; *provided* that an Overadvance in accordance with Section 1.1(a)(iii) may cause the Revolving Loan and Swing Line Loan to exceed the Borrowing Base by the amount of such permitted Overadvance.

"Borrowing Base" means, as of any date of determination by Agent, from time to time, an amount equal to the sum at such time of:

(a) 85% of the book value of Eligible Accounts at such time;

(b) 65% of the book value of Eligible Inventory (other than Component Parts and Purchased Parts) valued at the lower of cost (determined on a first-in, first-out basis) or market;

(c) 30% of the book value of Eligible Inventory consisting of Component Parts and Purchased Parts valued at the lower of cost (determined on a first-in, first-out basis) or market, *provided* that the value of Component Parts and Purchased Parts included in the Borrowing Base shall not exceed 25% of the total value of all Eligible Inventory (including the Eligible Inventory consisting of Component Parts and Purchased Parts); and

(d) 50% of the book value of Eligible Government Accounts at such time; *provided*, *however*, that notwithstanding the foregoing calculation, the amount of Borrowing Availability attributable to Eligible Government Accounts shall not exceed $5,000,000;

in each case, less any Reserves established by Agent at such time.

"Borrowing Base Certificate" means a certificate to be executed and delivered from time to time by Borrower in the form attached to the Agreement as Exhibit 4.1(b).

"Business Day" means any day that is not a Saturday, a Sunday or a day on which banks are required or permitted to be closed in the States of Illinois and/or New York and in reference to LIBOR Loans shall mean any such day that is also a LIBOR Business Day.

"Capital Expenditures" means, with respect to any Person, all expenditures (by the expenditure of cash or the incurrence of Indebtedness) by such Person during any measuring period for any fixed assets or improvements or for replacements, substitutions or additions thereto, that have a useful life of more than one year and that are required to be capitalized under GAAP, *provided* that expenditures for Permitted Acquisitions and reinvestment in assets in accordance with the proviso of Section 1.3(b)(ii) shall not constitute Capital Expenditures.

"Capital Lease" means, with respect to any Person, any lease of any property (whether real, personal or mixed) by such Person as lessee that, in accordance with GAAP, would be required to be classified and accounted for as a capital lease on a balance sheet of such Person.

"Capital Lease Obligation" means, with respect to any Capital Lease of any Person, the amount of the obligation of the lessee thereunder that, in accordance with GAAP, would appear on a balance sheet of such lessee in respect of such Capital Lease.

"Cash Collateral Account" has the meaning ascribed to it Annex B.

"Cash Equivalents" has the meaning ascribed to it in Annex B.

"Cash Management Systems" has the meaning ascribed to it in Section 1.8.

"Certificate of Exemption" has the meaning ascribed to it in Section 1.15.

"Change of Control" shall be deemed to have occurred if (a) prior to a Qualified Public Offering, Michael J. Hartnett, his Permitted Transferees, Whitney & Co., its Affiliates and the Related Stockholder Parties shall cease, taken as a whole, to own directly or indirectly, beneficially or of record, those shares or rights to acquire those shares of capital Stock of Holdings which entitle their holder to majority number of votes (*i.e.*, to that number of votes per share on all matters to be voted upon by Holdings which entitle such holder, in the aggregate, to 51% of the voting power of the issued and outstanding common Stock of Holdings); (b) following the completion of a Qualified Public Offering, (i) any person or group (within the meaning of Rule 13d-5 of the Securities Exchange Act of 1934) (other than Michael J. Hartnett, his Permitted Transferees, Whitney & Co., its Affiliates, the Related Stockholder Parties or one or more equity sponsors with funds under management of at least $500,000,000) shall have acquired beneficial ownership (within the meaning of Rule 13d-3 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934) of 30% or more of the issued and outstanding shares of capital Stock of Holdings or (ii) Whitney & Co., its Affiliates and Related Stockholder Parties shall cease, taken as a whole, to own directly or indirectly, beneficially or of record, at least 30% of the issued and outstanding shares of capital Stock of Holdings; (c) during any period of twelve consecutive calendar months, individuals who at the

beginning of such period constituted the board of directors of Holdings (together with any new directors whose election by the board of directors of Holdings or whose nomination for election by the Stockholders of Holdings was approved by a vote of at least two-thirds of the directors then still in office who either were directors at the beginning of such period or whose election or nomination for election was previously so approved) cease for any reason other than death or disability to constitute a majority of the directors then in office; (d) Holdings ceases to own and control all of the economic and voting rights associated with all of the outstanding capital Stock of Borrower; (e) Borrower ceases to own, directly or indirectly, and control all of the economic and voting rights associated with all of the outstanding capital Stock of any of its Subsidiaries other than (i) as a result of a dissolution of a Subsidiary resulting in the distribution of its assets to Borrower or the merger of any Subsidiary with Borrower or another Subsidiary of Borrower or (ii) as a result of a Permitted Asset Sale to the extent permitted by Section 6.8(f), or (f) any change of control (or similar event, however denominated) shall occur under one or more of the Discount Debentures Documents.

"Charges" means all federal, state, county, city, municipal, local, foreign or other governmental taxes (including taxes owed to the PBGC at the time due and payable), levies, assessments, charges, liens, claims or encumbrances upon or relating to (a) the Collateral, (b) the Obligations, (c) the employees, payroll, income or gross receipts of any Credit Party, (d) any Credit Party's ownership or use of any properties or other assets, or (e) any other aspect of any Credit Party's business.

"Chattel Paper" means any "chattel paper," as such term is defined in the Code, including electronic chattel paper, now owned or hereafter acquired by any Credit Party, wherever located.

"Closing Checklist" means the schedule, including all appendices, exhibits or schedules thereto, listing certain documents and information to be delivered in connection with the Agreement, the other Loan Documents and the transactions contemplated thereunder, substantially in the form attached hereto as Annex D.

"Code" means the Uniform Commercial Code as the same may, from time to time, be enacted and in effect in the State of New York; *provided* that to the extent that the Code is used to define any term herein or in any Loan Document and such term is defined differently in different Articles or Divisions of the Code, the definition of such term contained in Article or Division 9 shall govern; *provided*, *further*, that in the event that, by reason of mandatory provisions of law, any or all of the attachment, perfection or priority of, or remedies with respect to, Agent's or any Lender's Lien on any Collateral is governed by the Uniform Commercial Code as enacted and in effect in a jurisdiction other than the State of New York, the term "Code" shall mean the Uniform Commercial Code as enacted and in effect in such other jurisdiction solely for purposes of the provisions thereof relating to such attachment, perfection, priority or remedies and for purposes of definitions related to such provisions.

"Collateral" means the property covered by the Security Agreement, the Mortgages and the other Collateral Documents and any other property, real or personal, tangible or intangible, now existing or hereafter acquired, that may at any time be or become subject to a

security interest or Lien in favor of Agent, on behalf of itself and Lenders, to secure the Obligations.

"Collateral Documents" means the Security Agreement, the Pledge Agreements, the Guaranties, the Mortgages, the Patent Security Agreement, the Trademark Security Agreement, the Copyright Security Agreement and all similar agreements entered into guaranteeing payment of, or granting a Lien upon property as security for payment of, the Obligations.

"Collateral Reports" means the reports with respect to the Collateral referred to in Annex F.

"Collection Account" means that certain account of Agent, account number 502-328-54 in the name of Agent at Bankers Trust Company in New York, New York ABA No. 021 001 033, or such other account as may be specified in writing by Agent as the "Collection Account."

"Collection Account (Government Receivables)" means that certain account of Agent, account number 50-272-522 in the name of Agent at DeutscheBank Trust Company Americas, ABA No. 021 001 033 or such other account as may be, specified by Agent as the "Collection Account (Government Receivables)".

"Commitment Increase" has the meaning ascribed to it in the definition of the term "Commitments".

"Commitment Increase Cap" has the meaning ascribed to it in the definition of the term "Commitments".

"Commitment Termination Date" means the earliest of (a) December 29, 2010, (b) the date of termination of Lenders' obligations to make Advances and to incur Letter of Credit Obligations or permit existing Loans to remain outstanding pursuant to Section 8.2(b), and (c) the date of indefeasible prepayment in full by Borrower of the Loans and the cancellation and return (or stand-by guaranty) of all Letters of Credit or the cash collateralization of all Letter of Credit Obligations pursuant to Annex B, and the permanent reduction of the Commitments to zero dollars ($0).

"Commitments" means (a) as to any Lender, the aggregate of such Lender's Revolving Loan Commitment (including without duplication the Swing Line Lender's Swing Line Commitment as a subset of its Revolving Loan Commitment) and Term Loan Commitment as set forth on Annex J to the Agreement or in the most recent Assignment Agreement executed by such Lender and (b) as to all Lenders, the aggregate of all Lenders' Revolving Loan Commitments (including without duplication the Swing Line Lender's Swing Line Commitment as a subset of its Revolving Loan Commitment) and Term Loan Commitments, which aggregate commitment shall be One Hundred Sixty-Five Million Dollars ($165,000,000) on the Effective Date, as to each of clauses (a) and (b); *provided* that, upon satisfaction of the conditions to the increase in Commitments specified in Section 2.4, Commitments may be increased in the aggregate amount not to exceed the lesser of: (i) $40,000,000 less any increase in the aggregate principal amount of the SCIL Loan effectuated after the Effective Date, (ii) an amount that, after

giving effect to such increase, would not cause the Senior Leverage Ratio of Holdings, Borrower and its Subsidiaries on a consolidated basis to exceed 2.50:1.00 for the period of twelve consecutive completed fiscal months most recently ended on or prior to the date of the increase (assuming that such increase in Senior Debt had occurred on the last days of such period), and (iii) the amount requested in writing by the Borrower (each such increase being the "Commitment Increase" and the aggregate amount of all such increases permitted hereunder being the "Commitment Increase Cap") and as Commitments may be increased, reduced, amortized or adjusted from time to time in accordance with the Agreement.

"Compliance Certificate" has the meaning ascribed to it in Annex E.

"Component Parts" means parts machined at Borrower's or a Secured Guarantor's facility which are placed in storage for later assembly.

"Concentration Account" has the meaning ascribed to it in Annex C.

"Contracts" means all "contracts," as such term is defined in the Code, now owned or hereafter acquired by any Credit Party, in any event, including all contracts, undertakings, or agreements (other than rights evidenced by Chattel Paper, Documents or Instruments) in or under which any Credit Party may now or hereafter have any right, title or interest, including any agreement relating to the terms of payment or the terms of performance of any Account.

"Control Letter" means a letter agreement between Agent and (i) the issuer of uncertificated securities with respect to uncertificated securities in the name of any Credit Party, (ii) a securities intermediary with respect to securities, whether certificated or uncertificated, securities entitlements and other financial assets held in a securities account in the name of any Credit Party, (iii) a futures commission merchant or clearing house, as applicable, with respect to commodity accounts and commodity contracts held by any Credit Party, whereby, among other things, the issuer, securities intermediary or futures commission merchant disclaims any security interest in the applicable financial assets, acknowledges the Lien of Agent, on behalf of itself and Lenders on such financial assets, and agrees to follow the instructions or entitlement orders of Agent without further consent by the affected Credit Party.

"Copyright License" means any and all rights now owned or hereafter acquired by any Credit Party under any written agreement granting any right to use any Copyright or Copyright registration.

"Copyright Security Agreements" means the Copyright Security Agreements made in favor of Agent, on behalf of itself and Lenders, by each applicable Credit Party, as the same may be amended, restated, modified and/or supplemented from time to time including, without limitation, by any joinder thereto.

"Copyrights" means all of the following now owned or hereafter adopted or acquired by any Credit Party: (a) all copyrights and General Intangibles of like nature (whether registered or unregistered), all registrations and recordings thereof, and all applications in connection therewith, including all registrations, recordings and applications in the United States Copyright Office or in any similar office or agency of the United States, any state or territory

thereof, or any other country or any political subdivision thereof, and (b) all reissues, extensions or renewals thereof.

"Costing Reserve" means a reserve with respect to the variance between the perpetual cost of Inventory and the invoice cost of Inventory.

"Credit Parties" means Borrower, its Domestic Subsidiaries and any other Guarantor.

"Credit Party Post-Holdco Debenture Debt Proceeds" has the meaning ascribed to it in Section 5.8(b)(iii).

"Current Assets" means, with respect to any Person, all current assets of such Person as of any date of determination calculated in accordance with GAAP, but excluding cash, cash equivalents and debts due from Affiliates."

"Current Liabilities" means, with respect to any Person, all liabilities that should, in accordance with GAAP, be classified as current liabilities, and in any event shall include all Indebtedness payable on demand or within one year from any date of determination without any option on the part of the obligor to extend or renew beyond such year, all accruals for federal or other taxes based on or measured by income and payable within such year, but excluding the current portion of long-term debt required to be paid within one year and the aggregate outstanding principal balances of the Revolving Loan and the Swing Line Loan.

"Default" means any event that, with the passage of time or notice or both, would, unless cured or waived, become an Event of Default.

"Default Rate" has the meaning ascribed to it in Section 1.5(d).

"Deposit Accounts" means all "deposit accounts" as such term in defined in the Code, now or hereafter held in the name of any Credit Party.

"Disbursement Accounts" has the meaning ascribed to it in Annex C.

"Disclosure Schedules" means the Schedules prepared by Borrower and denominated as Disclosure Schedules (1.4) through (6.7) in the Index to the Agreement.

"Discount Debentures" means those certain 13% Senior Discount Debentures Due 2009 issued by Holdings in an aggregate original principal amount of $74,882,000 pursuant to that certain Indenture dated as of June 15, 1997 between Holdings, as issuer, and United States Trust Company of New York, as trustee (the "Discount Debentures Indenture").

"Discount Debentures Documents" means the Discount Debentures, the Discount Debentures Indenture and any other instrument, document or agreement delivered pursuant thereto or in connection therewith.

"Discount Debentures Indenture" has the meaning ascribed to it in the definition of the Discount Debentures.

"Disqualified Stock" mean any Stock which, by its terms (or by the terms of any security into which it is convertible or for which it is exchangeable), or upon the happening of any event, (a) matures (excluding any maturity as the result of an optional redemption by the issuer thereof) or is mandatorily redeemable, pursuant to a sinking fund obligation or otherwise, or is redeemable at the option of the holder thereof, in whole or in part, on or prior to the eighth anniversary of the Closing Date, (b) is convertible into or exchangeable (unless at the sole option of the issuer thereof) for (i) debt securities or (ii) any Stock referred to in clause (a) above, in each case at any time prior to the eighth anniversary of the Closing Date, or (c) contains any repurchase obligation which may come into effect prior to payment in full of all Obligations.

"Dividends" has the meaning ascribed to it in Section 6.14.

"Documents" means any "documents," as such term is defined in the Code, now owned or hereafter acquired by any Credit Party, wherever located.

"Dollars" or "$" means lawful currency of the United States of America.

"Domestic" means, as to any Person, a Person which is created or organized under the laws of the United States of America, any of its states or the District of Columbia.

"Domestic Acquisition" has the meaning ascribed to in the definition of the term "Permitted Loan Funded Acquisition."

"Domestic Acquisition Projections" has the meaning ascribed to it in clause(xii)(B) of the definition of the term "Permitted Loan Funded Acquisition".

"EBITDA" means, with respect to any Person for any fiscal period, without duplication, an amount equal to (a) consolidated net income of such Person for such period, determined in accordance with GAAP, minus (b) the sum of (i) income tax credits, (ii) interest income, (iii) gain from extraordinary items for such period, (iv) any aggregate net gain during such period arising from the sale, exchange or other disposition of capital assets of such Person, and (v) any other non-cash gains (including non-cash gains in respect of Hedging Agreements, including those resulting from the application of FAS 133) that have been added in determining consolidated net income, in each case to the extent included in the calculation of consolidated net income of such Person for such period in accordance with GAAP, but without duplication, plus (c) the sum of (i) any provision for income taxes, (ii) Interest Expense, (iii) loss from extraordinary items for such period, (iv) depreciation and amortization for such period, (v) amortized debt discount for such period, (vi) the amount of any deduction to consolidated net income as the result of any grant of any Stock or equity rights to any employee of such Person, in each case to the extent included in the calculation of consolidated net income of such Person for such period in accordance with GAAP, but without duplication, (vii) any aggregate net loss during such period arising from the sale, exchange or other disposition of capital assets of such Person, (viii) with the consent of Agent, which shall not be unreasonably withheld, any non-recurring losses or charges that have been deducted from the consolidated net income of such Person in accordance with GAAP, (ix) any other non-cash losses or charges in respect of Hedging Agreements (including those resulting from the application of FAS 133) that have been deducted in the calculation of consolidated net income of such Person for such period in

accordance with GAAP, but without duplication, and (x) the amount of any reduction to the consolidated net income of Holdings as the result of the Restricted Payment described and permitted pursuant to Section 6.14(a)(E){Whitney & Co. Management Fees} or Section 6.14(b)(v){Holdco Operating Expenses}. For purposes of this definition, the following items shall be excluded in determining consolidated net income of a Person: (1) the income (or deficit) of any other Person accrued prior to the date it became a Subsidiary of, or was merged or consolidated into, such Person or any of such Person's Subsidiaries; (2) the income (or deficit) of any other Person (other than a Subsidiary) in which such Person has an ownership interest, except to the extent any such income has actually been received by such Person in the form of cash dividends or distributions; (3) the undistributed earnings of any Subsidiary of such Person to the extent that the declaration or payment of dividends or similar distributions by such Subsidiary is not at the time permitted by the terms of any contractual obligation or requirement of law applicable to such Subsidiary; (4) any restoration to income of any contingency reserve, except to the extent that provision for such reserve was made out of income accrued during such period; (5) any write-down of assets (other than Accounts or Inventory) and any write-down of goodwill (to the extent it is a write-down of goodwill only), or write-up of any asset; (6) any net gain from the collection of the proceeds of life insurance policies; (7) any net gain arising from the acquisition of any securities, or the extinguishment, under GAAP, of any Indebtedness, of such Person, (8) in the case of a successor to such Person by consolidation or merger or as a transferee of its assets, any earnings of such successor prior to such consolidation, merger or transfer of assets, (9) any deferred credit representing the excess of equity in any Subsidiary of such Person at the date of acquisition of such Subsidiary over the cost to such Person of the investment in such Subsidiary, and (10) any other non-cash expenses or deductions in connection with the issuances or modifications of stock options or rights issued to employees or directors.

"Effective Date" means the date on which each of the conditions set forth in Section 2.1 shall have been satisfied except for such conditions, if any that have been waived in writing by the Agent and the Requisite Lenders.

"Eligible Government Accounts" means all Accounts that are owned by Borrower or any Secured Guarantor and reflected in the most recent Borrowing Base Certificate delivered by Borrower to Agent and which Accounts are excluded from the definition of "Eligible Accounts" solely because such Accounts are owing from the United States government or a political subdivision thereof and are subject to the exclusionary criteria set forth in Section 1.6(h); *provided*, that Eligible Government Accounts shall exclude any such Accounts that are more than forty-five (45) days past due.

"Eligible Accounts" has the meaning ascribed to it in Section 1.6 of the Agreement.

"Eligible Inventory" has the meaning ascribed to it in Section 1.7 of the Agreement.

"Environmental Indemnity Agreement" means that certain Environmental Indemnity Agreement, dated the date hereof, by the Credit Parties in favor of Agent on behalf of the Lenders.

"Environmental Laws" means all applicable federal, state, local and foreign laws, statutes, ordinances, codes, rules, standards and regulations, now or hereafter in effect, and any applicable judicial or administrative interpretation thereof, including any applicable judicial or administrative order, consent decree, order or judgment, imposing liability or standards of conduct for or relating to the regulation and protection of human health, safety, the environment and natural resources (including ambient air, surface water, groundwater, wetlands, land surface or subsurface strata, wildlife, aquatic species and vegetation). Environmental Laws include the Comprehensive Environmental Response, Compensation, and Liability Act of 1980 (42 U.S.C. §§ 9601 et seq.) ("CERCLA"); the Hazardous Materials Transportation Authorization Act of 1994 (49 U.S.C. §§ 5101 et seq.); the Federal Insecticide, Fungicide, and Rodenticide Act (7 U.S.C. §§ 136 et seq.); the Solid Waste Disposal Act (42 U.S.C. §§ 6901 et seq.); the Toxic Substance Control Act (15 U.S.C. §§ 2601 et seq.); the Clean Air Act (42 U.S.C. §§ 7401 et seq.); the Federal Water Pollution Control Act (33 U.S.C. §§ 1251 et seq.); the Occupational Safety and Health Act (29 U.S.C. §§ 651 et seq.); and the Safe Drinking Water Act (42 U.S.C. §§ 300(f) et seq.), and any and all regulations promulgated thereunder, and all analogous state, local and foreign counterparts or equivalents and any transfer of ownership notification or approval statutes relating to or stemming from environmental matters.

"Environmental Liabilities" means, with respect to any Person, all liabilities, obligations, responsibilities, response, remedial and removal costs, investigation and feasibility study costs, capital costs, operation and maintenance costs, losses, damages, punitive damages, property damages, natural resource damages, consequential damages, treble damages, costs and expenses (including all reasonable fees, disbursements and expenses of counsel, experts and consultants), fines, penalties, sanctions and interest incurred as a result of or related to any claim, suit, action, investigation, proceeding or demand by any Person, whether based in contract, tort, implied or express warranty, strict liability, criminal or civil statute or common law arising under or related to any Environmental Laws, Environmental Permits, or in connection with any Release or threatened Release or presence of a Hazardous Material whether on, at, in, under, from or about or in the vicinity of any real or personal property.

"Environmental Permits" means all permits, licenses, authorizations, certificates, approvals or registrations required by any Governmental Authority under any Environmental Laws.

"Equipment" means all "equipment," as such term is defined in the Code, now owned or hereafter acquired by any Credit Party, wherever located and, in any event, including all such Credit Party's machinery and equipment, including processing equipment, conveyors, machine tools, data processing and computer equipment, including embedded software and peripheral equipment and all engineering, processing and manufacturing equipment, office machinery, furniture, materials handling equipment, tools, attachments, accessories, automotive equipment, trailers, trucks, forklifts, molds, dies, stamps, motor vehicles, rolling stock and other equipment of every kind and nature, trade fixtures and fixtures not forming a part of real property, together with all additions and accessions thereto, replacements therefor, all parts therefor, all substitutes for any of the foregoing, fuel therefor, and all manuals, drawings, instructions, warranties and rights with respect thereto, and all products and proceeds thereof and condemnation awards and insurance proceeds with respect thereto.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended from time to time, and any regulations promulgated thereunder.

"ERISA Affiliate" means, with respect to any Credit Party, any trade or business (whether or not incorporated) that, together with such Credit Party, are treated as a single employer within the meaning of Sections 414(b), (c), (m) or (o) of the IRC.

"ERISA Event" means, with respect to any Credit Party or any ERISA Affiliate, (a) any event described in Section 4043(c) of ERISA with respect to a Title IV Plan; (b) the withdrawal of any Credit Party or ERISA Affiliate from a Title IV Plan subject to Section 4063 of ERISA during a plan year in which it was a substantial employer, as defined in Section 4001(a)(2) of ERISA; (c) the complete or partial withdrawal of any Credit Party or any ERISA Affiliate from any Multiemployer Plan; (d) the filing of a notice of intent to terminate a Title IV Plan or the treatment of a plan amendment as a termination under Section 4041 of ERISA; (e) the institution of proceedings to terminate a Title IV Plan or Multiemployer Plan by the PBGC; (f) the failure by any Credit Party or ERISA Affiliate to make when due required contributions to a Multiemployer Plan or Title IV Plan unless such failure is cured within thirty (30) days; (g) any other event or condition that might reasonably be expected to constitute grounds under Section 4042 of ERISA for the termination of, or the appointment of a trustee to administer, any Title IV Plan or Multiemployer Plan or for the imposition of liability under Section 4069 or 4212(c) of ERISA; (h) the termination of a Multiemployer Plan under Section 4041A of ERISA or the reorganization or insolvency of a Multiemployer Plan under Section 4241 or 4245 of ERISA; or (i) the loss of a Qualified Plan's qualification or tax exempt status; or (j) the termination of a Plan described in Section 4064 of ERISA.

"ESOP" means a Plan that is intended to satisfy the requirements of Section 4975(e)(7) of the IRC.

"Event of Default" has the meaning ascribed to it in Section 8.1.

"Event of Loss" means, with respect to any property, any of the following: (a) any loss, destruction or damage of such property; (b) any condemnation or seizure of such property or for the exercise of any right of eminent domain; or (c) any actual condemnation, seizure or taking, by exercise of the power of eminent domain or otherwise, of such property, or confiscation of such property or the requisition of the use of such property.

"Excess Cash Flow" has the meaning and shall be computed in accordance with Exhibit ECF attached hereto.

"Existing Obligations" shall mean the "Obligations", as defined in the Prior Credit Agreement.

"Fair Labor Standards Act" means the Fair Labor Standards Act, 29 U.S.C. §201 et seq.

"Fair Market Value" means, with respect any asset, the price (after taking into account any liabilities relating to such assets) which could be negotiated in an arm's length

transaction, for cash, between a willing seller and a willing and able buyer neither of which is under any compulsion to complete the transaction.

"Federal Funds Rate" means, for any day, a floating rate equal to the weighted average of the rates on overnight federal funds transactions among members of the Federal Reserve System, as determined by Agent in its sole discretion, which determination shall be final, binding and conclusive (absent manifest error).

"Federal Reserve Board" means the Board of Governors of the Federal Reserve System.

"Fees" means any and all fees payable to Agent or any Lender pursuant to the Agreement or any of the other Loan Documents.

"Financial Covenants" means the financial covenants set forth in Annex G.

"Financial Statements" means the consolidated and consolidating income statements, statements of cash flows and balance sheets of Borrower delivered in accordance with Section 3.4 and Annex E.

"Fiscal Month" means any of the monthly accounting periods of Borrower.

"Fiscal Quarter" means any of the quarterly accounting periods of Borrower, ending on the last Saturday closest to the last day of March, June, September and December.

"Fiscal Year" means any of the annual accounting periods of Borrower ending on the Saturday closest to March 31 of each year.

"Fixed Charges" means, with respect to Holdings, on a consolidated basis, for any fiscal period, an amount equal to the sum of (a) the aggregate of all cash Interest Expense paid or accrued during such period (excluding (i) original issue discount and (ii) interest paid by the issuance of any payment-in-kind notes plus (b) scheduled payments of principal with respect to Indebtedness during such period other than Acquisition Subordinated Debt as to which a Reserve has been established, plus (c) payments on earn-outs to sellers in connection with a Permitted Acquisition, unless such earn-outs are deducted in the calculation of EBITDA during the relevant period or a Reserve with respect thereto has been established, including a Reserve with respect to Acquisition Subordinated Debt, plus (d) the aggregate of all redemptions, purchases, retirements, defeasances, sinking fund or similar payments or acquisitions for value with respect to Indebtedness plus (d) dividends paid in cash. For purposes of this definition, the following Fixed Charges shall be excluded: (1) the Fixed Charges of any other Person prior to the date it became a Subsidiary of, or was merged or consolidated into, such Person or any of such Person's Subsidiaries, and (2) the Fixed Charges of any other Person (other than a Subsidiary) in which such Person has an ownership interest.

"Fixed Charge Coverage Ratio" means, with respect to any Person for any fiscal period, the ratio of (a) Adjusted EBITDA less Capital Expenditures (other than that portion of Capital Expenditures financed by third party loans) and income taxes paid in cash to (b) Fixed Charges.

"Fixtures" means all "fixtures" as such term is defined in the Code, now owned or hereafter acquired by any Credit Party.

"Foreign" means, as to any Person, a Person which is not created or organized under the laws of the United States of America, or any of its states or the District of Columbia.

"Foreign Acquisition" has the meaning ascribed to it in the definition of the term "Permitted Non-Loan Funded Acquisition".

"Foreign Acquisition Pro Forma" has the meaning ascribed to it in clause(vi)(A) of the definition of the term "Permitted Non-Loan Funded Acquisition".

"Foreign Acquisition Projections" has the meaning ascribed to it in clause(vi)(B) of the definition of the term "Permitted Non-Loan Funded Acquisition".

"Funded Debt" means, with respect to any Person, without duplication, all Indebtedness for borrowed money evidenced by notes, bonds, debentures, or similar evidences of Indebtedness that by its terms matures more than one year from, or is directly or indirectly renewable or extendible at such Person's option under a revolving credit or similar agreement obligating the lender or lenders to extend credit over a period of more than one year from the date of creation thereof, and specifically including Capital Lease Obligations, current maturities of long-term debt, revolving credit and short-term debt extendible beyond one year at the option of the debtor, and also including, in the case of Borrower, the Obligations, the SCIL Obligations and, without duplication, Guaranteed Indebtedness consisting of guaranties of Funded Debt of other Persons. For purposes of this definition when computing the Funded Debt of Holdings and its Subsidiaries, the following Indebtedness shall be excluded: (1) the Indebtedness of any other Person prior to the date it became a Subsidiary of, or was merged into, Holdings or any Subsidiary of Holdings; and (2) the Indebtedness of any other Person (other than a Subsidiary) in which Holdings has an ownership interest. For the avoidance of doubt, Funded Debt shall not include any obligations under or amounts due in respect of the Prior Senior Subordinated Notes.

"GAAP" means generally accepted accounting principles in the United States of America, consistently applied, as such term is further defined in Annex G to the Agreement.

"GE Capital" means General Electric Capital Corporation, a Delaware corporation.

"GE Capital Fee Letter" means that certain letter, dated as of April 8, 2004, between GE Capital and Borrower with respect to certain Fees to be paid from time to time by Borrower to GE Capital as modified by that certain side letter between Borrower and GE Capital dated as of April 8, 2004.

"General Intangibles" means all "general intangibles," as such term is defined in the Code, now owned or hereafter acquired by any Credit Party, including all right, title and interest that such Credit Party may now or hereafter have in or under any Contract, all payment intangibles, customer lists, Licenses, Copyrights, Trademarks, Patents, and all applications therefor and reissues, extensions or renewals thereof, rights in Intellectual Property, interests in partnerships, joint ventures and other business associations, licenses, permits, copyrights, trade

secrets, proprietary or confidential information, inventions (whether or not patented or patentable), technical information, procedures, designs, knowledge, know-how, software, data bases, data, skill, expertise, experience, processes, models, drawings, materials and records, goodwill (including the goodwill associated with any Trademark or Trademark License), all rights and claims in or under insurance policies (including insurance for fire, damage, loss and casualty, whether covering personal property, real property, tangible rights or intangible rights, all liability, life, key man and business interruption insurance, and all unearned premiums), uncertificated securities, choses in action, deposit, checking and other bank accounts, rights to receive tax refunds and other payments, rights to receive dividends, distributions, cash, Instruments and other property in respect of or in exchange for pledged Stock and Investment Property, rights of indemnification, all books and records, correspondence, credit files, invoices and other papers, including without limitation all tapes, cards, computer runs and other papers and documents in the possession or under the control of such Credit Party or any computer bureau or service company from time to time acting for such Credit Party.

"Goods" means all "goods" as defined in the Code, now owned or hereafter acquired by any Credit Party, wherever located, including embedded software to the extent included in "goods" as defined in the Code, manufactured homes, standing timber that is cut and removed for sale and unborn young of animals.

"Governmental Authority" means any nation or government, any state or other political subdivision thereof, and any agency, department or other entity exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to government.

"Granting Lender" has the meaning ascribed to it in Section 9.1(g).

"Guaranteed Indebtedness" means, as to any Person, any obligation of such Person guaranteeing, providing comfort or otherwise supporting any Indebtedness, lease, dividend, or other obligation ("primary obligation") of any other Person (the "primary obligor") in any manner, including any obligation or arrangement of such Person to (a) purchase or repurchase any such primary obligation, (b) advance or supply funds (i) for the purchase or payment of any such primary obligation or (ii) to maintain working capital or equity capital of the primary obligor or otherwise to maintain the net worth or solvency or any balance sheet condition of the primary obligor, (c) purchase property, securities or services primarily for the purpose of assuring the owner of any such primary obligation of the ability of the primary obligor to make payment of such primary obligation, (d) protect the beneficiary of such arrangement from loss (other than product warranties given in the ordinary course of business) or (e) indemnify the owner of such primary obligation against loss in respect thereof. The amount of any Guaranteed Indebtedness at any time shall be deemed to be an amount equal to the lesser at such time of (x) the stated or determinable amount of the primary obligation in respect of which such Guaranteed Indebtedness is incurred and (y) the maximum amount for which such Person may be liable pursuant to the terms of the instrument embodying such Guaranteed Indebtedness, or, if not stated or determinable, the maximum reasonably anticipated liability (assuming full performance) in respect thereof.

"Guaranties" means, collectively, each Subsidiary Guaranty and any other guaranty executed by any Guarantor in favor of Agent and Lenders in respect of the Obligations.

"Guarantors" means each Secured Guarantor and each other Person, if any, that executes a guaranty or other similar agreement in favor of Agent, for itself and the ratable benefit of Lenders, in connection with the transactions contemplated by the Agreement and the other Loan Documents.

"Hazardous Material" means any substance, material or waste that is regulated by, or forms the basis of liability now or hereafter under, any Environmental Laws, including any material or substance that is (a) defined as a "solid waste," "hazardous waste," "hazardous material," "hazardous substance," "extremely hazardous waste," "restricted hazardous waste," "pollutant," "contaminant," "hazardous constituent," "special waste," "toxic substance" or other similar term or phrase under any Environmental Laws, or (b) petroleum or any fraction or by-product thereof, asbestos, polychlorinated biphenyls (PCB's), or any radioactive substance.

"Hedging Agreement" means any Interest Rate Protection Agreement, foreign currency exchange agreement, commodity price protection agreement or other interest or currency exchange rate or commodity price hedging arrangement.

"Hedging Reserve" means a Reserve determined with respect to each Specified Hedging Agreement by the Agent in its reasonable credit judgment and giving effect to the aggregate amount owing to Borrower by a counterparty to a Specified Hedging Agreement, less the amount Borrower owes such counterparty thereunder, less the aggregate amount of property pledged to cash collateralize such obligation (other than the Collateral granted under the Loan Documents), in each case based on a mark-to-market analysis and with due regard to recent market volatility (i) as of the last Business Day of the quarter and (ii) if an Activation Trigger Event has occurred and remains in effect, as of the last Business Day of the month; (or, in each case, if not available, the nearest prior Business Day for which such evaluation is available).

"Hedging Termination Value" means, in respect of any one or more Hedging Agreements, after taking into account the effect of any legally enforceable netting agreement relating to such Hedging Agreements, (a) for any date on or after the date such Hedging Agreements have been closed out and termination value(s) determined in accordance therewith, such termination value(s), and (b) for any date prior to the date referenced in clause (a) the amount(s) determined as the mark-to-market value(s) for such Hedging Agreements, as determined based upon one or more mid-market or other readily available quotations provided by any recognized dealer in such Hedging Agreements.

"Holdco Debenture Debt" means Indebtedness evidenced by Discount Debentures.

"Holdings" means Roller Bearing Holding Company, Inc., a Delaware corporation.

"Immediate Family" with respect to any individual, shall mean his brothers, sisters, spouse, children (including adopted children), parents, parents-in-law, grandchildren, great grandchildren and other lineal descendants and spouses of any of the foregoing.

"Indebtedness" means, with respect to any Person, without duplication (a) all indebtedness of such Person for borrowed money or for the deferred purchase price of property

payment for which is deferred 12 months or more, but excluding obligations to trade creditors incurred in the ordinary course of business that are unsecured and not overdue by more than 6 months unless being contested in good faith, (b) all reimbursement and other obligations with respect to letters of credit, bankers' acceptances and surety bonds, whether or not matured, (c) all obligations evidenced by notes, bonds, debentures or similar instruments, (d) all indebtedness created or arising under any conditional sale or other title retention agreement with respect to property acquired by such Person (even though the rights and remedies of the seller or lender under such agreement in the event of default are limited to repossession or sale of such property), (e) all Capital Lease Obligations and the present value (discounted at the Index Rate as in effect on the Effective Date) of future rental payments under all synthetic leases, (f) all obligations of such Person under commodity purchase or option agreements or other commodity price hedging arrangements, in each case whether contingent or matured, (g) all obligations of such Person under any Hedging Agreement, in each case whether contingent or matured, (h) all Indebtedness referred to above secured by (or for which the holder of such Indebtedness has an existing right, contingent or otherwise, to be secured by) any Lien upon or

in property or other assets (including accounts and contract rights) owned by such Person, even though such Person has not assumed or become liable for the payment of such Indebtedness, and (i) the Obligations. Notwithstanding the foregoing, in no event shall Indebtedness include any obligations under or amounts due in respect of the Prior Senior Subordinated Notes or Stock of Holdings other than Disqualified Stock.

"Indemnified Liabilities" has the meaning ascribed to it in Section 1.13.

"Indemnified Person" has the meaning ascribed to it in Section 1.13.

"Index Rate" means, for any day, a floating rate equal to the higher of (i) the rate publicly quoted from time to time by The Wall Street Journal as the "base rate on corporate loans posted by at least 75% of the nation's 30 largest banks" (or, if The Wall Street Journal ceases quoting a base rate of the type described, the highest per annum rate of interest published by the Federal Reserve Board in Federal Reserve statistical release H.15 (519) entitled "Selected Interest Rates" as the Bank prime loan rate or its equivalent), and (ii) the Federal Funds Rate plus 50 basis points per annum. Each change in any interest rate provided for in the Agreement based upon the Index Rate shall take effect at the time of such change in the Index Rate.

"Index Rate Loan" means a Loan or portion thereof bearing interest by reference to the Index Rate.

"Industrial Revenue Bond Financing" means financing of acquisition of real estate and improvements thereto, Fixtures and Equipment involved in industrial or commercial projects from proceeds of tax-exempt or taxable bonds issues by state or local government agency.

"Instruments" means all "instruments," as such term is defined in the Code, now owned or hereafter acquired by any Credit Party, wherever located, and, in any event, including all certificated securities, all certificates of deposit, and all promissory notes and other evidences of indebtedness, other than instruments that constitute, or are a part of a group of writings that constitute, Chattel Paper.

"Intellectual Property" means any and all Licenses, Patents, Copyrights, Trademarks, and the goodwill associated with such Trademarks.

"Intercompany Notes" has the meaning ascribed to it in Section 6.3.

"Intercompany WIP" has the meaning ascribed to it in Section 6.4(a).

"Intercreditor Agreement" means that certain Intercreditor Agreement, dated as of even date herewith, between the Agent and GE Capital as agent for the holders of the SCIL Loan, as amended, restated, supplemented and otherwise modified from time to time.

"Interest Expense" means, with respect to any Person for any fiscal period, interest expense (whether cash or non-cash) of such Person less any interest income of such Person determined in accordance with GAAP for the relevant period ended on such date, including interest expense with respect to any Funded Debt of such Person and interest expense for the relevant period that has been capitalized on the balance sheet of such Person.

"Interest Payment Date" means (a) as to any Index Rate Loan, the first Business Day of each month to occur while such Loan is outstanding, and (b) as to any LIBOR Loan, the last day of the applicable LIBOR Period and, in addition, in the case of a LIBOR Period in excess of three months, the last day of the third month of such LIBOR Period, *provided* that, in addition to the foregoing, each of (x) the date upon which all of the Commitments have been terminated and the Loans have been paid in full and (y) the Commitment Termination Date shall be deemed to be an "Interest Payment Date" with respect to any interest that has then accrued under the Agreement.

"Interest Rate Protection Agreement" shall mean any interest rate swap agreement, interest rate cap agreement, interest rate collar agreement or similar agreement or arrangement designed to protect Borrower or any Secured Guarantor against fluctuations in interest rates and not entered into for speculation.

"Inventory" means all "inventory," as such term is defined in the Code, now owned or hereafter acquired by any Credit Party, wherever located, and in any event including inventory, merchandise, goods and other personal property that are held by or on behalf of any Credit Party for sale or lease or are furnished or are to be furnished under a contract of service, or that constitute raw materials, work in process, finished goods, returned goods, supplies or materials of any kind, nature or description used or consumed or to be used or consumed in such Credit Party's business or in the processing, production, packaging, promotion, delivery or shipping of the same, including other supplies and embedded software.

"Investment Property" means all "investment property" as such term is defined in the Code now owned or hereafter acquired by any Credit Party, wherever located, including (a) all securities, whether certificated or uncertificated, including stocks, bonds, interests in limited liability companies, partnership interests, treasuries, certificates of deposit, and mutual fund shares; (b) all securities entitlements of any Credit Party, including the rights of such Credit Party to any securities account and the financial assets held by a securities intermediary in such securities account and any free credit balance or other money owing by any securities intermediary with respect to that account; (c) all securities accounts of any Credit Party; (d) all

commodity contracts of any Credit Party; and (e) all commodity accounts held by any Credit Party.

"IRB Loan" shall mean Indebtedness evidenced by any of the following: (a) the Loan Agreement dated as of September 1, 1994, between South Carolina Jobs-Economic Development Authority (the "Authority") and Borrower relating to $7,700,000 Variable Rate Demand Industrial Development Revenue Bonds (Roller Bearing Company of America, Inc. Project) Series 1994A, (b) the Trust Indenture dated as of September 1, 1994, by and between the Authority and Mark Twain Bank, as trustee, with respect to the bonds described in clause (a) of this definition, (c) the Loan Agreement dated as of September 1, 1994, between the Authority and Borrower relating to $1,155,000 Variable Rate Demand Industrial Development Revenue Bonds (Roller Bearing Company of America, Inc. Project) Series 1994B, (d) the Trust Indenture dated as of September 1, 1994, by and between the Authority and Mark Twain Bank, as trustee, with respect to the bonds described in clause (c) of this definition, (e) the Loan Agreement dated as of September 1, 1998 between the Authority and RBC Linear Precision Products, Inc. relating to $3,000,000 Tax Exempt Demand/Fixed Rate Industrial Development Revenue Bonds (RBC

Linear Precision Products, Inc. Project) Series 1998, (f) the Trust Indenture dated as of September 1, 1998 with respect to the bonds described in clause (e) of this definition, (g) the Loan Agreement dated as of April 1, 1999 between California Infrastructure and Economic Development Bank and Borrower relating to $4,800,000 Variable Rate Demand Industrial Revenue Bonds Series 1999 (Roller Bearing Company of America, Inc. — Santa Ana Project) and (h) the Indenture of Trust dated as of April 1, 1999 with respect to the bonds described in clause (g) of this definition and, in each case, the other documents executed in connection therewith.

"IRC" means the Internal Revenue Code of 1986, as amended, and all regulations promulgated thereunder.

"IRS" means the Internal Revenue Service.

"Keyman Life Insurance" means a keyman life insurance policy on Michael J. Hartnett from an insurance company and on terms and conditions acceptable to the Agent, in an amount of at least $10,000,000.

"L/C Issuer" has the meaning ascribed to it in Annex B.

"L/C Sublimit" has the meaning ascribed to in it Annex B.

"Lenders" means GE Capital and the other Lenders named on the signature pages of the Agreement, and, if any such Lender shall decide to assign all or any portion of the Obligations, such term shall include any assignee of such Lender.

"Letter of Credit Fee" has the meaning ascribed to it in Annex B.

"Letter of Credit Obligations" means all outstanding obligations incurred by Agent and Lenders at the request of Borrower, whether direct or indirect, contingent or otherwise, due or not due, in connection with the issuance of Letters of Credit by Agent or another L/C Issuer or the purchase of a participation as set forth in Annex B with respect to any

Letter of Credit. The amount of such Letter of Credit Obligations shall equal the maximum amount that may be payable by Agent or Lenders thereupon or pursuant thereto.

"Letters of Credit" means documentary or standby letters of credit issued for the account of Borrower by any L/C Issuer, and bankers' acceptances issued by Borrower, for which Agent and Lenders have incurred Letter of Credit Obligations.

"Letter-of Credit Rights" means "letter-of-credit rights" as such term is defined in the Code, now owned or hereafter acquired by any Credit Party, including rights to payment or performance under a letter of credit, whether or not such Credit Party, as beneficiary, has demanded or is entitled to demand payment or performance.

"LIBOR Business Day" means a Business Day on which banks in the City of London are generally open for interbank or foreign exchange transactions.

"LIBOR Loan" means a Loan or any portion thereof bearing interest by reference to the LIBOR Rate.

"LIBOR Period" means, with respect to any LIBOR Loan, each period commencing on a LIBOR Business Day selected by Borrower pursuant to the Agreement and ending one, two, three or six months thereafter, as selected by Borrower's irrevocable notice to Agent as set forth in Section 1.5(e); *provided* that the foregoing provision relating to LIBOR Periods is subject to the following:

(a) if any LIBOR Period would otherwise end on a day that is not a LIBOR Business Day, such LIBOR Period shall be extended to the next succeeding LIBOR Business Day unless the result of such extension would be to carry such LIBOR Period into another calendar month in which event such LIBOR Period shall end on the immediately preceding LIBOR Business Day;

(b) any LIBOR Period that would otherwise extend beyond the Commitment Termination Date shall end two (2) LIBOR Business Days prior to such date;

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

(d) Borrower shall select LIBOR Periods so that there shall be no more than 10 separate LIBOR Loans in existence at any one time.

"LIBOR Rate" means for each LIBOR Period, a rate of interest determined by Agent equal to:

(a) the offered rate for deposits in United States Dollars for the applicable LIBOR Period that appears on Telerate Page 3750 as of 11:00 a.m. (London time), on the second full LIBOR Business Day next preceding the first day of such LIBOR Period

(unless such date is not a Business Day, in which event the next succeeding Business Day will be used); divided by

(b) a number equal to 1.0 minus the aggregate (but without duplication) of the rates (expressed as a decimal fraction) of reserve requirements in effect on the day that is two (2) LIBOR Business Days prior to the beginning of such LIBOR Period (including basic, supplemental, marginal and emergency reserves under any regulations of the Federal Reserve Board or other Governmental Authority having jurisdiction with

respect thereto, as now and from time to time in effect) for Eurocurrency funding (currently referred to as "Eurocurrency Liabilities" in Regulation D of the Federal Reserve Board that are required to be maintained by a member bank of the Federal Reserve System.

If such interest rates shall cease to be available from Telerate News Service, the LIBOR Rate shall be determined from such financial reporting service or other information as shall be mutually acceptable to Agent and Borrower.

"License" means any Copyright License, Patent License, Trademark License or other license of rights or interests now held or hereafter acquired by any Credit Party.

"Lien" means any mortgage or deed of trust, pledge, hypothecation, assignment, deposit arrangement, lien, charge, claim, security interest, easement or encumbrance, or preference, priority or other security agreement or preferential arrangement of any kind or nature whatsoever (including any lease or title retention agreement, any financing lease having substantially the same economic effect as any of the foregoing, and the filing of, or agreement to give, any financing statement perfecting a security interest under the Code or comparable law of any jurisdiction).

"Litigation" has the meaning ascribed to it in Section 3.13.

"Loan Account" has the meaning ascribed to it in Section 1.12.

"Loan Documents" means the Agreement, the Notes, the Collateral Documents, the Master Standby Agreement, the Master Documentary Agreement, the Intercreditor Agreement, the Environmental Indemnity Agreement, the GE Capital Fee Letter, Specified Hedging Agreements and all other agreements, instruments, documents and certificates identified in the Closing Checklist executed and delivered to, or in favor of, Agent or any Lenders and including all other pledges, powers of attorney, consents, assignments, contracts, notices, and all other written matter whether heretofore, now or hereafter executed by or on behalf of any Credit Party, or any employee of any Credit Party, and delivered to Agent or any Lender in connection with the Agreement or the transactions contemplated thereby. Any reference in the Agreement or any other Loan Document to a Loan Document shall include all appendices, exhibits or schedules thereto, and all amendments, restatements, supplements or other modifications thereto, and shall refer to the Agreement or such Loan Document as the same may be in effect at any and all times such reference becomes operative. Loan Documents shall in no event include the SCIL Credit Agreement or the SCIL Loan Documents or any agreement, document or instrument delivered by the Credit Parties to the Trustee relating to the Refinancing.

"Loans" means the Revolving Loan, the Swing Line Loan and the Term Loan.

"Lock Boxes" has the meaning ascribed to it in Annex C.

"Margin Stock" has the meaning ascribed to it in Section 3.10.

"Master Documentary Agreement" means the Master Agreement for Documentary Letters of Credit dated as of the Original Closing Date between Borrower, as Applicant, and GE Capital, as Issuer, as the same may be amended, restated, modified and/or supplemented from time to time including, without limitation, by any joinder thereto.

"Master Standby Agreement" means the Master Agreement for Standby Letters of Credit dated as of the Original Closing Date between Borrower, as Applicant, and GE Capital, as Issuer, as the same may be amended, restated, modified and/or supplemented from time to time including, without limitation, by any joinder thereto.

"Material Adverse Effect" means a material adverse effect on (a) the business, assets, operations, prospects or financial or other condition of the Credit Parties considered as a whole, (b) Borrower's ability to pay any of the Loans or any of the other Obligations in accordance with the terms of the Agreement, (c) the Collateral or Agent's Liens, on behalf of itself and Lenders, on the Collateral or the priority of such Liens, or (d) Agent's or any Lender's rights and remedies under the Agreement and the other Loan Documents. Without limiting the generality of the foregoing, any event or occurrence adverse to one or more Credit Parties which results or could reasonably be expected to result in losses, costs, damages, liabilities or expenditures in excess of $2,500,000 shall constitute a Material Adverse Effect.

"Maximum Amount" means, as of any date of determination, an amount equal to the Revolving Loan Commitment of all Lenders as of that date.

"Maximum Lawful Rate" has the meaning ascribed to it in Section 1.5(f).

"Mortgaged Properties" has the meaning assigned to it in Annex D.

"Mortgages" means each of the mortgages, deeds of trust, leasehold mortgages, leasehold deeds of trust, collateral assignments of leases or other real estate security documents delivered by any Credit Party to Agent on behalf of itself and Lenders with respect to the Mortgaged Properties, all in form and substance reasonably satisfactory to Agent, as each may be amended restated, supplemented or modified from time to time.

"Multiemployer Plan" means a "multiemployer plan" as defined in Section 3(37) of ERISA, and to which any Credit Party or ERISA Affiliate is making, is obligated to make or has made or been obligated to make, contributions on behalf of participants who are or were employed by any of them with the last six years.

"New Lender" means a Qualified Assignee or other similar investment fund, bank, savings and loan, savings bank or "accredited investor" (as defined in Regulation D of the Securities Act of 1933) that is deemed to be acceptable by the Agent to become a Lender under this Agreement in connection with a Commitment Increase.

"Non-Consenting Lender" has the meaning ascribed to it in Section 11.2(d)(i).

"Non-Funding Lender" has the meaning ascribed to it in Section 9.9(a)(ii).

"Notes" means, collectively, the Revolving Notes, the Swing Line Note and the Term Notes.

"Notice of Conversion/Continuation" has the meaning ascribed to it in Section 1.5(e).

"Notice of Revolving Credit Advance" has the meaning ascribed to it in Section 1.1(a).

"Obligations" means all loans, advances, debts, liabilities and obligations, including letter of credit obligations, for the performance of covenants, tasks or duties or for payment of monetary amounts (whether or not such performance is then required or contingent, or such amounts are liquidated or determinable) owing by any Credit Party to Agent or any Lender, and all covenants and duties regarding such amounts, of any kind or nature, present or future, whether or not evidenced by any note, agreement or other instrument, arising under the Agreement or any of the other Loan Documents. This term includes all principal, interest (including all interest that accrues after the commencement of any case or proceeding by or against any Credit Party in bankruptcy, whether or not allowed in such case or proceeding), Fees, Charges, expenses, attorneys' fees and any other sum chargeable to any Credit Party under the Agreement or any of the other Loan Documents and payment and performance obligations of Borrower under each Specified Hedging Agreement entered into with any counterparty that is a Lender or an Affiliate of a Lender.

"Officer Certificate" means a certificate of Chief Executive Officer, Chief Financial Officer, any other responsible officer having substantially the same authority and responsibility or any other responsible officer deemed acceptable to Agent, executed on behalf of Holdings, Borrower or any other Credit Party, in each case in accordance with the Agreement.

"Original Closing Date" means May 30, 2002.

"Other Lender" has the meaning ascribed to it in Section 9.9(d).

"Overadvance" has the meaning ascribed to it in Section 1.1(a)(iii).

"Patent License" means rights under any written agreement now owned or hereafter acquired by any Credit Party granting any right with respect to any invention on which a Patent is in existence.

"Patent Security Agreements" means the Patent Security Agreements made in favor of Agent, on behalf of itself and Lenders, by each applicable Credit Party, as the same may be amended, restated, modified and/or supplemented from time to time including, without limitation, by any joinder thereto.

"Patents" means all of the following in which any Credit Party now holds or hereafter acquires any interest: (a) all letters patent of the United States or any other country, all registrations and recordings thereof, and all applications for letters patent of the United States or

of any other country, including registrations, recordings and applications in the United States Patent and Trademark Office or in any similar office or agency of the United States, any State or any other country, and (b) all reissues, continuations, continuations-in-part or extensions thereof.

"PBGC" means the Pension Benefit Guaranty Corporation.

"Pension Plan" means a Plan described in Section 3(2) of ERISA.

"Permitted Acquisition" means Permitted Loan Funded Acquisition, Permitted Non-Loan Funded Acquisition, or either of them.

"Permitted Adjustments" means each of the dollar amount of adjustments to Adjusted EBITDA of Holdings and its Subsidiaries described on Exhibit PA hereto which shall be deemed to be applicable in computing Adjusted EBITDA only for a period of 12 months after the date described on Exhibit PA pertaining to such adjustments.

"Permitted Asset Sale" means any sale, transfer, conveyance, assignment or other disposition of any of the properties or other assets made, directly or indirectly, by Borrower or any other Credit Party which meets each of the following conditions:

(a) no Default or Event of Default then exists or would result therefrom;

(b) Borrower or such other Credit Party, as the case may be, receives consideration at the time of such sale, transfer, conveyance, assignment or other disposition at least equal to the Fair Market Value of the property or other assets being sold, transferred, conveyed, assigned or otherwise disposed of, *provided*, *however*, that the Fair Market Value of any property or other assets being sold, transferred, conveyed, assigned or otherwise disposed of (A) in excess of $1,000,000 but less than $5,000,000 shall be determined conclusively by the board of directors of Borrower (or a duly authorized committee thereof) acting in good faith and shall be evidenced by a resolution of such board of directors delivered to the Agent and (B) in excess of $5,000,000 shall be determined by the board of directors of the Borrower as provided in the immediately preceding clause (A), whose determination, however, shall not be conclusive but which shall be supported by an appraisal as may be requested the Agent, at the expense of the Borrower, by an independent, third-party appraiser designated by the Agent and reasonably acceptable to the Borrower.; and

(c) at least 85% of such consideration received by Borrower or such other Credit Party consists of cash.

"Permitted Encumbrances" means the following encumbrances: (a) Liens for taxes or assessments or other governmental Charges not yet due and payable or which are being contested in accordance with Section 5.2(b); (b) pledges or deposits of money securing statutory obligations under workmen's compensation, unemployment insurance, social security or public liability laws or similar legislation (excluding Liens under ERISA); (c) pledges or deposits of money securing bids, tenders, contracts (other than contracts for the payment of money) or leases to which any Credit Party is a party as lessee

made in the ordinary course of business; (d) inchoate and unperfected workers', mechanics' or similar liens arising in the ordinary course of business, so long as such Liens attach only to Equipment, Fixtures and/or Real Estate; (e)

carriers', warehousemen's, suppliers' or other similar possessory liens arising in the ordinary course of business and securing liabilities not yet due and payable or which are being contested in accordance with Section 5.2(b), so long as such Liens attach only to Inventory; (f) deposits securing, or in lieu of, surety, appeal or customs bonds in proceedings to which any Credit Party is a party; (g) any attachment or judgment lien not constituting an Event of Default under Section 8.1(j); (h) zoning restrictions, easements, licenses, or other restrictions on the use of any Real Estate or other minor irregularities in title (including leasehold title) thereto, so long as the same do not materially impair the use, value, or marketability of such Real Estate; (i) presently existing or hereafter created Liens in favor of Agent, on behalf of Lenders; (j) Liens expressly permitted under clauses (b) and (c) of Section 6.7 of the Agreement, (k) Liens securing the IRB Loans and the Swiss Loans, (l) Liens securing Industrial Revenue Bond Financing incurred or assumed after the date hereof permitted under the terms of the Agreement, (m) deposits made in the ordinary course of business to secure liability to insurance carriers, (n) leases or subleases granted to others not materially interfering with the business of the Credit Parties, (o) any interest or title of a landlord or a sublandlord under any lease, (o) Liens consisting of owner's rights to raw materials held on consignment at 999 Happy Valley Road, Glasgow, Kentucky 42141 that are segregated and clearly labeled, (p) Liens arising from precautionary Code financing statements with respect to assets leased by Borrower or its Subsidiaries pursuant to operating leases, (q) non-exclusive licenses of Borrower's or its Subsidiaries' Intellectual Property entered into in the ordinary course, (r) Liens on, or rights of setoff against, cash of any Credit Party constituting deposits of cash made by such Credit Party in the ordinary course of business and within the general parameters customary in the industry, to secure Indebtedness under Specified Hedging Agreements that is permitted under Section 6.3(a) hereof, (s) Liens on the Refinancing Proceeds in favor of the Trustee solely to the extent granted or otherwise arising in connection with the Refinancing, and (t) Liens expressly permitted under clause (e) of Section 6.7 of the Agreement.

"Permitted Loan Funded Acquisition" means (a) acquisition by any Credit Party or an Acquisition Company (or Holdings, so long as contemporaneously therewith, all assets so acquired are transferred to Borrower or any other Credit Party) of all or substantially all of the assets of a Qualified Target or assets that constitute all or substantially all of the assets of a division or operating unit of a Qualified Target, (b) purchase by any Credit Party or an Acquisition Company which shall become a Credit Party upon consummation of such Permitted Acquisition (or Holdings, so long as contemporaneously therewith, all assets so acquired are transferred to Borrower or any other Credit Party) of 100% of the outstanding Stock of a Qualified Target, (c) purchase by any Credit Party or an Acquisition Company which shall become a Credit Party upon consummation of such Permitted Acquisition (or Holdings, so long as contemporaneously therewith, all assets so acquired are transferred to Borrower or any other Credit Party) of not less than 80% of each class of outstanding Stock of a Qualified Target as long as, without limitation to conditions required for Permitted Loan Funded Acquisition set forth below, Agent will be granted a first priority perfected Lien (subject to Permitted Encumbrances (other than those described in clause (t) of the definition of Permitted Encumbrances)) and except as contemplated by clauses (A) and (C) of this definition of the term "Permitted Loan Funded Acquisition" in all in the assets and Stock of the Qualified Target, and Agent shall have received lien search results, financing statements and supplemental security agreements, a Guaranty, environmental indemnity agreements, blocked account agreements and other collateral documents in connection therewith as reasonably requested by Agent, or

(d) participation by any Credit Party or an Acquisition Company (or Holdings, so long as contemporaneously therewith, all assets so acquired are transferred to Borrower or any other Credit Party) in a merger of a Qualified Target with and into Borrower or a Secured Guarantor or the merger of an Acquisition Company into a Qualified Target (with Borrower as the sole Stockholder of Qualified Target after giving effect thereto) or the merger of a Qualified Target into an Acquisition Company (each such acquisition, purchase or merger being an "Domestic Acquisition"), subject to satisfaction of each of the following conditions (and each such Domestic Acquisition shall be a "Permitted Loan Funded Acquisition" only upon satisfaction of each of the following conditions):

(i) Agent shall receive at least thirty (30) days' (or any shorter period if requested by such Credit Party and consented to by Agent in writing) prior written notice of such Domestic Acquisition, which notice shall include a reasonably detailed description of such Domestic Acquisition, which may be subject to further negotiation, and a copy of any executed letter of intent relating thereto;

(ii) such Domestic Acquisition shall only involve a Qualified Target which business would not subject Agent or any Lender to regulatory or third party approvals in connection with the exercise of its rights and remedies under this Agreement or any other Loan Documents other than approvals applicable to the exercise of such rights and remedies with respect to Borrower prior to such Domestic Acquisition;

(iii) such Domestic Acquisition shall be consensual and shall have been approved by the Qualified Target's board of directors or, in the case of a Qualified Target in bankruptcy, a court of competent jurisdiction;

(iv) no additional Indebtedness, Guaranteed Indebtedness or other liabilities shall be incurred, assumed or otherwise be reflected on a consolidated balance sheet of Borrower and Qualified Target after giving effect to such Domestic Acquisition, except (A) Revolving Credit Advances made under the Agreement that are made in accordance with the terms of Section 2.3 or Loans made in respect of an Increased Commitment under the Agreement or an increase in the SCIL Loan, (B) trade payables and accrued expenses, each in existence at the time of the Domestic Acquisition and not created in anticipation thereof and each arising in ordinary course, (C) Industrial Revenue Bond Financing, Capital Leases and purchase money Indebtedness, not to exceed in the aggregate 25% of total consideration paid for such Permitted Loan Funded Acquisition (including the book value of assumed liabilities), each in existence at the time of Domestic Acquisition and not created in anticipation thereof and each arising in the ordinary course of business, and (D) Subordinated Debt in the form of an "earn-out" and unsecured Domestic Acquisition Subordinated Debt (1) with a maturity date after the maturity of the Obligations in an amount not to exceed twenty five percent (25%) of the purchase price of any given Permitted Loan Funded Acquisition or (2) with an earlier maturity but subject to Reserve against the Borrowing Base in an amount equal to the maximum aggregate payments payable thereunder;

(v) the assets acquired in such Domestic Acquisition shall be free and clear of all Liens (other than Permitted Encumbrances and except as contemplated by clauses (iv)(A) and (iv)(C) of this definition of the term "Permitted Loan Funded Acquisitions");

(vi) such Qualified Target is a Domestic Person and at the closing of the Domestic Acquisition of such Qualified Target, Agent will be granted a first priority perfected Lien (subject to Permitted Encumbrances and except as contemplated by clauses (iv)(A) and (iv)(C) of this definition of the term "Permitted Loan Funded Acquisitions") in all assets acquired pursuant thereto or, in the case of equity purchase, in the assets and Stock of the Qualified Target, and Borrower shall have executed such documents and taken such actions as may be reasonably required by Agent in connection therewith, and Agent shall have received lien search results, financing statements and supplemental security agreements, a Guaranty, environmental indemnity agreements, blocked account agreements and other collateral documents and other documents reasonably requested by Agent;

(vii) at the time of such Domestic Acquisition and immediately after giving effect thereto (including any Revolving Credit Advance, Loans made in respect of an Increased Commitment under the Agreement or an increase in the SCIL Loan in connection therewith), no Default or Event of Default shall have occurred and be continuing;

(viii) at least five (5) days before the closing date for the Permitted Loan Funded Acquisition, Agent shall have received the following financial statements consisting of balance sheets, statements of income and retained earnings and cash flows with respect to the Qualified Target to the extent such financial statements exist or are obtained by such date: (A) annual financial statements for the most recent 3-year period preceding the Domestic Acquisition; (B) monthly financial statements for the most recent 4-quarter period preceding the Domestic Acquisition; and (C) monthly financial statements for year-to-date preceding the Domestic Acquisition, setting forth in comparative form the figures for the two previous years;

(ix) at least five (5) days before the closing date for the Permitted Loan Funded Acquisition, Agent shall have received all pro forma financial statements consisting of balance sheets, statements of income and retained earnings and cash flows with respect to the Qualified Target prepared by Borrower or a Secured Guarantor, as applicable, in connection with such Domestic Acquisition;

(x) Agent shall have not less than seven (7) days to review (without, however, the right to approve or disapprove), environmental audits with respect to real estate acquired in connection with a Permitted Loan Funded Acquisition and with respect to Qualified Targets acquired by merger or Stock purchase or where contingent liabilities are to be assumed, litigation, actuarial studies and similar contingent liability analyses with respect to the Qualified Target;

(xi) at least seven (7) days (or any shorter period if requested by such Credit Party and consented to by Agent in writing) prior to the date of such Domestic Acquisition, Agent shall have received copies of the draft acquisition agreement and related agreements, instruments, and other documents reasonably requested by Agent and, promptly following the closing date for such Permitted Loan Funded Acquisition, final drafts of the foregoing;

(xii) at least five (5) days prior to the closing of an Domestic Acquisition, Borrower shall have delivered to Agent:

(A) a pro forma consolidated balance sheet, income statement and cash flow statement of Holdings and its Subsidiaries (the "Acquisition Pro Forma"), based on recent financial statements, which shall fairly present in all material respects the assets, liabilities, financial condition and results of operations of Holdings and its Subsidiaries in accordance with GAAP consistently applied, but taking into account such Permitted Loan Funded Acquisition and the funding of the Revolving Loan and/or SCIL Loan in connection therewith, including detailed acquisition adjustments acceptable to Agent, and such Domestic Acquisition Pro Forma shall reflect that (x) average daily Borrowing Availability for the 90-day period preceding the consummation of such Permitted Loan Funded Acquisition would have exceeded $5,000,000 on a pro forma basis (after giving effect to such Permitted Loan Funded Acquisition (including acquired Eligible Accounts and Eligible Inventory as to which an audit has been completed) and the Revolving Loan and/or SCIL Loan funded in connection therewith as if made on the first day of such period) and the Domestic Acquisition Projections (as hereinafter defined) shall reflect that such Borrowing Availability of $5,000,000 shall continue for at least two (2) years after the consummation of such Domestic Acquisition, and (y) on a pro forma basis, no Event of Default has occurred and is continuing or would result after giving effect to such Domestic Acquisition and Borrower would have been in compliance with the Financial Covenants set forth in Annex G for the four quarter period reflected in the Compliance Certificate most recently delivered to Agent pursuant to Annex E prior to the consummation of such Domestic Acquisition (after giving effect to such Permitted Loan Funded Acquisition and the Revolving Loan funded in connection therewith as if made on the first day of such period);

(B) updated versions of the most recently delivered Projections covering the 1-year period commencing on the date of such Domestic Acquisition and otherwise prepared in accordance with the Projections (the "Domestic Acquisition Projections") and based upon historical financial data of a recent date reasonably satisfactory to Agent, taking into account such Permitted Loan Funded Acquisition;

(C) an Officer Certificate of the Chief Financial Officer of Holdings and Borrower, other responsible officer of Borrower and Holdings having substantially the same authority and responsibility or other responsible officer acceptable to Agent to the effect that: (w) Holdings on a consolidated basis (after taking into consideration all rights of contribution and indemnity Borrower has against Holdings and each other Subsidiary of Holdings) will be Solvent upon the consummation of the Permitted Loan Funded Acquisition; (x) the Acquisition Pro Forma fairly presents the financial condition of Holdings (on a consolidated basis) as of the date thereof after giving effect to the Domestic Acquisition; (y) the Domestic Acquisition Projections are reasonable estimates of the future financial performance of Holdings (on a consolidated basis) subsequent to the date thereof based upon the historical performance of Holdings, Borrower and the Qualified Target and show that Holdings (on a consolidated basis) shall continue to be in compliance with the Financial Covenants set forth in Annex G for the 2-year period thereafter; and (z) Holdings and Borrower have completed in all material respects their due diligence investigation with respect to the Qualified Target and such Permitted Loan Funded Acquisition; and

(D) an Acquisition Compliance Certificate showing compliance with the terms and provision of clauses (iv)(C) and (iv)(D) of this definition of the term "Permitted Loan Funded Acquisition", and a designation of assets, if any, in accordance with Section 6.8(d) with respect to such Acquisition.

Notwithstanding the foregoing, the Accounts and Inventory of the Qualified Target shall not be included in Eligible Accounts and Eligible Inventory until a field audit of Qualified Target has been satisfactorily completed, including the establishment of Reserves required in Agent's reasonable credit judgment to address the incrementally adverse effect of laws applicable to a Foreign Qualified Target.

"Permitted Non-Loan Funded Acquisition" means (a) acquisition by any Foreign Subsidiary of Borrower of all or substantially all of the assets of a Foreign Qualified Target or assets that constitute all or substantially all of the assets of a division or operating unit of a Foreign Qualified Target, (b) purchase by any Foreign Subsidiary of Borrower or by a Domestic Credit Party of more than 50% of the outstanding Stock of a Foreign Qualified Target or (c) participation by any Foreign Subsidiary of Borrower in a merger of a Foreign Qualified Target with and into such Foreign Subsidiary of Borrower (each such acquisition, purchase or merger being an "Foreign Acquisition"), subject to satisfaction of each of the following conditions (and each such Foreign Acquisition shall be a "Permitted Non-Loan Funded Acquisition" only upon satisfaction of each of the following conditions):

(xiii) Agent shall receive a written notice of such Foreign Acquisition reasonably in advance of such Foreign Acquisition, which notice shall include a reasonably detailed description of such Foreign Acquisition and any financing thereof, and promptly following the closing date for such Permitted Non-Loan Funded Acquisition, copies of all acquisition agreements and related agreements, instruments, and other documents executed in connection therewith or related thereto;

(xiv) such Foreign Acquisition shall be consensual and shall have been approved by the Foreign Qualified Target's board of directors or, in the case of a Foreign Qualified Target in bankruptcy, a court of competent jurisdiction;

(xv) consideration for the Foreign Acquisition is funded entirely from (A) proceeds of a financing provided to the Foreign Subsidiary of Borrower with recourse solely to the assets of the Foreign Subsidiary upon which Agent has no Liens, (B) unsecured Indebtedness issued to seller(s) in such Foreign Acquisition; (C) cash which is provided by Foreign Subsidiaries, (D) Stockholder Proceeds or (E) combination of any of the foregoing clauses (A), (B), (C) or (D);

(xvi) no Credit Party incurs any Indebtedness, Guaranteed Indebtedness or any other liability or obligation in connection with or relating to such Foreign Acquisition;

(xvii) at the time of such Foreign Acquisition and immediately after giving effect thereto, no Default or Event of Default shall have occurred and be continuing;

(xviii) at least five (5) days prior to the closing of an Foreign Acquisition, Borrower shall have delivered to Agent:

(A) a pro forma consolidated balance sheet, income statement and cash flow statement of Holdings and its Subsidiaries (the "Foreign Acquisition Pro Forma"), based on recent financial statements, which shall fairly present in all material respects the assets, liabilities, financial condition and results of operations of Holdings and its Subsidiaries in accordance with GAAP consistently applied, but taking into account such Permitted Non-Loan Funded Acquisition, including detailed acquisition adjustments acceptable to Agent, and such Foreign Acquisition Pro Forma shall reflect that (x) average daily Borrowing Availability for the 90-day period preceding the consummation of such Permitted Non-Loan Funded Acquisition would have exceeded $5,000,000 on a pro forma basis (after giving effect to such Permitted Non-Loan Funded Acquisition and the Foreign Acquisition Projections (as hereinafter defined) shall reflect that such Borrowing Availability of $5,000,000 shall continue for at least two (2) years after the consummation of such Foreign Acquisition, and (y) on a pro forma basis, no Event of Default has occurred and is continuing or would result after giving effect to such Foreign Acquisition and Borrower would have been in compliance with the Financial Covenants set forth in Annex G for the four quarter period reflected in the Compliance Certificate most recently delivered to Agent pursuant to Annex E prior to the consummation of such Foreign Acquisition (after giving effect to such Permitted Non-Loan Funded Acquisition);

(B) updated versions of the most recently delivered Projections covering the 1-year period commencing on the date of such Foreign Acquisition and otherwise prepared in accordance with the Projections (the "Foreign Acquisition Projections") and based upon historical financial data of a recent date reasonably satisfactory to Agent, taking into account such Permitted Non-Loan Funded Acquisition;

(C) an Officer Certificate of the Chief Financial Officer of Holdings and Borrower, or another responsible officer of Borrower and Holdings having substantially the same authority and responsibility or otherwise acceptable to Agent, to the effect that: (w) Holdings on a consolidated basis (after taking into consideration all rights of contribution and indemnity Borrower has against Holdings and each other Subsidiary of Holdings) will be Solvent upon the consummation of the Permitted Non-Loan Funded Acquisition; (x) the Foreign Acquisition Pro Forma fairly presents the financial condition of Holdings (on a consolidated basis) as of the date thereof after giving effect to the Foreign Acquisition; (y) the Foreign Acquisition Projections are reasonable estimates of the future financial performance of Holdings (on a consolidated basis) subsequent to the date thereof based upon the historical performance of Holdings, Borrower, Foreign Subsidiaries and the Foreign Qualified Target and show that Holdings (on a consolidated basis) shall continue to be in compliance with the Financial Covenants set forth in Annex G for the 2-year period thereafter; and (z) applicable Foreign Subsidiary has completed in all material respects its due diligence investigation with respect to the Foreign Qualified Target and such Permitted Non-Loan Funded Acquisition; and

(D) an Acquisition Compliance Certificate showing compliance with the terms and provision of clauses (iv)(C) and (iv)(D) of this definition of the term

"Permitted Loan Funded Acquisition", and a designation of assets, if any, in accordance with Section 6.8(d) with respect to such Acquisition;

(xix) the aggregate consideration for all Permitted Non-Loan Funded Acquisitions since the Closing Date does not exceed the dollar equivalent of $30,000,000 (the dollar equivalent being the amount of Dollars, as of any date of determination, into which currency other than Dollars may be converted in accordance with prevailing exchange rates, as determined by Agent in its reasonable discretion, on the date of determination); and

(xx) in the case Foreign Qualified Target is a Foreign Person which will become a first-tier Foreign Subsidiary of a Domestic Credit Party or of a Domestic Acquisition Company after giving effect to the proposed Foreign Acquisition (x) at the closing of the Foreign Acquisition of such Foreign Qualified Target, if any Domestic Acquisition Company is formed for the purpose of completing such Foreign Acquisition, such Domestic Acquisition Company satisfies all requirements to become a Secured Guarantor under the Agreement, (y) at the closing of the Foreign Acquisition of such Foreign Qualified Target, such Foreign Qualified Target satisfies all requirements to become a Secured Guarantor under the Agreement (other than the requirement that the Qualified Target be a Domestic Subsidiary) or, if becoming a Secured Guarantor would result in adverse tax liabilities under Section 956 of the IRC (or any similar statute) for Holdings, Borrower or the other Credit Parties (as demonstrated by Borrower in a manner reasonably satisfactory to Agent), such Foreign Qualified Target shall not be required to become a Secured Guarantor provided that Agent shall have been granted a first priority perfected Lien on 66% of Stock of such Foreign Qualified Target and (z) to the extent any assets of such Foreign Qualified Target are located in the United States, the fair market value of such assets does not exceed 5% of the purchase price for the proposed Foreign Acquisition (unless a greater percentage is approved by Requisite Lenders in writing).

"Permitted SCIL Obligation Payments" means (i) payments of fees, reimbursable costs and expenses and regularly scheduled payments of interest on the SCIL Loan due and payable on a non-accelerated basis and (ii) prepayments of the SCIL Loan to the extent permitted by Section 6.14(a)(I)(ii), in each case in accordance with the terms of the SCIL Loan Documents as in effect on the date hereof or as modified in accordance with the terms of the Intercreditor Agreement.

"Permitted Transferee" means, with respect to any Person, if such Person is an individual, (i) a member of the Immediate Family of such Person, (ii) a trust or other similar legal entity for the primary benefit of such Person and/or one or more members of his Immediate Family, or (iii) a partnership, limited partnership, limited liability company, corporation or other entity in which such Person alone or together with members of his Immediate Family possess 100% of the outstanding voting securities.

"Person" means any individual, sole proprietorship, partnership, joint venture, trust, unincorporated organization, association, corporation, limited liability company, institution, public benefit corporation, other entity or government (whether federal, state, county, city, municipal, local, foreign, or otherwise, including any instrumentality, division, agency, body or department thereof).

"Plan" means, at any time, an "employee benefit plan," as defined in Section 3(3) of ERISA, that any Credit Party or ERISA Affiliate maintains, contributes to or has an obligation to contribute to on behalf of participants who are or were employed by any Credit Party.

"Pledge Agreements" means the Borrower Pledge Agreement, Borrower Swiss Pledge Agreement, Borrower Mexican Pledge Agreement and any other pledge agreement entered into after the Original Closing Date by any Credit Party (as required by the Agreement or any other Loan Document).

"Post-Holdco Debenture Debt Proceeds" has the meaning ascribed to it in Section 5.8(b)(ii).

"Prior Senior Subordinated Indenture" means that certain Indenture dated as of June 15, 1997 among Borrower, its Subsidiaries party thereto and United States Trust Company of New York, as trustee.

"Prior Senior Subordinated Notes" means those certain 9-5/8% Senior Subordinated Notes due 2007 issued by Borrower in an aggregate original principal amount of $110,000,000 pursuant the Prior Senior Subordinated Indenture.

"Prior Senior Subordinated Note Documents" means the Prior Senior Subordinated Indenture, Prior Senior Subordinated Notes, and any other instrument, document or agreement delivered pursuant thereto or in connection therewith.

"Proceeds" means "proceeds," as such term is defined in the Code, including (a) any and all proceeds of any insurance, indemnity, warranty or guaranty payable to any Credit Party from time to time with respect to any of the Collateral, (b) any and all payments (in any form whatsoever) made or due and payable to any Credit Party from time to time in connection with any requisition, confiscation, condemnation, seizure or forfeiture of all or any part of the Collateral by any Governmental Authority (or any Person acting under color of governmental authority), (c) any claim of any Credit Party against third parties (i) for past, present or future infringement of any Patent or Patent License, or (ii) for past, present or future infringement or dilution of any Copyright, Copyright License, Trademark or Trademark License, or for injury to the goodwill associated with any Trademark or Trademark License, (d) any recoveries by any Credit Party against third parties with respect to any litigation or dispute concerning any of the Collateral including claims arising out of the loss or nonconformity of, interference with the use of, defects in, or infringement of rights in, or damage to, Collateral, (e) all amounts collected on, or distributed on account of, other Collateral, including dividends, interest, distributions and Instruments with respect to Investment Property and pledged Stock, and (f) any and all other amounts, rights to payment or other property acquired upon the sale, lease, license, exchange or other disposition of Collateral and all rights arising out of Collateral.

"Pro Forma" means the unaudited consolidated and consolidating balance sheet of Borrower and its Subsidiaries as of March 31, 2004 after giving pro forma effect to the Related Transactions and the acquisition of RBC Aircraft.

"Projections" means Borrower's forecasted consolidated: (a) balance sheets; (b) profit and loss statements; (c) cash flow statements; and (d) capitalization statements, which, in

the case of profit and loss statements, shall be prepared on a Subsidiary by Subsidiary or division-by-division basis, if applicable, and all consistent with the historical Financial Statements of Borrower, together with appropriate supporting details and a statement of underlying assumptions.

"Pro Rata Share" means with respect to all matters relating to any Lender (a) with respect to the Revolving Loan, the percentage obtained by dividing (i) the Revolving Loan Commitment of that Lender by (ii) the aggregate Revolving Loan Commitments of all Lenders, (b) with respect to the Term Loan, the percentage obtained by dividing (i) the Term Loan Commitment of that Lender by (ii) the aggregate Term Loan Commitments of all Lenders, as any such percentages may be adjusted by assignments permitted pursuant to Section 9.1, (c) with respect to all Loans, the percentage obtained by dividing

(i) the aggregate Commitments of that Lender by (ii) the aggregate Commitments of all Lenders, and (d) with respect to all Loans on and after the Commitment Termination Date, the percentage obtained by dividing (i) the aggregate outstanding principal balance of the Loans held by that Lender, by (ii) the outstanding principal balance of the Loans held by all Lenders.

"Purchased Parts" means parts purchased by Borrower or a Secured Guarantor from a third-party supplier or a Foreign Subsidiary which are used for assembly.

"Qualified Assignee" means (a) any Lender, any Affiliate of any Lender and, with respect to any Lender that is an investment fund that invests in commercial loans, any other investment fund that invests in commercial loans and that is managed or advised by the same investment advisor as such Lender or by an Affiliate of such investment advisor, and (b) any commercial bank, savings and loan association or savings bank or any other entity which is an "accredited investor" (as defined in Regulation D under the Securities Act or 1933) and which extends credit or buys loans as one of its businesses, including insurance companies, mutual funds, lease financing companies and commercial finance companies, in each case, which, through its applicable lending office, is capable of lending to Borrower without the imposition of any withholding or similar taxes and which, in the case of any assignment of a Revolving Loan Commitment, is a Person having a rating of BBB or higher from S&P and a rating of Baa2 or higher from Moody's at the date that it becomes a Lender; *provided* that no Person or Affiliate of such Person (other than a Person that is already a Lender) holding Subordinated Debt or Stock issued by any Credit Party shall be a Qualified Assignee.

"Qualified Plan" means a Pension Plan that is intended to be tax-qualified under Section 401(a) of the IRC.

"Qualified Public Offering" means an initial public offering of Stock of Holdings resulting in net cash proceeds to Holdings of at least $30,000,000 and which qualifies Holdings for listing on NASDAQ National Markets or the New York Stock Exchange.

"Qualified Target" means a corporation, limited partnership, limited liability company or partnership or a similar Person that is incorporated, formed or organized under the laws of one of the United States of America, Canada, Europe or Asia, with substantially all of its assets located in the United States of America, Canada, Europe or Asia and that is engaged in a

business engaged in by Borrower or any Credit Party or a business substantially similar or related thereto.

"Ratable Share" has the meaning ascribed to it in Section 1.1(b).

"RBC Aircraft" means RBC Aircraft Products, Inc., a Delaware corporation.

"Real Estate" has the meaning ascribed to it in Section 3.6.

"Refinancing" means the payment of the Refinancing Proceeds to the Trustee for redemption of the Prior Senior Subordinated Notes and payment of all amounts (including any call premium, accrued and unpaid interest, and fees and expenses) owing in respect thereof under the Prior Senior Subordinated Documents and the satisfaction of the conditions set forth in Section 2.1(b) hereto.

"Refinancing Proceeds" means that portion of the net cash proceeds of the Loans and the SCIL Loan that Borrower causes to be paid to the Trustee on the Effective Date to be used solely for redeeming the Prior Senior Subordinated Notes and paying all amounts (including any call premium, accrued and unpaid interest, and fees and expenses) owing in respect thereof under the Prior Senior Subordinated Documents, as reflected in Disclosure Schedule 1.4.

"Refunded Swing Line Loan" has the meaning ascribed to it in Section 1.1(c)(iii).

"Related Fund" with respect to any Lender, means any fund that (a) invests in commercial loans and (b) is managed or advised by the same investment advisor as such Lender, by such Lender or an Affiliate of such Lender.

"Related Stockholder Party" has the meaning ascribed to it in Section 1.3(b)(v)(A).

"Related Transactions" means the borrowing under the Revolving Loan and the Term Loan on the Effective Date, the Refinancing, the borrowing of the SCIL Loan, the payment of all fees, costs and expenses associated with all of the foregoing and the execution and delivery of all of the Related Transactions Documents.

"Related Transactions Documents" means the Loan Documents, the agreements and instruments governing the SCIL Loan and all other agreements or instruments executed in connection with the Related Transactions.

"Release" means any release, threatened release, spill, emission, leaking, pumping, pouring, emitting, emptying, escape, injection, deposit, disposal, discharge, dispersal, dumping, leaching or migration of Hazardous Material in the indoor or outdoor environment, including the movement of Hazardous Material through or in the air, soil, surface water, ground water or property.

"Replacement Lender" has the meaning ascribed to it in Section 1.16(d).

"Requisite Lenders" means Lenders having (a) more than 51% of the Commitments of all Lenders, or (b) if the Commitments have been terminated, more than 51% of the aggregate outstanding amount of the Loans; *provided* that if only two Lenders shall exist, "Requisite Lenders" shall mean both such Lenders.

"Requisite Revolving Lenders" means Lenders having (a) more than 51% of the Revolving Loan Commitments of all Lenders, or (b) if the Revolving Loan Commitments have been terminated, more than 51% of the aggregate outstanding amount of the Revolving Loan, *provided* that if there are only two Lenders, "Requisite Revolving Lenders" shall mean both such Lenders.

"Reserves" means, with respect to the Borrowing Base (a) reserves established by Agent from time to time against Eligible Inventory pursuant to Section 5.9, (b) reserves established pursuant to Section 5.4(c), (c) Hedging Reserves and (d) such other reserves against Eligible Accounts and Eligible Inventory that Agent may, in its reasonable credit judgment, establish from time to time in accordance with Sections 1.6 and 1.7. Without limiting the generality of the foregoing, a Timing Reserve, an Unapplied Cash Reserve, a Costing Reserve, a reserve for dilution with respect to Accounts to the extent dilution exceeds five percent (5%) of Accounts, a reserve established in accordance with clause (iv) of the definition of the term "Permitted Loan Funded Acquisitions" and any other reserve expressly provided for under the Agreement shall be deemed to be a reasonable exercise of Agent's credit judgment.

"Restricted Payment" means, with respect to any Credit Party (a) the declaration or payment of any dividend or the incurrence of any liability to make any other payment or distribution of cash or other property or assets in respect of Stock; (b) any payment on account of the purchase, redemption, defeasance, sinking fund or other retirement or acquisition for value of such Credit Party's Stock or any other payment or distribution made in respect thereof, either directly or indirectly; (c) any payment or prepayment of principal of, premium, if any, or interest, fees or other charges on or with respect to, and any redemption, purchase, retirement, defeasance, sinking fund or similar payment or acquisition for value with respect to, any Subordinated Debt; (d) any payment made to redeem, purchase, repurchase or retire, or to obtain the surrender of, any outstanding warrants, options or other rights to acquire Stock of such Credit Party now or hereafter outstanding; (e) any payment of a claim for the rescission of the purchase or sale of, or for material damages arising from the purchase or sale of, any shares of such Credit Party's Stock or of a claim for reimbursement, indemnification or contribution arising out of or related to any such claim for damages or rescission; (f) any payment, loan, contribution, or other transfer of funds or other property to any Stockholder of such Credit Party other than payment of compensation in the ordinary course of business to Stockholders who are employees of such Credit Party; (g) any payment of management fees (or other fees of a similar nature) by such Credit Party to any Stockholder of such Credit Party or its Affiliates; and (h) any payment or prepayment of principal of, premium, if any, or interest, fees or other charges on or with respect to, the SCIL Obligations.

"Retiree Welfare Plan" means, at any time, a Welfare Plan that provides for continuing coverage or benefits for any participant or any beneficiary of a participant after such participant's termination of employment, other than continuation coverage provided pursuant to

Section 4980B of the IRC and at the sole expense of the participant or the beneficiary of the participant.

"Revolving Credit Advance" has the meaning ascribed to it in Section 1.1(a)(i).

"Revolving Lenders" means, as of any date of determination, Lenders having a Revolving Loan Commitment.

"Revolving Loan" means, at any time, the sum of (i) the aggregate amount of Revolving Credit Advances outstanding to Borrower plus (ii) the aggregate Letter of Credit Obligations incurred on behalf of Borrower. Unless the context otherwise requires, references to the outstanding principal balance of the Revolving Loan shall include the outstanding balance of Letter of Credit Obligations.

"Revolving Loan Commitment" means (a) as to any Revolving Lender, the aggregate commitment of such Revolving Lender to make Revolving Credit Advances or incur Letter of Credit Obligations as set forth on Annex J to the Agreement or in the most recent Assignment Agreement executed by such Revolving Lender and (b) as to all Revolving Lenders, the aggregate commitment of all Revolving Lenders to make Revolving Credit Advances or incur Letter of Credit Obligations, which aggregate commitment shall be Fifty-Five Million Dollars ($55,000,000) on the Effective Date, as such amount may be adjusted, if at all, from time to time in accordance with the Agreement (including, without limitation, pursuant to a Commitment Increase).

"Revolving Note" has the meaning ascribed to it in Section 1.1(a)(ii).

"Schaublin" means Schaublin S.A, a Swiss corporation and wholly-owned Subsidiary of Schaublin Holding (excluding directors' qualifying shares).

"Schaublin Financing" shall mean the credit facility provided to Schaublin pursuant to that certain Credit Agreement dated on or about December 8, 2003 between Schaublin and Credit Suisse and all documents and agreements executed and/or delivered in connection therewith, as the same may be amended, restated, modified or supplemented from time to time.

"Schaublin Holding" means Schaublin Holding S.A., a Swiss corporation and wholly-owned Subsidiary of Borrower (excluding directors' qualifying shares).

"SCIL Credit Agreement" means the SCIL Credit Agreement dated as of the date hereof among the Credit Parties, GE Capital, as SCIL Agent and lender, and the other lenders from time to time party thereto, as the same may be amended, supplemented, restated, replaced or otherwise modified from time to time to the extent permitted by and in accordance with the Intercreditor Agreement.

"SCIL Leverage Ratio" means, with respect to Holdings, Borrower and their Subsidiaries, on a consolidated basis, as of any date of determination, the ratio of (a) the difference of (i) the sum of (x) Senior Debt plus (y) Indebtedness incurred pursuant to the SCIL Loan Documents minus (ii) the sum of (x) the Credit Parties' consolidated unrestricted cash and

Cash Equivalents on hand in excess of $1,000,000 but not in excess of $4,000,000 (other than any cash or Cash Equivalents constituting proceeds of an asset disposition by any Credit Party for which Agent has received notice from Borrower pursuant to Section 1.3(b)(ii) that such proceeds will be reinvested in fixed assets) and (y) the Credit Parties' consolidated unrestricted cash and Cash Equivalents on hand in excess of $4,000,000 to the extent the same constitute proceeds of an asset disposition by any Credit Party as to which Borrower has provided irrevocable written notice to the Agent (in lieu of its right retain such proceeds for reinvestment in fixed assets pursuant to Section 1.3(b)(ii) hereof) that such proceeds will be used to prepay the Loans (*provided*, that with respect

to the Revolving Loan, Funded Debt shall include the average monthly balance outstanding during any applicable measuring period) to (b) the sum of Adjusted EBITDA for the 12-month period ending on the date of determination.

"SCIL Loan" means a subordinated collateralized institutional loan, secured by a second lien on all or substantially all of the Collateral in the principal amount of $45,000,000, payable in a single installment on its maturity date, and having a maturity date of not earlier than June 29, 2011.

"SCIL Loan Documents" shall mean the "Loan Documents" as defined in Annex A to the SCIL Credit Agreement.

"SCIL Obligations" shall mean the "Obligations" as defined in Annex A to the SCIL Credit Agreement.

"Security Agreement" means the Security Agreement dated as of the Original Closing Date entered into by and among Agent, on behalf of itself and Lenders, and each Credit Party that is a signatory thereto, as the same may be amended, restated, modified and/or supplemented from time to time including, without limitation, by any joinder thereto.

"Secured Guarantor" means a Person (i) that execute a guaranty or other similar agreement in favor of Agent, (ii) that is a Domestic Subsidiary of Borrower (other than Bunting Acquisition Corp., a Delaware corporation), (iii) that has granted Agent a first priority perfected Lien on all or substantially all of its assets to secure payments and performance of the Obligations, (iv) with respect to which Agent has received all opinions, certificates and other documents requested by Agent, and (v) whose outstanding equity interests have been pledged to Agent to secure payment and performance of the Obligations.

"Senior Debt" means all Funded Debt of Holdings, Borrower and their Subsidiaries, on a consolidated basis, excluding (i) Subordinated Debt, (ii) all Indebtedness incurred pursuant to the SCIL Loan Documents, and (iii) all Indebtedness in respect of the Holdco Discount Debentures.

"Senior Leverage Ratio" means, with respect to Holdings, Borrower and their Subsidiaries, on a consolidated basis, as of any date of determination, the ratio of (a) the difference of (i) Senior Debt minus (ii) the sum of (x) the Credit Parties' consolidated unrestricted cash and Cash Equivalents on hand in excess of $1,000,000 but not in excess of $4,000,000 (other than any cash or Cash Equivalents constituting proceeds of an asset disposition by any Credit Party for which Agent has received notice from Borrower pursuant to

Section 1.3(b)(ii) that such proceeds will be reinvested in fixed assets) and (y) the Credit Parties' consolidated unrestricted cash and Cash Equivalents on hand in excess of $4,000,000 to the extent the same constitute proceeds of an asset disposition by any Credit Party as to which Borrower has provided irrevocable written notice to the Agent (in lieu of its right retain such proceeds for reinvestment in fixed assets pursuant to Section 1.3(b)(ii) hereof) that such proceeds will be used to prepay the Loans (*provided*, that with respect to the Revolving Loan, Senior Debt shall include the average monthly balance outstanding during any applicable measuring period) to (b) the sum of Adjusted EBITDA for the 12-month period ending on the date of determination.

"Settlement Date" has the meaning ascribed to it in Section 9.9(a)(ii).

"Software" means all "software" as such term is defined in the Code, now owned or hereafter acquired by any Credit Party, other than software embedded in any category of Goods, including all computer programs and all supporting information provided in connection with a transaction related to any program.

"Solvent" means, with respect to any Person on a particular date, that on such date (a) the fair value of the property of such Person is greater than the total amount of liabilities, including contingent liabilities, of such Person; (b) the present fair salable value of the assets of such Person is not less than the amount that will be required to pay the probable liability of such Person on its debts as they become absolute and matured; (c) such Person does not intend to, and does not believe that it will, incur debts or liabilities beyond such Person's ability to pay as such debts and liabilities mature; and (d) such Person is not engaged in a business or transaction, and is not about to engage in a business or transaction, for which such Person's property would constitute an unreasonably small capital. The amount of contingent liabilities (such as litigation, guaranties and pension plan liabilities) at any time shall be computed as the amount that, in light of all the facts and circumstances existing at the time, represents the amount that can be reasonably be expected to become an actual or matured liability.

"SPC" has the meaning ascribed to it in Section 9.1(g).

"Specified Hedging Agreements" means any Hedging Agreements made or entered into at any time, or in effect at any time between any Borrower and a counterparty to a Hedging Agreement reasonably satisfactory to the Agent (which may include any Lender hereunder) and on terms and for periods reasonably satisfactory to the Agent.

"Stock" means all shares, options, warrants, general or limited partnership interests, membership interests or other equivalents (regardless of how designated) of or in a corporation, partnership, limited liability company or equivalent entity whether voting or nonvoting, including common stock, preferred stock or any other "equity security" (as such term is defined in Rule 3a11-1 of the General Rules and Regulations promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934).

"Stockholder" means, with respect to any Person, each holder of Stock of such Person.

"Stockholder Proceeds" has the meaning ascribed to it in Section 5.8(c)(ii).

"Subordinated Debt" means any Indebtedness of any Credit Party in an amount, on such terms, and subordinated to the Obligations in a manner and form satisfactory to Agent and Lenders in their sole discretion as to right and time of payment and as to any other terms, rights and remedies thereunder.

"Subordinated Debt Documents" means any instrument, document or agreement (including subsidiary guaranties delivered by applicable Subsidiaries of Borrower) evidencing the Subordinated Debt, in each including all schedules, exhibits, amendments, supplements, modifications, assignments and all other documents delivered pursuant thereto or in connection therewith.

"Subsidiary" means, with respect to any Person, (a) any corporation of which an aggregate of more than 50% of the outstanding Stock having ordinary voting power to elect a majority of the board of directors of such corporation (irrespective of whether, at the time, Stock of any other class or classes of such corporation shall have or might have voting power by reason of the happening of any contingency) is at the time, directly or indirectly, owned legally or beneficially by such Person or one or more Subsidiaries of such Person, or with respect to which any such Person has the right to vote or designate the vote of 50% or more of such Stock whether by proxy, agreement, operation of law or otherwise, and (b) any partnership or limited liability company in which such Person and/or one or more Subsidiaries of such Person shall have an interest (whether in the form of voting or participation in profits or capital contribution) of more than 50% or of which any such Person is a general partner or may exercise the powers of a general partner. Unless the context otherwise requires, each reference to a Subsidiary shall be a reference to a Subsidiary of the Borrower.

"Subsidiary Guaranty" means Subsidiary Guaranty dated as of the Original Closing Date executed by each Secured Guarantor in favor of Agent, on behalf of itself and Lenders as the same may be amended, restated, modified and/or supplemented from time to time including, without limitation, by any joinder thereto.

"Supporting Obligations" means all "supporting obligations" as such term is defined in the Code, including letters of credit and guaranties issued in support of Accounts, Chattel Paper, Documents, General Intangibles, Instruments, or Investment Property.

"Swing Line Advance" has the meaning ascribed to it in Section 1.1(c)(i).

"Swing Line Availability" has the meaning ascribed to it in Section 1.1(c)(i).

"Swing Line Commitment" means, as to the Swing Line Lender, the commitment of the Swing Line Lender to make Swing Line Advances as set forth on Annex J to the Agreement, which commitment constitutes a subfacility of the Revolving Loan Commitment of the Swing Line Lender.

"Swing Line Lender" means GE Capital.

"Swing Line Loan" means at any time, the aggregate amount of Swing Line Advances outstanding to Borrower.

"Swing Line Note" has the meaning ascribed to it in Section 1.1(c)(ii).

"Swiss Loan" means the Indebtedness of RBC Schaublin S.A. Delémont to Credit Suisse pursuant to the terms of the Credit Agreement dated as of December 27, 1999 not to exceed Swiss Francs 12,000,000 in the aggregate.

"Tax Sharing Agreement" means the Tax Sharing Agreement dated June 16, 1997, by and among Holdings, Borrower and Subsidiaries.

"Taxes" means (i) taxes, levies, imposts, deductions, Charges or withholdings, and all liabilities with respect thereto, excluding taxes imposed on or measured by the net income of Agent or a Lender and (ii) franchise taxes (imposed in lieu of taxes imposed on or measured by net income) of Agent or a Lender, in each case, by the jurisdictions under the laws of which Agent and Lenders are organized or conduct business or any political subdivision thereof.

"Term Lenders" means those Lenders having Term Loan Commitments.

"Term Loan" has the meaning assigned to it in Section 1.1(b)(i).

"Term Loan Commitment" means (a) as to any Lender with a Term Loan Commitment, the commitment of such Lender to make its Pro Rata Share of the Term Loan on the Effective Date as set forth on Annex J to the Agreement or in the most recent Assignment Agreement executed by such Lender, and (b) as to all Lenders with a Term Loan Commitment, the aggregate commitment of all Lenders to make the Term Loan, which aggregate commitment shall be One Hundred Ten Million Dollars ($110,000,000) on the Effective Date, as such amount may be adjusted, if at all, from time to time in accordance with this Agreement (including, without limitation, pursuant to a Commitment Increase). After advancing the Term Loan, each reference to a Lender's Term Loan Commitment shall refer to that Lender's Pro Rata Share of the outstanding Term Loan.

"Term Note" has the meaning ascribed to it in Section 1.1(b)(i).

"Termination Date" means the date on which (a) the Loans have been indefeasibly repaid in full, (b) all other Obligations under the Agreement and the other Loan Documents have been completely discharged, (c) all Letter of Credit Obligations have been cash collateralized, cancelled or backed by standby letters of credit in accordance with Annex B, and (d) Borrower shall not have any further right to borrow any monies under the Agreement.

"Timing Reserve" means a reserve equal to unreconciled differences between the perpetual Inventory balance and general ledger Inventory balance.

"Title IV Plan" means a Pension Plan (other than a Multiemployer Plan), that is covered by Title IV of ERISA or subject to Section 412 of IRC, and that any Credit Party or ERISA Affiliate maintains, contributes to or has an obligation to contribute to on behalf of participants who are or were employed by any of them.

"Trademark Security Agreements" means the Trademark Security Agreements made in favor of Agent, on behalf of Lenders, by each applicable Credit Party, as the same may

be amended, restated, modified and/or supplemented from time to time including, without limitation, by any joinder thereto.

"Trademark License" means rights under any written agreement now owned or hereafter acquired by any Credit Party granting any right to use any Trademark.

"Trademarks" means all of the following now owned or hereafter adopted or acquired by any Credit Party: (a) all trademarks, trade names, corporate names, business names, trade styles, service marks, logos, other source or business identifiers, prints and labels on which any of the foregoing have appeared or appear, designs and general intangibles of like nature (whether registered or unregistered), all registrations and recordings thereof, and all applications in connection therewith, including registrations, recordings and applications in the United States Patent and Trademark Office or in any similar office or agency of the United States, any state or territory thereof, or any other country or any political subdivision thereof; (b) all reissues, extensions or renewals thereof; and (c) all goodwill associated with or symbolized by any of the foregoing.

"Trigger Event" means any time that the Borrowing Availability for a period of two (2) consecutive months is less than $10,000,000. Once a Trigger Event has occurred, it shall remain in effect until Agent has determined that (i) Borrowing Availability has exceeded $10,000,000 for a period of one (1) calendar month and (ii) no Event of Default has occurred and continues to exist during such calendar month.

"Trustee" has the meaning ascribed to it in Section 2.1(b).

"Unapplied Cash Reserve" means a reserve equal to cash received in payment of Accounts that has not been applied to payment thereof in the general ledger.

"Unfunded Pension Liability" means, at any time, the aggregate amount, if any, of the sum of (a) the amount by which the present value of all accrued benefits under each Title IV Plan exceeds the fair market value of all assets of such Title IV Plan allocable to such benefits in accordance with Title IV of ERISA, all determined as of the most recent valuation date for each such Title IV Plan using the actuarial assumptions for funding purposes in effect under such Title IV Plan, and (b) for a period of 5 years following a transaction which might reasonably be expected to be covered by Section 4069 of ERISA, the liabilities (whether or not accrued) that could be avoided by any Credit Party or any ERISA Affiliate as a result of such transaction.

"Welfare Plan" means a Plan described in Section 3(1) of ERISA.

"Working Capital" means, with respect to any Fiscal Year, the average Current Assets of Holdings and its Subsidiaries on a consolidated basis less the average Current Liabilities of Holdings and its Subsidiaries on a consolidated basis for the first month of each Fiscal Year compared to the average Current Assets of Holdings and its Subsidiaries on a consolidated basis less the average Current Liabilities of Holdings and its Subsidiaries on a consolidated basis for the last month of such Fiscal Year determined from the financial statements delivered with respect thereto under paragraphs (a) and/or (d) of Annex E.

Rules of construction with respect to accounting terms used in the Agreement or the other Loan Documents shall be as set forth in Annex G. All other undefined terms contained in any of the Loan Documents shall, unless the context indicates otherwise, have the meanings provided for by the Code to the extent the same are used or defined therein; in the event that any term is defined differently in different Articles or Divisions of the Code, the definition contained in Article or Division 9 shall control. Unless otherwise specified, references in the Agreement or any of the Appendices to a Section, subsection or clause refer to such Section, subsection or clause as contained in the Agreement. The words "herein," "hereof" and "hereunder" and other words of similar import refer to the Agreement as a whole, including all Annexes, Exhibits and Schedules, as the same may from time to time be amended, restated, modified or supplemented, and not to any particular section, subsection or clause contained in the Agreement or any such Annex, Exhibit or Schedule. The word "including" means "including, without limitation".

Wherever from the context it appears appropriate, each term stated in either the singular or plural shall include the singular and the plural, and pronouns stated in the masculine, feminine or neuter gender shall include the masculine, feminine and neuter genders. The words "including", "includes" and "include" shall be deemed to be followed by the words "without limitation"; the word "or" is not exclusive; references to Persons include their respective successors and assigns (to the extent and only to the extent permitted by the Loan Documents) or, in the case of governmental Persons, Persons succeeding to the relevant functions of such Persons; and all references to statutes and related regulations shall include any amendments of the same and any successor statutes and regulations. Whenever any provision in any Loan Document refers to the knowledge (or an analogous phrase) of any Credit Party, such words are intended to signify that such Credit Party has actual knowledge or awareness of a particular fact or circumstance.

ANNEX B (Section 1.2)
to
CREDIT AGREEMENT

LETTERS OF CREDIT

(a) Issuance. Subject to the terms and conditions of the Agreement, Agent and Revolving Lenders agree to incur, from time to time prior to the Commitment Termination Date, upon the request of Borrower and for Borrower's account, Letter of Credit Obligations by causing Letters of Credit to be issued by GE Capital or a Subsidiary thereof or a bank or other legally authorized Person selected by or acceptable to Agent in its sole discretion (each, an "L/C Issuer") for Borrower's account and guaranteed by Agent; *provided* that if the L/C Issuer is a Revolving Lender, then such Letters of Credit shall not be guaranteed by Agent but rather each Revolving Lender shall, subject to the terms and conditions hereinafter set forth, purchase (or be deemed to have purchased) risk participations in all such Letters of Credit issued with the written consent of Agent, as more fully described in paragraph (b)(ii) below. The aggregate amount of all such Letter of Credit Obligations shall not at any time exceed the least of (i) Twenty-Five Million Dollars ($25,000,000) (the "L/C Sublimit"), and (ii) the Maximum Amount less the aggregate outstanding principal balance of the Revolving Credit Advances and the Swing Line Loan,

and (iii) the Borrowing Base less the aggregate outstanding principal balance of the Revolving Credit Advances and the Swing Line Loan. No such Letter of Credit shall have an expiry date that is more than one year following the date of issuance thereof, unless otherwise determined by Agent in its sole discretion, and neither Agent nor Revolving Lenders shall be under any obligation to incur Letter of Credit Obligations in respect of, or purchase risk participations in, any Letter of Credit having an expiry date that is later than the Commitment Termination Date. All letters of credit which constitute "Letters of Credit" under the Prior Credit Agreement and which are outstanding on the Effective Date shall constitute Letters of Credit hereunder.

(b)(i) Advances Automatic; Participations. In the event that Agent or any Revolving Lender shall make any payment on or pursuant to any Letter of Credit Obligation, such payment shall then be deemed automatically to constitute a Revolving Credit Advance under Section 1.1(a) of the Agreement regardless of whether a Default or Event of Default has occurred and is continuing and notwithstanding Borrower's failure to satisfy the conditions precedent set forth in Section 2, and each Revolving Lender shall be obligated to pay its Pro Rata Share thereof in accordance with the Agreement. The failure of any Revolving Lender to make available to Agent for Agent's own account its Pro Rata Share of any such Revolving Credit Advance or payment by Agent under or in respect of a Letter of Credit shall not relieve any other Revolving Lender of its obligation hereunder to make available to Agent its Pro Rata Share thereof, but no Revolving Lender shall be responsible for the failure of any other Revolving Lender to make available such other Revolving Lender's Pro Rata Share of any such payment.

(ii) If it shall be illegal or unlawful for Borrower to incur Revolving Credit Advances as contemplated by paragraph (b)(i) above because of an Event of Default described in Sections 8.1(h) or (i) or otherwise or if it shall be illegal or unlawful for any Revolving Lender to be deemed to have assumed a ratable share of the reimbursement obligations owed to an L/C Issuer, or if the L/C Issuer is a Revolving Lender, then (A)

immediately and without further action whatsoever, each Revolving Lender shall be deemed to have irrevocably and unconditionally purchased from Agent (or such L/C Issuer, as the case may be) an undivided interest and participation equal to such Revolving Lender's Pro Rata Share (based on the Revolving Loan Commitments) of the Letter of Credit Obligations in respect of all Letters of Credit then outstanding and (B) thereafter, immediately upon issuance of any Letter of Credit, each Revolving Lender shall be deemed to have irrevocably and unconditionally purchased from Agent (or such L/C Issuer, as the case may be) an undivided interest and participation in such Revolving Lender's Pro Rata Share (based on the Revolving Loan Commitments) of the Letter of Credit Obligations with respect to such Letter of Credit on the date of such issuance. Each Revolving Lender shall fund its participation in all payments or disbursements made under the Letters of Credit in the same manner as provided in the Agreement with respect to Revolving Credit Advances.

(c) Cash Collateral. (i) If Borrower is required to provide cash collateral for any Letter of Credit Obligations pursuant to the Agreement prior to the Commitment Termination Date, Borrower will pay to Agent for the ratable benefit of itself and Revolving Lenders cash or cash equivalents acceptable to Agent ("Cash Equivalents") in an amount equal to 103% of the maximum amount then available to be drawn under each applicable Letter of Credit outstanding, plus fees and expenses reasonably expected to be incurred in connection with draws thereunder. Such funds or Cash Equivalents shall be held by Agent in a cash collateral account (the "Cash Collateral Account") maintained at a bank or financial institution acceptable to Agent. The Cash Collateral Account shall be in the name of Borrower and shall be pledged to, and subject to the control of, Agent, for the benefit of Agent and Lenders, in a manner satisfactory to Agent. Borrower hereby pledges and grants to Agent, on behalf of itself and Lenders, a security interest in all such funds and Cash Equivalents held in the Cash Collateral Account from time to time and all proceeds thereof, as security for the payment of all amounts due in respect of the Letter of Credit Obligations and other Obligations, whether or not then due. The Agreement, including this Annex B, shall constitute a security agreement under applicable law.

(ii) If any Letter of Credit Obligations, whether or not then due and payable, shall for any reason be outstanding on the Commitment Termination Date, Borrower shall either (A) provide cash collateral therefor in the manner described above, or (B) cause all such Letters of Credit and guaranties thereof, if any, to be canceled and returned, or (C) deliver a stand-by letter (or letters) of credit in guarantee of such Letter of Credit Obligations, which stand-by letter (or letters) of credit shall be of like tenor and duration (plus thirty (30) additional days) as, and in an amount equal to 103% of the aggregate maximum amount then available to be drawn under, the Letters of Credit to which such outstanding Letter of Credit Obligations relate, plus fees and expenses reasonably expected to be incurred in connection with draws thereunder and shall be issued by a Person, and shall be subject to such terms and conditions, as are be satisfactory to Agent in its sole discretion.

(iii) From time to time after funds are deposited in the Cash Collateral Account by Borrower, whether before or after the Commitment Termination Date, Agent may apply such funds or Cash Equivalents then held in the Cash Collateral Account to the payment of any amounts, and in such order as Agent may elect, as shall be or shall become due and payable by Borrower to Agent and Lenders with respect to such Letter of Credit Obligations of Borrower

and, upon the satisfaction in full of all Letter of Credit Obligations of Borrower, to any other Obligations then due and payable.

(iv) Neither Borrower nor any Person claiming on behalf of or through Borrower shall have any right to withdraw any of the funds or Cash Equivalents held in the Cash Collateral Account, except that upon the termination of all Letter of Credit Obligations and the payment of all amounts payable by Borrower to Agent and Lenders in respect thereof, any funds remaining in the Cash Collateral Account shall be applied to other Obligations then due and owing and upon payment in full of such Obligations, any remaining amount shall be paid to Borrower or as otherwise required by law. Interest earned on deposits in the Cash Collateral Account shall be for the account of Agent.

(d) Fees and Expenses. Borrower agrees to pay to Agent for the benefit of Revolving Lenders, as compensation to such Lenders for Letter of Credit Obligations incurred hereunder, (i) all costs and expenses incurred by Agent or any Lender on account of such Letter of Credit Obligations, and (ii) for each month during which any Letter of Credit Obligation shall remain outstanding, a fee (the "Letter of Credit Fee") in an amount equal to three percent (3.00%) per annum multiplied by the maximum amount available from time to time to be drawn under the applicable Letter of Credit. Such fee shall be paid to Agent for the benefit of the Revolving Lenders in arrears, on the first day of each month and on the Commitment Termination Date. In addition, Borrower shall pay to any L/C Issuer, on demand, such fees (including all per annum fees), charges and expenses of such L/C Issuer in respect of the issuance, negotiation, acceptance, amendment, transfer and payment of such Letter of Credit or otherwise payable pursuant to the application and related documentation under which such Letter of Credit is issued.

(e) Request for Incurrence of Letter of Credit Obligations. Borrower shall give Agent at least two (2) Business Days' prior written notice requesting the incurrence of any Letter of Credit Obligation. The notice shall be accompanied by the form of the Letter of Credit (which shall be acceptable to the L/C Issuer) and a completed Application for Standby Letter of Credit or Application for Documentary Letter of Credit as applicable in the form Exhibit B-1 or B-2 attached hereto. Notwithstanding anything contained herein to the contrary, Letter of Credit applications by Borrower and approvals by Agent and the L/C Issuer may be made and transmitted pursuant to electronic codes and security measures mutually agreed upon and established by and among Borrower, Agent and the L/C Issuer.

(f) Obligation Absolute. The obligation of Borrower to reimburse Agent and Revolving Lenders for payments made with respect to any Letter of Credit Obligation shall be absolute, unconditional and irrevocable, without necessity of presentment, demand, protest or other formalities, and the obligations of each Revolving Lender to make payments to Agent with respect to Letters of Credit shall be unconditional and irrevocable. Such obligations of Borrower and Revolving Lenders shall be paid strictly in accordance with the terms hereof under all circumstances including the following:

(i) any lack of validity or enforceability of any Letter of Credit or the Agreement or the other Loan Documents or any other agreement;

(ii) the existence of any claim, setoff, defense or other right that Borrower or any of its Affiliates or any Lender may at any time have against a beneficiary or any transferee of any Letter of Credit (or any Persons or entities for whom any such transferee may be acting), Agent, any Lender, or any other Person, whether in connection with the Agreement, the Letter of Credit, the transactions contemplated herein or therein or any unrelated transaction (including any underlying transaction between Borrower or any of its Affiliates and the beneficiary for which the Letter of Credit was procured);

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

(iv) payment by Agent (except as otherwise expressly provided in paragraph (g)(ii)(C) below) or any L/C Issuer under any Letter of Credit or guaranty thereof against presentation of a demand, draft or certificate or other document that does not comply with the terms of such Letter of Credit or such guaranty;

(v) any other circumstance or event whatsoever, that is similar to any of the foregoing; or

(vi) the fact that a Default or an Event of Default has occurred and is continuing.

(g) Indemnification; Nature of Lenders' Duties. (i) In addition to amounts payable as elsewhere provided in the Agreement, Borrower hereby agrees to pay and to protect, indemnify, and save harmless Agent and each Lender from and against any and all claims, demands, liabilities, damages, losses, costs, charges and expenses (including reasonable attorneys' fees and allocated costs of internal counsel) that Agent or any Lender may incur or be subject to as a consequence, direct or indirect, of (A) the issuance of any Letter of Credit or guaranty thereof, or (B) the failure of Agent or any Lender seeking indemnification or of any L/C Issuer to honor a demand for payment under any Letter of Credit or guaranty thereof as a result of any act or omission, whether rightful or wrongful, of any present or future de jure or de facto government or Governmental Authority, in each case other than to the extent solely as a result of the gross negligence or willful misconduct of Agent or such Lender (as finally determined by a court of competent jurisdiction).

(ii) As between Agent and any Lender and Borrower, Borrower assumes all risks of the acts and omissions of, or misuse of any Letter of Credit by beneficiaries of any Letter of Credit. In furtherance and not in limitation of the foregoing, to the fullest extent permitted by law neither Agent nor any Lender shall be responsible for: (A) the form, validity, sufficiency, accuracy, genuineness or legal effect of any document issued by any party in connection with the application for and issuance of any Letter of Credit, even if it should in fact prove to be in any or all respects invalid, insufficient, inaccurate, fraudulent or forged; (B) the validity or sufficiency of any instrument transferring or assigning or purporting to transfer or assign any Letter of Credit or the rights or benefits thereunder or proceeds thereof, in whole or in part, that may prove to be invalid or ineffective for any reason; (C) failure of the beneficiary of any Letter of Credit to comply fully with conditions required in order to demand payment under such Letter of Credit;

provided that in the case of any payment by Agent under any Letter of Credit or guaranty thereof, Agent shall be liable to the extent such payment was made solely as a result of its gross negligence or willful misconduct (as finally determined by a court of competent jurisdiction) in determining that the demand for payment under such Letter of Credit or guaranty thereof complies on its face with any applicable requirements for a demand for payment under such Letter of Credit or guaranty thereof; (D) errors, omissions, interruptions or delays in transmission or delivery of any messages, by mail, cable, telegraph, telex or otherwise, whether or not they may be in cipher; (E) errors in interpretation of technical terms; (F) any loss or delay in the transmission or otherwise of any document required in order to make a payment under any Letter of Credit or guaranty thereof or of the proceeds thereof; (G) the credit of the proceeds of any drawing under any Letter of Credit or guaranty thereof; and (H) any consequences arising from causes beyond the control of Agent or any Lender. None of the above shall affect, impair, or prevent the vesting of any of Agent's or any Lender's rights or powers hereunder or under the Agreement.

(iii) Nothing contained herein shall be deemed to limit or to expand any waivers, covenants or indemnities made by Borrower in favor of any L/C Issuer in any letter of credit application, reimbursement agreement or similar document, instrument or agreement between Borrower and such L/C Issuer, including an Application and Agreement for Documentary Letter of Credit or a Master Documentary Agreement and a Master Standby Agreement entered into with Agent.

ANNEX C (Section 1.8)
to

CREDIT AGREEMENT

CASH MANAGEMENT SYSTEM

Borrower shall, and shall cause the Secured Guarantors to, establish and maintain the Cash Management Systems described below:

(a) Before the Effective Date and until the Termination Date, Borrower shall (i) establish lock boxes ("Lock Boxes") or, at Agent's discretion, blocked accounts ("Blocked Accounts") at one or more of the banks set forth in Disclosure Schedule (3.19), and shall request in writing and otherwise take such reasonable steps to ensure that all Account Debtors forward payment directly to such Lock Boxes, and (ii) deposit and cause the Secured Guarantors to deposit or cause to be deposited promptly, and in any event no later than the first Business Day after the date of receipt thereof, all cash, checks, drafts or other similar items of payment relating to or constituting payments made in respect of any and all Collateral (whether or not otherwise delivered to a Lock Box) into one or more Blocked Accounts in Borrower's name or any such Secured Guarantor's name and at a bank identified in Disclosure Schedule (3.19) (each, a "Relationship Bank"). On or before the Original Closing Date, Borrower shall have established a concentration account in its name (such account and any replacement or successor thereof, the "Concentration Account") at the bank that shall be designated as the Concentration Account bank for Borrower in Disclosure Schedule (3.19) (such bank and any replacement or successor thereof reasonably satisfactory to Agent, the "Concentration Account Bank").

(b) Borrower may maintain, in its name, an account (each a "Disbursement Account" and collectively, the "Disbursement Accounts") at a bank acceptable to Agent into which Agent shall, from time to time, deposit proceeds of Revolving Credit Advances and Swing Line Advances made to Borrower pursuant to Section 1.1 for use by Borrower in accordance with the provisions of Section 1.4.

(c) On or before the Effective Date (or such later date as Agent shall consent to in writing), the Concentration Account Bank, each bank where a Disbursement Account is maintained and all other Relationship Banks, shall have entered into tri-party blocked account agreements with Agent, for the benefit of itself and Lenders, and Borrower and the Secured Guarantors, as applicable, in form and substance reasonably acceptable to Agent, which shall become operative on or prior to the Effective Date. Each such blocked account agreement shall provide, among other things, that (i) all items of payment deposited in such account and proceeds thereof deposited in the Concentration Account are held by such bank as agent or bailee-in-possession for Agent, on behalf of itself and Lenders, (ii) the bank executing such agreement has no rights of setoff or recoupment or any other claim against such account, as the case may be, other than for payment of its service fees and other charges directly related to the administration of such account and for returned checks or other items of payment, and (iii) from and after the Effective Date (A) with respect to banks at which a Blocked Account is maintained, such bank agrees, from and after the receipt of a notice (an "Activation Notice") from Agent (which Activation Notice may be given by Agent (X) if any balance of the Term Loan is outstanding, at

any time at which an Event of Default described in Sections 8.1(a), 8.1(b) (as a result of a breach of any of Sections 1.4, 1.8, 5.4(a), 5.8, 6.1, 6.2, 6.5, 6.6, 6.7, 6.8, 6.10, 6.12, 6.14, and 6.19), 8.1(f), 8.1(h) or 8.1(i) has occurred and is continuing and (Y) if the Term Loan in full is repaid in full, at any time after an Activation Trigger Event (as defined below) has occurred and remains in effect or at any time at which an Event of Default described in Sections 8.1(a), 8.1(b) (as a result of a breach of any of Sections 1.4, 1.8, 5.4(a), 5.8, 6.1, 6.2, 6.5, 6.6, 6.7, 6.8, 6.10, 6.12, 6.14, and 6.19), 8.1(f), 8.1(h) or 8.1(i) has occurred and is continuing (any of the foregoing being referred to herein as an "Activation Event"), to forward immediately all amounts in each Blocked Account to the Concentration Account Bank and to commence the process of daily sweeps from such Blocked Account into the Concentration Account and (B) with respect to the Concentration Account Bank, such bank agrees from and after the receipt of an Activation Notice from Agent upon the occurrence of an Activation Event, to immediately forward all amounts received in the Concentration Account to the Collection Account through daily sweeps from such Concentration Account into the Collection Account. From and after the date Agent has delivered an Activation Notice to any bank with respect to any Blocked Account(s), Borrower shall not, and shall not cause or permit any Secured Guarantor to, accumulate or maintain cash in Disbursement Accounts or payroll accounts as of any date of determination in excess of checks outstanding against such accounts as of that date and amounts necessary to meet minimum balance requirements. As used herein, "Activation Trigger Event" means any time that the Average Borrowing Availability is less than $7,500,000. Once an Activation Trigger Event has occurred, it shall remain in effect until Agent has determined that (i) the Average Borrowing Availability has exceeded $7,500,000 and (ii) no Event of Default has occurred and continues to exist during such calendar month. As used herein, "Average Borrowing Availability" means, as of any date of determination, the sum of Borrowing Availability as of the last day of each of the two consecutive Fiscal Months ending prior to such date of determination divided by two.

(d) So long as no Default or Event of Default has occurred and is continuing, Borrower may amend Disclosure Schedule (3.19) to add or replace a Relationship Bank, Lock Box or Blocked Account or to replace any Concentration Account or any Disbursement Account; *provided* that prior to the time of the opening of such account or Lock Box, Borrower or the Secured Guarantors, as applicable, and such bank shall have executed and delivered to Agent a tri-party blocked account agreement, in form and substance reasonably satisfactory to Agent. Borrower shall close any of its depository, lock box or concentration accounts (and establish replacement accounts in accordance with the foregoing sentence) promptly and in any event within thirty (30) days following notice from Agent that the creditworthiness of any bank holding an account is no longer acceptable in Agent's reasonable judgment, or as promptly as practicable and in any event within sixty (60) days following notice from Agent that the operating performance, funds transfer or availability procedures or performance with respect to accounts or Lock Boxes of the bank holding such accounts or Agent's liability under any tri-party blocked account agreement with such bank is no longer acceptable in Agent's reasonable judgment.

(e) The Lock Boxes, Blocked Accounts, Disbursement Accounts and the Concentration Account shall be cash collateral accounts, with all cash, checks and other similar items of payment in such accounts securing payment of the Loans and all other Obligations, and

in which Borrower and each Secured Guarantor shall have granted a Lien to Agent, on behalf of itself and Lenders, pursuant to the Security Agreement.

(f) All amounts deposited in the Collection Account shall be deemed received by Agent in accordance with Section 1.10 and shall be applied (and allocated) by Agent in accordance with Section 1.11. In no event shall any amount be so applied unless and until such amount shall have been credited in immediately available funds to the Collection Account.

(g) Borrower shall and shall cause its Affiliates, officers, employees, agents, directors or other Persons acting for or in concert with Borrower (each a "Related Person") to (i) hold in trust for Agent, for the benefit of itself and Lenders, all checks, cash and other items of payment received by Borrower or any such Related Person, and (ii) promptly after receipt by Borrower or any such Related Person of any checks, cash or other items of payment, deposit the same into a Blocked Account. Borrower and each Related Person thereof acknowledges and agrees that all cash, checks or other items of payment constituting proceeds of Collateral are part of the Collateral. All proceeds of the sale or other disposition of any Collateral, shall be deposited directly into Blocked Accounts.

(h) Until the occurrence of an Activation Event, Agent shall forward to Borrower at the end of each Business Day all amounts received by Agent on such Business Day in the Collection Account (Government Receivables) in good faith so long as no Revolving Credit Advances are outstanding and no sums are then due and payable to Agent or Lenders under the Credit Agreement. All such funds shall be sent by wire transfer to the following Borrower's depositors account:

Bank:	Wachovia/First Union National Bank Charlotte, NC
ABA/Swift number:	031201467
Bank Account #:	2014146817950
Account Name:	Roller Bearing Company of America, Inc.

(i) Any provision of this Annex C to the contrary notwithstanding,

(A) the applicable Credit Parties may maintain with Bank of America, Inc. the following Disbursement Accounts: #01928-04511(Zero Balance), #01923-04509(Payroll), #10277-09778(Zero Balance), #10277-01277(Payroll) and #0007-5842-9716(Payroll) that are not a part of the Cash Management Systems described in this Annex C as long as (i) the aggregate balance on deposit in all such accounts does not exceed $10,000 at any time (net of checks written but not yet cleared against the balance on deposit in such accounts), (ii) in the case of each such account that is a payroll account, (x) the disbursements of funds from such account are used solely to satisfy the applicable Credit Party's payroll obligations and (y) no funds are deposited in such account earlier than two (2) days prior to the distribution of funds from such account to satisfy the applicable Credit Party's payroll obligations, and (iii) in the case of each such account that is a zero-balance account, the balance on deposit in such account as of

any date of determination shall not be in excess of checks outstanding against such account as of that date and amounts necessary to meet minimum balance requirements;

(B) the applicable Credit Parties may maintain with Fleet National Bank the Disbursement Account #0071630214 (Payroll) that is not a part of the Cash Management Systems described in this Annex C as long as (i) the aggregate balance on deposit in such account does not exceed $10,000 at any time (net of checks written but not yet cleared against the balance on deposit in such accounts), (ii) the disbursements of funds from such account are used solely to satisfy the applicable Credit Party's payroll obligations and (iii) no funds are deposited in such account earlier than two (2) days prior to the distribution of funds from such account to satisfy the applicable Credit Party's payroll obligations;

(C) the applicable Credit Parties may maintain with First Source Bank the following Disbursement Accounts: #4300 521 91(Payroll) and #128 5436 (Payroll) that are not a part of the Cash Management Systems described in this Annex C as long as (i) the aggregate balance on deposit in all such accounts does not exceed $10,000 at any time (net of checks written but not yet cleared against the balance on deposit in such accounts), (ii) the disbursements of funds from each such account is used solely to satisfy the applicable Credit Party's payroll obligations and (iii) no funds are deposited in any such account earlier than two (2) days prior to the distribution of funds from such account to satisfy the applicable Credit Party's payroll obligations; and

(D) the applicable Credit Parties may maintain with First Source Bank the Disbursement Account # Midfirst Bank (Payroll) that is not a part of the Cash Management Systems described in this Annex C as long as (i) the aggregate balance on deposit in such account does not exceed $10,000 at any time (net of checks written but not yet cleared against the balance on deposit in such accounts), (ii) the disbursements of funds from such account are used solely to satisfy the applicable Credit Party's payroll obligations and (iii) no funds are deposited in such account earlier than two (2) days prior to the distribution of funds from such account to satisfy the applicable Credit Party's payroll obligations.

ANNEX D (Section 2.1(a))
to
CREDIT AGREEMENT

CHECKLIST

In addition to, and not in limitation of, the conditions described in Section 2.1 of the Agreement, pursuant to Section 2.1(a), the items described on the attached Closing Checklist must be received by Agent in form and substance satisfactory to Agent on or prior to the Effective Date (each capitalized term used but not otherwise defined herein shall have the meaning ascribed thereto in Annex A to the Agreement).

[See Attached Closing Checklist**]**

ANNEX E (Section 4.1(a))
to
CREDIT AGREEMENT

FINANCIAL STATEMENTS AND PROJECTIONS – REPORTING

Borrower shall deliver or cause to be delivered to Agent or to Agent for distribution to the Lenders, as indicated, the following:

(a) Monthly Financials. To Agent for distribution to the Lenders, within forty-five (45) days after the end of each Fiscal Month (other than a Fiscal Month that is the last month of a Fiscal Quarter), financial information regarding Holdings, Borrower and its Subsidiaries, certified by the Chief Financial Officer of Borrower, consisting of consolidated and consolidating (i) unaudited balance sheets as of the close of such Fiscal Month and the related statements of income and cash flows for that portion of the Fiscal Year ending as of the close of such Fiscal Month; (ii) unaudited statements of income and cash flows for such Fiscal Month, setting forth in comparative form the figures for the corresponding period in the prior year and the figures contained in the Projections for such Fiscal Year, all prepared in accordance with GAAP (subject to normal year-end adjustments); and (iii) a summary of the outstanding balance of all Intercompany Notes as of the last day of that Fiscal Month. Such financial information shall be accompanied by an Officer Certificate of Borrower executed by the Chief Financial Officer of Borrower, or another responsible officer of Borrower having substantially the same authority and responsibility or otherwise acceptable to Agent, certifying that (i) such financial information presents fairly in accordance with GAAP (subject to normal year-end adjustments) the financial position and results of operations of Holdings, Borrower and its Subsidiaries, on a consolidated and consolidating basis, in each case as at the end of such Fiscal Month and for that portion of the Fiscal Year then ended and (ii) any other information presented is true, correct and complete in all material respects and that there was no Default or Event of Default in existence as of such time or, if a Default or Event of Default shall have occurred and be continuing, describing the nature thereof and all efforts undertaken to cure such Default or Event of Default. In addition, Borrower shall deliver to Agent and Lenders, within forty-five (45) days after the end of each Fiscal Month, a management discussion and analysis of the financial performance of Holdings, Borrower and its Subsidiaries prepared in accordance with Borrower's past practices.

(b) Quarterly Financials. To Agent for distribution to the Lenders, within forty-five (45) days after the end of each Fiscal Quarter, consolidated and consolidating financial information regarding Holdings, Borrower and its Subsidiaries, certified by the Chief Financial Officer of Borrower, including (i) unaudited balance sheets as of the close of such Fiscal Quarter and the related statements of income and cash flow for that portion of the Fiscal Year ending as of the close of such Fiscal Quarter and (ii) unaudited statements of income and cash flows for such Fiscal Quarter, in each case setting forth in comparative form the figures for the corresponding period in the prior year and the figures contained in the Projections for such Fiscal Year, all prepared in accordance with GAAP (subject to normal year-end adjustments). Such financial information shall be accompanied by (A) a statement in reasonable detail in the form of Exhibit E-1 (each, a "Compliance Certificate") in respect of the Financial Covenants that are tested on a quarterly basis and (B) an Officer Certificate of Borrower executed by the Chief Financial Officer of Borrower, or another responsible officer of Borrower having substantially

the same authority and responsibility or otherwise acceptable to Agent, certifying that (i) such financial information presents fairly in accordance with GAAP (subject to normal year-end adjustments) the financial position, results of operations and statements of cash flows of Holdings, Borrower and its Subsidiaries, on both a consolidated and consolidating basis, as at the end of such Fiscal Quarter and for that portion of the Fiscal Year then ended, (ii) any other information presented is true, correct and complete in all material respects and that there was no Default or Event of Default in existence as of such time or, if a Default or Event of Default has occurred and is continuing, describing the nature thereof and all efforts undertaken to cure such Default or Event of Default.

(c) Operating Plan. To Agent for distribution to the Lenders, as soon as available, but not later than thirty (30) days after the end of each Fiscal Year, an annual operating plan for Holdings and Borrower, approved by the Board of Directors of Borrower, for the following Fiscal Year, which (i) includes a statement of all of the material assumptions on which such plan is based, (ii) includes monthly balance sheets and a quarterly budget for the following year and (iii) integrates sales, gross profits, operating expenses, operating profit, cash flow projections and Borrowing Availability projections, all prepared on the same basis and in similar detail as that on which operating results are reported (and in the case of cash flow projections, representing management's good faith estimates of future financial performance based on historical performance), and including plans for personnel, Capital Expenditures and facilities.

(d) Annual Audited Financials. To Agent for distribution to the Lenders, within ninety (90) days after the end of each Fiscal Year, or on a later date on which filing thereof is required with the Securities and Exchange Commission, audited Financial Statements for Holdings, Borrower and its Subsidiaries on a consolidated and (unaudited) consolidating basis, consisting of balance sheets and statements of income and retained earnings and cash flows, setting forth in comparative form in each case the figures for the previous Fiscal Year, which Financial Statements shall be prepared in accordance with GAAP and certified without qualification, by an independent certified public accounting firm of national standing or otherwise acceptable to Agent. Such Financial Statements shall be accompanied by (i) the Compliance Certificate showing the calculations used in determining compliance with the Financial Covenants, (ii) a report from such accounting firm to the effect that, in connection with their audit examination, nothing has come to their attention to cause them to believe that a Default or Event of Default has occurred with respect to the Financial Covenants (or specifying those Defaults and Events of Default that they became aware of), it being understood that such audit examination extended only to accounting matters and that no special investigation was made with respect to the existence of Defaults or Events of Default, (iii) the annual letters to such accountants in connection with their audit examination detailing contingent liabilities and material litigation matters, and (iv) an Officer Certificate of Borrower executed by the Chief Executive Officer or Chief Financial Officer of Borrower, or another responsible officer of Borrower having substantially the same authority and responsibility or otherwise acceptable to Agent, certifying that all such Financial Statements present fairly in accordance with GAAP the financial position, results of operations and statements of cash flows of Holdings, Borrower and its Subsidiaries on a consolidated and consolidating basis, as at the end of such Fiscal Year and for the period then ended, and that there was no Default or Event of Default in existence as of such time or, if a Default or Event of Default has occurred and is continuing, describing the nature thereof and all efforts undertaken to cure such Default or Event of Default.

(e) Management Letters. To Agent for distribution to the Lenders, within five (5) Business Days after receipt thereof by any Credit Party, copies of all management letters, exception reports or similar letters or reports received by such Credit Party from its independent certified public accountants.

(f) Default Notices. To Agent for distribution to the Lenders, as soon as practicable, and in any event within five (5) Business Days after an executive officer of Borrower has actual knowledge of the existence of any Default, Event of Default or other event that has had a Material Adverse Effect, telephonic or telecopied notice specifying the nature of such Default or Event of Default or other event, including the anticipated effect thereof, which notice, if given telephonically, shall be promptly confirmed in writing on the next Business Day.

(g) SEC Filings and Press Releases. To Agent for distribution to the Lenders, promptly upon their becoming available, copies of: (i) all Financial Statements, reports, notices and proxy statements made publicly available by any Credit Party to its security holders; (ii) all regular and periodic reports and all registration statements and prospectuses, if any, filed by any Credit Party with any securities exchange or with the Securities and Exchange Commission or any governmental or private regulatory authority; and (iii) all press releases and other statements made available by any Credit Party to the public concerning material changes or developments in the business of any such Person.

(h) Subordinated Debt and Equity Notices. To Agent for distribution to the Lenders, as soon as practicable, copies of all material written notices given or received by any Credit Party with respect to any Subordinated Debt or Stock of such Person, and, within three (3) Business Days after any Credit Party obtains knowledge of any matured or unmatured event of default with respect to any Subordinated Debt, notice of such event of default.

(i) Supplemental Schedules. To Agent, supplemental disclosures, if any, required by Section 5.6.

(j) Litigation. To Agent for distribution to the Lenders in writing, promptly upon learning thereof, notice of any Litigation commenced or threatened against any Credit Party that (i) seeks damages in excess of $250,000, (ii) seeks injunctive relief affecting the business of any Credit Party in any material respect, (iii) is asserted or instituted against any Plan, its fiduciaries or its assets or against any Credit Party or ERISA Affiliate in connection with any Plan, (iv) alleges criminal misconduct by any Credit Party, (v) alleges the violation of any law regarding, or seeks remedies in connection with, any Environmental Liabilities; or (vi) involves any product recall.

(k) Insurance Notices. To Agent, disclosure of losses or casualties required by Section 5.4.

(l) Lease Default Notices. To Agent, within five (5) Business Days after receipt thereof, copies of (i) any and all default notices received under or with respect to any leased location or public warehouse where Collateral is located, and (ii) such other notices or documents as Agent may reasonably request.

(m) Lease Amendments. To Agent, promptly after receipt thereof, copies of all material amendments to real estate leases.

(n) Certain Bank Accounts. To Agent, promptly upon request of Agent, copies of all bank statements provided to the applicable Credit Parties relating to each of the bank accounts referenced in the paragraph (i) of Annex C and, upon reasonable request of Agent from time to time, such other information relating to such accounts.

(o) Other Documents. To Agent for distribution to the Lenders, such other financial and other information respecting any Credit Party's business or financial condition as Agent shall, from time to time, reasonably request.

ANNEX F (Section 4.1(b))
to
CREDIT AGREEMENT

COLLATERAL REPORTS

Borrower shall deliver or cause to be delivered the following:

(a) To Agent, within ten (10) Business Days after the end of each Fiscal Month (together with a copy of all or any part of the following reports requested by any Lender in writing after the Original Closing Date), each of the following reports, each of which shall be prepared by the Borrower as of the last day of the immediately preceding Fiscal Month:

(i) a Borrowing Base Certificate with respect to Borrower and Secured Guarantors, accompanied by such supporting detail and documentation as shall be requested by Agent in its reasonable discretion;

(ii) with respect to Borrower and Secured Guarantors, a summary of Inventory by location and type with a supporting perpetual Inventory report, in each case accompanied by such supporting detail and documentation as shall be requested by Agent in its reasonable discretion; and

(iii) with respect to Borrower and Secured Guarantors, a monthly trial balance showing Accounts outstanding aged from invoice date as follows: 1 to 30 days, 31 to 60 days, 61 to 90 days and 91 days or more, accompanied by such supporting detail and documentation as shall be requested by Agent in its reasonable discretion.

(b) As long as Borrowing Availability is less than $10,000,000 at the time of the delivery of the Borrowing Base Certificates in accordance with clause (a) above, to Agent and each Lender, at the time of such delivery, each of the following reports, each of which shall be prepared by Borrower as of the last day of the immediately preceding Fiscal Month:

(i) with respect to Borrower and Secured Guarantors, a summary of Inventory by type with a supporting perpetual Inventory report;

(ii) with respect to Borrower and Secured Guarantors, a monthly trial balance showing Accounts outstanding aged from invoice date as follows: 1 to 30 days, 31 to 60 days, 61 to 90 days and 91 days or more;

(iii) with respect to Borrower and Secured Guarantors, agings of accounts payable (and including information indicating the amounts then owing to owners and lessors of leased premises, warehouses, processors and other third parties from time to time in possession of any Collateral);

(iv) schedules in a form satisfactory to Agent reflecting sales made, credits issued, cash or other items of payment received and other data relating to the collection of Accounts; and

(v) the percentages of all Eligible Accounts owing to each of the five (5) largest Account Debtors and their Affiliates (excluding the United States government as Account Debtor).

(c) To Agent, at the time of delivery of each of the monthly Financial Statements delivered pursuant to Annex E:

(i) a reconciliation of the most recent Borrowing Base, general ledger and month-end Inventory reports of Borrower to Borrower's general ledger and monthly Financial Statements delivered pursuant to such Annex E, in each case accompanied by such supporting detail and documentation as shall be requested by Agent in its reasonable discretion;

(ii) a reconciliation of the perpetual inventory by location to Borrower's most recent Borrowing Base Certificate, general ledger and monthly Financial Statements delivered pursuant to Annex E, in each case accompanied by such supporting detail and documentation as shall be requested by Agent in its reasonable discretion;

(iii) an aging of accounts payable and a reconciliation of that accounts payable aging to Borrower's general ledger and monthly Financial Statements delivered pursuant to Annex E, in each case accompanied by such supporting detail and documentation as shall be requested by Agent in its reasonable discretion;

(iv) a reconciliation of the outstanding Loans as set forth in the monthly Loan Account statement provided by Agent to Borrower's general ledger and monthly Financial Statements delivered pursuant to Annex E, in each case accompanied by such supporting detail and documentation as shall be requested by Agent in its reasonable discretion;

(d) To Agent, at the time of delivery of each of the quarterly or annual Financial Statements delivered pursuant to Annex E, (i) a listing of government contracts of Borrower subject to the Federal Assignment of Claims Act of 1940; and (ii) a list of any applications for the registration of any Patent, Trademark or Copyright filed by any Credit Party with the United States Patent and Trademark Office, the United States Copyright Office or any similar office or agency in the prior Fiscal Quarter;

(e) Borrower, at its own expense, shall deliver to Agent and Lenders the results of each physical verification, if any, that Borrower or any of its Subsidiaries may in their discretion have made, or caused any other Person to have made on their behalf, of all or any portion of their Inventory (and, if a Default or an Event of Default has occurred and be continuing, Borrower shall, upon the request of Agent, conduct, and deliver the results of, such physical verifications as Agent may require);

(f) Borrower, at its own expense, shall deliver to Agent and Lenders such appraisals of its assets as Agent may request at any time after the occurrence and during the continuance of a Default or an Event of Default, such appraisals to be conducted by an appraiser, and in form and substance reasonably satisfactory to Agent;

(g) Not later than the tenth Business Day of (i) each Fiscal Quarter or (ii) if an Activation Trigger Event has occurred and remains in effect, each Fiscal Month (or more frequently as reasonably requested by the Agent), a schedule of all Hedging Agreements, including notional amounts and a statement setting forth in reasonable detail the amount of the amount of the Hedging Termination Value Borrower and/or Secured Guarantors owe counterparties to Specified Hedging Agreements based on a mark-to-market analysis and with due regard to recent market volatility as of the last Business Day of the previous Fiscal Quarter or Fiscal Month, as applicable (or if not available, the nearest prior Business Day for which such evaluation is available); and

(h) Such other reports, statements and reconciliations with respect to the Borrowing Base or Collateral or Obligations of any or all Credit Parties as Agent shall from time to time request in its reasonable discretion, including additions and reductions of Accounts on an intra-month basis; and

(i) Borrower shall cause to be delivered to Agent all financial, compliance, collateral and other reports and notices required to be furnished to any lender under the Schaublin Financing as and when such items are delivered to such lender(s).

ANNEX G (Section 6.10)
to
CREDIT AGREEMENT

FINANCIAL COVENANTS

Borrower shall not breach or fail to comply with, and shall not permit Holdings to breach or fail to comply with, any of the following financial covenant, each of which shall be calculated in accordance with GAAP consistently applied:

(a) Fixed Charge Coverage Ratio. Holdings, Borrower and its Subsidiaries on a consolidated basis shall have at the end of each Fiscal Quarter set forth below, a Fixed Charge Coverage Ratio for the 12-month period then ended of not less than the following:

1.15 to 1.00	for the Fiscal Quarter ending	September 30, 2004;
1.15 to 1.00	for the Fiscal Quarter ending	December 31, 2004;
1.20 to 1.00 for each Fiscal Quarter ending thereafter.		

(b) Senior Leverage Ratio. Holdings, Borrower and its Subsidiaries on a consolidated basis shall have, at the end of each Fiscal Quarter set forth below, a Senior Leverage Ratio as of the last day of such Fiscal Quarter and for the 12-month period then ended of not more than the following:

3.80 to 1.00	for the Fiscal Quarter ending	September 30, 2004;
3.80 to 1.00	for the Fiscal Quarter ending	December 31, 2004;
3.60 to 1.00	for the Fiscal Quarter ending	March 31, 2005;
3.60 to 1.00	for the Fiscal Quarter ending	June 30, 2005;
3.55 to 1.00	for the Fiscal Quarter ending	September 30, 2005;
3.45 to 1.00	for the Fiscal Quarter ending	December 31, 2005;
3.20 to 1.00	for the Fiscal Quarter ending	March 31, 2006;
3.10 to 1.00	for the Fiscal Quarter ending	June 30, 2006;
3.10 to 1.00	for the Fiscal Quarter ending	September 30, 2006;
3.05 to 1.00	for the Fiscal Quarter ending	December 31, 2006;
3.05 to 1.00	for the Fiscal Quarter ending	March 31, 2007;
3.00 to 1.00	for the Fiscal Quarter ending	June 30, 2007;
2.90 to 1.00	for the Fiscal Quarter ending	September 30, 2007;
2.85 to 1.00	for the Fiscal Quarter ending	December 31, 2007;
2.80 to 1.00	for the Fiscal Quarter ending	March 31, 2008;
2.75 to 1.00 for each Fiscal Quarter ending thereafter.		

(c) SCIL Leverage Ratio. Holdings, Borrower and its Subsidiaries on a consolidated basis shall have, at the end of each Fiscal Quarter set forth below, a SCIL Leverage

Ratio as of the last day of such Fiscal Quarter and for the 12-month period then ended of not more than the following:

5.05 to 1.00	for the Fiscal Quarter ending	September 30, 2004;
5.05 to 1.00	for the Fiscal Quarter ending	December 31, 2004;
4.80 to 1.00	for the Fiscal Quarter ending	March 31, 2005;
4.80 to 1.00	for the Fiscal Quarter ending	June 30, 2005;
4.75 to 1.00	for the Fiscal Quarter ending	September 30, 2005;
4.60 to 1.00	for the Fiscal Quarter ending	December 31, 2005;
4.30 to 1.00	for the Fiscal Quarter ending	March 31, 2006;
4.20 to 1.00	for the Fiscal Quarter ending	June 30, 2006;
4.15 to 1.00	for the Fiscal Quarter ending	September 30, 2006;
4.10 to 1.00	for the Fiscal Quarter ending	December 31, 2006;
4.10 to 1.00	for the Fiscal Quarter ending	March 31, 2007;
4.05 to 1.00	for the Fiscal Quarter ending	June 30, 2007;
3.95 to 1.00	for the Fiscal Quarter ending	September 30, 2007;
3.85 to 1.00	for the Fiscal Quarter ending	December 31, 2007;
3.80 to 1.00	for the Fiscal Quarter ending	March 31, 2008;
3.75 to 1.00 for each Fiscal Quarter ending thereafter.		

provided, that solely for the purposes of paragraphs (b) and (c) of this Annex G, any net proceeds received from issuance of Stock to Michael J. Hartnett, Whitney & Co. or any Related Stockholder Party or contribution by Michael J. Hartnett, Whitney & Co. or any Related Stockholder Party to capital that are used to repay the Term Loan subsequent to the end of any Fiscal Quarter, but prior to the date on which the Compliance Certificate is required to be delivered pursuant to subsection Annex E with respect to such Fiscal Quarter, the Term Loan shall be deemed to have been repaid as of the last day of the relevant period for the purpose of calculating SCIL Leverage Ratio or Senior Leverage Ratio related thereto and if, after giving effect thereto Holdings, Borrower and its Subsidiaries shall be in compliance with paragraphs (b) and (c) of this Annex G, Holdings, Borrower and its Subsidiaries shall be deemed to have satisfied the requirements hereof as of the relevant date of determination with the same effect as through no failure to comply herewith at such date had occurred, and the applicable breach or default hereof which had occurred shall be deemed cured for all purposes of the Agreement; *provided, however,* that notwithstanding anything herein to the contrary, in no event shall (i) Holdings, Borrower or any of its Subsidiaries be entitled to avail itself of the preceding proviso more than once during the term of the Agreement and (ii) the aggregate amount of the net proceeds received from Stock issuances to the Permitted Stockholders and contribution by the Permitted Stockholders to capital that are used to repay the Term Loan described in the preceding proviso exceed $3,000,000.

(d) Maximum Capital Expenditures. Borrower and its Subsidiaries on a consolidated basis shall not make Capital Expenditures during any Fiscal Year that exceed $10,000,000 in the aggregate.

Unless otherwise specifically provided herein, any accounting term used in the Agreement shall have the meaning customarily given such term in accordance with GAAP, and all financial computations hereunder shall be computed in accordance with GAAP consistently

applied. That certain items or computations are explicitly modified by the phrase "in accordance with GAAP" shall in no way be construed to limit the foregoing. If any "Accounting Changes" (as defined below) occur and such changes result in a change in the calculation of the financial covenants, standards or terms used in the Agreement or any other Loan Document, then Borrower, Agent and Lenders agree to enter into negotiations in order to amend such provisions of the Agreement so as to equitably reflect such Accounting Changes with the desired result that the criteria for evaluating the financial condition of Holdings, Borrower and its Subsidiaries shall be the same after such Accounting Changes as if such Accounting Changes had not been made; *provided*, *however*, that the agreement of Requisite Lenders to any required amendments of such provisions shall be sufficient to bind all Lenders. If Agent, Borrower and Requisite Lenders agree upon the required amendments, then after appropriate amendments have been executed and the underlying Accounting Change with respect thereto has been implemented, any reference to GAAP contained in the Agreement or in any other Loan Document shall, only to the extent of such Accounting Change, refer to GAAP, consistently applied after giving effect to the implementation of such Accounting Change. Until such time as Agent, Borrower and Requisite Lenders agree upon such amendments, all calculations of financial covenants and other standards and terms in accordance with the Agreement and the other Loan Documents shall be made without regard to the underlying Accounting Change, but all Financial Statements delivered pursuant to this Agreement shall be prepared and delivered in accordance with GAAP, consistently applied after giving effect to such Accounting Changes. For purposes of Section 8.1, a breach of a Financial Covenant contained in this Annex G shall be deemed to have occurred as of any date of determination by Agent or as of the last day of any specified measurement period, regardless of when the Financial Statements reflecting such breach are delivered to Agent. "Accounting Changes" means (i) changes in accounting principles required by the promulgation of any rule, regulation, pronouncement or opinion by the Financial Accounting Standards Board of the American Institute of Certified Public Accountants (or successor thereto or any agency with similar functions), (ii) changes in accounting principles concurred in by Borrower's certified public accountants; (iii) purchase accounting adjustments under A.P.B. 16 or 17 and EITF 88-16, and the application of the accounting principles set forth in FASB 109, including the establishment of reserves pursuant thereto and any subsequent reversal (in whole or in part) of such reserves; and (iv) the reversal of any reserves established as a result of purchase accounting adjustments. All such adjustments resulting from expenditures made subsequent to the Original Closing Date (including capitalization of costs and expenses or payment of pre-Original Closing Date liabilities) shall be treated as expenses in the period the expenditures are made and deducted as part of the calculation of EBITDA in such period.

ANNEX H (Section 9.9(a))
to
CREDIT AGREEMENT

LENDERS' WIRE TRANSFER INFORMATION

Agent

Name:	General Electric Capital Corporation
Bank:	DeutscheBank Trust Company Americas New York, New York
ABA #:	021001033
Account #:	50232854
Account Name:	GECC/CAF Depository
Reference:	CFN 4731

LaSalle

Name:	LaSalle Bank National Association
Bank:	LaSalle Bank National Association Chicago, Illinois
ABA #:	071000505
Account #:	1378018-7300
Account Name:	LaSalle Bank National Association
Reference:	Roller Bearing Co of America

Oppenheimer

Name:	Oppenheimer Senior Floating Rate Fund
Bank:	DeutscheBank Trust Company Americas New York, New York
ABA #:	021-001-033
Account #:	01-419-663
Reference:	Opp. SFRF 33982

Amalgamated

Name:	Amalgamated Bank
Bank:	Amalgamated Bank New York, New York
ABA #:	026003379
Account #:	133426227
Account Name:	Roller Bearing Company of America, Inc.
Reference:	f/b/o "Roller Bearing"

Wachovia

Name:	Wachovia Bank National Association
Bank:	Wachovia Bank National Association Charlotte, North Carolina

ABA #: 053000219

Account #: 04659360006116
Account Name: First Union/Charlotte
Reference: Credit Derivatives - CIB Group

ANNEX I (Section 11.10)
to
CREDIT AGREEMENT

NOTICE ADDRESSES

(A) If to Agent or GE Capital, at

General Electric Capital Corporation
100 California Street, 10th Floor
San Francisco, California 94111
Attention: Daniel Shapiro and Neel Morey
Telecopier No.: (415) 277-7443
Telephone No.: (415) 277-7400

with copies to:

General Electric Capital Corporation
500 W. Monroe Street, 16th Floor
Chicago, Illinois 60661
Attention: Andrew Packer
Telecopier No.: (312) 441-6876
Telephone No.: (312) 441-7244

and

Latham & Watkins
233 S. Wacker Drive, Suite 5800
Chicago, Illinois 60606
Attention: David G. Crumbaugh
Telecopier No.: (312) 993-9767
Telephone No.: (312) 876-7700

and

General Electric Capital Corporation
201 Merritt 7
6th Floor
Norwalk, CT 06856-5201
Attention: Corporate Counsel-Commercial Finance – GE Global Sponsor Finance
Telecopier No.: (203) 956-4216
Telephone No.: (203) 956-4000

(B) If to Borrower, at

Roller Bearing Company of America, Inc.
60 Round Hill Road
P. O. Box 430
Fairfield, Connecticut 06430-0430
Attention: Chief Financial Officer
Telecopier No.: (203) 256-0775
Telephone No.: (203) 255-1511

With copies to:

Kirkland & Ellis LLP
153 East 53rd Street
New York, NY 10022

Attention: Frederick Tanne and Armand A. Della Monica
Telecopier No.: (212) 446-4900
Telephone No.: (212) 446-4800

(C) If to Lenders, at

LaSalle Bank National Association
135 S. LaSalle Street
Chicago, Illinois 60603
Attention: Sean P. Silver
Telecopier No.: (312) 904-9046
Telephone No.: (312) 904-9026

and

Oppenheimer Funds, Inc.
6803 S. Tucson Way
Englewood, Colorado 80112
Attention: Bill Campbell
Telecopier No.: (303) 768-4383
Telephone No.: (303) 768-2806

and

Amalgamated Bank
15 Union Square
New York, New York 10003-3378
Attention: J Bruce Meredith
Telecopier No.: (212) 462-3713
Telephone No.: (212) 462-3756

and

Wachovia Bank National Association
201 South College Street
Charlotte, North Carolina 28288
Attention: Ken Gacevich
Telecopier No.: (704) 715-0067
Telephone No.: (704) 715-7083

ANNEX J (from Annex A - Commitments definition)
to
CREDIT AGREEMENT

PRO RATA SHARE

Commitments	Lender(s)	Pro Rata Share
Revolving Loan Commitment (including a Swing Line Commitment of $5,000,000): $37,500,000	General Electric Capital Corporation	68.1818% (Revolving Loan Pro Rata Share)
Term Loan Commitment: $90,000,000	General Electric Capital Corporation	81.8182% (Term Loan Pro Rata Share)
Revolving Loan Commitment: $12,500,000	LaSalle Bank National Association	22.7273% (Revolving Loan Pro Rata Share)
Term Loan Commitment: $10,000,000	Oppenheimer Senior Floating Rate Fund	9.0909% (Term Loan Pro Rata Share)
Revolving Loan Commitment: $5,000,000	Amalgamated Bank	9.0909% (Revolving Loan Pro Rata Share)
Term Loan Commitment: $5,000,000	Amalgamated Bank	4.5455% (Term Loan Pro Rata Share)
Term Loan Commitment:	Wachovia Bank National Association	4.5455% (Term Loan Pro Rata Share)

$5,000,000

EXHIBIT ECF to

CREDIT AGREEMENT

Roller Bearing Company of America

Excess Cash Flow Recapture Calculation for Fiscal Year December 31, 200

		FY200
	Consolidated Net Income(1)	
(a)	Plus:	
	Depreciation(2)	
	Amortization(2)	
	Interest Expense(2)	
	the amount of any reduction to the consolidated net income of Holdings as the result of the Restricted Payment described and permitted pursuant to Section 6.14(a)(E){Whitney & Co. Management Fees} or Section 6.14(b)(v){Holdco Operating Expenses}	
	Subtotal	
(b)	Change in Working Capital(3)	
(c)	Less: Cash Capital Expenditures	
(d)	Less:	
	Interest Expense(4)	
	Scheduled Principal Payments(5)	

	Plus:					
(e)	Extraordinary Loss (or minus Extraordinary Gain)(6)	—				
	Cost of Related Transactions(7)	—				
(f)	Plus: (non-cash taxes deducted from Consolidated Net Income)	—	—	—	—	—
	Excess Cash Flow					
	Required Prepayment (%)					
	Required Prepayment ($)					

(1) This Excess Cash Flow calculation shall pertain to the consolidated net income of Holdings and its Subsidiaries for the Fiscal Year ending as of the date set forth above. All financial terms used in this Exhibit shall be deemed to relate to Holdings and its Subsidiaries on a consolidated basis for the Fiscal Year ended as of the date set forth above.

(2) Exclude portion of depreciation, amortization and/or Interest Expense not included in consolidated net income.

(3) Plus decreases or minus increases in Working Capital.

(4) Include paid and accrued interest. If included in Interest Expense, exclude any original issue discount, interest paid in kind and amortized debt discount.

(5) Principal payments include both those paid and payable on Funded Debt (except in the case of the Revolving Loan, principal payments that are not accompanied by a permanent reduction in the Revolving Loan Commitments).

(6) Cash items not included in consolidated net income and/or non-cash items included in consolidated net income.

(7) Cost of fees incurred in connection with the Related Transaction to the extent not included in consolidated net income.

EXHIBIT PA to

CREDIT AGREEMENT

In Dollars	Fiscal Year 2004 Q1	Q2	Q3	Q4	Total
Bremen					
Plant Relocation/Mfg. process redesign	186,000	213,000	210,000	190,000	799,000
Tyson					
Manufacturing Process Re-design	253,000	221,000	201,000	187,000	862,000
Mexico					
Mexico stat-up transfer pricing	223,000	222,000	222,000	—	667,000
	622,000	656,000	633,000	377,000	2,328,000
API Pro Forma EBITDA	1,586,000	1,586,000	1,586,000	—	4,757,000

DISCLOSURE SCHEDULE 6.12
to
CREDIT AGREEMENT

SALE-LEASEBACK REAL ESTATE

(1) NICE Ball Bearings Facility
2060 Detwiler Road
Kulpsville, Montgomery County, PA

(2) Transport Dynamics
3131 W. Segerstrom Avenue
Santa Ana, CA 92704

(3) Roller Bearing Company of America
Corporate Headquarters
60 Round Hill Road
Fairfield, CT 06824

EXHIBIT 10.27

SECURITY AGREEMENT

SECURITY AGREEMENT, dated as of May 30, 2002, among ROLLER BEARING COMPANY OF AMERICA, INC., a Delaware corporation ("BORROWER"), the other Credit Parties signatory hereto (each "Guarantor" collectively "Guarantors", Borrower and each Guarantor are sometimes collectively referred to herein as "Grantors" and individually as a "Grantor"), and GENERAL ELECTRIC CAPITAL CORPORATION, a Delaware corporation, individually and in its capacity as Agent for Lenders.

W I T N E S S E T H:

WHEREAS, pursuant to that certain Credit Agreement dated as of the date hereof by and among Grantors, Agent and Lenders (including all annexes, exhibits and schedules thereto, and as from time to time amended, restated, supplemented or otherwise modified, the "CREDIT AGREEMENT"), Lenders have agreed to make the Loans and to incur Letter of Credit Obligations on behalf of Borrower;

WHEREAS, the Guarantors have guaranteed the Obligations of Borrower under the Credit Agreement and will benefit directly from the Loans and financial accommodations provided thereunder; and

WHEREAS, in order to induce Agent and Lenders to enter into the Credit Agreement and other Loan Documents and to induce Lenders to make the Loans and to incur Letter of Credit Obligations as provided for in the Credit Agreement, Grantors have agreed to grant a continuing Lien on the Collateral (as hereinafter defined) to secure the Obligations;

NOW, THEREFORE, in consideration of the premises and mutual covenants herein contained and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. DEFINED TERMS.

a. All capitalized terms used but not otherwise defined herein have the meanings given to them in the Credit Agreement or in ANNEX A thereto. All other terms contained in this Security Agreement, unless the context indicates otherwise, have the meanings provided for by the Code to the extent the same are used or defined therein.

b. "Uniform Commercial Code jurisdiction" means any jurisdiction that has adopted all or substantially all of Article 9 as contained in the 2000 Official Text of the Uniform Commercial Code, as recommended by the National Conference of Commissioners on Uniform State Laws and the American Law Institute, together with any subsequent amendments or modifications to the Official Text.

2. GRANT OF LIEN.

a. To secure the prompt and complete payment, performance and observance of all of the Obligations, each Grantor hereby grants, assigns, conveys, mortgages, pledges, hypothecates and transfers to Agent, for itself and the benefit of Lenders, a Lien upon all of its

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right, title and interest in, to and under all personal property and other assets, whether now owned by or owing to, or hereafter acquired by or arising in favor of such Grantor (including under any trade names, styles or derivations thereof), and whether owned or consigned by or to, or leased from or to, such Grantor, and regardless of where located (all of which being hereinafter collectively referred to as the "Collateral"), including:

(i) all Accounts;

(ii) all Chattel Paper;

(iii) all Documents;

(iv) all General Intangibles (including payment intangibles and Software);

(v) all Goods (including Inventory, Equipment and Fixtures);

(vi) all Instruments;

(vii) all Investment Property;

(viii) all Deposit Accounts, of any Grantor, including all Blocked Accounts, Concentration Accounts, Disbursement Accounts, and all other bank accounts and all deposits therein;

(ix) all money, cash or cash equivalents of any Grantor;

(x) all Supporting Obligations and Letter-of-Credit Rights of any Grantor; and

(xi) to the extent not otherwise included, all Proceeds, tort claims, insurance claims and other rights to payments not otherwise included in the foregoing and products of the foregoing and all accessions to, substitutions and replacements for, and rents and profits of, each of the foregoing.

b. In addition, to secure the prompt and complete payment, performance and observance of the Obligations and in order to induce Agent and Lenders as aforesaid, each Grantor hereby grants to Agent, for itself and the benefit of Lenders, a right of setoff against the property of such Grantor held by Agent or any Lender, consisting of property described above in SECTION 2(a) now or hereafter in the possession or custody of or in transit to Agent or any

Lender, for any purpose, including safe keeping, collection or pledge, for the account of such Grantor, or as to which such Grantor may have any right or power.

3. AGENT'S AND LENDERS' RIGHTS: LIMITATIONS ON AGENT'S AND LENDERS' OBLIGATIONS.

a. It is expressly agreed by Grantors that, anything herein to the contrary notwithstanding, each Grantor shall remain liable under each of its Contracts and each of its

Licenses to observe and perform all the conditions and obligations to be observed and performed by it thereunder. Neither Agent nor any Lender shall have any obligation or liability under any Contract or License by reason of or arising out of this Security Agreement or the granting herein of a Lien thereon or the receipt by Agent or any Lender of any payment relating to any Contract or License pursuant hereto. Neither Agent nor any Lender shall be required or obligated in any manner to perform or fulfill any of the obligations of any Grantor under or pursuant to any Contract or License, or to make any payment, or to make any inquiry as to the nature or the sufficiency of any payment received by it or the sufficiency of any performance by any party under any Contract or License, or to present or file any claims, or to take any action to collect or enforce any performance or the payment of any amounts which may have been assigned to it or to which it may be entitled at any time or times.

b. Agent may at any time after an Event of Default has occurred and is continuing without prior notice to any Grantor, notify Account Debtors and other Persons obligated on the Collateral that Agent has a security interest therein, and that payments shall be made directly to Agent. Furthermore, if Agent determines that Account Debtors' contra-accounts or set-off rights may cause an Event of Default or Borrowing Availability to be less than zero, Agent may notify Account Debtors that Agent has a security interest therein, and that payments shall be made directly to Agent. In such circumstances and upon the request of Agent, each Grantor shall so notify Account Debtors and other Persons obligated on Collateral. Once any such notice has been given to any Account Debtor or other Person obligated on the Collateral, the affected Grantor shall not give any contrary instructions to such Account Debtor or other Person without Agent's prior written consent.

c. Agent may at any time in Agent's own name, in the name of a nominee of Agent or in the name of any Grantor communicate (by mail, telephone, facsimile or otherwise) with Account Debtors, parties to Contracts and obligors in respect of Instruments to verify with such Persons, to Agent's satisfaction, the existence, amount terms of, and any other matter relating to, Accounts, Instruments, Chattel Paper and/or payment intangibles. If an Event of Default shall have occurred and be continuing, each Grantor, at its own expense, shall cause the independent certified public accountants then engaged by such Grantor to prepare and deliver to Agent and each Lender at any time and from time to time promptly upon Agent's reasonable request the following reports with respect to each Grantor: (i) a reconciliation of all Accounts; (ii) an aging of all Accounts; (iii) trial balances; and (iv) a test verification of such Accounts as Agent may reasonably request. Each Grantor, at its own expense, shall deliver to Agent the results of each physical verification, if any, which such Grantor may in its discretion have made, or caused any other Person to have made on its behalf, of all or any portion of its Inventory.

4. REPRESENTATIONS AND WARRANTIES. Each Grantor represents and warrants that:

a. Each Grantor has rights in and the power to transfer each item of the Collateral upon which it purports to grant a Lien hereunder free and clear of any and all Liens other than Permitted Encumbrances.

b. No effective security agreement, financing statement, equivalent security or Lien instrument or continuation statement covering all or any part of the Collateral is on file or of record in any public office, except such as may have been filed (i) by any Grantor in favor

of Agent pursuant to this Security Agreement or the other Loan Documents, and (ii) in connection with any other Permitted Encumbrances.

c. This Security Agreement is effective to create a valid and continuing Lien on and, upon the filing of the appropriate financing statements listed on SCHEDULE I hereto, a perfected Lien in favor of Agent, for itself and the benefit of Lenders, on the Collateral with respect to which a Lien may be perfected by filing pursuant to the Code. Such Lien is prior to all other Liens, except Permitted Encumbrances, and is enforceable as such as against any and all creditors of Grantor (other than beneficiaries of the Permitted Encumbrances).

d. SCHEDULE II-A hereto lists all Instruments, Letter of Credit Rights and Chattel Paper of each Grantor. All action by any Grantor necessary or desirable to protect and perfect the Lien of Agent on each item set forth on SCHEDULE II-B (including the delivery of all originals thereof to Agent and the legending of all Chattel Paper as required by SECTION 5(b) hereof) has been duly taken. The Lien of Agent, for the benefit of Agent and Lenders, on the Collateral listed on SCHEDULE II-B hereto is prior to all other Liens, except Permitted Encumbrances, and is enforceable as such against any and all creditors of Grantor (other than beneficiaries of the Permitted Encumbrances)..

e. Each Grantor's name as it appears in official filings in the state of its incorporation or other organization, the type of entity of each Grantor (including corporation, partnership, limited partnership or limited liability company), organizational identification number issued by each Grantor's state of incorporation or organization or a statement that no such number has been issued, each Grantor's state of organization or incorporation, the location of each Grantor's chief executive office, principal place of business, offices, all warehouses and premises where Collateral is stored or located, and the locations of its books and records concerning the Collateral are set forth on SCHEDULE III-A, SCHEDULE III-B, SCHEDULE III-C, SCHEDULE III-D, SCHEDULE III-E, SCHEDULE III-F, SCHEDULE III-G, or SCHEDULE III-H, respectively, hereto. Each Grantor has only one state of incorporation or organization.

f. With respect to the Accounts, except as specifically disclosed (x) in the most recent Collateral Report delivered to Agent, or (y) in writing to Agent, (i) they represent bona fide sales of Inventory or rendering of services to Account Debtors in the ordinary course of each Grantor's business and are not evidenced by a judgment, Instrument or Chattel Paper; (ii) there are no setoffs, claims or disputes existing or asserted with respect thereto and no Grantor has made any agreement with any Account Debtor for any extension of time for the payment thereof, any compromise or settlement for less than the full amount thereof, any release of any Account Debtor from liability therefor, or any deduction therefrom except a discount or allowance allowed by such Grantor in the ordinary course of its business for prompt payment and disclosed to Agent; (iii) to each Grantor's knowledge, there are no facts, events or occurrences which in any way impair the validity or enforceability thereof or could reasonably be expected to reduce the amount payable thereunder as shown

on any Grantor's books and records and any invoices, statements and Collateral Reports delivered to Agent and Lenders with respect thereto; (iv) no Grantor has received any notice of proceedings or actions which are threatened or pending against any Account Debtor which might result in any adverse change in such Account Debtor's financial condition; and (v) no Grantor has knowledge that any Account Debtor is unable generally to pay its debts as they become due. Further with respect to the

Accounts (x) the amounts shown on all invoices, statements and Collateral Reports which may be delivered to the Agent with respect thereto are actually and absolutely owing to such Grantor as indicated thereon and are not in any way contingent; (y) no payments have been or shall be made thereon except payments immediately delivered to the applicable Blocked Accounts or the Agent as required pursuant to the terms of ANNEX C to the Credit Agreement; and (z) to each Grantor's knowledge, all Account Debtors have the capacity to contract.

g. With respect to any Inventory scheduled or listed on the most recent Collateral Report delivered to Agent, (i) such Inventory is located at one of the applicable Grantor's locations set forth on SCHEDULE III-A, SCHEDULE III-B, SCHEDULE III-C, SCHEDULE III-D, SCHEDULE III-E, SCHEDULE III-F, SCHEDULE III-G, or SCHEDULE III-H hereto, as applicable, (ii) no such Inventory is now, or shall at any time or times hereafter be stored at any other location without except (A) locations added in connection with a Permitted Acquisition, or (B) otherwise with Agent's prior consent, and if Agent gives such consent, each applicable Grantor will concurrently therewith obtain, to the extent required by the Credit Agreement, bailee, landlord and mortgagee agreements in form reasonably acceptable to Agent, (iii) the applicable Grantor has good, indefeasible and merchantable title to such Inventory and such Inventory is not subject to any Lien or security interest or document whatsoever except for the Lien granted to Agent, for the benefit of Agent and Lenders, and except for Permitted Encumbrances, (iv) except as specifically disclosed in the most recent Collateral Report delivered to Agent, such Inventory is Eligible Inventory of good and merchantable quality, free from any material defects, (v) such Inventory is not subject to any licensing, patent, royalty, trademark, trade name or copyright agreements with any third parties which would require any consent of any third party upon sale or disposition of that Inventory or the payment of any monies to any third party upon such sale or other disposition, and (vi) the completion of manufacture, sale or other disposition of such Inventory by Agent following an Event of Default shall not require the consent of any Person and shall not constitute a breach or default under any contract or agreement to which any Grantor is a party or to which such Inventory is subject.

h. No Grantor has any interest in, or title to, any Patent, Trademark or Copyright except as set forth in SCHEDULE IV-A, SCHEDULE IV-B, or SCHEDULE IV-C hereto. This Security Agreement is effective to create a valid and continuing Lien on and, upon timely filing of the Copyright Security Agreements with the United States Copyright Office and timely filing of the Patent Security Agreements and the Trademark Security Agreements with the United State Patent and Trademark Office, perfected Liens in favor of Agent on each Grantor' s Patents, Trademarks and Copyrights and such perfected Liens are enforceable as such as against any and all creditors of any Grantor.

5. COVENANTS. Each Grantor covenants and agrees with Agent, for the benefit of Agent and Lenders, that from and after the date of this Security Agreement and until the Termination Date:

a. FURTHER ASSURANCES: PLEDGE OF INSTRUMENTS; CHATTEL PAPER.

(i) At any time and from time to time, upon the written request of Agent and at the sole expense of Grantors, each Grantor shall promptly and duly execute and deliver any and all such further

instruments and documents and take such further actions as Agent may reasonably deem desirable to obtain the full benefits of this Security Agreement and of the rights and powers herein granted, including (A) using commercially reasonable efforts to secure all consents and approvals necessary or appropriate for the assignment to or for the benefit of Agent of any License or Contract held by such Grantor and to enforce the security interests granted hereunder; and (B) filing any financing or continuation statements under the Code with respect to the Liens granted hereunder or under any other Loan Document as to those jurisdictions that are not Uniform Commercial Code jurisdictions.

(ii) If requested by Agent, each Grantor shall deliver to Agent all Collateral consisting of negotiable Documents, certificated securities, Chattel Paper and Instruments (in each case, accompanied by stock powers, allonges or other instruments of transfer executed in blank) promptly after such Credit Party receives the same.

(iii) Each Grantor shall, in accordance with the terms of the Credit Agreement, obtain or use commercially reasonable efforts to obtain waivers or subordinations of Liens from landlords and mortgagees, and each Credit Party shall in all instances obtain signed acknowledgements of Agent's Liens from bailees having possession of any Grantor's Goods that they hold for the benefit of Agent.

(iv) Each Grantor that is or becomes the beneficiary of a letter of credit shall promptly, and in any event within two (2) Business Days after becoming a beneficiary, notify Agent thereof and enter into a tri-party agreement with Agent and the issuer and/or confirmation bank with respect to Letter-of-Credit Rights assigning such Letter-of-Credit Rights to Agent and directing all payments thereunder to the Collection Account, all in form and substance reasonably satisfactory to Agent.

(v) If requested by Agent, each Grantor shall take all steps necessary to grant the Agent control of all electronic chattel paper in accordance with the Code and all "transferable records" as defined in each of the Uniform Electronic Transactions Act and the Electronic Signatures in Global and National Commerce Act.

(vi) Each Grantor hereby irrevocably authorizes the Agent at any time and from time to time to file in any filing office in any Uniform Commercial Code jurisdiction any initial financing statements and amendments thereto that (a) indicate the Collateral (i) as all assets of such Grantor or words of similar effect, regardless of whether

any particular asset comprised in the Collateral falls within the scope of Article 9 of the Code or such jurisdiction, or (ii) as being of an equal or lesser scope or with greater detail, and (b) contain any other information required by part 5 of Article 9 of the Code for the sufficiency or filing office acceptance of any financing statement or amendment, including (i) whether such Grantor is an organization, the type of organization and any organization identification number issued to such Grantor, and (ii) in the case of a financing statement filed as a fixture filing or indicating Collateral as as-extracted collateral or timber to be cut, a sufficient description of real property to which the Collateral relates. Each Grantor agrees to furnish any such information to the Agent promptly upon request. Each Grantor also ratifies its authorization for the Agent to have filed in any Uniform Commercial Code jurisdiction any initial financing statements or amendments thereto if filed prior to the date hereof.

b. MAINTENANCE OF RECORDS. Grantors shall keep and maintain, at their own cost and expense, satisfactory and complete records of the Collateral, including a record of any and all payments received and any and all credits granted with respect to the Collateral and all other dealings with the Collateral. Grantors shall mark their books and records pertaining to the Collateral to evidence this Security Agreement and the Liens granted hereby. If any Grantor retains possession of any Chattel Paper or Instruments with Agent's consent, such Chattel Paper and Instruments shall be marked with the following legend: "This writing and the obligations evidenced or secured hereby are subject to the security interest of General Electric Capital Corporation, as Agent, for the benefit of Agent and certain Lenders."

c. COVENANTS REGARDING PATENT, TRADEMARK AND COPYRIGHT COLLATERAL.

(i) Grantors shall notify Agent immediately if they know or have reason to know that any application or registration relating to any Patent, Trademark or Copyright (now or hereafter existing) that is material to the conduct of its business may become abandoned or dedicated, or of any adverse determination or development (including the institution of, or any such determination or development in, any proceeding in the United States Patent and Trademark Office, the United States Copyright Office or any court) regarding any Grantor's ownership of any Patent, Trademark or Copyright that is material to the conduct of its business, its right to register the same, or to keep and maintain the same.

(ii) In no event shall any Grantor, either itself or through any agent, employee, licensee or designee, file an application for the registration of any Patent, Trademark or Copyright with the United States Patent and Trademark Office, the United States Copyright Office or any similar office or agency without giving Agent prior

written notice thereof, and, upon request of Agent, Grantor shall execute and deliver any and all Patent Security Agreements, Copyright Security Agreements or Trademark Security Agreements as Agent may request to evidence Agent's Lien on such Patent, Trademark or Copyright, and the General Intangibles of such Grantor relating thereto or represented thereby.

(iii) Grantors shall take all actions necessary or requested by Agent to maintain and pursue each application, to obtain the relevant registration and to maintain the registration of each of the Patents, Trademarks and Copyrights (now or hereafter existing), including the filing of applications for renewal, affidavits of use, affidavits of non-contestability and opposition and interference and cancellation proceedings, unless the applicable Grantor shall determine that such Patent, Trademark or Copyright is not material to the conduct of its business.

(iv) In the event that a Grantor becomes aware of any of the Patent, Trademark or Copyright Collateral is infringed upon, or misappropriated or diluted by a third party, such Grantor shall notify Agent of the same and, unless such Patent, Trademark or Copyright Collateral is not material to the conduct of its business or as otherwise consented by Agent, shall enter into a supplement to this Security Agreement granting to Agent a Lien on a commercial tort claim (as defined in the Code) related thereto. Such Grantor shall, unless such Grantor shall reasonably determine that such Patent, Trademark or Copyright Collateral is not material to the conduct of its business, promptly sue for infringement, misappropriation or dilution and to recover any and all damages for such infringement, misappropriation or dilution, and shall take such other actions as Agent shall deem appropriate under the circumstances to protect such Patent, Trademark or Copyright Collateral.

d. INDEMNIFICATION. In any suit, proceeding or action brought by Agent or any Lender relating to any Collateral for any sum owing with respect thereto or to enforce any rights or claims with respect thereto, each Grantor will save, indemnify and keep Agent and Lenders harmless from and against all expense (including reasonable attorneys' fees and expenses), loss or damage suffered by reason of any defense, setoff, counterclaim, recoupment or reduction of liability whatsoever of the Account Debtor or other Person obligated on the Collateral, arising out of a breach by any Grantor of any obligation thereunder or arising out of any other agreement, indebtedness or liability at any time owing to, or in favor of, such obligor or its successors from such Grantor, except in the case of Agent or any Lender, to the extent such expense, loss, or damage is attributable solely to the gross negligence or willful misconduct of Agent or such Lender as finally determined by a court of competent jurisdiction. All such obligations of Grantors shall be and remain enforceable against and only against Grantors and shall not be enforceable against Agent or any Lender.

e. LIMITATION ON LIENS ON COLLATERAL. No Grantor will create, permit or suffer to exist, and each Grantor will defend the Collateral against, and take such other action as is necessary to remove, any Lien on the Collateral except Permitted Encumbrances, and will defend the right, title and interest of Agent and Lenders in and to any of such Grantor's rights under the Collateral against the claims and demands of all Persons whomsoever (other than the beneficiaries of the Permitted Encumbrances.

f. NOTICES. Each Grantor will advise Agent promptly, in reasonable detail, of any Lien (other than Permitted Encumbrances) or claim made or asserted against any of the Collateral of which such Grantor is aware.

g. GOOD STANDING CERTIFICATES. If requested by Agent, but not more frequently than once during each calendar quarter, each Grantor shall provide to Agent a certificate of good standing from its state of incorporation or organization.

h. NO REINCORPORATION. Without limiting the prohibitions on mergers involving the Grantors contained in the Credit Agreement, no Grantor shall reincorporate or reorganize itself under the laws of any jurisdiction other than the jurisdiction in which it is incorporated or organized as of the date hereof without the prior written consent of Agent.

i. TERMINATIONS; AMENDMENTS NOT AUTHORIZED. Each Grantor acknowledges that it is not authorized to file any financing statement or amendment or termination statement with respect to any financing statement evidencing a Lien granted hereunder without the prior written consent of Agent and agrees that it will not do so without the prior written consent of Agent, subject to such Grantor's rights under Section 9-509(d)(2) of the Code.

j. AUTHORIZED TERMINATIONS. Agent will promptly deliver to each Grantor for filing or authorize each Grantor to prepare and file termination statements and releases in accordance with SECTION 11.2(e) of the Credit Agreement.

6. AGENT'S APPOINTMENT AS ATTORNEY-IN-FACT.

On the Closing Date each Grantor shall execute and deliver to Agent a power of attorney (the "POWER OF ATTORNEY") substantially in the form attached hereto as Exhibit A. The power of attorney granted pursuant to the Power of Attorney is a power coupled with an interest and shall be irrevocable until the Termination Date. The powers conferred on Agent, for the benefit of Agent and Lenders, under the Power of Attorney are solely to protect Agent's interests (for the benefit of Agent and Lenders) in the Collateral and shall not impose any duty upon Agent or any Lender to exercise any such powers. Agent agrees that (a) except for the powers granted in clause (h) of the Power of Attorney, it shall not exercise any power or authority granted under the Power of Attorney unless an Event of Default has occurred and is continuing, and (b) Agent shall account for any moneys received by Agent in respect of any foreclosure on or disposition of Collateral pursuant to the Power of Attorney provided that none of Agent or any Lender shall have any duty as to any Collateral, and Agent and Lenders shall be accountable only for amounts that they actually receive as a result of the exercise of such powers. NONE OF AGENT, LENDERS OR THEIR RESPECTIVE AFFILIATES, OFFICERS, DIRECTORS, EMPLOYEES, AGENTS OR REPRESENTATIVES SHALL BE RESPONSIBLE TO ANY

GRANTOR FOR ANY ACT OR FAILURE TO ACT UNDER ANY POWER OF ATTORNEY OR OTHERWISE, EXCEPT IN RESPECT OF DAMAGES ATTRIBUTABLE SOLELY TO THEIR OWN GROSS NEGLIGENCE OR WILLFUL MISCONDUCT AS FINALLY DETERMINED BY A COURT OF COMPETENT JURISDICTION, NOR FOR ANY PUNITIVE, EXEMPLARY, INDIRECT OR CONSEQUENTIAL DAMAGES.

7. REMEDIES: RIGHTS UPON DEFAULT.

a. In addition to all other rights and remedies granted to it under this Security Agreement, the Credit Agreement, the other Loan Documents and under any other instrument or agreement securing, evidencing or relating to any of the Obligations, if any Event of Default shall have occurred and be continuing, Agent may exercise all rights and remedies of a secured party under the Code. Without limiting the generality of the foregoing, each Grantor expressly agrees that in any such event Agent, without demand of performance or other demand, advertisement or notice of any kind (except the notice specified below of time and place of public or private sale) to or upon such Grantor or any other Person (all and each of which demands, advertisements and notices are hereby expressly waived to the maximum extent permitted by the Code and other applicable law), may forthwith enter upon the premises of such Grantor where any Collateral is located through self-help, without judicial process, without first obtaining a final judgment or giving such Grantor or any other Person notice and opportunity for a hearing on Agent's claim or action and may collect, receive, assemble, process, appropriate and realize upon the Collateral, or any part thereof, and may forthwith sell, lease, license, assign, give an option or options to purchase, or sell or otherwise dispose of and deliver said Collateral (or contract to do so), or any part thereof, in one or more parcels at a public or private sale or sales, at any exchange at such prices as it may deem acceptable, for cash or on credit or for future delivery without assumption of any credit risk. Agent or any Lender shall have the right upon any such public sale or sales and, to the extent permitted by law, upon any such private sale or sales, to purchase for the benefit of Agent and Lenders, the whole or any part of said Collateral so sold, free of any right or equity of redemption, which equity of redemption each Grantor hereby releases. Such sales may be adjourned and continued from time to time with or without notice. Agent shall have the right to conduct such sales on any Grantor's premises or elsewhere and shall have the right to use any Grantor's premises without charge for such time or times as Agent deems necessary or advisable.

If any Event of Default shall have occurred and be continuing, each Grantor further agrees, at Agent's request, to assemble the Collateral and make it available to Agent at a place or places designated by Agent which are reasonably convenient to Agent and such Grantor, whether at such Grantor's premises or elsewhere. Until Agent is able to effect a sale, lease, or other disposition of Collateral, Agent shall have the right to hold or use Collateral, or any part thereof, to the extent that it deems appropriate for the purpose of preserving Collateral or its value or for any other purpose deemed appropriate by Agent. Agent shall have no obligation to any Grantor to maintain or preserve the rights of such Grantor as against third parties with respect to Collateral while Collateral is in the possession of Agent. Agent may, if it so elects, seek the appointment of a receiver or keeper to take possession of Collateral and to enforce any of Agent's remedies (for the benefit of Agent and Lenders), with respect to such appointment without prior notice or hearing as to such appointment. Agent shall apply the net proceeds of any such collection, recovery, receipt, appropriation, realization or sale to the Obligations as

provided in the Credit Agreement, and only after so paying over such net proceeds, and after the payment by Agent of any other amount required by any provision of law, need Agent account for the surplus, if any, to any Grantor. To the maximum extent permitted by applicable law, each Grantor waives all claims, damages, and demands against Agent or any Lender arising out of the repossession, retention or sale of the Collateral except such as arise solely out of the gross negligence or willful misconduct of Agent or such Lender as finally determined by a court of competent jurisdiction. Each Grantor agrees that ten (10) days prior notice by Agent of the time and place of any public sale or of the time after which a private sale may take place is reasonable notification of such matters. Grantors shall remain liable for any deficiency if the proceeds of any sale or disposition of the Collateral are insufficient to pay all Obligations, including any attorneys' fees and other expenses incurred by Agent or any Lender to collect such deficiency.

b. Except as otherwise specifically provided herein, each Grantor hereby waives presentment, demand, protest or any notice (to the maximum extent permitted by applicable law) of any kind in connection with this Security Agreement or any Collateral.

c. To the extent that applicable law imposes duties on the Agent to exercise remedies in a commercially reasonable manner, each Grantor acknowledges and agrees that it is not commercially unreasonable for the Agent (i) to fail to incur expenses reasonably deemed significant by the Agent to prepare Collateral for disposition or otherwise to complete raw material or work in process into finished goods or other finished products for disposition, (ii) to fail to obtain third party consents for access to Collateral to be disposed of, or to obtain or, if not required by other law, to fail to obtain governmental or third party consents for the collection or disposition of Collateral to be collected or disposed of, (iii) to fail to exercise collection remedies against Account Debtors or other Persons obligated on Collateral or to remove Liens on or any adverse claims against Collateral, (iv) to exercise collection remedies against Account Debtors and other Persons obligated on Collateral directly or through the use of collection agencies and other collection specialists, (v) to advertise dispositions of Collateral through publications or media of general circulation, whether or not the Collateral is of a specialized nature, (vi) to contact other Persons, whether or not in the same business as the Grantor, for expressions of interest in acquiring all or any portion of such Collateral, (vii) to hire one or more professional auctioneers to assist in the disposition of Collateral, whether or not the Collateral is of a specialized nature, (viii) to dispose of assets in wholesale rather than retail markets, (ix) to disclaim disposition warranties, such as title, possession or quiet enjoyment, (x) to purchase insurance or credit enhancements to insure the Agent against risks of loss, collection or disposition of Collateral or to provide to the Agent a guaranteed return from the collection or disposition of Collateral, or (xi) to the extent deemed appropriate by the Agent, to obtain the services of other brokers, investment bankers, consultants and other professionals to assist the Agent in the collection or disposition of any of the Collateral. Each Grantor acknowledges that the purpose of this Section 7(c) is to provide non-exhaustive indications of what actions or omissions by the Agent would not be commercially unreasonable in the Agent's exercise of remedies against the Collateral and that other actions or omissions by the Agent shall not be deemed commercially unreasonable solely on account of not being indicated in this Section 7(c). Without limitation upon the foregoing, nothing contained in this Section 7(c) shall be construed to grant any rights to any Grantor or to impose any duties on Agent that would not have been granted or imposed by this Security Agreement or by applicable law in the absence of this Section 7(c).

d. Neither the Agent nor the Lenders shall be required to make any demand upon, or pursue or exhaust any of their rights or remedies against, any Grantor, any other obligor, guarantor, pledgor or any other Person with respect to the payment of the Obligations or to pursue or exhaust any of their rights or remedies with respect to any Collateral therefor or any direct or indirect guarantee thereof. Neither the Agent nor the Lenders shall be required to marshal the Collateral or any guarantee of the Obligations or to resort to the Collateral or any such guarantee in any particular order, and all of its and their rights hereunder or under any other Loan Document shall be cumulative. To the extent it may lawfully do so, each Grantor absolutely and irrevocably waives and relinquishes the benefit and advantage of, and covenants not to assert against the Agent or any Lender, any valuation, stay, appraisement, extension, redemption or similar laws and any and all rights or defenses it may have as a surety now or hereafter existing which, but for this provision, might be applicable to the sale of any Collateral made under the judgment, order or decree of any court, or privately under the power of sale conferred by this Security Agreement, or otherwise.

8. GRANT OF LICENSE TO USE INTELLECTUAL PROPERTY COLLATERAL. For the purpose of enabling Agent to exercise rights and remedies under SECTION 7 hereof (including, without limiting the terms of SECTION 7 hereof, in order to take possession of, hold, preserve, process, assemble, prepare for sale, market for sale, sell or otherwise dispose of Collateral) at such time and for so long as Agent shall be lawfully entitled to exercise such rights and remedies, each Grantor hereby grants to Agent, for the benefit of Agent and Lenders, a nonexclusive license (exercisable without payment of royalty or other compensation to such Grantor) to use, license or sublicense any intellectual property now owned or hereafter acquired by such Grantor, and wherever the same may be located, and including in such license access to all media in which any of the licensed items may be recorded or stored and to all computer software and programs used for the compilation or printout thereof.

9. LIMITATION ON AGENT'S AND LENDERS' DUTY IN RESPECT OF COLLATERAL. Agent and each Lender shall use reasonable care with respect to the Collateral in its possession or under its control. Neither Agent nor any Lender shall have any other duty as to any Collateral in its possession or control or in the possession or control of any Agent or nominee of Agent or such Lender, or any income thereon or as to the preservation of rights against prior parties or any other rights pertaining thereto.

10. REINSTATEMENT. This Security Agreement shall remain in full force and effect and continue to be effective should any petition be filed by or against any Grantor for liquidation or reorganization, should any Grantor become insolvent or make an assignment for the benefit of any Creditor or Creditors or should a receiver or trustee be appointed for all or any significant part of any Grantor's assets, and shall continue to be effective or be reinstated, as the case may be, if at any time payment and performance of the Obligations, or any part thereof, is, pursuant to applicable law, rescinded or reduced in amount, or must otherwise be restored or returned by any obligee of the Obligations, whether as a "voidable preference," "fraudulent conveyance," or otherwise, all as though such payment or performance had not been made. In the event that any payment, or any part thereof, is rescinded, reduced, restored or returned, the Obligations shall be reinstated and deemed reduced only by such amount paid and not so rescinded, reduced, restored or returned.

11. NOTICES. Except as otherwise provided herein, whenever it is provided herein that any notice, demand, request, consent, approval, declaration or other communication shall or may be given to or served upon any of the parties by any other party, or whenever any of the parties desires to give and serve upon any other party any communication with respect to this Security Agreement, each such notice, demand, request, consent, approval, declaration or other communication shall be in writing and shall be given in the manner, and deemed received, as provided for in the Credit Agreement.

12. SEVERABILITY. Whenever possible, each provision of this Security Agreement shall be interpreted in a manner as to be effective and valid under applicable law, but if any provision of this Security Agreement shall be prohibited by or invalid under applicable law, such provision shall be ineffective to the extent of such prohibition or invalidity without invalidating the remainder of such provision or the remaining provisions of this Security Agreement. This Security Agreement is to be read, construed and applied together with the Credit Agreement and the other Loan Documents which, taken together, set forth the complete understanding and agreement of Agent, Lenders and Grantors with respect to the matters referred to herein and therein.

13. NO WAIVER; CUMULATIVE REMEDIES. Neither Agent nor any Lender shall by any act, delay, omission or otherwise be deemed to have waived any of its rights or remedies hereunder, and no waiver shall be valid unless in writing, signed by Agent and then only to the extent therein set forth. A waiver by Agent of any right or remedy hereunder on any one occasion shall not be construed as a bar to any right or remedy which Agent would otherwise have had on any future occasion. No failure to exercise nor any delay in exercising on the part of Agent or any Lender, 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 future

exercise thereof or the exercise of any other right, power or privilege. The rights and remedies hereunder provided are cumulative and may be exercised singly or concurrently, and are not exclusive of any rights and remedies provided by law. None of the terms or provisions of this security agreement may be waived, altered, modified or amended except by an instrument in writing, duly executed by Agent and Grantors.

14. LIMITATION BY LAW. All rights, remedies and powers provided in this Security Agreement may be exercised only to the extent that the exercise thereof does not violate any applicable provision of law, and all the provisions of this Security Agreement are intended to be subject to all applicable mandatory provisions of law that may be controlling and to be limited to the extent necessary so that they shall not render this Security Agreement invalid, unenforceable, in whole or in part, or not entitled to be recorded, registered or filed under the provisions of any applicable law.

15. TERMINATION OF THIS SECURITY AGREEMENT. Subject to SECTION 10 hereof, this Security Agreement shall terminate upon the Termination Date.

16. SUCCESSORS AND ASSIGNS. This Security Agreement and all Obligations of Grantors hereunder shall be binding upon the successors and assigns of each Grantor (including any debtor-in-possession on behalf of such Grantor) and shall, together with the rights and remedies of Agent, for the benefit of Agent and Lenders, hereunder, inure to the benefit of Agent and

Lenders, all future holders of any instrument evidencing any of the Obligations and their respective successors and assigns. No sales of participations, other sales, assignments, transfers or other dispositions of any agreement governing or instrument evidencing the Obligations or any portion thereof or interest therein shall in any manner impair the Lien granted to Agent, for the benefit of Agent and Lenders, hereunder. No Grantor may assign, sell, hypothecate or otherwise transfer any interest in or Obligation under this Security Agreement.

17. COUNTERPARTS. This Security Agreement may be authenticated in any number of separate counterparts, each of which shall collectively and separately constitute one agreement. This Security Agreement may be authenticated by manual signature, facsimile or, if approved in writing by Agent, electronic means, all of which shall be equally valid.

18. GOVERNING LAW. EXCEPT AS OTHERWISE EXPRESSLY PROVIDED IN ANY OF THE LOAN DOCUMENTS, IN ALL RESPECTS, INCLUDING ALL MATTERS OF CONSTRUCTION, VALIDITY AND PERFORMANCE, THIS SECURITY AGREEMENT AND THE OBLIGATIONS ARISING HEREUNDER SHALL BE GOVERNED BY, AND CONSTRUED AND ENFORCED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK APPLICABLE TO CONTRACTS MADE AND PERFORMED IN THAT STATE, AND ANY APPLICABLE LAWS OF THE UNITED STATES OF AMERICA. EACH GRANTOR HEREBY CONSENTS AND AGREES THAT THE STATE OR FEDERAL COURTS LOCATED IN NEW YORK COUNTY, CITY OF NEW YORK, NEW YORK, SHALL HAVE EXCLUSIVE JURISDICTION TO HEAR AND DETERMINE ANY CLAIMS OR DISPUTES BETWEEN GRANTORS, AGENT AND LENDERS PERTAINING TO THIS SECURITY AGREEMENT OR ANY OF THE OTHER LOAN DOCUMENTS OR TO ANY MATTER ARISING OUT OF OR RELATING TO THIS SECURITY AGREEMENT OR ANY OF THE OTHER LOAN DOCUMENTS, PROVIDED, THAT AGENT, LENDERS AND GRANTORS ACKNOWLEDGE THAT ANY APPEALS FROM THOSE COURTS MAY HAVE TO BE HEARD BY A COURT LOCATED OUTSIDE OF NEW YORK COUNTY, AND, PROVIDED, FURTHER, NOTHING IN THIS AGREEMENT SHALL BE DEEMED OR OPERATE TO PRECLUDE AGENT FROM BRINGING SUIT OR TAKING OTHER LEGAL ACTION IN ANY OTHER JURISDICTION TO REALIZE ON THE COLLATERAL OR ANY OTHER SECURITY FOR THE OBLIGATIONS, OR TO ENFORCE A JUDGMENT OR OTHER COURT ORDER IN FAVOR OF AGENT. EACH GRANTOR EXPRESSLY SUBMITS AND CONSENTS IN ADVANCE TO SUCH JURISDICTION IN ANY ACTION OR SUIT COMMENCED IN ANY SUCH COURT, AND EACH GRANTOR HEREBY WAIVES ANY OBJECTION WHICH IT MAY HAVE BASED UPON LACK OF PERSONAL JURISDICTION, IMPROPER VENUE OR FORUM NON CONVENIENS AND HEREBY CONSENTS TO THE GRANTING OF SUCH LEGAL OR EQUITABLE RELIEF AS IS DEEMED APPROPRIATE BY SUCH COURT. EACH GRANTOR HEREBY WAIVES PERSONAL SERVICE OF THE SUMMONS, COMPLAINT AND OTHER PROCESS ISSUED IN ANY SUCH ACTION OR SUIT AND AGREES THAT SERVICE OF SUCH SUMMONS, COMPLAINTS AND OTHER PROCESS MAY BE MADE BY REGISTERED OR CERTIFIED MAIL ADDRESSED TO SUCH GRANTOR AT THE ADDRESS SET FORTH ON ANNEX I TO THE CREDIT AGREEMENT AND THAT SERVICE SO MADE SHALL BE DEEMED COMPLETED UPON THE EARLIER OF ACTUAL RECEIPT THEREOF OR THREE (3) DAYS AFTER DEPOSIT IN THE U.S. MAILS, PROPER POSTAGE PREPAID.

19. WAIVER OF JURY TRIAL. Because disputes arising in connection with complex financial transactions are most quickly and economically resolved by an experienced and expert person and the parties wish applicable state and federal laws to apply (rather than arbitration rules), the parties desire that disputes arising hereunder or relating hereto be resolved by a judge applying such applicable laws. Therefore, to achieve the best combination of the benefits of the judicial system and of arbitration, the parties hereto waive all right to trial by jury in any action, suit or proceeding brought to resolve any dispute, whether sounding in contract, tort, or otherwise, among Agent, Lenders, and Grantors arising out of, connected with, related to, or incidental to the relationship established in connection with, this Security Agreement or any of the other loan documents or the transactions related hereto or thereto.

20. SECTION TITLES. The Section titles contained in this Security Agreement are and shall be without substantive meaning or content of any kind whatsoever and are not a part of the Agreement between the parties hereto.

21. NO STRICT CONSTRUCTION. The parties hereto have participated jointly in the negotiation and drafting of this Security Agreement. In the event an ambiguity or question of intent or interpretation arises, this Security Agreement shall be construed as if drafted jointly by the parties hereto and no presumption or burden of proof shall arise favoring or disfavoring any party by virtue of the authorship of any provisions of this Security Agreement.

22. ADVICE OF COUNSEL. Each of the parties represents to each other party hereto that it has discussed this Security Agreement and, specifically, the provisions of SECTION 18 and SECTION 19, with its counsel.

23. BENEFIT OF LENDERS. All Liens granted or contemplated hereby shall be for the benefit of Agent, individually, and Lenders, and all proceeds or payments realized from Collateral in accordance herewith shall be applied to the Obligations in accordance with the terms of the Credit Agreement.

IN WITNESS WHEREOF, each of the parties hereto has caused this Security Agreement to be executed and delivered by its duly authorized officer as of the date first set forth above.

GENERAL ELECTRIC CAPITAL CORPORATION, as Agent

By: /s/ John Goodwin
Duly Authorized Signatory

ROLLER BEARING COMPANY OF AMERICA, INC., AS BORROWER

By: /s/ Anthony S. Cavalieri
Name: Anthony S. Cavalieri
Title: Chief Financial Officer

INDUSTRIAL TECTONICS BEARINGS CORPORATION, as Grantor

By: /s/ Anthony S. Cavalieri
Name: Anthony S. Cavalieri
Title: Chief Financial Officer

RBC NICE BEARINGS INC., as Grantor

By: /s/ Anthony S. Cavalieri
Name: Anthony S. Cavalieri
Title: Chief Financial Officer

[Signature Page to the Security Agreement]

BREMEN BEARINGS, INC., as Grantor

By: /s/ Anthony S. Cavalieri
Name: Anthony S. Cavalieri
Title: Chief Financial Officer

TYSON BEARING COMPANY, INC., as Grantor

By: /s/ Anthony S. Cavalieri
Name: Anthony S. Cavalieri
Title: Chief Financial Officer

RBC LINEAR PRECISION PRODUCTS, INC., as Grantor

By: /s/ Anthony S. Cavalieri
Name: Anthony S. Cavalieri
Title: Chief Financial Officer

MILLER BEARING COMPANY, INC., as Grantor

By: /s/ Anthony S. Cavalieri
Name: Anthony S. Cavalieri
Title: Chief Financial Officer

RBC OKLAHOMA, INC., as Grantor

By: /s/ Anthony S. Cavalieri
Name: Anthony S. Cavalieri
Title: Chief Financial Officer

SCHEDULE I
to
SECURITY AGREEMENT

FILING JURISDICTIONS

SCHEDULE II
to
SECURITY AGREEMENT

INSTRUMENTS
CHATTEL PAPER
AND
LETTER OF CREDIT RIGHTS

[TO BE COMPLETED BY GRANTORS]

SCHEDULE III-A
to
SECURITY AGREEMENT

SCHEDULE OF OFFICES, LOCATIONS OF COLLATERAL
AND RECORDS CONCERNING ROLLER BEARING COMPANY OF AMERICA, INC.
("RBC") COLLATERAL

I. Grantor's official name:

II. Type of entity (e.g. corporation, partnership, business trust, limited partnership, limited liability company):

III. Organizational identification number issued by Grantor's state of incorporation or organization or a statement that no such number has been issued:

IV. State or Incorporation or Organization of RBC:

V. Chief Executive Office and principal place of business of RBC:

VI. Corporate Offices of RBC:

VII. Warehouses:

VIII. Other Premises at which Collateral is Stored or Located:

IX. Locations of Records Concerning Collateral:

[TO BE COMPLETED BY GRANTORS]

SCHEDULE III-B
to
SECURITY AGREEMENT

SCHEDULE OF OFFICES, LOCATIONS OF COLLATERAL
AND RECORDS CONCERNING INDUSTRIAL TECTONICS BEARINGS CORPORATION
("INDUSTRIAL") COLLATERAL

I. Grantor's official name:

II. Type of entity (e.g. corporation, partnership, business trust, limited partnership, limited liability company):

III. Organizational identification number issued by Grantor's state of incorporation or organization or a statement that no such number has been issued:

IV. State or Incorporation or Organization:

V. Chief Executive Office and principal place of business of Industrial:

VI. Corporate Offices of Industrial:

VII. Warehouses:

VIII. Other Premises at which Collateral is Stored or Located:

IX. Locations of Records Concerning Collateral:

[TO BE COMPLETED BY GRANTORS]

SCHEDULE III-C
to
SECURITY AGREEMENT

SCHEDULE OF OFFICES, LOCATIONS OF COLLATERAL
AND RECORDS CONCERNING RBC NICE BEARINGS, INC. (“RBC NICE”)COLLATERAL

I. Grantor’s official name:

II. Type of entity (e.g. corporation, partnership, business trust, limited partnership, limited liability company):

III. Organizational identification number issued by Grantor’s state of incorporation or organization or a statement that no such number has been issued:

IV. State or Incorporation or Organization:

V. Chief Executive Office and principal place of business of RBC Nice

VI. Corporate Offices of RBC Nice:

VII. Warehouses:

VIII. Other Premises at which Collateral is Stored or Located:

IX. Locations of Records Concerning Collateral:

[TO BE COMPLETED BY GRANTORS]

SCHEDULE III-D
to
SECURITY AGREEMENT

SCHEDULE OF OFFICES, LOCATIONS OF COLLATERAL
AND RECORDS CONCERNING BREMEN BEARINGS, INC. (“BREMEN”) COLLATERAL

I. Grantor’s official name:

II. Type of entity (e.g. corporation, partnership, business trust, limited partnership, limited liability company):

III. Organizational identification number issued by Grantor’s state of incorporation or organization or a statement that no such number has been issued:

IV. State or Incorporation or Organization:

V. Chief Executive Office and principal place of business of Bremen:

VI. Corporate Offices of Bremen:

VII. Warehouses:

VIII. Other Premises at which Collateral is Stored or Located:

IX. Locations of Records Concerning Collateral:

[TO BE COMPLETED BY GRANTORS]

SCHEDULE III-E
to
SECURITY AGREEMENT

SCHEDULE OF OFFICES, LOCATIONS OF COLLATERAL
AND RECORDS CONCERNING TYSON BEARING COMPANY, INC. (“TYSON”)
COLLATERAL

I. Grantor’s official name:

II. Type of entity (e.g. corporation, partnership, business trust, limited partnership, limited liability company):

III. Organizational identification number issued by Grantor's state of incorporation or organization or a statement that no such number has been issued:

IV. State or Incorporation or Organization:

V. Chief Executive Office and principal place of business of Tyson:

VI. Corporate Offices of Tyson:

VII. Warehouses:

VIII. Other Premises at which Collateral is Stored or Located:

IX. Locations of Records Concerning Collateral:

[TO BE COMPLETED BY GRANTORS]

SCHEDULE III-F
to
SECURITY AGREEMENT

SCHEDULE OF OFFICES, LOCATIONS OF COLLATERAL
AND RECORDS CONCERNING RBC LINEAR PRODUCTS, INC. ("RBC LINEAR")
COLLATERAL

I. Grantor's official name:

II. Type of entity (e.g. corporation, partnership, business trust, limited partnership, limited liability company):

III. Organizational identification number issued by Grantor's state of incorporation or organization or a statement that no such number has been issued:

IV. State or Incorporation or Organization:

V. Chief Executive Office and principal place of business of RBC Linear:

VI. Corporate Offices of RBC Linear:

VII. Warehouses:

VIII. Other Premises at which Collateral is Stored or Located:

IX. Locations of Records Concerning Collateral:

[TO BE COMPLETED BY GRANTORS]

SCHEDULE III-G
to
SECURITY AGREEMENT

SCHEDULE OF OFFICES, LOCATIONS OF COLLATERAL
AND RECORDS CONCERNING MILLER BEARING COMPANY, INC. ("MILLER")
COLLATERAL

I. Grantor's official name:

II. Type of entity (e.g. corporation, partnership, business trust, limited partnership, limited liability company):

III. Organizational identification number issued by Grantor's state of incorporation or organization or a statement that no such number has been issued:

IV. State or Incorporation or Organization:

V. Chief Executive Office and principal place of business of Miller:

VI. Corporate Offices of Miller:

VII. Warehouses:

VIII. Other Premises at which Collateral is Stored or Located:

IX. Locations of Records Concerning Collateral:

[TO BE COMPLETED BY GRANTORS]

SCHEDULE III-H
to
SECURITY AGREEMENT

SCHEDULE OF OFFICES, LOCATIONS OF COLLATERAL
AND RECORDS CONCERNING RBC OKLAHOMA, INC. ("RBC OKLAHOMA")
COLLATERAL

I. Grantor's official name:

II. Type of entity (e.g. corporation, partnership, business trust, limited partnership, limited liability company):

III. Organizational identification number issued by Grantor's state of incorporation or organization or a statement that no such number has been issued:

IV. State or Incorporation or Organization:

V. Chief Executive Office and principal place of business of RBC Oklahoma:

VI. Corporate Offices of RBC Oklahoma:

VII. Warehouses:

VIII. Other Premises at which Collateral is Stored or Located:

IX. Locations of Records Concerning Collateral:

[TO BE COMPLETED BY GRANTORS]

SCHEDULE IV-A
to
SECURITY AGREEMENT

PATENTS, TRADEMARKS AND COPYRIGHTS

RBC INDUSTRIAL

[TO BE COMPLETED BY GRANTORS]

SCHEDULE IV-B
to
SECURITY AGREEMENT

PATENTS, TRADEMARKS AND COPYRIGHTS

RBC NICE BREMEN TYSON

SCHEDULE IV-C
to
SECURITY AGREEMENT

PATENTS, TRADEMARKS AND COPYRIGHTS

RBC LINEAR MILLER RBC OKLAHOMA

EXHIBIT A

POWER OF ATTORNEY

This Power of Attorney is executed and delivered by , a corporation ("Grantor") to General Electric Capital Corporation, a Delaware corporation (hereinafter referred to as "Attorney"), as Agent for the benefit of Agent and Lenders, under a Credit Agreement and a Security Agreement, both dated as of May , 2002, and other related documents (the "Loan Documents"). No person to whom this Power of Attorney is presented, as authority for Attorney to take any action or actions contemplated hereby, shall be required to inquire into or seek confirmation from Grantor as to the authority of Attorney to take any action described below, or as to the existence of or fulfillment of any condition to this Power of Attorney, which is intended to grant to Attorney unconditionally the authority to take and perform the actions contemplated herein, and Grantor irrevocable waives any right to commence any suit or action, in law or equity, against any person or entity which acts in reliance upon or acknowledges the authority granted under this Power of Attorney. The power of attorney granted hereby is coupled with an interest, and may not be revoked or canceled by Grantor without Attorney' s written consent.

Grantor hereby irrevocably constitutes and appoints Attorney (and all officers, employees or Agents designated by Attorney), with full power of substitution, as Grantor's true and lawful attorney-in-fact with full irrevocable power and authority in the place and stead of Grantor and in the name of Grantor or in its own name, from time to time in Attorney's discretion, to take any and all appropriate action and to execute and deliver any and all documents and instruments which may be necessary or desirable to accomplish the purposes of the Loan Documents and, without limiting the generality of the foregoing, Grantor hereby grants to Attorney the power and right, on behalf of Grantor, without notice to or assent by Grantor, and at any time, to do the following: (a) change the mailing address of Grantor, open a post office box on behalf of Grantor, open mail for Grantor, and ask, demand, collect, give acquittances and receipts for, take possession of, endorse any invoices, freight or express bills, bills of lading, storage or warehouse receipts, drafts against debtors, assignments, verifications, and notices in connection with any property of Grantor; (b) effect any repairs to any asset of Grantor, or continue or obtain any insurance and pay all or any part of the premiums therefor and costs thereof, and make, settle and adjust all claims under such policies of insurance, and make all determinations and decisions with respect to such policies; (c) pay or discharge any taxes, liens, security interests, or other encumbrances levied or placed on or threatened against Grantor or its property; (d) defend any suit, action or proceeding brought against Grantor if Grantor does not defend such suit, action or proceeding or if Attorney believes that Grantor is not pursuing such defense in a manner that will maximize the recovery to Attorney, and settle, compromise or adjust any suit, action, or proceeding described above and, in connection therewith, give such discharges or releases as Attorney may deem appropriate; (e) file or prosecute any claim, litigation, suit or proceeding in any court of competent jurisdiction or before any arbitrator, or take any other action otherwise deemed appropriate by Attorney for the purpose of collecting any and all such moneys due to Grantor whenever payable and to enforce any other right in respect of Grantor's property; (f) cause the certified public accountants then engaged by Grantor to

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prepare and deliver to Attorney at any time and from time to time, promptly upon Attorney's request, the following reports: (1) a reconciliation of all accounts, (2) an aging of all accounts, (3) trial balances, (4) test verifications of such accounts as Attorney may request, and (5) the results of each physical verification of inventory; (g) communicate in its own name with any party to any Contract with regard to the assignment of the right, title and interest of such Grantor in and under the Contracts and other matters relating thereto; (h) to file such financing statements with respect to the Security Agreement, with or without Grantor's signature, or to file a photocopy of the Security Agreement in substitution for a financing statement, as the Agent may deem appropriate and to execute in Grantor's name such financing statements and amendments thereto and continuation statements which may require the Grantor's signature; and (i) execute, in connection with any sale provided for in any Loan Document, any endorsements, assignments or other instruments of conveyance or transfer with respect to the Collateral and to otherwise direct such sale or resale, all as though Attorney were the absolute owner of the property of Grantor for all purposes, and to do, at Attorney's option and Grantor's expense, at any time or from time to time, all acts and other things that Attorney reasonably deems necessary to perfect, preserve, or realize upon Grantor's property or assets and Attorney's Liens thereon, all as fully and effectively as Grantor might do. Grantor hereby ratifies, to the extent permitted by law, all that said Attorney shall lawfully do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, this Power of Attorney is executed by Grantor, and Grantor has caused its seal to be affixed pursuant to the authority of its board of directors this day of May, 2002.

[GRANTOR]
By: _____
Name: _____
Title: _____

NOTARY PUBLIC CERTIFICATE

On this day of May, 2002, [officer's name] who is personally known to me appeared before me in his/her capacity as the [title] of [Grantor] ("Grantor") and executed on behalf of Grantor the Power of Attorney in favor of General Electric Capital Corporation to which this Certificate is attached.

_____
Notary Public

Exhibit 10.28

PLEDGE AGREEMENT

This PLEDGE AGREEMENT, dated as of May 30, 2002 (together with all amendments, if any, from time to time hereto, this "AGREEMENT") between ROLLER BEARING COMPANY OF AMERICA, INC., a Delaware corporation (the "PLEDGOR"), and GENERAL ELECTRIC CAPITAL CORPORATION, in its capacity as Agent for Lenders ("Agent").

W I T N E S S E T H:

WHEREAS, pursuant to that certain Credit Agreement dated as of the date hereof by and among Pledgor, the Persons named therein as Credit Parties, Agent and the Persons signatory thereto from time to time as Lenders (including all annexes, exhibits and schedules thereto, and as from time to time amended, restated, supplemented or otherwise modified (the "CREDIT AGREEMENT") the Lenders have agreed to make Loans to, and incur Letter of Credit Obligations for the benefit of, Borrower;

WHEREAS, Pledgor is the record and beneficial owner of the shares of Stock listed in Part A of SCHEDULE I hereto and the owner of the promissory notes and instruments listed in Part B of SCHEDULE I hereto;

WHEREAS, Pledgor benefits from the credit facilities made available to Borrower under the Credit Agreement;

WHEREAS, in order to induce Agent and Lenders to make the Loans and to incur the Letter of Credit Obligations as provided for in the Credit Agreement, Pledgor has agreed to pledge the Pledged Collateral to Agent in accordance herewith;

NOW, THEREFORE, in consideration of the premises and the covenants hereinafter contained and to induce Lenders to make Loans and to incur Letter of Credit Obligations under the Credit Agreement, it is agreed as follows:

1. DEFINITIONS. Unless otherwise defined herein, terms defined in the Credit Agreement are used herein as therein defined, and the following shall have (unless otherwise provided elsewhere in this Agreement) the following respective meanings (such meanings being equally applicable to both the singular and plural form of the terms defined):

"BANKRUPTCY CODE" means title 11, United States Code, as amended from time to time, and any successor statute thereto.

"PLEDGED COLLATERAL" has the meaning assigned to such term in SECTION 2 hereof.

"PLEDGED ENTITY" means an issuer of Pledged Shares or Pledged Indebtedness.

"PLEDGED INDEBTEDNESS" means the Indebtedness evidenced by promissory notes and instruments listed on Part B of SCHEDULE I hereto;

"PLEDGED SHARES" means those shares of Stock listed on Part A of SCHEDULE I hereto.

"SECURED OBLIGATIONS" has the meaning assigned to such term in SECTION 3 hereof.

2. PLEDGE. Pledgor hereby pledges to Agent, and grants to Agent for itself and the ratable benefit of Lenders, a first priority security interest in all of the following (collectively, the "PLEDGED COLLATERAL"):

a. the Pledged Shares and the certificates representing the Pledged Shares, and all dividends, distributions, cash, instruments and other property or proceeds from time to time received, receivable or otherwise distributed in respect of or in exchange for any or all of the Pledged Shares; and

b. such portion, as determined by Agent as provided in SECTION 6(d) below, of any additional shares of Stock of a Pledged Entity from time to time acquired by Pledgor in any manner (which shares of Stock shall be deemed to be part of the Pledged Shares), and the certificates representing such additional shares, and all dividends, distributions, cash, instruments and other property or proceeds from time to time received, receivable or otherwise distributed in respect of or in exchange for any or all of such Stock; and

c. the Pledged Indebtedness and the promissory notes or instruments evidencing the Pledged Indebtedness, and all interest, cash, instruments and other property and assets from time to time received, receivable or otherwise distributed in respect of the Pledged Indebtedness; and

d. all additional Indebtedness arising after the date hereof and owing to Pledgor and evidenced by promissory notes or other instruments, together with such promissory notes and instruments, and all interest, cash, instruments and other property and assets from time to time received, receivable or otherwise distributed in respect of that Pledged Indebtedness.

3. SECURITY FOR OBLIGATIONS. This Agreement secures, and the Pledged Collateral is security for, the prompt payment in full when due, whether at stated maturity, by acceleration or otherwise, and performance of all Obligations (collectively, the "SECURED OBLIGATIONS").

4. DELIVERY OF PLEDGED COLLATERAL. All certificates and all promissory notes and instruments evidencing the Pledged Collateral shall be delivered to and held by or on behalf of Agent, for itself and the ratable benefit of Lenders, pursuant hereto. All Pledged Shares shall be accompanied by duly executed instruments of transfer or assignment in blank, all in form and substance satisfactory to Agent and all promissory notes or other instruments evidencing the Pledged Indebtedness shall be endorsed by Pledgor.

5. REPRESENTATIONS AND WARRANTIES. Pledgor represents and warrants to Agent that:

a. Pledgor is, and at the time of delivery of the Pledged Shares to Agent will be, the sole holder of record and the sole beneficial owner of such Stock free and clear of any Lien thereon or affecting the title thereto, except for any Lien created by the Loan Documents; Pledgor is and at the time of delivery of the Pledged Indebtedness to Agent will be, the sole

owner of such Pledged Indebtedness free and clear of any Lien thereon or affecting title thereto, except for any Lien created by the Loan Documents;

b. All of the Pledged Shares have been duly authorized, validly issued and are fully paid and non-assessable; the Pledge Indebtedness has been duly authorized, authenticated or issued and delivered by, and is the legal, valid and binding obligations of, the Pledged Entity issuing such Pledged Indebtedness, and no such Pledged Entity is in default thereunder.

c. Pledgor has the power and requisite authority to pledge, assign, transfer, deliver, deposit and set over the Pledged as provided herein.

d. All of the Pledged Shares are presently owned by Pledgor, and are presently represented by the certificates listed on Part A of SCHEDULE I hereto. As of the date hereof, there are no existing options, warrants, calls or commitments of any character whatsoever relating to the Pledged Shares;

e. No consent, approval, authorization or other order or other action by, and no notice to or filing with, any Governmental Authority or any other Person is required (i) for the pledge by Pledgor of the Pledged Collateral pursuant to this Agreement or for the execution, delivery or performance of this Agreement by Pledgor, or (ii) for the exercise by Agent of (A) the voting or other rights provided for in this Agreement or (B) the remedies in respect of the Pledged Collateral pursuant to this Agreement, except as may be required by the Code or laws affecting the offering and sale of securities generally;

f. The pledge, assignment and delivery of the Pledged Collateral pursuant to this Agreement will create a valid first priority Lien on and a first priority perfected security interest in favor of the Agent for its benefit and the ratable benefit of Lenders in the Pledged Collateral in accordance with Section 2, securing the payment of the Secured Obligations, subject to no other Lien;

g. This Agreement has been duly authorized, executed and delivered by Pledgor and constitutes a legal, valid and binding obligation of Pledgor enforceable against Pledgor in accordance with its terms;

h. The Pledged Shares constitute 100% of the issued and outstanding shares of Stock of the Pledgor’s Domestic Subsidiaries and [100%/66%] of the Stock of RBC Schaublin Holding S.A. and RBC Mexico S. DE R.L. DE C.V..

i. Except as disclosed on Part B of SCHEDULE I, none of the Pledged Indebtedness is subordinated in right of payment to other Indebtedness (except for the Secured Obligations) or subject to the terms of an indenture.

The representations and warranties set forth in this SECTION 5 shall survive the execution and delivery of this Agreement.

6. COVENANTS. Pledgor covenants and agrees that until the Termination Date:

a. Without the prior written consent of Agent, Pledgor will not sell, assign, transfer, pledge, or otherwise encumber any of its rights in or to the Pledged Collateral, or any unpaid dividends, interest or other distributions or payments with respect to the Pledged Collateral or grant a Lien in the Pledged Collateral, unless otherwise expressly permitted by the Credit Agreement;

b. Pledgor will, at its expense, promptly execute, acknowledge and deliver all such instruments and take all such actions as Agent from time to time may reasonably request in order to ensure to Agent and Lenders the benefits of the Liens in and to the Pledged Collateral intended to be created by this Agreement, including the filing of any necessary Code financing statements, which may be filed by Agent with or (to the extent permitted by law) without the signature of Pledgor, and will cooperate with Agent, at Pledgor’s expense, in obtaining all necessary approvals and making all necessary filings under federal, state, local or foreign law in connection with such Liens or any sale or transfer of the Pledged Collateral in accordance with Section 8;

c. Pledgor has and will defend the title to the Pledged Collateral and the Liens of Agent in the Pledged Collateral against the claim of any Person and will maintain and preserve such Liens; and

d. Pledgor will, upon obtaining ownership of any additional Stock or promissory notes or instruments of a Pledged Entity or Stock or promissory notes or instruments otherwise required to be pledged to Agent pursuant to any of the Loan Documents, which Stock, notes or instruments are not already Pledged Collateral, promptly (and in any event within three (3) Business Days) deliver to Agent a Pledge Amendment, duly executed by Pledgor, in substantially the form of SCHEDULE II hereto (a “PLEDGE AMENDMENT”) in respect of any such additional Stock, notes or instruments, pursuant to which Pledgor shall pledge to Agent all of such additional Stock, notes and instruments. Pledgor hereby authorizes Agent to attach each Pledge Amendment to this Agreement and agrees that all Pledged Shares and Pledged Indebtedness listed on any Pledge Amendment delivered to Agent shall for all purposes hereunder be considered Pledged Collateral.

7. PLEDGOR’S RIGHTS. As long as no Default or Event of Default shall have occurred and be continuing and until written notice shall be given to Pledgor in accordance with SECTION 8(a) hereof:

a. Pledgor shall have the right, from time to time, to vote and give consents with respect to the Pledged Collateral, or any part thereof; PROVIDED, HOWEVER, that no vote shall be cast, and no consent shall be given or action taken, which would have the effect of impairing the position or interest of Agent in respect of the Pledged Collateral or which would authorize, effect or consent to (unless and to the extent expressly permitted by the Credit Agreement):

(i) the dissolution or liquidation, in whole or in part, of a Pledged Entity;

(ii) the consolidation or merger of a Pledged Entity with any other Person;

(iii) the sale, disposition or encumbrance of all or substantially all of the assets of a Pledged Entity, except for Liens in favor of Agent;

(iv) the issuance of any additional shares of its Stock to any Person other than Pledgor (and if to Pledgor, only so long as such additional shares are upon issuance promptly pledged to Agent); or

(v) the alteration of the voting rights with respect to the Stock of a Pledged Entity; and

b. (i) Pledgor shall be entitled, from time to time, to collect and receive for its own use all cash dividends and interest paid in respect of the Pledged Shares and Pledged Indebtedness to the extent not in violation of the Credit Agreement OTHER THAN any and all: (A) dividends and other distributions paid or payable in cash in respect of any Pledged Shares in connection with a partial or total liquidation or dissolution or in connection with a reduction of capital, capital surplus or paid-in capital of a Pledged Entity; and (B) cash paid, payable or otherwise distributed, in respect of principal of, or in redemption of, or in exchange for, any Pledged Collateral; PROVIDED, HOWEVER, that until actually paid all rights to such distributions shall remain subject to the Lien created by this Agreement; and

(ii) All dividends and other payments (other than such cash dividends and interest as are permitted to be paid to Pledgor in accordance with CLAUSE (i) above) and all other distributions in respect of any of the Pledged Shares or Pledged Indebtedness, whenever paid or made, shall be delivered to Agent to hold as Pledged Collateral and shall, if received by Pledgor, be received in trust for the benefit of Agent, be segregated from the other property or funds of Pledgor, and be forthwith delivered to Agent as Pledged Collateral in the same form as so received (with any necessary indorsement).

8. Defaults and Remedies; Proxy.

a. Upon the occurrence of an Event of Default and during the continuation of such Event of Default, and concurrently with written notice to Pledgor, Agent (personally or through an agent) is hereby authorized and empowered to transfer and register in its name or in the name of its nominee the whole or any part of the Pledged Collateral, to exchange certificates or instruments representing or evidencing Pledged Collateral for certificates or instruments of smaller or larger denominations, to exercise the voting and all other rights as a holder with respect thereto, to collect and receive all cash dividends, interest, principal and other distributions made thereon, to sell in one or more sales after ten (10) days' notice of the time and place of any public sale or of the time at which a private sale is to take place (which notice Pledgor agrees is commercially reasonable) the whole or any part of the Pledged Collateral and to otherwise act with respect to the Pledged Collateral as though Agent was the outright owner thereof. Any sale shall be made at public or private sale at Agent's place of business, or at any place to be named in the notice of sale, either for cash or upon credit or for future delivery at such price as Agent may deem fair, and Agent may be the purchaser of the whole or any part of the Pledged Collateral so sold and hold the same thereafter in its own right free from any claim of Pledgor or any right of redemption. Each sale shall be made to the highest bidder, but Agent reserves the right to reject any and all bids at such sale which, in its discretion, it shall deem

inadequate. Demands of performance, except as otherwise herein specifically provided for, notices of sale, advertisements and the presence of property at sale are hereby waived and any sale hereunder may be conducted by an auctioneer or any officer or agent of Agent. PLEDGOR HEREBY IRREVOCABLY CONSTITUTES AND APPOINTS AGENT AS THE PROXY AND ATTORNEY-IN-FACT OF PLEDGOR WITH RESPECT TO THE PLEDGED COLLATERAL, INCLUDING THE RIGHT TO VOTE THE PLEDGED SHARES, WITH FULL POWER OF SUBSTITUTION TO DO SO. THE APPOINTMENT OF AGENT AS PROXY AND ATTORNEY-IN-FACT IS COUPLED WITH AN INTEREST AND SHALL BE IRREVOCABLE UNTIL THE TERMINATION DATE. IN ADDITION TO THE RIGHT TO VOTE THE PLEDGED SHARES, THE APPOINTMENT OF AGENT AS PROXY AND ATTORNEY-IN-FACT SHALL INCLUDE THE RIGHT TO EXERCISE ALL OTHER RIGHTS, POWERS, PRIVILEGES AND REMEDIES TO WHICH A HOLDER OF THE PLEDGED SHARES WOULD BE ENTITLED (INCLUDING GIVING OR WITHHOLDING WRITTEN CONSENTS OF SHAREHOLDERS, CALLING SPECIAL MEETINGS OF SHAREHOLDERS AND VOTING AT SUCH MEETINGS). SUCH PROXY SHALL BE EFFECTIVE, AUTOMATICALLY AND WITHOUT THE NECESSITY OF ANY ACTION (INCLUDING ANY TRANSFER OF ANY PLEDGED SHARES ON THE RECORD BOOKS OF THE ISSUER THEREOF) BY ANY PERSON (INCLUDING THE ISSUER OF THE PLEDGED SHARES OR ANY OFFICER OR AGENT THEREOF), UPON THE OCCURRENCE OF AN EVENT OF DEFAULT. NOTWITHSTANDING THE FOREGOING, AGENT SHALL NOT HAVE ANY DUTY TO EXERCISE ANY SUCH RIGHT OR TO PRESERVE THE SAME AND SHALL NOT BE LIABLE FOR ANY FAILURE TO DO SO OR FOR ANY DELAY IN DOING SO.

b. If, at the original time or times appointed for the sale of the whole or any part of the Pledged Collateral, the highest bid, if there be but one sale, shall be inadequate to discharge in full all the Secured Obligations, or if the Pledged Collateral be offered for sale in lots, if at any of such sales, the highest bid for the lot offered for sale would indicate to Agent, in its discretion, that the proceeds of the sales of the whole of the Pledged Collateral would be unlikely to be sufficient to discharge all the Secured Obligations, Agent may, on one or more occasions and in its discretion, postpone any of said sales by public announcement at the time of sale or the time of previous postponement of sale, and no other notice of such postponement or postponements of sale need be given, any other notice being hereby waived; PROVIDED, HOWEVER, that any sale or sales made after such postponement shall be after ten (10) days' notice to Pledgor.

c. If, at any time when Agent shall determine to exercise its right to sell the whole or any part of the Pledged Collateral hereunder, such Pledged Collateral or the part thereof to be sold shall not, for any reason whatsoever, be effectively registered under [the Securities Act of 1933, as amended (or any similar statute then in effect) (the "Act"), Agent may, in its discretion (subject only to applicable requirements of law), sell such Pledged Collateral or part thereof by private sale in such manner and under such circumstances as Agent may deem necessary or advisable, but subject to the other requirements of this SECTION 8, and shall not be required to effect such registration or to cause the same to be effected. Without limiting the generality of

the foregoing, in any such event, Agent in its discretion (x) may, in accordance with applicable securities laws, proceed to make such private sale notwithstanding that a registration statement for the purpose of registering such Pledged Collateral or part thereof could be or shall

have been filed under said Act (or similar statute), (y) may approach and negotiate with a single possible purchaser to effect such sale, and (z) may restrict such sale to a purchaser who is an accredited investor under the Act and who will represent and agree that such purchaser is purchasing for its own account, for investment and not with a view to the distribution or sale of such Pledged Collateral or any part thereof. In addition to a private sale as provided above in this SECTION 8, if any of the Pledged Collateral shall not be freely distributable to the public without registration under the Act (or similar statute) at the time of any proposed sale pursuant to this SECTION 8, then Agent shall not be required to effect such registration or cause the same to be effected but, in its discretion (subject only to applicable requirements of law), may require that any sale hereunder (including a sale at auction) be conducted subject to restrictions:

(i) as to the financial sophistication and ability of any Person permitted to bid or purchase at any such sale;

(ii) as to the content of legends to be placed upon any certificates representing the Pledged Collateral sold in such sale, including restrictions on future transfer thereof;

(iii) as to the representations required to be made by each Person bidding or purchasing at such sale relating to that Person's access to financial information about Pledgor and such Person's intentions as to the holding of the Pledged Collateral so sold for investment for its own account and not with a view to the distribution thereof; and

(iv) as to such other matters as Agent may, in its discretion, deem necessary or appropriate in order that such sale (notwithstanding any failure so to register) may be effected in compliance with the Bankruptcy Code and other laws affecting the enforcement of creditors' rights and the Act and all applicable state securities laws.

d. Pledgor recognizes that Agent may be unable to effect a public sale of any or all the Pledged Collateral and may be compelled to resort to one or more private sales thereof in accordance with CLAUSE (c) above. Pledgor also acknowledges that any such private sale may result in prices and other terms less favorable to the seller than if such sale were a public sale and, notwithstanding such circumstances, agrees that any such private sale shall not be deemed to have been made in a commercially unreasonable manner solely by virtue of such sale being private. Agent shall be under no obligation to delay a sale of any of the Pledged Collateral for the period of time necessary to permit the Pledged Entity to register such securities for public sale under the Act, or under applicable state securities laws, even if Pledgor and the Pledged Entity would agree to do so.

e. Pledgor agrees to the maximum extent permitted by applicable law that following the occurrence and during the continuance of an Event of Default it will not at any time plead, claim or take the benefit of any appraisal, valuation, stay, extension, moratorium or redemption law now or hereafter in force in order to prevent or delay the enforcement of this Agreement, or the absolute sale of the whole or any part of the Pledged Collateral or the

possession thereof by any purchaser at any sale hereunder, and Pledgor waives the benefit of all such laws to the extent it lawfully may do so. Pledgor agrees that it will not interfere with any right, power and remedy of Agent provided for in this Agreement or now or hereafter existing at law or in equity or by statute or otherwise, or the exercise or beginning of the exercise by Agent of any one or more of such rights, powers or remedies. No failure or delay on the part of Agent to exercise any such right, power or remedy and no notice or demand which may be given to or made upon Pledgor by Agent with respect to any such remedies shall operate as a waiver thereof, or limit or impair Agent's right to take any action or to exercise any power or remedy hereunder, without notice or demand, or prejudice its rights as against Pledgor in any respect.

f. Pledgor further agrees that a breach of any of the covenants contained in this SECTION 8 will cause irreparable injury to Agent, that Agent shall have no adequate remedy at law in respect of such breach and, as a consequence, agrees that each and every covenant contained in this SECTION 8 shall be specifically enforceable against Pledgor, and Pledgor hereby waives and agrees not to assert any defenses against an action for specific performance of such covenants except for a defense that the Secured Obligations are not then due and payable in accordance with the agreements and instruments governing and evidencing such obligations.

9. WAIVER. No delay on Agent's part in exercising any power of sale, Lien, option or other right hereunder, and no notice or demand which may be given to or made upon Pledgor by Agent with respect to any power of sale, Lien, option or other right hereunder, shall constitute a waiver thereof, or limit or impair Agent's right to take any action or to exercise any power of sale, Lien, option, or any other right hereunder, without notice or demand, or prejudice Agent's rights as against Pledgor in any respect.

10. ASSIGNMENT. Agent may assign, indorse or transfer any instrument evidencing all or any part of the Secured Obligations as provided in, and in accordance with, the Credit Agreement, and the holder of such instrument shall be entitled to the benefits of this Agreement.

11. TERMINATION. Immediately following the Termination Date, Agent shall deliver to Pledgor the Pledged Collateral pledged by Pledgor at the time subject to this Agreement and all instruments of assignment executed in connection therewith, free and clear of the Liens hereof and, except as otherwise provided herein or therein, all of Pledgor's Obligations hereunder or under the other Loan Documents shall at such time terminate.

12. LIEN ABSOLUTE. All rights of Agent hereunder, and all Obligations of Pledgor hereunder, shall be absolute and unconditional irrespective of:

a. any lack of validity or enforceability of the Credit Agreement, any other Loan Document or any other agreement or instrument governing or evidencing any Secured Obligations;

b. any change in the time, manner or place of payment of, or in any other term of, all or any part of the Secured Obligations, or any other amendment or waiver of or any consent to any departure from the Credit Agreement, any other Loan Document or any other agreement or instrument

governing or evidencing any Secured Obligations;

c. any exchange, release or non-perfection of any other Collateral, or any release or amendment or waiver of or consent to departure from any guaranty, for all or any of the Secured Obligations;

d. the insolvency of any Credit Party; or

e. any other circumstance which might otherwise constitute a defense available to, or a discharge of, Pledgor.

13. RELEASE. Pledgor consents and agrees that Agent may at any time, or from time to time, in its discretion:

a. renew, extend or change the time of payment, and/or the manner, place or terms of payment of all or any part of the Secured Obligations; and

b. exchange, release and/or surrender all or any of the Collateral (including the Pledged Collateral), or any part thereof, by whomsoever deposited, which is now or may hereafter be held by Agent in connection with all or any of the Secured Obligations; all in such manner and upon such terms as Agent may deem proper, and without notice to or further assent from Pledgor, it being hereby agreed that Pledgor shall be and remain bound upon this Agreement, irrespective of the value or condition of any of the Collateral, and notwithstanding any such change, exchange, settlement, compromise, surrender, release, renewal or extension, and notwithstanding also that the Secured Obligations may, at any time, exceed the aggregate principal amount thereof set forth in the Credit Agreement, or any other agreement governing any Secured Obligations. Pledgor hereby waives notice of acceptance of this Agreement, and also presentment, demand, protest and notice of dishonor of any and all of the Secured Obligations, and promptness in commencing suit against any party hereto or liable hereon, and in giving any notice to or of making any claim or demand hereunder upon Pledgor. No act or omission of any kind on Agent's part shall in any event affect or impair this Agreement.

14. REINSTATEMENT. This Agreement shall remain in full force and effect and continue to be effective should any petition be filed by or against Pledgor or any Pledged Entity for liquidation or reorganization, should Pledgor or any Pledged Entity become insolvent or make an assignment for the benefit of creditors or should a receiver or trustee be appointed for all or any significant part of Pledgor's or a Pledged Entity's assets, and shall continue to be effective or be reinstated, as the case may be, if at any time payment and performance of the Secured Obligations, or any part thereof, is, pursuant to applicable law, rescinded or reduced in amount, or must otherwise be restored or returned by any obligee of the Secured Obligations, whether as a "voidable preference", "fraudulent conveyance", or otherwise, all as though such payment or performance had not been made. In the event that any payment, or any part thereof, is rescinded, reduced, restored or returned, the Secured Obligations shall be reinstated and deemed reduced only by such amount paid and not so rescinded, reduced, restored or returned.

15. Miscellaneous.

a. Agent may execute any of its duties hereunder by or through agents or employees and shall be entitled to advice of counsel concerning all matters pertaining to its duties hereunder.

b. Pledgor agrees to promptly reimburse Agent for actual out-of- pocket expenses, including, without limitation, reasonable counsel fees, incurred by Agent in connection with the administration and enforcement of this Agreement.

c. Neither Agent, nor any of its respective officers, directors, employees, agents or counsel shall be liable for any action lawfully taken or omitted to be taken by it or them hereunder or in connection herewith, except for its or their own gross negligence or willful misconduct as finally determined by a court of competent jurisdiction.

d. THIS AGREEMENT SHALL BE BINDING UPON PLEDGOR AND ITS SUCCESSORS AND ASSIGNS (INCLUDING A DEBTOR-IN-POSSESSION ON BEHALF OF PLEDGOR), AND SHALL INURE TO THE BENEFIT OF, AND BE ENFORCEABLE BY, AGENT AND ITS SUCCESSORS AND ASSIGNS, AND SHALL BE GOVERNED BY, AND CONSTRUED AND ENFORCED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK APPLICABLE TO CONTRACTS MADE AND PERFORMED IN THAT STATE, AND NONE OF THE TERMS OR PROVISIONS OF THIS AGREEMENT MAY BE WAIVED, ALTERED, MODIFIED OR AMENDED EXCEPT IN WRITING DULY SIGNED FOR AND ON BEHALF OF AGENT AND PLEDGOR.

16. SEVERABILITY. If for any reason any provision or provisions hereof are determined to be invalid and contrary to any existing or future law, such invalidity shall not impair the operation of or effect those portions of this Agreement which are valid.

17. NOTICES. Except as otherwise provided herein, whenever it is provided herein that any notice, demand, request, consent, approval, declaration or other communication shall or may be given to or served upon any of the parties by any other party, or whenever any of the parties desires to give or serve upon any other a communication with respect to this Agreement, each such notice, demand, request, consent, approval, declaration or other communication shall be in writing and either shall be delivered in person or sent by registered or certified mail, return receipt requested, with proper postage prepaid, or by facsimile transmission and confirmed by delivery of a copy by personal delivery or United States mail as otherwise provided herein:

a. If to Agent, at:

General Electric Capital Corporation
100 California Street, 10th Floor
San Francisco, CA 94111
Attention: John Goodwin and Neel Morey
Facsimile: (415) 277-7443

With copies to:

Latham & Watkins
5800 Sears Tower
Chicago, Illinois 60606
Attention: David Crumbaugh
Fax No.: 312-993-9767

and

General Electric Capital Corporation
500 W. Monroe Street, 16th Floor
Chicago, IL 60661
Attention: Andrew Packer
Facsimile: (312) 441-6876

If to Pledgor, at:

Roller Bearing Company of America, Inc.
60 Round Hill Road
Fairfield, Connecticut 06430
Attention: Chief Executive Officer
Fax No.: 203-256-0775

With copies to:

McDermott, Will & Emery
50 Rockefeller Plaza
New York, New York 10020
Attention: C. David Goldman, Esq.
Fax No.: 212-547-5444

or at such other address as may be substituted by notice given as herein provided. The giving of any notice required hereunder may be waived in writing by the party entitled to receive such notice. Every notice, demand, request, consent, approval, declaration or other communication hereunder shall be deemed to have been duly served, given or delivered (a) upon the earlier of actual receipt and three (3) Business Days after deposit in the United States Mail, registered or certified mail, return receipt requested, with proper postage prepaid, (b) upon transmission, when sent by telecopy or other similar facsimile transmission (with such telecopy or facsimile promptly confirmed by delivery of a copy by personal delivery or United States Mail as otherwise provided in this SECTION 17, (c) one (1) Business Day after deposit with a reputable overnight courier with all charges prepaid, or (d) when delivered, if hand-delivered by messenger. Failure or delay in delivering copies of any notice, demand, request, consent, approval, declaration or other communication to the persons designated above to receive copies shall in no way adversely affect the effectiveness of such notice, demand, request, consent, approval, declaration or other communication.

18. SECTION TITLES. The Section titles contained in this Agreement are and shall be without substantive meaning or content of any kind whatsoever and are not a part of the Agreement between the parties hereto.

19. COUNTERPARTS. This Agreement may be executed in any number of counterparts, which shall, collectively and separately, constitute one agreement.

20. BENEFIT OF LENDERS. All Security Interests granted or contemplated hereby shall be for the benefit of Agent and Lenders, and all proceeds or payments realized from the Pledged Collateral in accordance herewith shall be applied to the Obligations in accordance with the terms of the Credit Agreement.

[signature page follows]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed as of the date first written above.

ROLLER BEARING COMPANY OF AMERICA, INC.

By: /s/ Anthony S. Cavalieri

Name: Anthony S. Cavalieri

Title: Chief Financial Officer

GENERAL ELECTRIC CAPITAL CORPORATION

By: /s/ John Goodwin

Name: John Goodwin

Its Duly Authorized Signatory

SCHEDULE I

PART A

PLEDGED SHARES

Pledged Entity	Class of Stock	Stock Certificate Number(s)	Number of Shares	Percentage of Outstanding Shares
RBC Oklahoma, Inc.				100%
RBC Nice Bearings, Inc.				100%
RBC Linear Precision Products, Inc.				100%
Bremen Bearings, Inc.				100%
Industrial Tectonics Bearings Corporation				100%
Miller Bearing Company, Inc.				100%
Tyson Bearing Company, Inc.				100%
RBC Schaublin Holding SA				[100]% [66]%
RBC Mexico, S.DE R.L. DE C.V.				[100]% [66]%

PART B

PLEDGED INDEBTEDNESS

Pledged Entity	Initial Principal Amount	Issue Date	Maturity Date	Interest Rate

SCHEDULE II

PLEDGE AMENDMENT

This Pledge Amendment, dated , is delivered pursuant to SECTION 6(d) of the Pledge Agreement referred to below. All defined terms herein shall have the meanings ascribed thereto or incorporated by reference in the Pledge Agreement. The undersigned hereby certifies that the representations and warranties in SECTION 5 of the Pledge Agreement are and continue to be true and correct, both as to the promissory notes, instruments and shares pledged prior to this Pledge Amendment and as to the promissory notes, instruments and shares pledged pursuant to this Pledge Amendment. The undersigned further agrees that this Pledge Amendment may be attached to that certain Pledge Agreement, dated May , 2002, between undersigned, as Pledgor, and General Electric Capital Corporation, as Agent for Lenders, (the “Pledge Agreement”) and that the Pledged Shares and Pledged Indebtedness listed on this Pledge Amendment shall be and become a part of the Pledged Collateral referred to in said Pledge Agreement and shall secure all Secured Obligations referred to in said Pledge Agreement. The undersigned acknowledges that any promissory notes, instruments or shares not included in the Pledged Collateral at the discretion of Agent may not otherwise be pledged by Pledgor to any other Person or otherwise used as security for any obligations other than the Secured Obligations.

ROLLER BEARING COMPANY OF AMERICA, INC.

By:

Name: _____

Title: _____

Name and Address of Pledgor	Pledged Entity	Class of Stock	Certificate Number(s)	Number of Shares

Pledged Entity	Initial Principal Amount	Issue Date	Maturity Date	Interest Rate

Exhibit 10.29

SCIL CREDIT AGREEMENT

Dated as of June 29, 2004

among

ROLLER BEARING COMPANY OF AMERICA, INC.

as Borrower,

THE OTHER CREDIT PARTIES SIGNATORY HERETO,

as Credit Parties,

THE LENDERS SIGNATORY HERETO

FROM TIME TO TIME,

as SCIL Lenders,

GENERAL ELECTRIC CAPITAL CORPORATION,

as SCIL Agent and SCIL Lender,

and

GECC CAPITAL MARKETS GROUP, INC.

as Lead Arranger

TABLE OF CONTENTS

INDEX OF APPENDICES

This SCIL CREDIT AGREEMENT (this "Agreement"), dated as of June 29, 2004, among ROLLER BEARING COMPANY OF AMERICA, INC., a Delaware corporation ("Borrower"); the other Credit Parties signatory hereto; GENERAL ELECTRIC CAPITAL CORPORATION, a Delaware corporation (in its individual capacity, "GE Capital"), for itself, as SCIL Lender, and as SCIL Agent for SCIL Lenders, and the other SCIL Lenders signatory hereto from time to time.

RECITALS

WHEREAS, Borrower, the other Credit Parties signatory thereto, General Electric Capital Corporation, as First Lien Agent for the lenders signatory thereto from time to time (the "First Lien Lenders") and the First Lien Lenders are parties to that Fourth Amended and Restated Credit Agreement, dated as of the date hereof (as amended, restated, supplemented or otherwise modified from time to time in accordance with the terms of the Intercreditor Agreement, the "First Lien Credit Agreement"), pursuant to which the First Lien Lenders extended to Borrower revolving and term credit facilities thereunder of up to One Hundred Sixty-Five Million Dollars ($165,000,000) (collectively, the "First Lien Loans") for the purpose of (a) funding the repayment of the balance of the outstanding amounts under the Prior Credit Agreement (as defined in the First Lien Credit Agreement) and the redemption of the Borrower's Prior Senior Subordinated Notes (as defined below) and the payment of related transaction costs and expenses and (b) the other purposes provided therein;

WHEREAS, Borrower has requested that SCIL Lenders extend a SCIL Loan facility to Borrower of Forty-Five Million Dollars ($45,000,000) for the purposes of (a) funding the redemption of the Borrower's Prior Senior Subordinated Notes (as defined below) and the payment of related transaction costs and expenses and (b) the other purposes provided herein; and for these purposes, SCIL Lenders are willing to make such a loan to Borrower in such amount upon the terms and conditions set forth herein;

WHEREAS, capitalized terms used in this Agreement shall have the meanings ascribed to them in Annex A and, for purposes of this Agreement and the other Loan Documents, the rules of construction set forth in Annex A shall govern. All Annexes, Disclosure Schedules, Exhibits and other attachments (collectively, "Appendices") hereto, or expressly identified to this Agreement, are incorporated herein by reference, and taken together with this Agreement, shall constitute but a single agreement. These Recitals shall be construed as part of the Agreement.

NOW, THEREFORE, in consideration of the premises and the mutual covenants hereinafter contained, and for other good and valuable consideration, the parties hereto agree as follows:

1. AMOUNT AND TERMS OF CREDIT

(a) SCIL Loan.

(i) Subject to the terms and conditions hereof, each SCIL Lender agrees to make a term loan (collectively, the "SCIL Loan") on the Closing Date to Borrower in the original principal amount of its SCIL Loan Commitment. The obligations of each SCIL Lender hereunder shall be several and not joint. The SCIL Loan shall be evidenced by

promissory notes substantially in the form of Exhibit 1.1(a) (each a "SCIL Note" and collectively the "SCIL Notes"), and, except as provided in Section 1.12, Borrower shall execute and deliver each SCIL Note to the applicable SCIL Lender. Each SCIL Note shall represent the obligation of Borrower to pay the amount of the applicable SCIL Lender's SCIL Loan Commitment, together with interest thereon as prescribed in Section 1.5.

Borrower shall repay the principal amount of the SCIL Loan in a single installment due on June 29, 2011.

(ii) Notwithstanding Section 1.1(b)(ii), the aggregate outstanding principal balance of the SCIL Loan shall be due and payable in full in immediately available funds on the Scheduled Termination Date, if not sooner paid in full. No payment with respect to the SCIL Loan may be reborrowed.

(iii) Each payment of principal with respect to the SCIL Loan shall be paid to SCIL Agent for the ratable benefit of each SCIL Lender, ratably in proportion to each such SCIL Lender's respective SCIL Loan Commitment.

(b) Reliance on Notices. SCIL Agent shall be entitled to rely upon, and shall be fully protected in relying upon, any Notice of Conversion/Continuation or similar notice reasonably believed by SCIL Agent to be genuine. SCIL Agent may assume that each Person executing and delivering any notice in accordance herewith was duly authorized, unless the responsible individual acting thereon for SCIL Agent has actual knowledge to the contrary.

1.2 [Intentionally Omitted].

1.3 Prepayments.

(a) Voluntary Prepayments; Reductions in SCIL Loan Commitments. To the extent not prohibited by the First Lien Credit Agreement, Borrower may at any time on at least three (3) days' prior written notice to SCIL Agent (i) voluntarily prepay all or part of the SCIL Loan; *provided* that (A) any such prepayments or reductions shall be in a minimum amount of $500,000 and integral multiples of $100,000 in excess of such amount. Any such voluntary prepayment must be accompanied by the payment of the Fee required by Section 1.9(b) if any, plus the payment of any applicable LIBOR funding breakage costs in accordance with Section 1.13(b).

(b) Mandatory Prepayments.

(i) [Intentionally Omitted].

(ii) Following (but not before) the payment in full in cash of all First Lien Loans, the complete discharge of all First Lien Obligations (including the cash collateralization, cancellation or backing by standby letters of credit of all Letters of Credit Obligations under and as defined in the First Lien Credit Agreement) and the termination of all Commitments under and as defined in the First Lien Credit Agreement (such events, collectively, a "First Lien Payment Event"), immediately upon receipt by Borrower or any Secured Guarantor of any proceeds of any cash asset disposition (excluding proceeds of asset dispositions permitted

by Section 6.8(a)) to the extent the net cash proceeds of such asset disposition exceed $250,000 in any single transaction or, when added to the net proceeds of all other asset dispositions (other than asset dispositions permitted by Section 6.8(a)) during a Fiscal Year, exceed $500,000, Borrower shall prepay the Obligations in an amount equal to all such proceeds, net of (A) commissions and other reasonable transaction costs (including reasonable relocation costs), fees and expenses properly attributable to such transaction and payable by Borrower or any Secured Guarantor in connection therewith (in each case, paid to non-Affiliates), (B) transfer taxes, (C) amounts payable to holders of senior Liens (to the extent such Liens constitute Permitted Encumbrances hereunder), if any, (D) appropriate reserves for income taxes payable in cash in connection therewith and any adjustment in respect of the sale price of such assets(s) specified by the definitive documents evidencing such sale (so long as any such unused sale price reserve is applied at the end of the applicable adjustment period as a mandatory prepayment hereunder) and (E) any portion of the purchase price held in escrow (so long as such escrowed funds, upon release to any Credit Party, are applied as a mandatory prepayment hereunder); *provided*, that if Borrower or the applicable Secured Guarantor intends to reinvest all or any portion of the net proceeds of any asset disposition within 270 days thereafter in fixed assets and Borrower promptly notifies SCIL Agent of that intention in writing, and if (x) no Event of Default shall have occurred and be continuing at the date of such written notification, and (y) Borrower or such Secured Guarantor, as the case may be, grants a security interest to SCIL Agent in such replacement assets when acquired (subject in priority to the Liens securing the First Lien Obligations in the manner set forth in the Intercreditor Agreement), then the amount of any such mandatory prepayment shall be reduced by the amount to be reinvested; *provided*, further that if and to the extent that Borrower or such Secured Guarantor, as the case may be, does not reinvest such net proceeds within that 270-day period, Borrower shall then repay the SCIL Loan with net proceeds that have not been reinvested on the last day of such 270-day period. Any prepayment pursuant to this Section 1.3(b)(ii) shall be applied in accordance with Section 1.3(c).

(iii) Following (but not before) a First Lien Payment Event, if Borrower or any Secured Guarantor shall suffer any Event of Loss, then such Person shall (A) promptly notify the SCIL Agent of such Event of Loss with anticipated net proceeds in excess of $1,000,000 (including the amount of the estimated net insurance proceeds net of amounts payable to holders of senior Liens (to the extent such Liens constitute Permitted Encumbrances hereunder, if any) or other awards payable in connection with such Event of Loss) and (B) promptly upon receipt of such proceeds by such Person, Borrower shall prepay the Obligations in an amount equal to such proceeds net of (x) all money actually applied (or held in reserve pending such application) to repair or reconstruct the damaged property or property affected by condemnation or taking but subject to the terms of Section 5.4(c), (y) all out-of-pocket transaction costs and (z) related cash taxes. Any prepayment pursuant to this Section 1.3(b)(iii) shall be applied in accordance with Section 1.3(c).

(iv) Following (but not before) a First Lien Payment Event, proceeds of Keyman Life Insurance pledged to the SCIL Agent shall be immediately used to prepay the Obligations in an amount equal to such proceeds, which shall be applied in accordance with Section 1.3(c).

(v) To the extent not prohibited by the First Lien Credit Agreement, if Holdings or Borrower issues Stock, no later than the Business Day following the date of receipt of any cash proceeds thereof net of underwriting discounts and commissions and other reasonable costs, fees and expenses paid to non-Affiliates in connection therewith, Borrower shall prepay the Obligations in an amount , if any, required pursuant to Section 5.8. Any prepayments pursuant to Section 5.8 shall be applied in accordance with Section 1.3(c).

(vi) Following (but not before) a First Lien Payment Event, until the Termination Date, Borrower shall prepay the Obligations on the date that is ten (10) days after the earlier of (A) the date on which Borrower's annual audited Financial Statements for the immediately preceding Fiscal Year (commencing with the Fiscal Year of 2004 as such immediately preceding Year) are delivered pursuant to Annex D or (B) the 15th day after the date on which such annual audited Financial Statements were required to be delivered pursuant to Annex D, in an amount equal to seventy-five percent (75%) of Excess Cash Flow for the immediately preceding Fiscal Year. If Holdings and its Subsidiaries on a consolidated basis maintain a ratio of (i) Funded Debt measured as of the last day of any Fiscal Year to (ii) EBITDA for the four Fiscal Quarters then ended of less than 4.25 to 1.00 but more than 3.75 to 1.00, the Excess Cash Flow percentage shall be equal to fifty percent (50%) for that Fiscal Year. If Holdings and its Subsidiaries on a consolidated basis maintain a ratio of (i) Funded Debt measured as of the last day of any Fiscal Year to (ii) EBITDA for the four Fiscal Quarters then ended equal to or less than 3.75 to 1.00, the Excess Cash Flow percentage shall be equal to twenty-five percent (25%) for that Fiscal Year. Any prepayments from Excess Cash Flow paid pursuant to this clause (vi) shall be applied in accordance with Section 1.3(c). Each such prepayment shall be accompanied by an Officer Certificate of Borrower's Chief Financial Officer or another responsible officer of Borrower having substantially the same authority and responsibility or otherwise acceptable to SCIL Agent, certifying the manner in which Excess Cash Flow and the resulting prepayment were calculated, which certificate shall be in form and substance satisfactory to SCIL Agent.

(c) Application of Mandatory Prepayments and Prepayments from Insurance Proceeds and Condemnation Proceeds. Any prepayments made by the Borrower pursuant to Sections 1.3(b)(ii), 1.3(b)(iv), 1.3(b)(v) (by reference to Section 5.8), or 1.3(b)(vi), and any prepayments from insurance or condemnation proceeds in connection with an Event of Loss in accordance with Sections 1.3(b)(iii) and 5.4(c) and the Mortgages shall be applied as follows: first, to Fees and reimbursable expenses of SCIL Agent then due and payable pursuant to any of the Loan Documents; second, to interest then due and payable on the SCIL Loan; third, to prepay the principal of the SCIL Loan; and fourth, to any other outstanding Obligations.

(d) No Implied Consent. Nothing in this Section 1.3 shall be construed to constitute SCIL Agent's or any Lender's consent to any transaction that is not permitted by other provisions of this Agreement or the other Loan Documents.

1.4 Use of Proceeds. Borrower shall utilize the proceeds of the SCIL Loan for the Refinancing and any related transaction costs, fees and expenses, for the financing of Borrower's ordinary working capital and general corporate needs and for any other purpose not prohibited hereunder, subject to the terms and conditions set forth herein. Disclosure Schedule (1.4) contains a description of Borrower's sources and uses of funds as of the Closing Date,

including SCIL Loan to be made or incurred on that date, and a funds flow memorandum detailing how funds from each source are to be transferred to particular uses.

1.5 Interest.

(a) Borrower shall pay interest to SCIL Agent, for the ratable benefit of SCIL Lenders on the outstanding principal balance of the SCIL Loan, in arrears on each applicable Interest Payment Date, (i) at the Index Rate plus 7.25% per annum or (ii) at the election of Borrower, the applicable LIBOR Rate plus 8.50% per annum.

(b) If any payment on the SCIL Loan becomes due and payable on a day other than a Business Day, the maturity thereof will be extended to the next succeeding Business Day (except as set forth in the definition of LIBOR Period and except if such day is the Scheduled Termination Date) and, with respect to payments of principal, interest thereon shall be payable at the then applicable rate during such extension.

(c) All computations of Fees calculated on a per annum basis and interest shall be made by SCIL Agent on the basis of a 360-day year, in each case for the actual number of days occurring in the period for which such interest and Fees are payable. The Index Rate is a floating rate determined for each day. Each determination by SCIL Agent of an interest rate and Fees hereunder shall be final, binding and conclusive on Borrower, absent manifest error.

(d) So long as an Event of Default has occurred and is continuing under Section 8.1(a), (h) or (i), or so long as any other Event of Default has occurred and is continuing and at the election of SCIL Agent (or upon the written request of Requisite SCIL Lenders) confirmed by written notice from SCIL Agent to Borrower, the interest rates applicable to the SCIL Loan shall be increased by two percentage points (2%) per annum above the rates of interest or the rate of such Fees otherwise applicable hereunder ("Default Rate"). Interest at the Default Rate shall accrue from the initial date of such Event of Default if such Event of Default arose under Section 8.1(a), (h) or (i) or from the date of the delivery of the written notice from SCIL Agent to Borrower for all other Events of Default, until that Event of Default is cured or waived and shall be payable upon demand.

(e) Subject to the conditions precedent set forth in the last sentence of this Section 1.5(e), Borrower shall have the option to (i) convert at any time all or any part of outstanding SCIL Loan from Index Rate Loans to LIBOR Loans, (ii) convert any LIBOR Loan to an Index Rate Loan, subject to payment of LIBOR breakage costs in accordance with Section 1.13(b) if such conversion is made prior to the expiration of the LIBOR Period applicable thereto, or (iii) continue all or any portion of the SCIL Loan as a LIBOR Loan upon the expiration of the applicable LIBOR Period and the succeeding LIBOR Period of that continued SCIL Loan shall commence on the first day after the last day of the LIBOR Period of the Loan to be continued. Any portion of the SCIL Loan having the same proposed LIBOR Period to be made or continued as, or converted into, a LIBOR Loan must be in a minimum amount of $1,000,000 and integral multiples of $250,000 in excess of such amount. Any such election must be made by 11:00 a.m. (Chicago time) on the 3rd Business Day prior to (1) the end of each LIBOR Period with respect to any LIBOR Loans to be continued as such, or (2) the date on which Borrower wishes to convert any Index Rate Loan to a LIBOR Loan for a LIBOR

Period designated by Borrower in such election. If no election is received with respect to a LIBOR Loan by 11:00 a.m. (Chicago time) on the 3rd Business Day prior to the end of the LIBOR Period with respect thereto (or if a Default or an Event of Default has occurred and is continuing or if the additional conditions precedent set forth in the last sentence of this Section 1.5(e) shall not have been satisfied), that LIBOR Loan shall be converted to an Index Rate Loan at the end of its LIBOR Period. Borrower must make such election by notice to SCIL Agent in writing, by telecopy or overnight courier. In the case of any conversion or continuation, such election must be made pursuant to a written notice (a "Notice of Conversion/Continuation") in the form of Exhibit 1.5(e). Neither the SCIL Loan nor any portion thereof may be made as or converted into a LIBOR Loan until the earlier of (i) 45 days after the Closing Date and (ii) completion of the "Primary Syndication" under and as defined in the First Lien Credit Agreement. Except as otherwise expressly provided herein, no SCIL Lender shall be obligated to convert or continue the SCIL Loan or any portion thereof as a LIBOR Loan (and the SCIL Loan Commitments referenced in Section 2.2 shall not be increased) if, as of the date thereof (A) any representation or warranty by any Credit Party contained herein or in any other Loan Document is untrue or incorrect as of such date in any material respect, except to the extent that such representation or warranty expressly relates to an earlier date and except for changes therein expressly permitted or expressly contemplated by this Agreement, and SCIL Agent or Requisite SCIL Lenders have determined not to convert or continue the SCIL Loan or any portion thereof as a LIBOR Loan as a result of the fact that such warranty or representation is untrue or incorrect; (B) any event or circumstance (i) having a Material Adverse Effect as set forth in clauses (c) or (d) of the definition thereof or (ii) which could reasonably be expected to result in costs, liabilities or damages, individually or in the aggregate, to any Credit Party or Credit Parties in an amount that would have caused any of the Financial Covenants to have been breached if such event or occurrence had occurred and such costs, liabilities or damages had been paid on the first day of the Fiscal Quarter most recently ended or (iii) which results in an uninsured loss of tangible assets with a value in excess of $4,000,000 has occurred since the date hereof as determined by the Requisite SCIL Lenders, and SCIL Agent or Requisite SCIL Lenders have determined not to convert or continue the SCIL Loan or any portion thereof as a LIBOR Loan as a result of the fact that such event or circumstance has occurred; or (C) any Event of Default has occurred and is continuing or would result after giving effect to any conversion or continuation of the SCIL Loan or any portion thereof as a LIBOR Loan, and SCIL Agent or Requisite Revolving SCIL Lenders shall have determined not to convert or continue the SCIL Loan or any portion thereof as a LIBOR Loan as a result of that Event of Default.

(f) Notwithstanding anything to the contrary set forth in this Section 1.5, if a court of competent jurisdiction determines in a final order that the rate of interest payable hereunder exceeds the highest rate of interest permissible under law (the "Maximum Lawful Rate"), then so long as the Maximum Lawful Rate would be so exceeded, the rate of interest payable hereunder shall be equal to the Maximum Lawful Rate; *provided*, *however*, that if at any time thereafter the rate of interest payable hereunder is less than the Maximum Lawful Rate, Borrower shall continue to pay interest hereunder at the Maximum Lawful Rate until such time as the total interest received by SCIL Agent, on behalf of SCIL Lenders, is equal to the total interest that would have been received had the interest rate payable hereunder been (but for the operation of this paragraph) the interest rate payable since the Closing Date as

otherwise provided in this Agreement. Thereafter, interest hereunder shall be paid at the rate(s) of interest and in the manner provided in Sections 1.5(a) through (e), unless and until the rate of interest

again exceeds the Maximum Lawful Rate, and at that time this paragraph shall again apply. In no event shall the total interest received by any SCIL Lender pursuant to the terms hereof exceed the amount that such SCIL Lender could lawfully have received had the interest due hereunder been calculated for the full term hereof at the Maximum Lawful Rate. If the Maximum Lawful Rate is calculated pursuant to this paragraph, such interest shall be calculated at a daily rate equal to the Maximum Lawful Rate divided by the number of days in the year in which such calculation is made. If, notwithstanding the provisions of this Section 1.5(f), a court of competent jurisdiction shall finally determine that a SCIL Lender has received interest hereunder in excess of the Maximum Lawful Rate, SCIL Agent shall, to the extent permitted by applicable law, promptly apply such excess in the order specified in Section 1.11 and thereafter shall refund any excess to Borrower or as a court of competent jurisdiction may otherwise order.

1.6 [Intentionally Omitted].

1.7 [Intentionally Omitted].

1.8 Cash Management Systems. On or prior to the Closing Date, Borrower will establish and will maintain until the Termination Date, the cash management systems described in Annex B (the "Cash Management Systems").

1.9 Fees.

(a) Borrower has paid and shall pay to GE Capital, individually, the Fees specified in the GE Capital Fee Letter, at the times specified for payment therein.

(b) If Borrower pays after acceleration or prepays all or any portion of the SCIL Loan and, whether voluntarily or involuntarily and whether before or after acceleration of the Obligations, Borrower shall pay to SCIL Agent, for the benefit of SCIL Lenders as liquidated damages and compensation for the costs of being prepared to make funds available hereunder an amount equal to the Applicable Percentage (as defined below) multiplied by the principal amount of the SCIL Loan paid after acceleration or prepaid. As used herein, the term "Applicable Percentage" shall mean (x) two percent (2%), in the case of a prepayment on or prior to the first anniversary of the Closing Date, (y) one percent (1%), in the case of a prepayment after the first anniversary of the Closing Date but on or prior to the second anniversary thereof, and (z) zero percent (0%), in the case of a prepayment after the second anniversary of the Closing Date. The Credit Parties agree that the Applicable Percentages are a reasonable calculation of SCIL Lenders' lost profits in view of the difficulties and impracticality of determining actual damages resulting from an early prepayment of the SCIL Loan. Notwithstanding the foregoing, no prepayment fee shall be payable by Borrower upon a mandatory prepayment made pursuant to Sections 1.3(b) or 1.16(c); *provided* that in the case of prepayments made pursuant to Section 1.3(b)(ii), the transaction giving rise to the applicable prepayment is expressly permitted under Section 6.

1.10 Receipt of Payments. Borrower shall make each payment under this Agreement not later than 1:00 p.m. (Chicago time) on the day when due in immediately available funds in Dollars to the Collection Account. For purposes of computing interest and Fees as of any date, all payments shall be deemed received on the Business Day on which immediately

available funds therefor are received in the Collection Account prior to 1:00 p.m. (Chicago time). Payments received after 1:00 p.m. (Chicago time) on any Business Day or on a day that is not a Business Day shall be deemed to have been received on the following Business Day.

1.11 Application and Allocation of Payments. So long as no Event of Default has occurred and is continuing and the Scheduled Termination Date has not occurred, (i) voluntary prepayments shall be applied as determined by Borrower, subject to the provisions of Section 1.3(a); and (ii) mandatory prepayments shall be applied as set forth in Section 1.3(c). All payments and prepayments shall be applied ratably to the portion of the SCIL Loan held by each SCIL Lender as determined by its Pro Rata Share. As to any other payment, and as to all payments made when an Event of Default has occurred and is continuing or following the Scheduled Termination Date, Borrower and each other Credit Party hereby irrevocably waive the right to direct the application of any and all payments (including monetary proceeds of collections of or realizations upon any Collateral) received from or on behalf of Borrower or any other Credit Party, and Borrower and each other Credit Party hereby irrevocably agree that SCIL Agent and the Requisite SCIL Lenders shall have the continuing exclusive right to apply any and all such payments against the Obligations as SCIL Agent and the Requisite SCIL Lenders may deem advisable notwithstanding any previous entry by SCIL Agent in the Loan Account or any other books and records and agree to be bound by all such payment applications. In the absence of a specific determination by SCIL Agent and the Requisite SCIL Lenders with respect thereto, payments shall be applied to amounts then due and payable in the following order: (1) to Fees and SCIL Agent's expenses reimbursable hereunder; (2) to interest on the SCIL Loan; (3) to principal payments on the SCIL Loan; and (4) to all other Obligations, including expenses of SCIL Lenders to the extent reimbursable under Section 11.3.

1.12 Loan Account and Accounting. SCIL Agent shall maintain a loan account (the "Loan Account") on its books to record the SCIL Loan, all payments made by or on behalf of Borrower, and all other debits and credits as provided in this Agreement with respect to the SCIL Loan or any other Obligations. All entries in the Loan Account shall be made in accordance with SCIL Agent's customary accounting practices as in effect from time to time. The balance in the Loan Account, as recorded on SCIL Agent's most recent printout or other written statement, shall be presumptive evidence of the amounts due and owing to SCIL Agent and SCIL Lenders by Borrower; *provided* that any failure to so record or any error in so recording shall not limit or otherwise affect Borrower's duty to pay the Obligations. SCIL Agent shall render to Borrower a monthly accounting of transactions with respect to the SCIL Loan setting forth the balance of the Loan Account for the immediately preceding month. Unless Borrower notifies SCIL Agent in writing of any objection to any such accounting (specifically describing the basis for such objection), within ninety (90) days after the date thereof, each and every such accounting shall, absent manifest error, be deemed conclusive. Only those items expressly objected to in such notice shall be deemed to be disputed by Borrower. Notwithstanding any provision herein contained to the contrary, any SCIL Lender may elect (which election may be revoked) to dispense with the issuance of SCIL Notes to that SCIL Lender and may rely on the Loan Account as evidence of the amount of Obligations from time to time owing to it.

1.13 Indemnity.

(a) Each Credit Party that is a signatory hereto shall jointly and severally indemnify and hold harmless each of SCIL Agent, SCIL Lenders and their respective Affiliates, and each such Person's respective officers, directors, employees, attorneys, agents and representatives (each, an "Indemnified Person"), from and against any and all suits, actions, proceedings, claims, damages, losses, liabilities and expenses (including reasonable attorneys' fees and disbursements and other costs of investigation or defense, including those incurred upon any appeal) that may be instituted or asserted against or incurred by any such Indemnified Person as the result of credit having been extended, suspended or terminated under this Agreement and the other Loan Documents and the administration of such credit, and in connection with or arising out of the transactions contemplated hereunder and thereunder and any actions or failures to act in connection therewith, and legal costs and expenses arising out of or incurred in connection with disputes between or among any parties to any of the Loan Documents (other than disputes between and among SCIL Agent/or the SCIL Lenders arising when no Event of Default has occurred and is continuing) (collectively, "Indemnified Liabilities"); *provided*, that no such Credit Party shall be liable for any indemnification to an Indemnified Person to the extent that any such suit, action, proceeding, claim, damage, loss, liability or expense results from that Indemnified Person's gross negligence or willful misconduct; and, *provided further*, that any obligations of the Credit Parties to the Indemnified Persons with respect to Environmental Liabilities and Hazardous Materials shall be governed exclusively by the terms and provisions of the Environmental Indemnity Agreement and not by the terms and provisions of this Section 1.13 or any other term and provision of this Agreement or any other Loan Document other than the Environmental Indemnity Agreement. NO INDEMNIFIED PERSON SHALL BE RESPONSIBLE OR LIABLE TO ANY OTHER PARTY TO ANY LOAN DOCUMENT, ANY SUCCESSOR, ASSIGNEE OR THIRD PARTY BENEFICIARY OF SUCH PERSON OR ANY OTHER PERSON ASSERTING CLAIMS DERIVATIVELY THROUGH SUCH PARTY, FOR INDIRECT, PUNITIVE, EXEMPLARY OR CONSEQUENTIAL DAMAGES WHICH MAY BE ALLEGED AS A RESULT OF CREDIT HAVING BEEN EXTENDED, SUSPENDED OR TERMINATED UNDER ANY LOAN DOCUMENT OR AS A RESULT OF ANY OTHER TRANSACTION CONTEMPLATED HEREUNDER OR THEREUNDER.

(b) To induce SCIL Lenders to provide the LIBOR Rate option on the terms provided herein, if (i) any LIBOR Loans are repaid in whole or in part prior to the last day of any applicable LIBOR Period (whether that repayment is made pursuant to any provision of this Agreement or any other Loan Document or occurs as a result of acceleration, by operation of law or otherwise); (ii) Borrower shall default in payment when due of the principal amount of or interest on any LIBOR Loan; (iii) Borrower shall refuse to accept any borrowing of, or shall request a termination of any borrowing, conversion into or continuation of LIBOR Loans after Borrower has given notice requesting the same in accordance herewith; or (iv) Borrower shall fail to make any prepayment of a LIBOR Loan after Borrower has given a notice thereof in accordance herewith, then Borrower shall indemnify and hold harmless each SCIL Lender from and against all losses, costs and expenses resulting from or arising from any of the foregoing. Such indemnification shall include any loss (including loss of margin) or expense arising from the reemployment of funds obtained by it or from fees payable to terminate deposits from which such funds were obtained. For the purpose of calculating amounts payable to a SCIL Lender

under this subsection, each SCIL Lender shall be deemed to have actually funded its relevant LIBOR Loan through the purchase of a deposit bearing interest at the LIBOR Rate in an amount equal to the amount of that LIBOR Loan and having a maturity comparable to the relevant LIBOR Period; *provided*, that each SCIL Lender may fund each of its LIBOR Loans in any manner it sees fit, and the foregoing assumption shall be utilized only for the calculation of amounts payable under this subsection. This covenant shall survive the termination of this Agreement and the payment of the Notes and all other amounts payable hereunder. As promptly as practicable under the circumstances, each SCIL Lender shall provide Borrower with its written calculation of all amounts payable pursuant to this Section 1.13(b), and such calculation shall be presumed to be correct unless Borrower shall object in writing within twenty (20) Business Days of receipt thereof, specifying the basis for such objection in detail. The payment of any amounts due under this Section 1.13(b) by Borrower as a result of any of the events described in clause (i) (other than as a result of acceleration following an Event of Default), clause (iii) or clause (iv) above shall constitute a cure of any Default or Event of Default arising solely from such events.

1.14 Access. Each Credit Party that is a party hereto shall, during normal business hours, from time to time upon three (3) Business Days' prior notice as frequently as SCIL Agent determines to be appropriate: (a) provide SCIL Agent and any of its officers, employees and agents access to its properties, facilities, advisors, officers, employees of each Credit Party and to the Collateral, (b) permit SCIL Agent, and any of its officers, employees and agents, to inspect, audit and make extracts from any Credit Party's books and records, and (c) permit SCIL Agent, and its officers, employees and agents, to inspect, review, evaluate and make test verifications and counts of the Accounts, Inventory and other Collateral of any Credit Party. If an Event of Default has occurred and is continuing or if access is necessary to preserve or protect the Collateral as determined by the SCIL Agent, each such Credit Party shall provide such access to SCIL Agent and to each SCIL Lender at all times and without advance notice. Furthermore, so long as any Event of Default has occurred and is continuing, Borrower shall provide SCIL Agent and each SCIL Lender with access to its suppliers and customers. Each Credit Party shall make available to SCIL Agent and its counsel, as quickly as is possible under the circumstances, originals or copies of all books and records of the Credit Parties that SCIL Agent may reasonably request. Each Credit Party shall deliver any document or instrument necessary for SCIL Agent, as it may from time to time reasonably request, to obtain records from any service bureau or other Person that maintains records for such Credit Party. SCIL Agent will give SCIL Lenders at least five (5) days' prior written notice of regularly scheduled audits. Representatives of other SCIL Lenders may accompany SCIL Agent's representatives on regularly scheduled audits at no charge to Borrower.

1.15 Taxes.

(a) Any and all payments by Borrower hereunder or under the SCIL Notes shall be made, in accordance with this Section 1.15, free and clear of and without deduction for any and all present or future Taxes. If Borrower shall be required by law to deduct any Taxes from or in respect of any sum payable hereunder or under the Notes, (i) the sum payable shall be increased as much as shall be necessary so that after making all required deductions (including deductions applicable to additional sums payable under this Section 1.15) SCIL Agent or SCIL Lenders, as applicable, receive an amount equal to the sum they would have received had no

such deductions been made, (ii) Borrower shall make such deductions, and (iii) Borrower shall pay the full amount deducted to the relevant taxing or other authority in accordance with applicable law. Within thirty (30) days after the date of any payment of any such Taxes, Borrower shall furnish to SCIL Agent

the original or a certified copy of a receipt evidencing payment thereof.

(b) Each Credit Party that is a signatory hereto shall indemnify and, within thirty (30) days of demand therefor, pay SCIL Agent and each SCIL Lender for the full amount of Taxes (including any Taxes imposed by any jurisdiction on amounts payable under this Section 1.15) paid by SCIL Agent or such SCIL Lender, as appropriate, and any liability (including penalties, interest and expenses) arising therefrom or with respect thereto, whether or not such Taxes were correctly or legally asserted.

(c) Each SCIL Lender organized under the laws of a jurisdiction outside the United States (a "Foreign SCIL Lender") shall provide to Borrower and SCIL Agent a properly completed and executed IRS Form W-8ECI or Form W-8BEN or other applicable form, certificate or document prescribed by the IRS or the United States certifying as to such Foreign SCIL Lender's entitlement to an exemption from United States withholding tax (a "Certificate of Exemption"). Any foreign Person that seeks to become a SCIL Lender under this Agreement shall provide a Certificate of Exemption to Borrower and SCIL Agent prior to becoming a SCIL Lender hereunder. No foreign Person may become a SCIL Lender hereunder if such Person fails to deliver a Certificate of Exemption in advance of becoming a SCIL Lender. Any foreign Person that has become a Lender hereunder and that has provided a Certificate of Exemption shall, to the extent legally able to do so, renew its Certificate of Exemption upon the expiration of the previously delivered Certificate of Exemption.

1.16 Capital Adequacy; Increased Costs; Illegality.

(a) If any SCIL Lender shall have determined that any law, treaty, governmental (or quasi-governmental) rule, regulation, guideline or order regarding capital adequacy, reserve requirements or similar requirements or compliance by any SCIL Lender with any request or directive regarding capital adequacy, reserve requirements or similar requirements (whether or not having the force of law), in each case, adopted after the Closing Date, from any central bank or other Governmental Authority increases or would have the effect of increasing the amount of capital, reserves or other funds required to be maintained by such SCIL Lender and thereby reducing the rate of return on such SCIL Lender's capital as a consequence of its obligations hereunder, then Borrower shall from time to time upon demand by such SCIL Lender issued within ninety (90) days after adoption thereof and setting forth a calculation of the reduction (with a copy of such demand to SCIL Agent) pay to SCIL Agent, for the account of such SCIL Lender, additional amounts sufficient to compensate such SCIL Lender for such reduction. A certificate as to the amount of that reduction and showing the basis of the computation thereof submitted by such SCIL Lender to Borrower and to SCIL Agent shall, absent manifest error, be presumptive evidence of the matters set forth therein.

(b) If, due to either (i) the introduction of or any change in any law or regulation (or any change in the interpretation thereof) or (ii) the compliance with any guideline or request from any central bank or other Governmental Authority (whether or not having the

force of law), in each case adopted after the Closing Date, there shall be any increase in the cost to any SCIL Lender of agreeing to make or making, funding or maintaining any Loan, then Borrower shall from time to time, upon demand by such SCIL Lender issued within ninety (90) days after the introduction thereof or compliance therewith and setting forth a calculation of such increased costs (with a copy of such demand to SCIL Agent), pay to SCIL Agent for the account of such SCIL Lender additional amounts sufficient to compensate such SCIL Lender for such increased cost. A certificate as to the amount of such increased cost, submitted to Borrower and to SCIL Agent by such SCIL Lender, shall be presumptive evidence of the matters set forth therein, absent manifest error. Each SCIL Lender agrees that, as promptly as practicable after it becomes aware of any circumstances referred to above which would result in any such increased cost, the affected SCIL Lender shall, to the extent not inconsistent with such SCIL Lender's internal policies of general application, use reasonable commercial efforts to minimize costs and expenses incurred by it and payable to it by Borrower pursuant to this Section 1.16(b).

(c) Notwithstanding anything to the contrary contained herein, if the introduction of or any change in any law or regulation (or any change in the interpretation thereof) shall make it unlawful, or any central bank or other Governmental Authority shall assert that it is unlawful, for any SCIL Lender to agree to make or to make or to continue to fund or maintain any LIBOR Loan, then, unless that SCIL Lender is able to make or to continue to fund or to maintain such LIBOR Loan at another branch or office of that SCIL Lender without, in that SCIL Lender's opinion, adversely affecting it or its Loans or the income obtained therefrom, on notice thereof and demand therefor by such SCIL Lender to Borrower through SCIL Agent, (i) the obligation of such SCIL Lender to agree to make or to make or to continue to fund or maintain LIBOR Loans shall terminate and (ii) Borrower shall forthwith prepay in full all outstanding LIBOR Loans owing to such SCIL Lender, together with interest accrued thereon, unless Borrower, within five (5) Business Days after the delivery of such notice and demand, converts all LIBOR Loans into Index Rate Loans.

(d) Within fifteen (15) days after receipt by Borrower of written notice and demand from any SCIL Lender (an "Affected SCIL Lender") as provided in Sections 1.15(a), 1.15(b), 1.16(a) or 1.16(b), Borrower may, at its option, notify SCIL Agent and such Affected SCIL Lender of its intention to replace the Affected SCIL Lender. So long as no Default or Event of Default has occurred and is continuing, Borrower, with the consent of SCIL Agent, may obtain, at Borrower's expense, a replacement SCIL Lender ("Replacement SCIL Lender") for the Affected SCIL Lender, which Replacement SCIL Lender must be reasonably satisfactory to SCIL Agent. If Borrower obtains a Replacement SCIL Lender within one hundred eighty (180) days following notice of its intention to do so, the Affected SCIL Lender must sell and assign its portion of the SCIL Loan to such Replacement SCIL Lender for an amount equal to the principal balance of all Loans held by the Affected SCIL Lender and all accrued interest and Fees with respect thereto through the date of such sale; *provided*, that Borrower shall have reimbursed such Affected SCIL Lender for the additional amounts or increased costs that it is entitled to receive under Sections 1.15(a), 1.15(b), 1.16(a) or 1.16(b) through the date of such sale and assignment. Notwithstanding the foregoing, Borrower shall not have the right to obtain a Replacement SCIL Lender if the Affected SCIL Lender rescinds its demand for increased costs or additional amounts within fifteen (15) days following its receipt of Borrower's notice of intention to replace such Affected SCIL Lender. Furthermore, if Borrower gives a notice of intention to replace and does not so replace such Affected SCIL Lender within one hundred eighty (180) days thereafter,

Borrower's rights under this Section 1.16(d) shall terminate with respect to the increased costs or additional amounts of such Affected SCIL Lender giving rise to such notice to replace such Affected SCIL Lender and Borrower shall promptly pay all increased costs and or additional amounts demanded by such Affected SCIL Lender pursuant to Sections 1.15(a), 1.15(b), 1.16(a) and 1.16(b).

1.17 Single Loan. All Loans to Borrower and all of the other Obligations of Borrower arising under this Agreement and the other Loan Documents shall constitute one general obligation of Borrower secured, until the Termination Date, by all of the Collateral.

2. CONDITIONS PRECEDENT

2.1 Conditions to the Initial Loans. No SCIL Lender shall be obligated to make the SCIL Loan on the Closing Date, or to take, fulfill, or perform any other action hereunder, until the following conditions have been satisfied or provided for in a manner satisfactory to SCIL Agent, or waived in writing by SCIL Agent and Requisite SCIL Lenders:

(a) Credit Agreement; Loan Documents. This Agreement or counterparts hereof shall have been duly executed by, and delivered to, Borrower, each other Credit Party, SCIL Agent and SCIL Lenders; and SCIL Agent shall have received such documents, instruments, agreements and legal opinions as SCIL Agent shall reasonably request in connection with the transactions contemplated by this Agreement and the other Loan Documents, including all those listed in the Closing Checklist attached hereto as Annex C, each in form and substance reasonably satisfactory to SCIL Agent.

(b) Prior Debt Obligations. SCIL Agent shall have received evidence satisfactory to SCIL Agent confirming that all required actions have been taken and required notices have been given under the Prior Senior Subordinated Indenture to redeem all of the outstanding Prior Senior Subordinated Notes on a date not later than 30 days from the Closing Date. Concurrently with the funding of the SCIL Loan and the First Lien Loans and the deposit of the Refinancing Proceeds with the trustee under the Prior Senior Subordinated Indenture (the "Trustee"), the SCIL Agent shall have received a copy of the written acknowledgment from the Trustee confirming the satisfaction and discharge of the Prior Senior Subordinated Indenture in accordance with the terms of Section 8.01(a) thereof. In addition, the SCIL Agent shall be directed by Borrower to fund all net proceeds of the SCIL Loan to the Trustee in respect of the Refinancing on the Closing Date and shall be satisfied that the First Lien Lenders have been directed by Borrower to fund the remaining portion of the Refinancing Proceeds to the Trustee on the Closing Date.

(c) Approvals. SCIL Agent shall have received (i) satisfactory evidence that the Credit Parties have obtained all required consents and approvals of all Persons (including all requisite Governmental Authorities) to the execution, delivery and performance of this Agreement, the other Loan Documents and the consummation of the Related Transaction or (ii) an Officer Certificate in form and substance reasonably satisfactory to SCIL Agent affirming that no such consents or approvals are required.

(d) Opening Availability. The Eligible Accounts and Eligible Inventory supporting the Revolving Credit Advances (each such capitalized term and other terms used in this clause (d) not defined herein shall have the same meaning as set forth for such term in the First Lien Credit Agreement) to be made on the Closing Date and the outstanding Letter of Credit Obligations and the amount of the Reserves to be established on the Closing Date shall be sufficient in value, as reasonably determined by SCIL Agent, to provide Borrower with Borrowing Availability on the Closing Date, after adding thereto all unrestricted cash on hand of Borrower and after giving effect to the Revolving Credit Advance to be made on the Closing Date, the outstanding Letter of Credit Obligations and the consummation of the Related Transactions (on a pro forma basis, with trade payables being paid currently, and expenses and liabilities being paid in the ordinary course of business and without acceleration of sales) of at least $15,000,000.

(e) [Intentionally Omitted].

(f) Consummation of the Related Transactions. The SCIL Agent shall have received fully executed copies of final and complete copies of the documents relating to the First Lien Loan, each of which shall be in full force and effect and in form and substance reasonably satisfactory to SCIL Agent. The Related Transactions shall, on the Closing Date, be consummated in accordance with the terms of the Related Transactions Documents simultaneously with the making of the SCIL Loan on the Closing Date.

(g) Payment of Fees. Borrower shall have paid the Fees required to be paid on the Closing Date in the respective amounts specified in Section 1.9 (including the Fees specified in the GE Capital Fee Letter), and shall have reimbursed SCIL Agent for all reimbursable fees, costs and expenses of closing presented as of the Closing Date.

(h) Life Insurance. SCIL Agent shall have received evidence that the Keyman Life Insurance is in effect.

(i) Capital Structure: Other Indebtedness. The capital structure of each Credit Party and the terms and conditions of all Indebtedness of each Credit Party shall be acceptable to SCIL Agent in its sole discretion. Without limiting the generality of the foregoing,

(i) Unaudited Adjusted EBITDA for the period of 12 consecutive months ended on April 30, 2004 shall be not less than $39,200,000 (it being understood and agreed that the unaudited Adjusted EBITDA is subject to normal year end audit adjustments);

(ii) Senior Debt of Holdings and its Subsidiaries (less Holdings' and its Subsidiaries' consolidated unrestricted cash and Cash Equivalents (as defined in the First Lien Credit Agreement) on hand) shall not exceed 3.54 times Adjusted EBITDA for the period of 12 consecutive months ended on April 30, 2004;

(iii) Funded Debt of Holdings and its Subsidiaries (less Holdings' and its Subsidiaries' consolidated unrestricted cash and Cash Equivalents (as defined in the First Lien Credit Agreement) on hand) shall not exceed 5.66 times Adjusted EBITDA for the period of 12 consecutive months ended on April 30, 2004; and

(iv) Aggregate Indebtedness of Holdings and its Subsidiaries on a consolidated basis on the Effective Date (including Loans and the SCIL Loan to be made on the Effective Date and after taking into account the repayment of existing Indebtedness on the Effective Date) shall not exceed $223,500,000.

2.2 SCIL Loan Commitment Increase Conditions.

(a) From time to time after the Closing Date, the SCIL Loan Commitments may be increased at the option of the Borrower pursuant to a proposed SCIL Loan Commitment Increase if each of the following conditions have been met:

(i) The conditions set forth in clauses (A), (B) and (C) of the last sentence of Section 1.5(e) have been satisfied;

(ii) SCIL Agent has received evidence satisfactory to it that Borrower (i) would have been in compliance with the Financial Covenants set forth in Annex E for the quarterly period reflected in the Compliance Certificate most recently delivered to SCIL Agent pursuant to Annex D on or prior to the proposed SCIL Loan Commitment Increase (after giving effect to the Indebtedness to be incurred as a result of the proposed SCIL Loan Commitment Increase as if such Indebtedness was incurred on the first day of such period) and (ii) will remain in compliance with the Financial Covenants set forth in Annex E for the four consecutive quarterly periods beginning on the Business Day after the Fiscal Quarter following the proposed SCIL Loan Commitment Increase (after giving effect to the Indebtedness to be incurred as a result of the proposed SCIL Loan Commitment Increase as if such Indebtedness was incurred on the first day of such period);

(iii) The second anniversary of the Closing Date has not occurred;

(iv) The Borrower has not previously caused the SCIL Loan Commitments and this Agreement or the commitments under the First Lien Credit Agreement to have been increased more than once;

(v) Borrower has forwarded to GE Capital and SCIL Agent a written offer to GE Capital to provide on the proposed SCIL Loan Commitment Increase whereupon GE Capital shall have the right, but no obligation, to commit to all or any portion of the proposed SCIL Loan Commitment Increase, *provided* that, no later than fourteen (14) days after receipt of such written request, GE Capital shall advise SCIL Agent and the Borrower whether GE Capital will commit to provide all or any portion of the proposed SCIL Loan Commitment Increase and, if so, the amount of its proposed SCIL Loan Commitment (the "First Offer Requirement"). After satisfying the First Offer Requirement, Borrower shall be entitled to offer participation in the portion of the proposed SCIL Loan Commitment Increase not committed to by GE Capital, if any, to other SCIL Lenders and/or New SCIL Lenders. Borrower acknowledges and agrees that GE Capital and/or its Affiliates may elect to syndicate all or any portion of any SCIL Loan Commitment Increase to which GE Capital may hereafter commit; *provided*, that Borrower shall not be obligated to pay any additional fees or provide any increase in pricing to ensure a successful syndication of such commitments by GE Capital or its Affiliates;

(vi) The proposed SCIL Loan Commitment Increase has been consented to in writing by the SCIL Lenders or New SCIL Lenders whose increase in Commitments or New Commitments in the aggregate equals such proposed Commitment Increase (it being understood and agreed that no SCIL Loan Commitment of a SCIL Lender may be increased hereunder without such SCIL Lender's written consent);

(vii) Any increase in the SCIL Loan Commitment shall be in the minimum amount of $5,000,000;

(viii) the proposed SCIL Loan Commitment Increase together with any prior SCIL Loan Commitment Increase shall not exceed the SCIL Loan Commitment Increase Cap;

(ix) The interest rate pertaining to any portion of the SCIL Loan which is the subject of any SCIL Loan Commitment Increase shall be equal to the interest rate pertaining to the balance of the SCIL Loan under this Agreement. If, in connection with any SCIL Loan Commitment Increase, any interest rate for any portion of the SCIL Loan is increased, a reciprocal increase in the relevant interest rate for the entire SCIL Loan under this Agreement shall be required to occur from and after the effective date of such SCIL Loan Commitment Increase. By way of example, if a proposed SCIL Loan Commitment Increase consists of $20,000,000 of additional SCIL Loan Commitments and Borrower agrees to increase interest rate for LIBOR Loans by 0.20% over the interest rate then in effect under this Agreement to attract such additional SCIL Loan Commitments, the interest rate for LIBOR Loans for the entire SCIL Loan from and after the effective date of such SCIL Loan Commitment Increase would be increased by such amount; and

(x) SCIL Agent shall have received amendments to this Agreement and the Loan Documents, joinders and other agreements, documents and instruments reasonably satisfactory to SCIL Agent in its sole discretion evidencing and setting forth the terms of the SCIL Loan Commitment Increase.

(b) Borrower, Credit Parties, SCIL Lenders and SCIL Agent acknowledge and agree that each SCIL Loan Commitment Increase meeting the conditions set forth in Section 2.2(a) (each, a "Qualifying SCIL Loan Commitment Increase") shall not require the consent of any SCIL Lender other than those SCIL Lenders, if any, which have agreed to increase their SCIL Loan Commitments in connection with such proposed Qualifying SCIL Loan Commitment Increase. Each SCIL Lender hereby authorizes the SCIL Agent, without any further consent from or agreement of such SCIL Lender, to execute on behalf of such SCIL Lender such amendments to this Agreement and/or the other Loan Documents as may be necessary to implement each such Qualifying SCIL Loan Commitment Increase.

3. REPRESENTATIONS AND WARRANTIES

To induce SCIL Lenders to make the SCIL Loan, the Credit Parties executing this Agreement, jointly and severally, make the following representations and warranties to SCIL Agent and each SCIL Lender with respect to all Credit Parties, each and all of which shall survive the execution and delivery of this Agreement.

3.1 Corporate Existence; Compliance with Law. Each Credit Party (a) is a corporation, limited liability company or limited partnership duly organized, validly existing and in good standing under the laws of its respective jurisdiction of incorporation or organization set forth in Disclosure Schedule (3.1); (b) is duly qualified to conduct business and is in good standing in each other jurisdiction where its ownership or lease of property or the conduct of its business requires such qualification, except where the failure to be so qualified would not have a Material Adverse Effect; (c) has the requisite power and authority and the legal right to own, pledge, mortgage or otherwise encumber and operate its properties, to lease the property it operates under lease and to conduct its business as now conducted; (d) subject to specific representations regarding Environmental Laws contained in the

Environmental Indemnity Agreement, has all material licenses, permits, consents or approvals from or by, and has made all material filings with, and has given all material notices to, all Governmental Authorities having jurisdiction, to the extent required for such ownership, operation and conduct, except as could not reasonably be expected to have a Material Adverse Effect; (e) is in compliance with its charter and bylaws or partnership or operating agreement, as applicable; and (f) subject to specific representations set forth herein regarding ERISA, tax and other laws, or specific representations regarding Environmental Laws set forth in the Environmental Indemnity Agreement, is in compliance with all applicable provisions of law, except where the failure to comply, individually or in the aggregate, could not reasonably be expected to have a Material Adverse Effect.

3.2 Executive Offices, Collateral Locations, FEIN. As of the Closing Date, each Credit Party's name as it appears in official filings in its state of incorporation or organization, state of incorporation or organization, organization type, organization number, if any, issued by its state incorporation or organization, and the location of each Credit Party's chief executive office and the warehouses and premises at which any Collateral is located on the Closing Date are set forth in Disclosure Schedule (3.2), and each Credit Party has only one state of incorporation or organization. In addition, Disclosure Schedule (3.2) lists the federal employer identification number of each domestic Credit Party.

3.3 Corporate Power, Authorization, Enforceable Obligations. The execution, delivery and performance by each Credit Party of the Loan Documents to which it is a party and the creation of all Liens provided for therein: (a) are within such Person's power; (b) have been duly authorized by all necessary corporate, limited liability company or limited partnership action; (c) do not contravene any provision of such Person's charter, bylaws or partnership or operating agreement as applicable; (d) do not violate any applicable law or regulation, or any order or decree of any court or Governmental Authority; (e) do not conflict with or result in the breach or termination of, constitute a default under or accelerate or permit the acceleration of any performance required by, any indenture, mortgage, deed of trust, lease, or other material agreement or instrument to which such Person is a party or by which such Person or any of its property is bound; (f) do not result in the creation or imposition of any Lien upon any of the property of such Person other than those in favor of SCIL Agent, on behalf of itself and SCIL Lenders, or the counterparty to any Specified Hedging Agreement pursuant to the Loan Documents; and (g) do not require the consent or approval of any Governmental Authority or any other Person, except those referred to in Section 2.1(c), all of which will have been duly obtained, made or complied with prior to or on the Closing Date unless otherwise agreed to by SCIL Agent in writing. As of the Closing Date, each of the Loan Documents shall be duly

executed and delivered by each Credit Party that is a party thereto and each such Loan Document shall constitute a legal, valid and binding obligation of such Credit Party enforceable against it in accordance with its terms, except as the enforceability thereof may be limited by applicable bankruptcy laws or similar laws affecting creditors' rights in general.

3.4 Financial Statements and Projections. Except for the Projections, all Financial Statements concerning Holdings, Borrower and its Subsidiaries that are referred to in this Section 3.4 have been prepared in accordance with GAAP consistently applied throughout the periods covered (except as disclosed therein and except, with respect to unaudited Financial Statements, for the absence of footnotes and normal year-end audit adjustments) and present fairly in all material respects the financial position of the Persons covered thereby as at the dates thereof and the results of their operations and cash flows for the periods then ended.

(a) Financial Statements. The following Financial Statements attached hereto as Disclosure Schedule (3.4(a)) have been delivered to SCIL Agent on or before the Closing Date:

(i) The audited consolidated and consolidating balance sheets at March 31, 2003 and the related statements of income and cash flows of Holdings, Borrower and its Subsidiaries for the Fiscal Year then ended, certified by Ernst & Young LLP.

(ii) The unaudited balance sheet(s) at December 27, 2003 and the related statement(s) of income and cash flows of Holdings, Borrower and its Subsidiaries for the four Fiscal Quarters then ended.

(b) Pro Forma. The Pro Forma delivered to SCIL Agent on or before the Closing Date and attached hereto as Disclosure Schedule (3.4(b)) was prepared by Borrower giving pro forma effect to the Related Transactions, was based on the unaudited consolidated and consolidating balance sheets of Borrower and its Subsidiaries dated December 27, 2003, and was prepared in accordance with GAAP, with only such adjustments thereto as would be required in accordance with GAAP.

(c) Projections. The Projections delivered to SCIL Agent on or before the Closing Date and attached hereto as Disclosure Schedule (3.4(c)) have been prepared by Borrower in light of the past operations of its and its Subsidiaries' businesses, but including future payments of known contingent liabilities, and reflect projections for the three year period beginning on April 4, 2004, on a month-by-month basis solely in respect of the income statement and on a quarterly basis for all other financial statements for the first year and on a year-by-year basis thereafter. The Projections are based upon material and relevant estimates and assumptions stated therein, all of which Borrower believes to be reasonable and fair in light of current conditions and current facts known to Borrower and, as of the Closing Date, reflect Borrower's good faith and reasonable estimates of the future financial performance of Borrower and of the other information projected therein for the period set forth therein.

3.5 Material Adverse Effect. Between March 31, 2003 and the Closing Date, (a) no Credit Party has incurred any obligations, contingent or noncontingent liabilities, liabilities for Charges, long-term leases or unusual forward or long-term commitments that are not

reflected in the Pro Forma and that, alone or in the aggregate, could reasonably be expected to have a Material Adverse Effect, (b) no contract, lease or other agreement or instrument has been entered into by any Credit Party or has become binding upon any Credit Party's assets and no law or regulation applicable to any Credit Party has been adopted, in each case, that has had or could reasonably be expected to have a Material Adverse Effect, and (c) no Credit Party is in default and to the best of Borrower's knowledge no third party is in default under any material contract, lease or other agreement or instrument, in any case which default alone or in the aggregate could reasonably be expected to have a Material Adverse Effect. Between March 31, 2003 and the Closing Date no event has occurred, that alone or together with other events, could reasonably be expected to have a Material Adverse Effect.

3.6 Ownership of Property; Liens. As of the Closing Date, the real estate ("Real Estate") listed in Disclosure Schedule (3.6) includes all of the real property owned, leased, subleased, or used by any Credit Party. As of the Closing Date, each Credit Party owns good and marketable fee simple title to all of its owned Real Estate, and valid leasehold interests in all of its leased Real Estate, all as described on Disclosure Schedule (3.6), and copies of all such leases have been delivered to SCIL Agent. Disclosure Schedule (3.6) further describes any Real Estate with respect to which any Credit Party is a lessor, sublessor or assignor as of the Closing Date. Each Credit Party also has good and marketable title to, or valid leasehold interests in, all of its personal property and assets. As of the Closing Date, none of the properties and assets of any Credit Party are subject to any Liens other than Permitted Encumbrances, and no Credit Party has received written notice of any facts, circumstances or conditions that are likely to result in any Liens (including Liens arising under Environmental Laws) on any Collateral other than Permitted Encumbrances. As of the Closing Date, the Liens granted to SCIL Agent pursuant to the Loan Documents are perfected Liens, subject only to Permitted Encumbrances. As of the Closing Date, each Credit Party has to its knowledge received all deeds, assignments, waivers, consents, nondisturbance and attornment or similar agreements, bills of sale and other documents, and has duly effected all recordings, filings and other actions reasonably necessary to establish, protect and perfect such Credit Party's right, title and interest in and to all such Real Estate and other properties and assets. Disclosure Schedule (3.6) also describes any purchase options, rights of first refusal or other similar contractual rights pertaining to any Real Estate. During the period from March 31, 2003 through the Closing Date, no portion of any Credit Party's Real Estate has suffered any material damage by fire or other casualty loss that has not heretofore been repaired and restored in all material respects to its original condition or otherwise remedied. As of the Closing Date, all material permits required to have been issued or appropriate to enable the Real Estate to be lawfully occupied and used for all of the purposes for which it is currently occupied and used have been lawfully issued and are in full force and effect, except as could not reasonably be expected to have a Material Adverse Effect.

3.7 Labor Matters. As of the Closing Date (a) no strikes or other material labor disputes against any Credit Party are pending or, to any Credit Party's knowledge, threatened; (b) hours worked by and payment made to employees of each Credit Party comply with the Fair Labor Standards Act and each other federal, state, local or foreign law applicable to such matters; (c) all payments due from any Credit Party for employee health and welfare insurance have been paid or accrued as a liability on the books of such Credit Party; (d) except as set forth in Disclosure Schedule (3.7), no Credit Party is a party to or bound by any collective

bargaining agreement, management agreement, consulting agreement, employment agreement, bonus, restricted stock, stock option, or stock appreciation plan or agreement or any similar plan, agreement or arrangement (and true and complete copies of any agreements described on Disclosure Schedule (3.7) have been delivered to SCIL Agent); (e) to any Credit Party's knowledge, there is no organizing activity involving any Credit Party pending or threatened by any labor union or group of employees; (f) there are no representation proceedings pending or, to any Credit Party's knowledge, threatened with the National Labor Relations Board, and no labor organization or group of employees of any Credit Party has made a pending demand for recognition; and (g) except as set forth in Disclosure Schedule (3.7), there are no material complaints or charges against any Credit Party pending or, to the knowledge of any Credit Party, threatened to be filed with any Governmental Authority or arbitrator based on, arising out of, in connection with, or otherwise relating to the employment or termination of employment by any Credit Party of any individual; in each case except as could not reasonably be expected to have a Material Adverse Effect.

3.8 Ventures, Subsidiaries and Affiliates; Outstanding Stock and Indebtedness. Except as set forth in Disclosure Schedule (3.8), as of the Closing Date, no Credit Party has any Subsidiaries, is engaged in any joint venture or partnership with any other Person, or is an Affiliate of any other Person. As of the Closing Date, all of the issued and outstanding Stock of each Credit Party is owned by each of the Stockholders and in the amounts set forth in Disclosure Schedule (3.8). Except as set forth in Disclosure Schedule (3.8), as of the Closing Date there are no outstanding rights to purchase, options, warrants or similar rights or agreements pursuant to which any Credit Party may be required to issue, sell, repurchase or redeem any of its Stock or other equity securities or any Stock or other equity securities of its Subsidiaries. All outstanding Indebtedness and Guaranteed Indebtedness of each Credit Party as of the Closing Date (except for the Obligations) is described in Section 6.3 (including Disclosure Schedule (6.3)).

3.9 Government Regulation. No Credit Party is an "investment company" or an "affiliated person" of, or "promoter" or "principal underwriter" for, an "investment company" that is required to register as such under the Investment Company Act of 1940, in each case as such terms are defined in such act. No Credit Party is subject to regulation under the Public Utility Holding Company Act of 1935, the Federal Power Act, or any other federal or state statute that restricts or limits its ability to incur Indebtedness or to perform its obligations hereunder. The making of the SCIL Loan by SCIL Lenders to Borrower, the application of the proceeds thereof and repayment thereof and the consummation of the Related Transactions will not violate any provision of any such statute or any rule, regulation or order issued by the Securities and Exchange Commission.

3.10 Margin Regulations. No Credit Party 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" as such terms are defined in Regulation U of the Federal Reserve Board as now and from time to time hereafter in effect (such securities being referred to herein as "Margin Stock"). No Credit Party owns any Margin Stock, and none of the proceeds of the SCIL Loan or other extensions of credit under this Agreement will be used, directly or indirectly, for the purpose of purchasing or carrying any Margin Stock, for the purpose of reducing or retiring any Indebtedness that was originally incurred to purchase or carry

any Margin Stock or for any other purpose that might cause the SCIL Loan or other extensions of credit under this Agreement to be considered a "purpose credit" within the meaning of Regulations T, U or X of the Federal Reserve Board. No Credit Party will take or permit to be taken any action that might cause any Loan Document to violate any regulation of the Federal Reserve Board.

3.11 Taxes. As of the Closing Date, all tax returns, reports and statements, including information returns, required by any Governmental Authority to be filed by any Credit Party have been filed with the appropriate Governmental Authority and all Charges have been paid prior to the date on which any fine, penalty, interest or late charge may be added thereto for nonpayment thereof (or any such fine, penalty, interest, late charge or loss has been paid), excluding Charges or other amounts being contested in accordance with the terms described in Section 5.2(b). As of the Closing Date, proper and accurate amounts have been withheld by each Credit Party from its respective employees for all periods in compliance in all material respects with all applicable federal, state, local and foreign laws and such withholdings have been timely paid to the respective Governmental Authorities. Disclosure Schedule (3.11) sets forth as of the Closing Date those taxable years for which any Credit Party's tax returns are currently being audited by the IRS or any other applicable Governmental Authority and any assessments or threatened assessments in connection with such audit, or that are otherwise currently outstanding. Except as described in Disclosure Schedule (3.11), as of the Closing Date, no Credit Party has executed or filed with the IRS or any other Governmental Authority any agreement or other document extending, or having the effect of extending, the period for assessment or collection of any

Charges. As of the Closing Date, none of the Credit Parties and their respective predecessors are liable for any Charges: (a) under any agreement (including any tax sharing agreements), except as described in Disclosure Schedule (3.11) or (b) to each Credit Party's knowledge, as a transferee. As of the Closing Date, no Credit Party has agreed or been requested to make any adjustment under IRC Section 481(a), by reason of a change in accounting method or otherwise, which would have a Material Adverse Effect.

3.12 ERISA.

(a) Disclosure Schedule (3.12) lists (i) all ERISA Affiliates and (ii) all Plans and separately identifies all Pension Plans, including Title IV Plans, Multiemployer Plans, ESOPs and Welfare Plans, including all Retiree Welfare Plans. Copies of all such listed Plans (other than Multiemployer Plans), together with a copy of the latest form IRS/DOL 5500-series form for each such Plan and the most recent actuarial report for any Title IV Plans and Welfare Plans have been delivered to SCIL Agent. Except with respect to Multiemployer Plans, each Qualified Plan has been determined by the IRS to qualify under Section 401 of the IRC, the trusts created thereunder have been determined to be exempt from tax under the provisions of Section 501 of the IRC, and nothing has occurred that would cause the loss of such qualification or tax-exempt status. Except as could not reasonably be expected to have a Material Adverse Effect, each Plan is in compliance with the applicable provisions of ERISA and the IRC, including the timely filing of all reports required under the IRC or ERISA, including the statement required by 29 CFR Section 2520.104-23. Neither any Credit Party nor ERISA Affiliate has failed to make any contribution or pay any amount due as required by either Section 412 of the IRC or Section 302 of ERISA or the terms of any such Plan. Except as could not be reasonably be expected to have a Material Adverse Effect, no "prohibited transaction," as

defined in Section 406 of ERISA and Section 4975 of the IRC, in connection with any Plan has occurred that would subject any Credit Party to a material tax on prohibited transactions imposed by Section 502(l) of ERISA or Section 4975 of the IRC, and no event has occurred with respect to a Plan which would subject any Credit Party to any material liability under Section 502(l) of ERISA.

(b) Except as set forth in Disclosure Schedule (3.12): (i) no Title IV Plan has any Unfunded Pension Liability; (ii) no ERISA Event or event described in Section 4062(e) of ERISA with respect to any Title IV Plan has occurred or is reasonably expected to occur; (iii) there are no pending, or to the knowledge of any Credit Party, threatened claims (other than claims for benefits in the normal course), sanctions, actions or lawsuits, asserted or instituted against any Plan or any Person as fiduciary or sponsor of any Plan; (iv) no Credit Party or ERISA Affiliate has incurred or reasonably expects to incur any liability as a result of a complete or partial withdrawal from a Multiemployer Plan; (v) within the last five years no Title IV Plan of any Credit Party or ERISA Affiliate has been terminated, whether or not in a "standard termination" as that term is used in Section 4041(b)(1) of ERISA, nor has any Title IV Plan of any Credit Party or ERISA Affiliate (determined at any time within the past five years) with Unfunded Pension Liabilities been transferred outside of the "controlled group" (within the meaning of Section 4001(a)(14) of ERISA) of any Credit Party or ERISA Affiliate (determined at such time); (vi) except in the case of any ESOP, Stock of all Credit Parties and their ERISA Affiliates makes up, in the aggregate, no more than 10% of fair market value of the assets of any Plan measured on the basis of fair market value as of the latest valuation date of any Plan; and (vii) no liability under any Title IV Plan has been satisfied with the purchase of a contract from an insurance company that is not rated AAA by the Standard & Poor's Corporation or an equivalent rating by another nationally recognized rating agency.

3.13 No Litigation. No action, claim, lawsuit, demand, investigation or proceeding is now pending or, to the knowledge of any Credit Party, threatened in writing against any Credit Party, before any Governmental Authority or before any arbitrator or panel of arbitrators (collectively, "Litigation"), (a) that challenges any Credit Party's right or power to enter into or perform any of its obligations under the Loan Documents to which it is a party, or the validity or enforceability of any Loan Document or any action taken thereunder, or (b) that is reasonably likely to be determined adversely to any Credit Party and that, if so determined, would have a Material Adverse Effect. Except as set forth on Disclosure Schedule (3.13), as of the Closing Date there is no Litigation pending or, to any Credit Party's knowledge, threatened that seeks damages in excess of $250,000 or injunctive relief against, or alleges criminal misconduct of, any Credit Party.

3.14 Brokers. No broker or finder acting on behalf of any Credit Party or Affiliate thereof brought about the obtaining, making or closing of the SCIL Loan or the Related Transactions, and no Credit Party or Affiliate thereof has any obligation to any Person in respect of any finder's or brokerage fees in connection therewith.

3.15 Intellectual Property. As of the Closing Date, each Credit Party owns or has rights to use all Intellectual Property necessary to continue to conduct its business as now or heretofore conducted by it or proposed to be conducted by it, and each Patent, registered Trademark, registered Copyright and License is listed, together with application or registration

numbers, as applicable, in Disclosure Schedule (3.15). To the knowledge of each Credit Party, as of the Closing Date, each Credit Party conducts its business and affairs without infringement of or interference with any Intellectual Property of any other Person in any material respect. Except as set forth in Disclosure Schedule (3.15), as of the Closing Date, no Credit Party is aware of any infringement claim by any other Person with respect to any Intellectual Property.

3.16 Full Disclosure. No information contained in this Agreement, any of the other Loan Documents, any Projections or Financial Statements or other written reports from time to time delivered hereunder or any written statement furnished by or on behalf of any Credit Party to SCIL Agent or any SCIL Lender pursuant to the terms of this Agreement contains or will contain any untrue statement of a material fact or omits or will omit to state a material fact necessary to make the statements contained herein or therein not misleading in light of the circumstances under which they were made; *provided* that, with respect to Projections from time to time delivered hereunder, Borrower represents only that (A) such Projections are based on good faith estimates and assumptions believed by Borrower to be reasonable and attainable at the time made and (B) such Projections are or will be based upon the material and relevant estimates and assumptions stated therein, all of which Borrower believed at the time of delivery to be reasonable and fair in light of current conditions and current facts known to Borrower as of such delivery date, and reflect Borrower's good faith and reasonable estimates of the future financial performance of Borrower and of the other information projected therein for the period set forth therein. Each Credit Party will use its best efforts to ensure that the Liens granted to SCIL Agent, on behalf of itself and SCIL Lenders, pursuant to the Collateral Documents will at all times be fully perfected Liens in and to the Collateral described therein, subject, as to priority, only to Permitted Encumbrances. On the Closing Date, after giving effect to the

consummation of the Related Transactions, no default or event of default under or with respect to any of the Related Transactions Documents has occurred and is continuing

3.17 **[**Intentionally Omitted**]**.

3.18 Insurance. Disclosure Schedule (3.18) lists all insurance policies of any nature maintained, as of the Closing Date, for current occurrences by each Credit Party, as well as a summary of the terms of each such policy.

3.19 Deposit and Disbursement Accounts. Disclosure Schedule (3.19) lists all banks and other financial institutions at which any Credit Party maintains deposit or other accounts as of the Closing Date, including any disbursement accounts, and such Schedule correctly identifies the name, address and telephone number of each depository, the name in which the account is held, a description of the purpose of the account, and the complete account number therefor.

3.20 Government Contracts. Except as set forth in Disclosure Schedule (3.20), as of the Closing Date, no Credit Party is a party to any contract or agreement with any Governmental Authority and no Credit Party's Accounts are subject to the Federal Assignment of Claims Act (31 U.S.C. Section 3727) or any similar state or local law.

3.21 Customer and Trade Relations. During the twelve months preceding the Closing Date, there was no termination or cancellation of: the business relationship of any

Credit Party with any customer or group of related customers whose purchases during the most recent Fiscal Year caused it to be ranked among the ten largest customers of such Credit Party; or the business relationship of any Credit Party with any supplier that cannot be easily replaced.

3.22 Agreements and Other Documents. As of the Closing Date, each Credit Party has provided to SCIL Agent or its counsel, on behalf of SCIL Lenders, complete copies (or accurate summaries) of all of the following agreements or documents to which it is subject and each of which is listed in Disclosure Schedule (3.22) without duplication of the agreements or documents provided as of the Closing Date or as of the date of the Prior Credit Agreement: supply agreements and purchase agreements not terminable by such Credit Party within sixty (60) days following written notice issued by such Credit Party and involving transactions in excess of $1,000,000 per annum; leases of Equipment having a remaining term of one year or longer and requiring aggregate rental and other payments in excess of $500,000 per annum; licenses and permits held by the Credit Parties, the absence of which could be reasonably likely to have a Material Adverse Effect; instruments and documents evidencing any Indebtedness or Guaranteed Indebtedness of such Credit Party in excess of $500,000 and any Lien granted by such Credit Party with respect thereto; and instruments and agreements evidencing the issuance of any equity securities, warrants, rights or options to purchase equity securities of such Credit Party.

3.23 Solvency. Both before and after giving effect to (a) the SCIL Loan to be made on the Closing Date or such other date as SCIL Loan requested hereunder is made pursuant to the SCIL Loan Commitment Increase or such other date as the SCIL Loan is continued or converted as a LIBOR Loan, (b) the consummation of the Related Transactions and (c) the payment and accrual of all transaction costs, fees and expenses in connection with the foregoing, each Credit Party is and will be Solvent.

3.24 Status of Holdings. As of the Closing Date, Holdings has not engaged in any trade or business and has not incurred any Indebtedness other than holding, managing and directing its equity and debt positions in Borrower and performing its obligations under existing arrangements with its stockholders and taking actions incident thereto.

3.25 Subordinated Debt; other Indebtedness. As of the Closing Date, Borrower has delivered to SCIL Agent a complete and correct copy of the Discount Debentures Documents and any other debt instrument of any Credit Party evidencing Indebtedness in excess of $500,000 (including, in each case, all schedules, exhibits, amendments, supplements, modifications, assignments and all other documents delivered pursuant thereto or in connection therewith). As of the relevant dates, Holdings had the corporate power and authority to incur the Indebtedness evidenced by the Discount Debentures Documents. The execution, delivery and performance of this Agreement and the other Loan Documents and the funding of the SCIL Loan do not violate any term or provision of any of Discount Debentures Documents.

3.26 Motor Vehicles. As of the Closing Date, the value of all motor vehicles owned by Credit Parties does not exceed $100,000 in the aggregate.

4. FINANCIAL STATEMENTS AND INFORMATION

4.1 Reports and Notices. From and after the Closing Date and until the Termination Date, Borrower shall deliver to SCIL Agent for distribution to the SCIL Lenders, the Financial Statements, notices, Projections and other information at the times, to the Persons and in the manner set forth in Annex D.

4.2 Communication with Accountants. Each Credit Party executing this Agreement authorizes (a) SCIL Agent and (b) so long as an Event of Default has occurred and is continuing, each SCIL Lender, to communicate directly with its independent certified public accountants, including Ernst & Young LLP, and authorizes and shall instruct those accountants and advisors to disclose and make available to SCIL Agent and each SCIL Lender any reasonably requested information in its possession or under its control relating to any Credit Party with respect to the business, results of operations and financial condition of any Credit Party.

5. AFFIRMATIVE COVENANTS

Each Credit Party executing this Agreement jointly and severally agrees as to all Credit Parties that from and after the date hereof and until the Termination Date:

5.1 Maintenance of Existence and Conduct of Business. Except as otherwise permitted by the Loan Documents, each Credit Party shall: (i) do or cause to be done all things necessary to preserve and keep in full force and effect its corporate existence and its rights and franchises; (ii) continue to conduct its business substantially as now conducted or as otherwise permitted hereunder; and (iii) at all times maintain, preserve and protect all of its assets and properties used or useful in the conduct of its business, and keep the same in good repair, working order and condition in all material respects (taking into consideration ordinary wear and tear) and from time to time make, or cause to be made, all necessary or appropriate repairs, replacements and improvements thereto consistent with industry practices, except in each case where the failure to do so would result in a Material Adverse Effect. Each Credit Party shall transact business only in such corporate and trade names as are set forth in Disclosure Schedule (5.1) or such other names as such Credit Party may provide to SCIL Agent on at least thirty (30) days' prior written notice.

5.2 Payment of Charges.

(a) Subject to Section 5.2(b), each Credit Party shall pay and discharge or cause to be paid and discharged promptly all Charges payable by it, including (i) Charges imposed upon it, its income and profits, or any of its property (real, personal or mixed) and all Charges with respect to tax, social security and unemployment withholding with respect to its employees, (ii) lawful claims for labor, materials, supplies and services or otherwise, and (iii) all storage or rental charges payable to warehousemen and bailees, in each case, before any thereof shall become thirty (30) days past due.

(b) Each Credit Party may in good faith contest, by appropriate proceedings, the validity or amount of any Charges, Taxes or claims described in Section 5.2(a); *provided*, that (i) adequate reserves with respect to such contest are maintained on the books of such Credit Party, in accordance with GAAP; (ii) no Lien shall be imposed to secure payment of such Charges (other than payments to warehousemen and/or bailees) that is superior to any of the Liens securing the Obligations and such contest is maintained and prosecuted continuously and with diligence and operates to suspend collection or enforcement of such Charges, (iii) no tangible asset of any Credit Party becomes subject to forfeiture or loss during the pendency of such contest, and (iv) such Credit Party shall promptly pay or discharge such contested Charges, Taxes or claims and all additional charges, interest, penalties and expenses, if any, and shall deliver to SCIL Agent evidence reasonably acceptable to SCIL Agent of such compliance, payment or discharge, if such contest is terminated or discontinued adversely to such Credit Party or the conditions set forth in this Section 5.2(b) are no longer met.

5.3 Books and Records. The Credit Parties shall keep adequate books and records with respect to their business activities in which proper entries, reflecting all material financial transactions, are made in accordance with GAAP and on a basis consistent with the Financial Statements attached as Disclosure Schedule (3.4(a)).

5.4 Insurance; Damage to or Destruction of Collateral.

(a) The Credit Parties shall, at their sole cost and expense, maintain the policies of insurance described on Disclosure Schedule (3.18) as in effect on the date hereof or otherwise in form and amounts determined by the Credit Parties and reasonably acceptable to SCIL Agent and with insurers selected by the Credit Parties and reasonably acceptable to SCIL Agent. Such policies of insurance (or the loss payable and additional insured endorsements delivered to SCIL Agent) shall contain provisions pursuant to which the insurer agrees to provide thirty (30) days' prior written notice to SCIL Agent in the event of any non-renewal, cancellation or amendment of any such insurance policy. If any Credit Party at any time or times hereafter shall fail to obtain or maintain any of the policies of insurance required above or to pay all premiums relating thereto, SCIL Agent may at any time or times thereafter obtain and maintain such policies of insurance and pay such premiums and take any other action with respect thereto that SCIL Agent deems reasonably advisable. SCIL Agent shall have no obligation to obtain insurance for any Credit Party or pay any premiums therefor. By doing so, SCIL Agent shall not be deemed to have waived any Default or Event of Default arising from any Credit Party's failure to maintain such insurance or pay any premiums therefor. All sums so disbursed, including reasonable attorneys' fees, court costs and other charges related thereto, shall be payable on demand by Borrower to SCIL Agent and shall be additional Obligations hereunder secured by the Collateral.

(b) SCIL Agent reserves the right at any time upon any change in any Credit Party's risk profile (including any material change in the product mix maintained by any Credit Party or any laws affecting the potential liability of such Credit Party) to require additional forms and limits of insurance customary in the industry for such changed risk profile. If reasonably requested by SCIL Agent, each Credit Party shall deliver to SCIL Agent from time to time a report of a reputable insurance broker, reasonably satisfactory to SCIL Agent, with respect to its insurance policies.

(c) Each Credit Party shall deliver to SCIL Agent, in form and substance reasonably satisfactory to SCIL Agent, endorsements to (i) all "All Risk" and business interruption insurance naming SCIL Agent, on behalf of itself and SCIL Lenders, as loss payee, and (ii) all general liability and other liability policies maintained by such Credit Party naming SCIL Agent, on behalf of itself and SCIL Lenders, as additional insured. Each Credit Party irrevocably makes, constitutes and appoints SCIL Agent (and all officers, employees or agents designated by SCIL Agent), so long as any Event of Default has occurred and is continuing, as each Credit Party's true and lawful agent and attorney-in-fact for the purpose of making, settling and adjusting claims under such "All Risk" policies of insurance, endorsing the name of each Credit Party on any check or other item of payment for the proceeds of such "All Risk" policies of insurance and for making all determinations and decisions with respect to such "All Risk" policies of insurance. SCIL Agent shall have no duty to exercise any rights or powers granted to it pursuant to the foregoing power-of-attorney. Borrower shall promptly notify SCIL Agent of any Event of Loss and of any loss, damage, or destruction to the Collateral in the amount of $250,000 or more, whether or not covered by insurance. After deducting from the insurance proceeds received in connection with such Event of Loss the costs, fees and expenses, if any, incurred by SCIL Agent in the collection or handling thereof, SCIL Agent shall either, at its option, apply such proceeds to the reduction of the Obligations in accordance with Section 1.3(c) or permit or require each Credit Party to use such money, or any part thereof, to replace, repair, restore or rebuild the Collateral in a diligent and expeditious manner with materials and workmanship of substantially the same quality as existed before the loss, damage or destruction. Notwithstanding the foregoing, if an Event of Loss giving rise to insurance proceeds could not reasonably be expected to have a Material Adverse Effect (after giving effect to the application of the insurance proceeds to repair and restoration) and such insurance proceeds do not exceed $2,000,000 in the aggregate, the applicable Credit Party may elect, in its discretion, to replace, restore, repair or rebuild the property; *provided* that if such Credit Party has not completed or entered into binding agreements to complete such replacement, restoration, repair or rebuilding within 270 days of such casualty, SCIL Agent may apply such insurance proceeds to the Obligations in accordance with Section 1.3(c). All insurance proceeds that are to be made available to Borrower to replace, repair, restore or rebuild the Collateral shall be applied by SCIL Agent to reduce the outstanding principal balance of the Revolving Loan (which application shall not result in a

permanent reduction of the Revolving Loan Commitment) and upon such application, SCIL Agent shall establish a Reserve against the Borrowing Base in an amount equal to the amount of such proceeds so applied. Thereafter, such funds shall be made available to such Credit Party to provide funds to replace, repair, restore or rebuild the Collateral as follows: (i) Borrower shall request a Revolving Credit Advance be made to such Credit Party in the amount requested to be released; (ii) so long as the conditions set forth in Section 2.2 have been met and subject to the provisions of any Mortgage encumbering such Collateral, Revolving SCIL Lenders shall make such Revolving Credit Advance; and (iii) in the case of insurance proceeds applied against the Revolving Loan, the Reserve established with respect to such insurance proceeds shall be reduced by the amount of such Revolving Credit Advance. To the extent not used to replace, repair, restore or rebuild the Collateral, such insurance proceeds shall be applied in accordance with Section 1.3(c); *provided*, that in the case of insurance proceeds pertaining to any Credit Party other than Borrower, such insurance proceeds shall be applied to the Loans owing by Borrower in accordance with Section 1.3(c).

5.5 Compliance with Laws. Each Credit Party shall comply with all federal, state, local and foreign laws and regulations applicable to it, including those relating to FAA, ERISA and labor matters and Environmental Laws and Environmental Permits, except to the extent that the failure to comply, individually or in the aggregate, could not reasonably be expected to have a Material Adverse Effect.

5.6 Supplemental Disclosure. From time to time as may be reasonably requested by SCIL Agent (which request will not be made more frequently than once each year absent the occurrence and continuance of an Event of Default), the Credit Parties shall supplement each Disclosure Schedule hereto, or any representation herein or in any other Loan Document, with respect to any matter hereafter arising that, if existing or occurring at the date of this Agreement, would have been required to be set forth or described in such Disclosure Schedule or as an exception to such representation or that is necessary to correct any information in such Disclosure Schedule or representation which has been rendered inaccurate thereby (and, in the case of any supplements to any Disclosure Schedule, such Disclosure Schedule shall be appropriately marked to show the changes made therein); *provided* that (a) no such supplement to any such Disclosure Schedule or representation shall amend, supplement or otherwise modify any Disclosure Schedule or representation, or be or be deemed a waiver of any Event of Default resulting from the matters disclosed therein, except as consented to by SCIL Agent and Requisite SCIL Lenders in writing, and (b) no supplement shall be required or permitted as to representations and warranties that relate solely to the Closing Date or the Closing Date, as applicable.

5.7 Intellectual Property. Each Credit Party will conduct its business and affairs without infringement of or interference with any Intellectual Property of any other Person in any material respect, except as could not reasonably be expected to have a Material Adverse Effect.

5.8 Proceeds from Stock Issuances. To the extent not prohibited by the First Lien Credit Agreement or the Intercreditor Agreement, if Holdings or Borrower issues Stock, the cash proceeds thereof (net of underwriting discounts and commissions and other reasonable costs, fees and expenses paid to non-Affiliates of Holdings or Borrower in connection therewith) shall be used as follows:

(a) in the case of an issuance of such Stock other than pursuant to a Qualified Public Offering, after repayment of outstanding Holdco Debenture Debt elected to be repaid by Holdings from the proceeds of issuance of Stock (other than Disqualified Stock) to the extent permitted by Section 6.14(a)(J), 50% of any remaining net proceeds shall be used to prepay First Lien Obligations in accordance with Section 1.3(b)(v) of the First Lien Credit Agreement and the other 50% of such remaining net proceeds shall be used by Borrower or Holdings for general corporate purposes subject to the terms and conditions of this Agreement.

(b) in the case of an issuance of Stock pursuant to a Qualified Public Offering, such proceeds shall be used as follows:

(i) *first*, up to 100% of such proceeds shall be used to repay outstanding Holdco Debenture Debt, if any, until paid in full;

(ii) *second*, 50% of any proceeds remaining after application of clause (b)(i) above (such remaining proceeds being the "Post-Holdco Debenture Debt Proceeds") shall be used to repay Obligations in accordance with Section 1.3(b)(v) hereof and/or to prepay First Lien Obligations in accordance with Section 1.3(b)(v) of the First Lien Credit Agreement, (the application of such proceeds being allocated between the prepayment of the Obligations and the First Lien Obligations by Borrower); and

(iii) *third*, the remaining 50% of any Post-Holdco Debenture Proceeds (such amount, (the "Credit Party Post-Holdco Debenture Debt Proceeds") shall be used by Borrower or Holdings for one or more of the following purposes: (A) general corporate purposes, (B) to prepay Obligations or (C) to make Restricted Payments in respect of the Holdings' preferred Stock to the extent permitted by Section 6.14(a)(I), subject in each case to terms and conditions of this Agreement; *provided that* Holdings and Borrower may use no more than 50% of the Credit Party Post-Holdco Debenture Debt Proceeds to (x) make Restricted Payments in respect of Holding's preferred Stock promptly upon receipt thereof to the extent permitted by Section 6.14(a)(I) or (y) prepay Obligations promptly upon receipt thereof to the extent permitted by the First Lien Credit Agreement.

(c) Notwithstanding the foregoing, Section 5.8(a) and (b) shall not apply to:

(i) issuances of Stock (other than Disqualified Stock) of Holdings to the existing Stockholders of Holdings (and in the case such Stockholders are Michael J. Hartnett or Whitney & Co., issuance of Stock of Holdings to any Person controlled by or under common control with Michael J. Hartnett or Whitney & Co. (any such Person being a "Related Stockholder Party") in the aggregate amount not to exceed $10,000,000**;**

(ii) issuances of Stock (other than Disqualified Stock) of Holdings to the existing Stockholders of Holdings (and/or any Related Stockholder Party) or to seller(s) involved in a Permitted Acquisition, in each case to the extent (but only to the extent) that such Stock or the proceeds thereof are immediately used as a consideration for all or a portion of the purchase price of a Permitted Acquisition, so long as no Change of Control results after giving effect to such issuance or series of related issuances (proceeds from Stock issuances to the existing Stockholders (and/or any Related Stockholder Party) used as a consideration for Permitted Acquisitions described in this clause (ii) being the "Stockholder Proceeds");

(iii) issuance of directors' qualifying shares;

(iv) issuances of Stock of Holdings issued to any holder of Indebtedness of Holdings or Borrower to the extent (but only to the extent) issued in connection with an issuance, refinancing or restructuring of Indebtedness permitted hereunder, so long as no Change of Control results after giving effect to such issuance or a series of related issuances; or

(v) sales or issuances of common Stock to officers, directors or employees of Holdings, Borrower or any Subsidiary, as the case may be, pursuant to a director, management or employee compensation benefit plan, to the extent the aggregate cash proceeds received from the issuance of such common Stock in excess of the aggregate redemption

proceeds paid in connection with redemptions of common Stock of employees does not exceed $2,000,000 in any Fiscal Year.

5.9 Landlords' Agreements, Mortgagee Agreements, Bailee Letters and Real Estate Purchases. Unless SCIL Agent shall otherwise agree in writing, each Credit Party shall use commercially reasonable efforts to obtain a landlord's agreement, mortgagee agreement or bailee letter, as applicable, from the lessor of each leased property, mortgagee of owned property or bailee with respect to any warehouse, processor or converter facility or other location where Collateral is stored or located, which agreement or letter shall contain a waiver or subordination of all Liens or claims that the landlord, mortgagee or bailee may assert against the Collateral at that location, and shall otherwise be satisfactory in form and substance to SCIL Agent. After the Closing Date, no real property or warehouse space shall be leased by any Credit Party, and no material amount of Inventory shall be shipped to a processor or converter under arrangements established after the Closing Date without the prior written consent of SCIL Agent, unless and until (i) a reasonably satisfactory landlord agreement or bailee letter, as appropriate, shall first or simultaneously have been obtained with respect to such location or (ii) the First Lien Agent has provided its written consent under and with respect to the First Lien Credit Agreement to the waiver of such landlord agreement or bailee letter, as applicable. Each Credit Party shall timely and fully pay and perform its obligations in all material respects under all leases and other agreements with respect to each leased location or public warehouse where any Collateral is or may be located. Except to the extent otherwise permitted hereunder, if any Credit Party proposes to acquire a fee ownership interest in Real Estate after the Closing Date, it shall first provide to SCIL Agent a mortgage or deed of trust granting SCIL Agent a first priority Lien on such Real Estate, together with environmental audits, mortgage title insurance commitment, real property survey, local counsel opinion(s), and, if required by SCIL Agent, casualty insurance and flood insurance, and such other documents, instruments or agreements reasonably requested by SCIL Agent, in each case, in form and substance reasonably satisfactory to SCIL Agent.

5.10 Motor Vehicles. In the event the value of all motor vehicles owned by Credit Parties shall exceed $100,000 in the aggregate, each Credit Party will grant to SCIL Agent perfected Liens on all motor vehicles owned by such Credit Party and deliver all title certificate for each motor vehicle owned by such Credit Party noting SCIL Agent's security interest therein, signed by the relevant Credit Party, in a manner satisfactory to SCIL Agent.

5.11 Interest Rate. Within one hundred and eighty (180) days after the Closing Date and at all times thereafter prior to the Termination Date, Borrower shall enter into and maintain one or more Specified Hedging Agreements designed to provide protection against fluctuations in interest rates, and pursuant to which Borrower is protected against increases in interest rates as currently in effect from and after the date of such contracts such that aggregate principal amount equal to at least 50% of the aggregate outstanding principal amount of the First Lien Term Loan and the SCIL Loan is either (i) fixed rate Indebtedness or (ii) subject to Specified Hedging Agreements.

5.12 Maturity of the Holdco Debenture Debt No later than the 180th day prior to June 15, 2009, the Holdco Debenture Debt shall be refinanced or the terms and provisions of the Discount Debentures Documents shall be amended, in each case on terms and conditions satisfactory to SCIL Agent in its sole discretion, so that the Indebtedness refinancing the Holdco

Debenture Debt or the Indebtedness evidenced by the amended the Discount Debentures Documents, as the case may be, matures no earlier than December 29, 2011.

5.13 Further Assurances. Each Credit Party shall, at such Credit Party's expense, execute any and all further documents, financing statements, agreements and instruments, and take all further action (including filing Code and other financing statements, mortgages and deeds of trust) as may be required under applicable law, or that the SCIL Agent may reasonably request, in order to effectuate the transactions contemplated by the Loan Documents and in order to grant, preserve, protect and perfect the validity and priority of the security interests created or intended to be created by the Loan Documents.

6. NEGATIVE COVENANTS

Each Credit Party executing this Agreement jointly and severally agrees as to all Credit Parties that from and after the Closing Date hereof until the Termination Date:

6.1 Mergers, Subsidiaries, Etc. No Credit Party shall, nor shall it cause or permit any Subsidiaries to, directly or indirectly, by operation of law or otherwise, (i) form or acquire any Subsidiary, or (ii) merge with, consolidate with, acquire all or substantially all of the assets or Stock of, or otherwise combine with or acquire, any Person, except (A) any Credit Party may merge with another Credit Party, *provided* that Borrower shall be the survivor of any such merger to which it is a party; (B) any Credit Party may form one or more wholly owned Domestic Subsidiaries so long as (i) no Event of Default shall have occurred and be continuing or result therefrom, (ii) SCIL Agent receives an Officer Certificate of Borrower executed by the Chief Financial Officer of Borrower, or another responsible officer of Borrower having substantially the same authority and responsibility or otherwise acceptable to SCIL Agent, certifying as to the purpose of such New Subsidiary, the amount of cash and fair market value of any other assets being contributed to such New Subsidiary and Borrower's compliance with the terms of the restrictions on such investments in Section 6.2 hereof, and (iii) such Subsidiary shall have become a Secured Guarantor and Borrower and/or its Subsidiaries shall have caused to be executed and delivered such documents and taken such actions as may be reasonably required by SCIL Agent in connection therewith, including, without limitation, delivery of financing statements, supplemental security agreements, mortgages, joinder agreements, a Guaranty, environmental indemnity agreements, blocked account agreements, and other documents, certificates and opinions, in each case in form and substance acceptable reasonably to SCIL Agent; (C) Borrower or any Secured Guarantor may consummate a Permitted Loan Funded Acquisition; and (D) any Foreign Subsidiary may consummate a Permitted Non-Loan Funded Acquisition.

6.2 Investments; Loans and Advances. Except as otherwise expressly permitted by this Section 6, no Credit Party shall, nor shall it cause or permit any Subsidiaries to, make or permit to exist any investment in, or make, accrue or permit to exist loans or advances of money to, any Person, through the direct or indirect lending of money, holding of securities or otherwise, except that: (a) Borrower and Credit Parties may hold investments comprised of notes payable, or stock or other securities issued by Account Debtors to Borrower pursuant to negotiated agreements with respect to settlement of such Account Debtor's Accounts in the ordinary course of business or pursuant to a plan of reorganization approved by a court of

competent jurisdiction; (b) each Credit Party may maintain (but not increase) its existing investments in its Subsidiaries as of the Closing Date which are not Credit Parties; (c) so long as no Default or Event of Default has occurred and is continuing, Credit Parties may make investments, subject to a Control Letter in favor of SCIL Agent for the benefit of SCIL Lenders or otherwise subject to a perfected security interest in favor of SCIL Agent for the benefit of SCIL Lenders (except as set forth in the applicable Collateral Document), in (i) marketable direct obligations issued or unconditionally guaranteed by the United States of America or any agency thereof maturing within one year from the date of acquisition thereof, (ii) commercial paper maturing no more than one year from the date of creation thereof and currently having the highest rating obtainable from either Standard & Poor's Ratings Group or Moody's Investors Service, Inc., (iii) certificates of deposit maturing no more than one year from the date of creation thereof issued by commercial banks incorporated under the laws of the United States of America, each having combined capital, surplus and undivided profits of not less than $300,000,000 and having a senior unsecured rating of "A" or better by a nationally recognized rating agency (an "A Rated Bank"), (iv) time deposits maturing no more than thirty (30) days from the date of creation thereof with A Rated Banks and (v) mutual funds that invest solely in one or more of the investments described in clauses (i) through (iv) above; (d) Borrower may make investments in the capital Stock of any of the Secured Guarantors; (e) Borrower and the Secured Guarantors may make investments in Borrower and Secured Guarantors consisting of the intercompany loans in accordance with Section 6.3; (f) Credit Parties may make loans and advances to employees permitted under Section 6.4(b); (g) each Credit Party may make Permitted Acquisitions, form Acquisition Companies for the purpose of making Permitted Acquisitions and form new wholly owned Subsidiaries in accordance with the terms of Section 6.1 so long as the value of any cash or other assets contributed by any Credit Party to (1) any one Acquisition Company or new Subsidiary does not exceed five (5%) percent of the consolidated total assets of Holdings and its Subsidiaries on the date of contribution plus any Stockholder Proceeds or (2) all such Acquisition Companies and/or new Subsidiaries do not exceed ten (10%) percent of the consolidated total assets of Holdings and its Subsidiaries on the date of contribution plus any Stockholder Proceeds; (h) each Credit Party may provide cash collateral to SCIL Agent in accordance with the Loan Documents; (i) each Credit Party may enter into currency hedging arrangements to the extent permitted by Section 6.3(a)(xiv), (j) Borrower may make additional investments after the Closing Date in RBC de Mexico S De R.L. de CV in an amount not to exceed $500,000 in the aggregate during any Fiscal Year; (k) Borrower may enter into Specified Hedging Agreements to the extent permitted by Section 6.3(a)(xiii); and (l) Credit Parties may make other investments not to exceed $2,000,000 in the aggregate. For purposes of this Section 6.2, the value of any non-cash investment shall be, in the case of Equipment, its appraised orderly liquidation value at the time of investment and, in the case of any other non-cash investment, its fair market value at the time of investment.

6.3 Indebtedness.

(a) No Credit Party shall create, incur, assume or permit to exist any Indebtedness, except (without duplication) (i) Indebtedness secured by purchase money security interests and Capital Leases permitted in Section 6.7(c), (ii) the SCIL Loan and the other Obligations, (iii) unfunded pension fund and other employee benefit plan obligations and liabilities to the extent they are permitted to remain unfunded under applicable law, (iv) existing Indebtedness described in Disclosure Schedule (6.3) (including earn-outs payable to sellers of

businesses, if any, constituting Indebtedness) and refinancings thereof or amendments or modifications thereto that do not have the effect of increasing the principal amount thereof or changing the amortization thereof (other than to extend the same) and that are otherwise on terms and conditions no less favorable to any Credit Party, SCIL Agent or any SCIL Lender, as reasonably determined by SCIL Agent, than the terms of the Indebtedness being refinanced, amended or modified, (v) Indebtedness specifically permitted under Section 6.1, (vi) Indebtedness consisting of intercompany loans and advances made by Borrower to any Secured Guarantor or by any Secured Guarantor to Borrower or another Secured Guarantor; *provided*, that: (A) Borrower shall have executed and delivered to each such Secured Guarantor, and each such Secured Guarantor shall have executed and delivered to Borrower or another such Secured Guarantor, as applicable, a demand note (collectively, the "Intercompany Notes") to evidence any such intercompany Indebtedness owing at any time by Borrower to such Secured Guarantor or by such Secured Guarantor to Borrower or such other Guarantor, which Intercompany Notes shall be in form and substance reasonably satisfactory to SCIL Agent and subject to a perfected security interest in favor of SCIL Agent pursuant to the terms of the applicable Pledge Agreement or Security Agreement as additional collateral security for the Obligations; (B) Borrower and each Secured Guarantor shall record all intercompany transactions on its books and records in a manner reasonably satisfactory to SCIL Agent; (C) the obligations of Borrower and each Secured Guarantor under any such Intercompany Notes shall be subordinated to the Obligations of Borrower and each Secured Guarantor hereunder in a manner reasonably satisfactory to SCIL Agent; (D) no Event of Default shall be continuing after giving effect to any such proposed intercompany loan; and (E) the aggregate balance of all such intercompany loans owing by any Secured Guarantor incurred during the time that the EBITDA of such Secured Guarantor has been negative for a trailing twelve month period ending on the last day of any Fiscal Month shall not be increased by more than $2,000,000 over the amount of such Secured Guarantor's intercompany loan obligations as of the last day of such period; *provided* that a Secured Guarantor shall no longer be subject to that $2,000,000 limitation if that Secured Guarantor has had positive EBITDA for the trailing twelve-month periods ending on the last day of six consecutive Fiscal Months; *provided*, *further*, that if a Secured Guarantor has been subject to that $2,000,000 limitation, then became exempt from it and again has a negative EBITDA for a trailing twelve-month period, not more than $2,000,000 of additional intercompany loans may be received by it after the date when it again has a negative EBITDA; (vii) unsecured Indebtedness of Borrower so long as such unsecured Indebtedness is subordinated to the Obligations in a manner and form satisfactory to SCIL Agent in its sole discretion, as to right and time of payment and as to any other terms, rights and remedies thereunder and so long as: (A) no Event of Default has occurred and is continuing or would result after giving effect to such unsecured Indebtedness, (B) Holdings was, on a pro forma basis, in compliance with the Fixed Charge Coverage Ratio Financial Covenant set forth on Annex E as of the last day of the Fiscal Quarter reflected in the Compliance Certificate most recently delivered prior to the date such unsecured Indebtedness is incurred (after giving effect to such unsecured Indebtedness and the use thereof as if incurred on the first day of such period); and (C) the proceeds of such Indebtedness have been wholly used, promptly upon receipt thereof, to directly pay (by way of refinancing or exchange) the following Indebtedness in the following order: first, Holdco Debenture Debt, until the same has been repaid in full; second, to the First Lien Term Loan, until the same has been repaid in full; third, to interest then due and payable on the SCIL Loan; fourth, the SCIL Loan, until the same has been repaid in full; and fifth, to the First Lien Revolving

Credit Advances in accordance with the First Lien Credit Agreement; (viii) Indebtedness of a Qualified Target assumed or incurred in a Permitted Acquisition described in Section 6.1(a)(iv) as long as such Indebtedness was not incurred in contemplation of such Permitted Acquisition; (ix) Indebtedness resulting from endorsement of negotiable instruments for collection in the ordinary course of business; (x) Indebtedness arising with respect to customary indemnification and purchase price adjustment obligations incurred in connection with Permitted Acquisitions; (xii) Indebtedness incurred in the ordinary course of business with respect to surety and appeal bonds, performance and return-of-money bonds and other similar obligations not exceeding at any time $250,000 in aggregate outstanding liability; (xiii) Indebtedness of Borrower under any Specified Hedging Agreement constituting Interest Rate Protection Agreements and providing for hedging obligations specifically permitted under Section 6.17; (xiv) currency hedging arrangements providing for hedging obligations specifically permitted under Section 6.17; (xv) Indebtedness incurred pursuant to the First Lien Loan Documents as in effect on the Closing Date and as amended or otherwise modified in a manner and to the extent permitted by and in accordance with the Intercreditor Agreement; and (xvi) Indebtedness not permitted by clauses (i) through (xv) above, so long as much Indebtedness, in the aggregate at any time outstanding, does not exceed $500,000.

(b) No Credit Party shall, directly or indirectly, voluntarily purchase, redeem, defease or prepay: any principal of, premium, if any, interest or other amount payable in respect of any Indebtedness, other than (i) the Obligations; (ii) the First Lien Obligations; (iii) Indebtedness secured by a Permitted Encumbrance if the asset securing such Indebtedness has been sold or otherwise disposed of in accordance with Sections 6.8(b) or (c); (iv) Indebtedness permitted by Section 6.3(a)(iv) upon any refinancing thereof in accordance with Section 6.3(a)(iv); (v) intercompany Indebtedness; and (vi) as otherwise permitted by Section 6.14.

6.4 Employee Loans and Affiliate Transactions.

(a) No Credit Party shall enter into or be a party to any transaction with any other Credit Party or any Affiliate thereof except (i) in the ordinary course of and pursuant to the reasonable requirements of such Credit Party's business and upon fair and reasonable terms that are no less favorable to such Credit Party than would be obtained in a comparable arm's length transaction with a Person not an Affiliate of such Credit Party; (ii) the intercompany sale in the ordinary course of the Credit Parties' business on fair and reasonable terms consistent with past practices of work in process Inventory by any Credit Party to RBC de Mexico S. De R.L. de CV ("RBC Mexico") for finishing and resale and shipment back to a Credit Party ("Intercompany WIP"); provided, that the aggregate book value of such Intercompany WIP (valued at the lower of cost or market) at any time owned or possessed by RBC Mexico shall not exceed $5,000,000; (iii) as and to the extent permitted in Section 6.14(a)(E) and Section 6.14(a)(G); and (iv) as and to the extent permitted by Section 6.3(a)(vi), Section 6.4(b) or Sections 6.2(d)-(g). All such transactions existing as of the date hereof are described in Disclosure Schedule (6.4(a)).

(b) Excluding loans set forth in Disclosure Schedule (6.4(b)), no Credit Party shall enter into any lending or borrowing transaction with any employees of any Credit Party, except loans to its respective employees on an arm's-length basis in the ordinary course of business consistent with past practices for travel and entertainment expenses, relocation costs

and similar purposes up to a maximum of $250,000 to any employee and up to a maximum of $1,000,000 in the aggregate at any one time outstanding and except for loans or advances made in connection with a management or employee stock ownership program, the proceeds of which are immediately invested in Holdings' Stock and contributed to the capital of Borrower.

6.5 Capital Structure and Business. No Credit Party shall amend its charter or bylaws (or similar governing documents)in a manner that could reasonably be expected to adversely affect SCIL Agent or SCIL Lenders or such Credit Party's duty or ability to repay the Obligations. No Credit Party shall engage in any business other than the businesses currently engaged in by the Credit Parties or any business reasonably related thereto. No Credit Party other than Borrower shall issue any additional shares of Stock.

6.6 Guaranteed Indebtedness. No Credit Party shall create, incur, assume or permit to exist any Guaranteed Indebtedness except (a) by endorsement of instruments or items of payment for deposit to the general account of any Credit Party, (b) for Guaranteed Indebtedness incurred for the benefit of any other Credit Party if the primary obligation is expressly permitted by this Agreement; *provided*, that neither Borrower nor any of its Domestic Subsidiaries shall create, incur, assume or permit to exist any Guaranteed Indebtedness for the benefit of Holdings or any Foreign Subsidiary; *provided*, *further*, that any such Guaranteed Indebtedness is subordinated to the Obligations to the same extent as the Indebtedness to which it relates is subordinated to the Obligations, and (c) Guaranteed Indebtedness incurred with respect to First Lien Obligations.

6.7 Liens. No Credit Party shall create, incur, assume or permit to exist any Lien on or with respect to its Accounts (whether now owned or hereafter acquired) other than Lien in favor of the SCIL Agent, on behalf of itself and SCIL Lenders. No Credit Party shall create, incur, assume or permit to exist any Lien on or with respect to any of its other properties or assets (whether now owned or hereafter acquired) except for (a) Permitted Encumbrances; (b) Liens in existence on the date hereof and summarized on Disclosure Schedule (6.7) securing the Indebtedness described on Disclosure Schedule (6.3) and permitted refinancings, extensions and renewals thereof, including extensions or renewals of any such Liens; *provided* that the principal amount of the Indebtedness so secured is not increased and the Lien does not attach to any other property; (c) Liens created after the date hereof by conditional sale or other title retention agreements (including Capital Leases) or in connection with purchase money Indebtedness with respect to real estate, improvements thereto, or Equipment and Fixtures acquired by any Credit Party in the ordinary course of business, involving the incurrence of an aggregate amount of purchase money Indebtedness and Capital Lease Obligations of not more than $5,000,000 outstanding at any one time for all such Liens (*provided* that such Liens attach only to the assets subject to such purchase money debt and such Indebtedness is incurred within thirty (30) days following such purchase and does not exceed 100% of the purchase price of the subject assets); (d) Liens permitted in accordance with Section 6.1; (e) Liens securing the First Lien Obligations, subject to the Intercreditor Agreement and (f) Liens securing other obligations not to exceed $500,000 in the aggregate. In addition, no Credit Party shall become a party to any agreement, note, indenture or instrument, or take any other action, that would prohibit the creation of a Lien on any of its properties or other assets in favor of SCIL Agent, on behalf of itself and SCIL Lenders, as additional collateral for the Obligations, except operating leases, Capital Leases or Licenses which prohibit Liens upon the assets that are subject thereto.

6.8 Sale of Stock and Assets. No Credit Party shall sell, transfer, convey, assign or otherwise dispose of any of its properties or other assets, including the Stock of any of its Subsidiaries (whether in a public or a private offering or otherwise) or any of its Accounts, other than (a) the sale of

Inventory in the ordinary course of business, (b) the sale, transfer, conveyance or other disposition by a Credit Party of Equipment, Fixtures and Real Estate that are obsolete or no longer used or useful in such Credit Party's business and having a book value not exceeding $500,000 in the aggregate in any Fiscal Year, (c) the sale, transfer, conveyance or other disposition of other Equipment and Fixtures having a value not exceeding $500,000 in the aggregate in any Fiscal Year, (d) assets acquired as part of a Permitted Acquisition and designated for disposition in a written notice to SCIL Agent when acquired as long as such assets are disposed of within one year after being acquired in such Permitted Acquisition, (e) Permitted Asset Sales as long as the Fair Market Value of all Permitted Asset Sales does not exceed $15,000,000 in the aggregate and (f) as permitted under Section 6.1 and/or Section 6.2. With respect to any disposition of assets or other properties permitted pursuant to clauses (b) and (c) above, subject to compliance with Section 1.3(b), SCIL Agent agrees on reasonable prior written notice to release its Lien on such assets or other properties in order to permit the applicable Credit Party to effect such disposition and shall execute and promptly deliver to Borrower, at Borrower's expense, appropriate UCC-3 termination statements and other releases as reasonably requested by Borrower.

6.9 ERISA. No Credit Party shall, or shall cause or permit any ERISA Affiliate to, cause or permit to occur an event that could result in the imposition of a Lien under

Section 412 of the IRC or Section 302 or 4068 of ERISA or cause or permit to occur an ERISA Event to the extent such ERISA Event could reasonably be expected to have a Material Adverse Effect.

6.10 Financial Covenants. Borrower shall not breach or fail to comply with any of the Financial Covenants.

6.11 **[**RESERVED**]**

6.12 Sale-Leasebacks. No Credit Party shall engage in any sale-leaseback, synthetic lease or similar transaction involving any of its assets except in respect of the Real Estate of the Credit Parties described on Disclosure Schedule 6.12 hereto; provided, that (i) the Credit Parties receive net proceeds in connection with any such proposed transaction in excess of the amounts set forth opposite such Real Estate on Disclosure Schedule 6.12 and (ii) the net proceeds of any such transaction are applied as an asset sale in accordance with Section 1.3(c).

6.13 Cancellation of Indebtedness. No Credit Party shall cancel any claim or debt owing to it, except for reasonable consideration negotiated on an arm's-length basis and in the ordinary course of its business consistent with past practices.

6.14 Restricted Payments.

(a) No Credit Party shall make any Restricted Payment, except (A) payments of interest and principal of intercompany loans and advances between Borrower and Secured Guarantors to the extent permitted by Section 6.3, (B) dividends and distributions by Subsidiaries of Borrower paid to Borrower or to an intermediate Subsidiary of Borrower, as applicable, (C) transactions permitted under Section 6.4(a) or (b), (D) payments of interest and principal of Intercompany Notes as permitted and issued in accordance with Section 6.3, (E) payments of management fees to Whitney & Co. in equal quarterly installments, as long as such payments of management fees do not exceed $450,000 in the aggregate during any Fiscal Year and no Event of Default shall have occurred and be continuing or result after giving effect to such Restricted Payment, (F) dividends or distributions payable to Holdings solely in common Stock of Holdings, (G) payments to Dr. Michael J. Hartnett not to exceed those set forth in that certain Employment Agreement, dated December 18, 2000, by and between Borrower and Dr. Michael J. Hartnett, as in effect on the Closing Date, (H) payments and distributions with respect to Holdco Debenture Debt permitted in accordance with Section 6.3(a)(vii), (I) payments and distributions in respect of redemptions, defeasance, sinking fund or other retirement or acquisition for value (or similar payments and distributions having substantially the same effect of any of the foregoing) of the preferred Stock of Holdings from the portion of the Credit Party Post-Holdco Debenture Debt Proceeds permitted to be retained by the Borrower and/or Holdings and used to make such payments and distributions pursuant to Section 5.8(b)(iii) as long as, as of the date of such payment, distribution or prepayment, no Default or Event of Default shall have occurred or is continuing, (J) repayments of Holdco Debenture Debt with proceeds from the issuances of Stock pursuant to Section 5.8(a) as long as, as of the date of such repayment, no Default or Event of Default shall have occurred or is continuing, and (K) dividends or distributions payable to Holdings solely with (x) proceeds of a Qualified Public Offering contributed to the capital of Borrower that are not otherwise required to be applied to prepay the

Obligations pursuant to Section 1.3(b)(v) and/or (y) commencing on and after the fiscal year ending December 31, 2006, proceeds of Excess Cash Flow in respect of the immediately preceding fiscal year that are not otherwise required to be applied to prepay the Obligations pursuant to Section 1.3(b)(vi), *provided*, that, as to each payment of such dividends or distributions, each of the following conditions is satisfied: (1) the Holdco Debenture Debt and the SCIL Loan have been repaid in full in cash, (2) SCIL Agent shall have received not less than ten (10) Business Days prior written notice of the intention of Borrower to pay such dividend or distribution, (3) as of the date of such payment and after giving effect thereto, no Default or Event of Default, shall have occurred or is continuing, and (4) as of the date of payment of such dividend or distribution, on a pro forma basis, Holdings and its Subsidiaries would have had a Senior Leverage Ratio of not more than 2.5 to 1.0 for the twelve month period most recently ended for which financial statements have been delivered to SCIL Agent pursuant to Annex D of this Agreement (giving effect to payment of such dividend or distribution as if made on the first day of such period) as certified by an Officer Certificate of the Chief Financial Officer of Borrower or another responsible officer of Borrower having substantially the same authority and responsibility or otherwise acceptable to SCIL Agent delivered to SCIL Agent;

(b) Notwithstanding the foregoing Section 6.14(a), Borrower may pay cash dividends to Holdings ("Dividends") as long as (A) reasonably promptly upon receipt thereof, Holdings uses all of the proceeds of such Dividends solely for one or more of the following purposes: (i) payments of scheduled interest as of the Closing Date on, and the redemption required as of the Closing Date of, the Holdco Debenture Debt, (ii) payment of dividends on the preferred Stock of Holdings, (iii) payments at such times and in such amounts as are sufficient to enable Holdings to pay the federal and state income taxes attributable to the taxable income of Borrower and Subsidiaries pursuant to the Tax Sharing Agreement, (iv) repurchase of Holdings' Stock from employees or former employees an aggregate amount not to exceed $500,000 per year, it being agreed that no more than $100,000 of such aggregate amount may consist of such repurchases from employees whose employment continues, and (v) payment of operating expenses of Holdings in an amount not to exceed (1) at all times prior to the occurrence of a Qualified Public Offering, $500,000 in the aggregate in any Fiscal Year and (2) from and after the occurrence of a Qualified Public Offering, $1,000,000 in the aggregate in any Fiscal Year; (B) no Default or Event of Default and no default or an event of

default under any Discount Debentures Documents or any other debt instrument of Holdings, Borrower or any other Credit Party or in respect of charter of Holdings, Borrower or any other Credit Party has occurred and is continuing or would result after giving effect to any such Dividend and Revolving Credit Advances, if any, used to fund such Dividend; (C) Borrower and Holdings are in compliance with the Fixed Charge Coverage Ratio set forth in Annex E for the four quarter period reflected in the Compliance Certificate most recently delivered pursuant to Annex D prior to such proposed Dividend and all Revolving Credit Advances, if any, used to fund such Dividend (after giving effect to such proposed Dividend and Revolving Credit Advances, if any, as if made on the first day of such period); and (D) Borrower has Borrowing Availability of at least $10,000,000, after giving effect to the proposed Dividend and Revolving Credit Advances, if any, used to fund such Dividend and without any manipulation of working capital of Borrower.

6.15 Change of Corporate Name or Location; Change of Fiscal Year. No Credit Party shall (a) change its name as it appears in official filings in the state of its incorporation or other organization, (b) change its chief executive office, principal place of

business, corporate offices or warehouses or locations at which Collateral is held or stored, or the location of its records concerning the Collateral, (c) change the type of entity that it is, (d) cause to be changed its organization identification number, if any, issued by its state of incorporation or other organization, or (e) change its state of incorporation or organization or incorporate or organize in any additional jurisdictions, in each case without at least thirty (30) days prior written notice to SCIL Agent and after SCIL Agent's written acknowledgment that any reasonable action requested by SCIL Agent in connection therewith, including to continue the perfection of any Liens in favor of SCIL Agent, on behalf of SCIL Lenders, in any Collateral, has been completed or taken, and *provided* that any such new location shall be in the continental United States. Without limiting the foregoing, no Credit Party shall cause to be changed its name, identity or corporate structure in any manner that might make any financing or continuation statement filed in connection herewith seriously misleading as such term is defined in and/or used in the Code or any other then applicable provision of the Code except upon prior written notice to SCIL Agent and SCIL Lenders and after SCIL Agent's written acknowledgment that any reasonable action requested by SCIL Agent in connection therewith, including to continue the perfection of any Liens in favor of SCIL Agent, on behalf of SCIL Lenders, in any Collateral, has been completed or taken. No Credit Party shall change its Fiscal Year.

6.16 No Impairment of Intercompany Transfers. No Credit Party shall directly or indirectly enter into or become bound by any agreement, instrument, indenture or other obligation (other than this Agreement and the other Loan Documents) that could directly or indirectly restrict, prohibit or require the consent of any Person with respect to the payment of dividends or distributions or the making or repayment of intercompany loans by a Secured Guarantor to Borrower.

6.17 No Speculative Transactions. No Credit Party shall engage in any transaction involving commodity options, futures contracts or similar transactions, except solely to hedge against fluctuations in the prices of commodities owned or purchased by it and the values of foreign currencies receivable or payable by it and interest swaps, caps or collars.

6.18 Changes Relating to Subordinated Debt; Material Contracts. No Credit Party shall change or amend the terms of any Subordinated Debt (or any indenture or agreement in connection therewith) if the effect of such amendment is to: (a) increase the interest rate on such Subordinated Debt; (b) change the dates upon which payments of principal or interest are due on such Subordinated Debt other than to extend such dates; (c) change any default or event of default other than to delete or make less restrictive any default provision therein, or add any covenant with respect to such Subordinated Debt; (d) change the redemption or prepayment provisions of such Subordinated Debt other than to extend the dates therefor or to reduce the premiums payable in connection therewith; (e) grant any security or collateral to secure payment of such Subordinated Debt; or (f) change or amend any other term if such change or amendment would materially increase the obligations of the Credit Party thereunder or confer additional material rights on the holder of such Subordinated Debt in a manner adverse to any Credit Party, SCIL Agent or any SCIL Lender.

6.19 Holdings. Holdings shall not engage in any trade or business or incur any Indebtedness other than to hold, manage and direct its equity and debt positions in Borrower and

to perform its obligations under existing arrangements with its stockholders and take actions incident thereto.

7. TERM

7.1 Termination. The financing arrangements contemplated hereby shall be in effect until the Scheduled Termination Date, and the SCIL Loan and all other Obligations shall be automatically due and payable in full on such date.

7.2 Survival of Obligations Upon Termination of Financing Arrangements. Except as otherwise expressly provided for in the Loan Documents, no termination or cancellation (regardless of cause or procedure) of any financing arrangement under this Agreement shall in any way affect or impair the obligations, duties and liabilities of the Credit Parties or the rights of SCIL Agent and SCIL Lenders relating to any unpaid portion of the Loans or any other Obligations, due or not due, liquidated, contingent or unliquidated or any transaction or event occurring prior to such termination, or any transaction or event, the performance of which is required after the Scheduled Termination Date. Except as otherwise expressly provided herein or in any other Loan Document, all undertakings, agreements, covenants, warranties and representations of or binding upon the Credit Parties, and all rights of SCIL Agent and each SCIL Lender, all as contained in the Loan Documents shall continue in full force and effect until the Termination Date; *provided*, that the provisions of Section 11, the payment obligations under Sections 1.15 and 1.16, and the indemnities contained in the Loan Documents shall survive the Termination Date.

8. EVENTS OF DEFAULT; RIGHTS AND REMEDIES

8.1 Events of Default. The occurrence of any one or more of the following events (regardless of the reason therefor) shall constitute an "Event of Default" hereunder:

(a) Borrower (i) fails to make any payment of principal hereunder when due; (ii) fails to make any payment of interest on, or Fees owing in respect of, the SCIL Loan or any of the other Obligations within three (3) days after such payment is due; or (iii) fails to pay or reimburse SCIL

Agent or SCIL Lenders for any expense reimbursable hereunder or under any other Loan Document within ten (10) days following SCIL Agent's demand for such reimbursement or payment of expenses.

(b) Any Credit Party fails or neglects to perform, keep or observe any of the provisions of Sections 1.4, 1.8, 5.4(a), 5.8, 5.11, 5.12 or 6, any of the provisions set forth in Annexes B or E, respectively, or any of the provisions of Section 3.2 of the Environmental Indemnity Agreement.

(c) Borrower fails or neglects to perform, keep or observe (i) any of the provisions of Section 4 or any provisions set forth in Annex D (other than paragraph (d) of Annex D), respectively, and the same shall remain unremedied for five (5) days or more or (ii) any of the provisions set forth in paragraph (d) of Annex D, and the same shall remain unremedied for fifteen (15) days or more.

(d) Any Credit Party fails or neglects to perform, keep or observe any other provision of this Agreement or of any of the other Loan Documents (other than any provision embodied in or covered by any other clause of this Section 8.1) and the same shall remain unremedied for fifteen (15) days or more after SCIL Agent's notice thereof to Borrower.

(e) A default or breach occurs under any other agreement, document or instrument to which any Credit Party is a party that is not cured within any applicable grace period therefor, and such default or breach (i) involves the failure to make any payment when due in respect of any Indebtedness (other than the First Lien Obligations) or Guaranteed Indebtedness (other than the Obligations or the First Lien Obligations) of any Credit Party in excess of $3,000,000 in the aggregate (including (x) undrawn committed or available amounts and (y) amounts owing to all creditors under any combined or syndicated credit arrangements), or (ii) causes, or, in cases other than the First Lien Obligations, permits any holder of such Indebtedness or Guaranteed Indebtedness or a trustee to cause, Indebtedness or Guaranteed Indebtedness or a portion thereof in excess of $3,000,000 in the aggregate to become due prior to its stated maturity or prior to its regularly scheduled dates of payment, or cash collateral to be demanded in respect thereof, in each case, regardless of whether such default is waived, or such right is exercised, by such holder or trustee.

(f) Any representation or warranty herein or in any Loan Document or in any written statement, report, financial statement or certificate made or delivered to SCIL Agent or any SCIL Lender by any Credit Party is untrue or incorrect in any material respect as of the date when made or deemed made.

(g) Assets of any Credit Party with a fair market value of $1,500,000 or more are attached, seized, levied upon or subjected to a writ or distress warrant, or come within the possession of any receiver, trustee, custodian or assignee for the benefit of creditors of any Credit Party and such condition continues for thirty (30) days or more.

(h) A case or proceeding is commenced against any Credit Party or Holdings seeking a decree or order in respect of such Credit Party or Holdings (i) under the Bankruptcy Code or any other applicable federal, state or foreign bankruptcy or other similar law, (ii) appointing a custodian, receiver, liquidator, assignee, trustee or sequestrator (or similar official) for such Credit Party or Holdings or for any substantial part of any such Credit Party's assets or of assets of Holdings, or (iii) ordering the winding-up or liquidation of the affairs of such Credit Party or Holdings, and such case or proceeding shall remain undismissed or unstayed for sixty (60) days or more or a decree or order granting the relief sought in such case or proceeding by a court of competent jurisdiction.

(i) Any Credit Party or Holdings (i) files a petition seeking relief under the Bankruptcy Code or any other applicable federal, state or foreign bankruptcy or other similar law, (ii) consents to or fails to contest in a timely and appropriate manner to the institution of proceedings thereunder or to the filing of any such petition or to the appointment of or taking possession by a custodian, receiver, liquidator, assignee, trustee or sequestrator (or similar official) for such Credit Party or Holdings or for any substantial part of any such Credit Party's assets or of assets of Holdings, (iii) makes an assignment for the benefit of creditors, or (iv) takes

any action in furtherance of any of the foregoing, or (v) admits in writing its inability to, or is generally unable to, pay its debts as such debts become due.

(j) An uninsured final judgment or judgments for the payment of money in excess of $1,500,000 in the aggregate at any time are outstanding against one or more of the Credit Parties and the same are not, within thirty (30) days after the entry thereof, discharged or execution thereof stayed or bonded pending appeal, or such judgments are not discharged prior to the expiration of any such stay.

(k) Any material provision of any Loan Document for any reason ceases to be valid, binding and enforceable in accordance with its terms (or any Credit Party shall challenge the enforceability of any Loan Document or shall assert in writing, or engage in any action or inaction based on any such assertion, that any provision of any of the Loan Documents has ceased to be or otherwise is not valid, binding and enforceable in accordance with its terms), or any Lien created under any Loan Document ceases to be a valid and perfected second priority Lien (except as otherwise permitted herein or therein) in any of the Collateral purported to be covered thereby, and remains unremedied for a period of ten (10) days after Borrower obtains knowledge thereof.

(l) Any Change of Control occurs.

(m) Any event occurs, whether or not insured or insurable, as a result of which revenue-producing activities cease or are substantially curtailed at any facility of Borrower or any Secured Guarantor generating more than 5% of Borrower's consolidated revenues for the Fiscal Year preceding such event and such cessation or curtailment continues for more than one hundred eighty (180) days.

(n) Holdings shall fail (i) to become a Guarantor and pledge all of the Stock of Borrower as Collateral within ten (10) days after payment in full of the Holdco Debenture Debt (ii) to contribute to the capital of Borrower all net cash proceeds of any Qualified Public Offering within ten (10) days of the receipt thereof except for those amounts used with such 10-day period (x) to purchase, retire, redeem or otherwise acquire for value all or any portion of the Holdco Debenture Debt and (y) to redeem, defease or otherwise retire or acquire for value (or make similar payments or distributions having substantially the same effect of any of the foregoing) the preferred Stock of Holdings to the extent permitted by this Agreement; or (iii) to contribute to the

capital of Borrower all net cash proceeds of any issuance of Stock (other than net cash proceeds received pursuant to a Qualified Public Offering), other than any portion of such net proceeds that Holdings uses to purchase, retire, redeem or otherwise acquire for value all or any portion of the Holdco Debenture Debt within ten (10) days of the receipt of such net cash proceeds to the extent permitted by this Agreement.

(o) A default or breach under any agreement document or instrument to which Schaublin Holding or any of its Subsidiaries is a party that evidences the Schaublin Financing that is not cured within any applicable grace period thereto and such default or breach (involves the failure to make any payment when due in respect of any Indebtedness or Guaranteed indebtedness, or (ii) causes, or permits any holder of such Indebtedness or Guaranteed Indebtedness or a trustee to cause, Indebtedness or Guaranteed Indebtedness or a portion thereof

in the aggregate to become due prior to its stated maturity or prior to its regularly scheduled dates of payment, or cash collateral to be demanded in respect thereof, in each case, regardless of whether such default is waived, or such right is exercised, by such holder or trustee.

8.2 Remedies.

(a) If any Default or Event of Default has occurred and is continuing, SCIL Agent may (and at the written request of Requisite SCIL Lenders shall), without notice except as otherwise expressly provided herein, increase the rate of interest applicable to the SCIL Loan to the Default Rate.

(b) If any Event of Default has occurred and is continuing, SCIL Agent may (and at the written request of the Requisite SCIL Lenders shall), without notice: (i) declare all or any portion of the Obligations, including all or any portion of the SCIL Loan to be forthwith due and payable, all without presentment, demand, protest or further notice of any kind, all of which are expressly waived by Borrower and each other Credit Party; and (ii) exercise any rights and remedies provided to SCIL Agent under the Loan Documents or at law or equity, including all remedies provided under the Code.

8.3 Waivers by Credit Parties. Except as otherwise provided for in this Agreement or by applicable law, each Credit Party waives: (a) presentment, demand and protest and notice of presentment, dishonor, notice of intent to accelerate, notice of acceleration, protest, default, nonpayment, maturity, release, compromise, settlement, setoff rights, extension or renewal of any or all commercial paper, accounts, contract rights, documents, instruments, chattel paper and guaranties at any time held by SCIL Agent on which any Credit Party may in any way be liable, and hereby ratifies and confirms whatever SCIL Agent may do in this regard, (b) all rights to notice and a hearing prior to SCIL Agent's taking possession or control of, or to SCIL Agent's replevy, attachment or levy upon, the Collateral or any bond or security that might be required by any court prior to allowing SCIL Agent to exercise any of its remedies, and (c) the benefit of all valuation, appraisal, marshaling and exemption laws.

9. ASSIGNMENT AND PARTICIPATIONS; APPOINTMENT OF SCIL AGENT

9.1 Assignment and Participations.

(a) Subject to the terms of this Section 9.1, any SCIL Lender may make an assignment to a Qualified Assignee of, or sell participations in, at any time or times, the Loan Documents, the SCIL Loan or any portion thereof or interest therein, including any SCIL Lender's rights, title, interests, remedies, powers or duties thereunder. Any assignment by a SCIL Lender shall: (i) require the consent of SCIL Agent (which consent shall not be unreasonably withheld or delayed with respect to a Qualified Assignee) and the execution of an assignment agreement (an "Assignment Agreement" substantially in the form attached hereto as Exhibit 9.1(a) and otherwise in form and substance reasonably satisfactory to, and acknowledged by, SCIL Agent; (ii) be conditioned on such assignee SCIL Lender representing to the assigning SCIL Lender and SCIL Agent that it is purchasing the applicable Loans to be assigned to it for its own account, for investment purposes and not with a view to the distribution thereof; (iii) be conditioned on such assignee SCIL Lender becoming a party to any SCIL Lender Agreement

which may then be in effect; and (iv) after giving effect to any such partial assignment, the assignee SCIL Lender shall have Commitments in an amount at least equal to $5,000,000 and the assigning SCIL Lender shall have retained Commitments in an amount at least equal to $5,000,000; (v) include a payment to SCIL Agent of an assignment fee of $3,500. In the case of an assignment by a SCIL Lender under this Section 9.1, the assignee shall have, to the extent of such assignment, the same rights, benefits and obligations as all other SCIL Lenders hereunder. The assigning SCIL Lender shall be relieved of its obligations hereunder with respect to its Commitments or assigned portion thereof from and after the date of such assignment. Borrower hereby acknowledges and agrees that any assignment shall give rise to a direct obligation of Borrower to the assignee and that the assignee shall be considered to be a "SCIL Lender". In all instances, each SCIL Lender's liability to make the SCIL Loan hereunder shall be several and not joint and shall be limited to such SCIL Lender's Pro Rata Share of the SCIL Loan. In the event SCIL Agent or any SCIL Lender assigns or otherwise transfers all or any part of the Obligations, SCIL Agent or any such SCIL Lender shall so notify Borrower and Borrower shall, upon the request of SCIL Agent or such SCIL Lender, execute new SCIL Notes in exchange for the SCIL Notes, if any, being assigned. Notwithstanding the foregoing provisions of this Section 9.1(a), any SCIL Lender may at any time pledge all or any portion of the Obligations held by it and all or any portion of such SCIL Lender's rights under this Agreement and the other Loan Documents to a Federal Reserve Bank or a Qualified Assignee as collateral security to secure obligations of such SCIL Lender, Affiliates of such SCIL Lender or funds or accounts managed by such SCIL Lender or an Affiliate of such SCIL Lender to such Federal Reserve Bank or such Qualified Assignee (without requesting the consent of the Borrower or the SCIL Agent but in each case by providing to the SCIL Agent an advance written notice thereof which shall identify the Person obligated under the obligations secured by such pledge and the Person in whose favor such pledge is made); *provided*, that no such pledge shall release such SCIL Lender from such SCIL Lender's obligations hereunder or under any other Loan Document; *provided*, *further*, any such pledgee or grantee (other than any Federal Reserve Bank) shall be entitled to further transfer all of any portion of the rights pledged or granted to it, whether by means of foreclosure or otherwise, as long as (x) such pledgee or grantee transfers such rights to a Qualified Assignee, (y) such right to transfer is at all times subject to the terms of this Agreement and (z) each such pledgee or grantee shall have provided in each case a written notice of such transfer to the Agent which identifies the transferee of such rights. SCIL Agent shall maintain in its offices located at 100 California Street, 10th Floor, San Francisco, California 94111 (or such other offices as SCIL Agent may elect from time to time) a "register" for recording the name, address, the Pro Rata Share of the SCIL Loan owing to each SCIL Lender. The entries in such register shall be presumptive evidence of the amounts due and owing to each SCIL Lender in the absence of manifest error. Borrower, SCIL Agent and each SCIL Lender may treat each Person whose name is recorded in such register pursuant to the terms hereof as a SCIL Lender for all purposes of this Agreement. The register described herein shall be available for inspection by Borrower and any SCIL Lender, at any reasonable time upon reasonable prior notice.

(b) Any participation by a SCIL Lender of all or any part of its SCIL Loan shall be made with the understanding that all amounts payable by Borrower hereunder shall be determined as if that SCIL Lender had not sold such participation, and that the holder of any such participation shall not be entitled to require such SCIL Lender to take or omit to take any action hereunder except actions directly affecting (i) any reduction in the principal amount of, or

interest rate or Fees payable with respect to, all or any portion of the SCIL Loan in which such holder participates, (ii) any extension of the scheduled amortization of the principal amount of the SCIL Loan in which such holder participates or the final maturity date thereof, and (iii) any release of all or substantially all of the Collateral (other than in accordance with the terms of this Agreement, the Collateral Documents or the other Loan Documents). Neither Borrower nor any other Credit Party shall have any obligation or duty to any participant. Neither SCIL Agent nor any SCIL Lender (other than the SCIL Lender selling a participation) shall have any duty to any participant and may continue to deal solely with the SCIL Lender selling a participation as if no such sale had occurred.

(c) Except as expressly provided in this Section 9.1, no SCIL Lender shall, as between Borrower and that SCIL Lender, or SCIL Agent and that SCIL Lender, be relieved of any of its obligations hereunder as a result of any sale, assignment, transfer or negotiation of, or granting of participation in, all or any part of the SCIL Loan, the SCIL Notes or other Obligations owed to such SCIL Lender.

(d) Each Credit Party executing this Agreement shall assist any SCIL Lender permitted to sell assignments or participations under this Section 9.1 as reasonably required to enable the assigning or selling SCIL Lender to effect any such assignment or participation, including the preparation of informational materials for, and the participation of management in meetings with, potential assignees or participants. Each Credit Party executing this Agreement shall certify the correctness, completeness and accuracy of all descriptions of the Credit Parties and their respective affairs contained in any selling materials provided by it and all other information provided by it and included in such materials, except that any Projections delivered by Borrower shall only be certified by Borrower as having been prepared by Borrower in compliance with the representations contained in Section 3.4(c).

(e) A SCIL Lender may furnish any information concerning Credit Parties in the possession of such SCIL Lender from time to time to assignees and participants (including prospective assignees and participants); *provided* that such SCIL Lender shall obtain from assignees or participants confidentiality covenants substantially equivalent to those contained in Section 11.8.

(f) No SCIL Lender shall assign or sell participations in any portion of its Loan or Commitments to a potential SCIL Lender or participant, if, as of the date of the proposed assignment or sale, the assignee SCIL Lender or participant would be subject to capital adequacy or similar requirements under Section 1.16(a), increased costs under Section 1.16(b), an inability to fund LIBOR Loans under Section 1.16(c), or taxes in accordance with Section 1.15(a) or Section 1.15(b).

(g) Notwithstanding anything to the contrary contained herein, any SCIL Lender (a "Granting SCIL Lender"), may grant to a special purpose funding vehicle (an "SPC"), identified as such in writing by the Granting SCIL Lender to SCIL Agent and Borrower, the option to provide to Borrower all or any part of the SCIL Loan that such Granting SCIL Lender would otherwise be obligated to make to Borrower pursuant to this Agreement; *provided* that (i) nothing herein shall constitute a commitment by any SPC to make the SCIL Loan; and (ii) if an SPC elects not to exercise such option or otherwise fails to provide all or any part of the SCIL

Loan, the Granting SCIL Lender shall be obligated to make such SCIL Loan pursuant to the terms hereof. The making of the SCIL Loan by an SPC hereunder shall utilize the Pro Rata Share of the Granting SCIL Lender to the same extent, and as if such SCIL Loan were made by such Granting SCIL Lender. No SPC shall be liable for any indemnity or similar payment obligation under this Agreement (all liability for which shall remain with the Granting SCIL Lender). Any SPC may (i) with notice to, but without the prior written consent of, Borrower and SCIL Agent and assign all or a portion of its interests in the SCIL Loan to the Granting SCIL Lender or to any financial institutions (consented to by Borrower and SCIL Agent) providing liquidity and/or credit support to or for the account of such SPC to support the funding or maintenance of the SCIL Loan and (ii) disclose on a confidential basis any non-public information relating to its SCIL Loan to any rating agency, commercial paper dealer or provider of any surety, guaranty or credit or liquidity enhancement to such SPC. This Section 9.1(g) may not be amended without the prior written consent of each Granting SCIL Lender, all or any of whose SCIL Loan are being funded by an SPC at the time of such amendment. For the avoidance of doubt, the Granting SCIL Lender shall for all purposes, including without limitation, the approval of any amendment or waiver of any provision of any Loan Document or the obligation to pay any amount otherwise payable by the Granting SCIL Lender under the Loan Documents, continue to be the SCIL Lender of record hereunder.

9.2 Appointment of SCIL Agent. GE Capital is hereby appointed to act on behalf of all SCIL Lenders as SCIL Agent under this Agreement and the other Loan Documents. The provisions of this Section 9.2 are solely for the benefit of SCIL Agent and SCIL Lenders and no Credit Party nor any other Person shall have any rights as a third party beneficiary of any of the provisions hereof. In performing its functions and duties under this Agreement and the other Loan Documents, SCIL Agent shall act solely as an agent of SCIL Lenders and does not assume and shall not be deemed to have assumed any obligation toward or relationship of agency or trust with or for any Credit Party or any other Person. SCIL Agent shall have no duties or responsibilities except for those expressly set forth in this Agreement and the other Loan Documents. The duties of SCIL Agent shall be mechanical and administrative in nature and SCIL Agent shall not have, or be deemed to have, by reason of this Agreement, any other Loan Document or otherwise a fiduciary relationship in respect of any SCIL Lender. Except as expressly set forth in this Agreement and the other Loan Documents, SCIL Agent shall not have any duty to disclose, and shall not be liable for failure to disclose, any information relating to any Credit Party or any of their respective Subsidiaries or any Account Debtor that is communicated to or obtained by GE Capital or any of its Affiliates in any capacity. Neither SCIL Agent nor any of its Affiliates nor any of their respective officers, directors, employees, agents or representatives shall be liable to any SCIL Lender for any action taken or omitted to be taken by it hereunder or under any other Loan Document, or in connection herewith or therewith, except for damages caused by its or their own gross negligence or willful misconduct.

Each SCIL Lender hereby irrevocably authorizes SCIL Agent to execute and deliver the Intercreditor Agreement and to observe and perform each and all of the obligations of SCIL Agent under the Intercreditor Agreement and to take such action or to refrain from taking such action on behalf of itself and the SCIL Lenders under the Intercreditor Agreement and to exercise such powers as are set forth herein or therein, together with such

other powers as are reasonably incidental thereto. Each SCIL Lender agrees to be, and is, bound by the provisions of the Intercreditor Agreement and each future SCIL Lender, by taking an assignment of, or

purchasing participations in, the Loan Documents, the SCIL Loan or any portion thereof or interest therein, shall be deemed to have agreed to be bound by the terms and provisions of the Intercreditor Agreement.

If SCIL Agent shall request instructions from Requisite SCIL Lenders or all affected SCIL Lenders with respect to any act or action (including failure to act) in connection with this Agreement or any other Loan Document, then SCIL Agent shall be entitled to refrain from such act or taking such action unless and until SCIL Agent shall have received instructions from Requisite SCIL Lenders or all affected SCIL Lenders, as the case may be, and SCIL Agent shall not incur liability to any Person by reason of so refraining. SCIL Agent shall be fully justified in failing or refusing to take any action hereunder or under any other Loan Document (a) if such action would, in the opinion of SCIL Agent, be contrary to law or the terms of this Agreement or any other Loan Document, (b) if such action would, in the opinion of SCIL Agent, expose SCIL Agent to Environmental Liabilities or (c) if SCIL Agent shall not first be indemnified to its satisfaction against any and all liability and expense which may be incurred by it by reason of taking or continuing to take any such action or if SCIL Agent has not received sufficient cash deposits to satisfy expected liabilities and expenses related to such action. Without limiting the foregoing, no SCIL Lender shall have any right of action whatsoever against SCIL Agent as a result of SCIL Agent acting or refraining from acting hereunder or under any other Loan Document in accordance with the instructions of Requisite SCIL Lenders or all affected SCIL Lenders, as applicable.

9.3 SCIL Agent's Reliance, Etc. Neither SCIL Agent nor any of its Affiliates nor any of their respective directors, officers, agents or employees shall be liable for any action taken or omitted to be taken by it or them under or in connection with this Agreement or the other Loan Documents, except for damages caused by its or their own gross negligence or willful misconduct. Without limiting the generality of the foregoing, SCIL Agent: (a) may treat the payee of any SCIL Note as the holder thereof until SCIL Agent receives written notice of the assignment or transfer thereof signed by such payee and in form reasonably satisfactory to SCIL Agent; (b) may consult with legal counsel, independent public accountants and other experts selected by it and shall not be liable for any action taken or omitted to be taken by it in good faith in accordance with the advice of such counsel, accountants or experts; (c) makes no warranty or representation to any SCIL Lender and shall not be responsible to any SCIL Lender for any statements, warranties or representations made in or in connection with this Agreement or the other Loan Documents; (d) shall not have any duty to ascertain or to inquire as to the performance or observance of any of the terms, covenants or conditions of this Agreement or the other Loan Documents on the part of any Credit Party or to inspect the Collateral (including the books and records) of any Credit Party; (e) shall not be responsible to any SCIL Lender for the due execution, legality, validity, enforceability, genuineness, sufficiency or value of this Agreement or the other Loan Documents or any other instrument or document furnished pursuant hereto or thereto; and (f) shall incur no liability under or in respect of this Agreement or the other Loan Documents by acting upon any notice, consent, certificate or other instrument or writing (which may be by telecopy, telegram, cable or telex) believed by it to be genuine and signed or sent by the proper party or parties.

9.4 GE Capital and Affiliates. With respect to its Commitments hereunder, GE Capital shall have the same rights and powers under this Agreement and the other Loan

Documents as any other SCIL Lender and may exercise the same as though it were not SCIL Agent; and the term "SCIL Lender" or "SCIL Lenders" shall, unless otherwise expressly indicated, include GE Capital in its individual capacity. GE Capital and its Affiliates may lend money to, invest in, and generally engage in any kind of business with, any Credit Party, any of their Affiliates and any Person who may do business with or own securities of any Credit Party or any such Affiliate, all as if GE Capital were not SCIL Agent and without any duty to account therefor to SCIL Lenders. GE Capital or one or more of Affiliates may also purchase certain equity interests in Holdings, which is a corporation that currently owns 100% of the outstanding Stock of Borrower. GE Capital and its Affiliates may accept fees and other consideration from any Credit Party for services in connection with this Agreement or otherwise without having to account for the same to SCIL Lenders. GE Capital also acts as agent for the holders of the SCIL Loan. Each SCIL Lender acknowledges the potential conflict of interest between GE Capital as a SCIL Lender holding disproportionate interests in the Loans, GE Capital or its Affiliates as a Stockholder and GE Capital as SCIL Agent or that may arise from GE Capital acting as agent for the holders of the SCIL Loan; *provided* that any equity investment by GE Capital shall not exceed 7.5% in the aggregate of the Stock of Holdings outstanding on a fully diluted basis, and shall not exceed $7,500,000 of investments in the aggregate.

9.5 SCIL Lender Credit Decision. Each SCIL Lender acknowledges that it has, independently and without reliance upon SCIL Agent or any other SCIL Lender and based on the Financial Statements referred to in Section 3.4(a) and such other documents and information as it has deemed appropriate, made its own credit and financial analysis of the Credit Parties and its own decision to enter into this Agreement. Each SCIL Lender also acknowledges that it will, independently and without reliance upon SCIL Agent or any other SCIL Lender and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under this Agreement. Each SCIL Lender acknowledges the potential conflict of interest of each other SCIL Lender as a result of SCIL Lenders holding disproportionate interests in the Loans, and expressly consents to, and waives any claim based upon, such conflict of interest.

9.6 Indemnification. SCIL Lenders agree to indemnify SCIL Agent (to the extent not reimbursed by Credit Parties on demand and without limiting the obligations of Credit Parties hereunder), ratably according to their respective Pro Rata Shares, from and against any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind or nature whatsoever (including reasonable attorneys', accountants', experts' and advisors' fees and disbursements and all costs of investigation, testing or defense, including those incurred on any appeal) that may be instituted or asserted against, imposed on or incurred by SCIL Agent in any way relating to or arising out of this Agreement or any other Loan Document or any action taken or omitted to be taken by SCIL Agent in connection therewith (all such liabilities, obligations, losses, damages, penalties, actions, judgments, suits costs, expenses or disbursements, collectively, the "SCIL Agent Indemnified Items"); *provided*, that no SCIL Lender shall be liable to SCIL Agent for that portion, if any, of such SCIL Agent Indemnified Items which resulted from SCIL Agent's gross negligence or willful misconduct. Without limiting the foregoing, each SCIL Lender agrees to reimburse SCIL Agent promptly upon demand for its ratable share of any out-of-pocket expenses (including reasonable counsel, accountant, expert and advisor fees and disbursements) incurred by SCIL Agent in connection with the preparation, execution, delivery, administration, modification,

amendment or enforcement (whether through negotiations, legal proceedings or otherwise) of, or legal advice in respect of rights or responsibilities under, this Agreement and each other Loan Document to the extent that SCIL Agent is not reimbursed for such expenses by the Credit Parties upon demand.

9.7 Successor SCIL Agent. SCIL Agent may resign at any time by giving not less than thirty (30) days' prior written notice thereof to SCIL Lenders and Borrower. Upon any such resignation, the Requisite SCIL Lenders shall have the right to appoint a successor SCIL Agent. If no successor SCIL Agent shall have been so appointed by the Requisite SCIL Lenders and shall have accepted such appointment within thirty (30) days after the resigning SCIL Agent's giving notice of resignation, then the resigning SCIL Agent may, on behalf of SCIL Lenders, appoint a successor SCIL Agent, which shall be a SCIL Lender, if a SCIL Lender is willing to accept such appointment, or otherwise shall be a commercial bank or financial institution or a subsidiary of a commercial bank or financial institution if such commercial bank or financial institution is organized under the laws of the United States of America or of any State thereof and has a combined capital and surplus of at least $300,000,000. If no successor SCIL Agent has been appointed pursuant to the foregoing, within thirty (30) days after the date such notice of resignation was given by the resigning SCIL Agent, such resignation shall become effective and the Requisite SCIL Lenders shall thereafter perform all the duties of SCIL Agent hereunder until such time, if any, as the Requisite SCIL Lenders appoint a successor SCIL Agent as provided above. Any successor SCIL Agent appointed by SCIL Agent or Requisite SCIL Lenders hereunder shall be subject to the approval of Borrower, such approval not to be unreasonably withheld or delayed; *provided* that such approval shall not be required if a Default or an Event of Default has occurred and is continuing or if the successor SCIL Agent is Cerberus Capital Management, L.P., or any of its Affiliates or managed funds. Upon the acceptance of any appointment as SCIL Agent hereunder by a successor SCIL Agent, such successor SCIL Agent shall succeed to and become vested with all the rights, powers, privileges and duties of the resigning SCIL Agent. Upon the earlier of the acceptance of any appointment as SCIL Agent hereunder by a successor SCIL Agent or the effective date of the resigning SCIL Agent's resignation, the resigning SCIL Agent shall be discharged from its duties and obligations under this Agreement and the other Loan Documents, except that any indemnity rights or other rights in favor of such resigning SCIL Agent shall continue. After any resigning SCIL Agent's resignation hereunder, the provisions of this Section 9 shall inure to its benefit as to any actions taken or omitted to be taken by it while it was acting as SCIL Agent under this Agreement and the other Loan Documents.

9.8 Setoff and Sharing of Payments. In addition to any rights now or hereafter granted under applicable law and not by way of limitation of any such rights, upon the occurrence and during the continuance of any Event of Default and subject to Section 9.9(d), each SCIL Lender is hereby authorized at any time or from time to time, without notice to any Credit Party or to any other Person, any such notice being hereby expressly waived, to offset and to appropriate and to apply any and all balances held by it at any of its offices for the account of Borrower or any Guarantor (regardless of whether such balances are then due to Borrower or any Guarantor) and any other properties or assets at any time held or owing by that SCIL Lender or that holder to or for the credit or for the account of Borrower or any Guarantor against and on account of any of the Obligations that are not paid when due. Any SCIL Lender exercising the foregoing right of setoff or otherwise receiving any payment on account of the Obligations in

excess of its Pro Rata Share thereof determined in accordance with Section 1.11 shall purchase for cash (and the other SCIL Lenders or holders shall sell) such participations in each such other SCIL Lender's or holder's Pro Rata Share of the Obligations as would be necessary to cause such SCIL Lender to share the amount so offset or otherwise received with each other SCIL Lender or holder in accordance with their respective Pro Rata Shares determined in accordance with Section 1.11, (other than offset rights exercised by any SCIL Lender with respect to Sections 1.13, 1.15 or 1.16). Each Credit Party agrees, to the fullest extent permitted by law, that (a) any SCIL Lender may exercise the foregoing right to offset with respect to amounts in excess of its Pro Rata Share of the Obligations and may sell participations in such amounts so offset to other SCIL Lenders and holders and (b) any SCIL Lender so purchasing a participation in the SCIL Loan made or other Obligations held by other SCIL Lenders or holders may exercise all rights of offset, bankers' lien, counterclaim or similar rights with respect to such participation as fully as if such SCIL Lender or holder were a direct holder of the Loans and the other Obligations in the amount of such participation. Notwithstanding the foregoing, if all or any portion of the offset amount or payment otherwise received is thereafter recovered from the SCIL Lender that has exercised the right of offset, the purchase of participations by that SCIL Lender shall be rescinded and the purchase price restored without interest.

9.9 Payments; Information; Actions in Concert.

(a) Payments. On the 2nd Business Day of each calendar month or more frequently at SCIL Agent's election (each, a "Settlement Date"), SCIL Agent shall advise each SCIL Lender by telephone, or telecopy of the amount of such SCIL Lender's Pro Rata Share of principal, interest and Fees paid for the benefit of SCIL Lenders with respect to the SCIL Loan. Such payments shall be made by wire transfer to such SCIL Lender's account (as specified by such SCIL Lender in Annex F or the applicable Assignment Agreement) not later than 1:00 p.m. (Chicago time) on the next Business Day following each Settlement Date.

(b) Return of Payments.

(i) If SCIL Agent pays an amount to a SCIL Lender under this Agreement in the belief or expectation that a related payment has been or will be received by SCIL Agent from Borrower and such related payment is not received by SCIL Agent, then SCIL Agent will be entitled to recover such amount from such SCIL Lender on demand without setoff, counterclaim or deduction of any kind.

(ii) If SCIL Agent determines at any time that any amount received by SCIL Agent under this Agreement must be returned to Borrower or paid to any other Person pursuant to any insolvency law or otherwise, then, notwithstanding any other term or condition of this Agreement or any other Loan Document, SCIL Agent will not be required to distribute any portion thereof to any SCIL Lender. In addition, each SCIL Lender will repay to SCIL Agent on demand any portion of such amount that SCIL Agent has distributed to such SCIL Lender, together with interest at such rate, if any, as SCIL Agent is required to pay to Borrower or such other Person, without setoff, counterclaim or deduction of any kind.

(c) Dissemination of Information. SCIL Agent shall use reasonable efforts to provide SCIL Lenders with any notice of Default or Event of Default received by SCIL Agent

from, or delivered by SCIL Agent to, any Credit Party, with notice of any Event of Default of which SCIL Agent has actually become aware and with notice of any action taken by SCIL Agent following any Event of Default; *provided* that SCIL Agent shall not be liable to any SCIL Lender for any failure to do so, except to the extent that such failure is attributable to SCIL Agent's gross negligence or willful misconduct. SCIL Lenders acknowledge that Borrower is required to provide Financial Statements to SCIL Lenders in accordance with Annex D hereto and agree that SCIL Agent shall have no duty to provide the same to SCIL Lenders.

(d) Actions in Concert. Anything in this Agreement to the contrary notwithstanding, each SCIL Lender hereby agrees with each other SCIL Lender that no SCIL Lender shall take any action to protect or enforce its rights arising out of this Agreement or the SCIL Notes (including exercising any rights of setoff) without first obtaining the prior written consent of SCIL Agent and Requisite SCIL Lenders, it being the intent of SCIL Lenders that any such action to protect or enforce rights under this Agreement and the Notes shall be taken in concert and at the direction or with the consent of SCIL Agent or Requisite SCIL Lenders. With respect to any action by SCIL Agent to enforce the rights and remedies of SCIL Agent and the SCIL Lenders under this Agreement and the other Loan Documents, each SCIL Lender hereby consents to the jurisdiction of the court in which such action is maintained, and agrees to deliver its SCIL Notes to SCIL Agent to the extent necessary to enforce the rights and remedies of SCIL Agent for the benefit of the SCIL Lenders under the Mortgages in accordance with the provisions hereof.

10. SUCCESSORS AND ASSIGNS

10.1 Successors and Assigns. This Agreement and the other Loan Documents shall be binding on and shall inure to the benefit of each Credit Party, SCIL Agent, SCIL Lenders and their respective successors and assigns (including, in the case of any Credit Party, a debtor-in-possession on behalf of such Credit Party), except as otherwise provided herein or therein. No Credit Party may assign, transfer, hypothecate or otherwise convey its rights, benefits, obligations or duties hereunder or under any of the other Loan Documents without the prior express written consent of SCIL Agent and all SCIL Lenders. Any such purported assignment, transfer, hypothecation or other conveyance by any Credit Party without the prior express written consent of SCIL Agent and all SCIL Lenders shall be void. The terms and provisions of this Agreement are for the purpose of defining the relative rights and obligations of each Credit Party, SCIL Agent and SCIL Lenders with respect to the transactions contemplated hereby and no Person shall be a third party beneficiary of any of the terms and provisions of this Agreement or any of the other Loan Documents.

11. MISCELLANEOUS

11.1 Complete Agreement; Modification of Agreement. The Loan Documents constitute the complete agreement between the parties with respect to the subject matter thereof and may not be modified, altered or amended except as set forth in Section 11.2. Any letter of interest, commitment letter, or fee letter (other than the GE Capital Fee Letter or any confidentiality agreement), if any, between any Credit Party and SCIL Agent or any SCIL Lender or any of their respective Affiliates, predating this Agreement and relating to a financing of substantially similar form, purpose or effect shall be superseded by this Agreement.

11.2 Amendments and Waivers.

(a) Except for amendments to the definition of the term "Qualified Assignee", which shall be in writing and signed by Requisite SCIL Lenders, and except for actions expressly permitted to be taken by SCIL Agent, no amendment, modification, termination or waiver of any provision of this Agreement or any other Loan Document, or any consent to any departure by any Credit Party therefrom, shall in any event be effective unless the same shall be in writing and signed by SCIL Agent and Borrower, and by Requisite SCIL Lenders or all affected SCIL Lenders, as applicable. Except as set forth in clauses (b) and (c) below, all such amendments, modifications, terminations or waivers shall require the written consent of Requisite SCIL Lenders.

(b) No amendment, modification, termination or waiver of or consent with respect to any provision of this Agreement that increases the percentage advance rates set forth in the definition of the Borrowing Base, or that makes less restrictive the nondiscretionary criteria for exclusion from Eligible Accounts and Eligible Inventory set forth in Sections 1.6 and 1.7, shall be effective unless the same shall be in writing and signed by SCIL Agent, Requisite SCIL Lenders and Borrower. No amendment, modification, termination or waiver of or consent with respect to any provision of this Agreement that waives compliance with the conditions precedent set forth in the last sentence of Section 1.5(e) shall be effective unless the same shall be in writing and signed by SCIL Agent, Requisite SCIL Lenders and Borrower. Notwithstanding anything contained in this Agreement to the contrary, no waiver or consent with respect to any Default or any Event of Default shall be effective for purposes of the conditions precedent set forth in the last sentence of Section 1.5(e) unless the same shall be in writing and signed by SCIL Agent, Requisite SCIL Lenders and Borrower.

(c) No amendment, modification, termination or waiver shall, unless in writing and signed by SCIL Agent and each SCIL Lender directly affected thereby: (i) increase the principal amount of any SCIL Lender's Pro Rata Share (which action shall be deemed only to affect those SCIL Lenders whose Pro Rata Share are increased and must be approved by Requisite SCIL Lenders, including those SCIL Lenders whose Pro Rata Share are increased); (ii) reduce the principal of, rate of interest on or Fees payable with respect to the SCIL Loan of any affected SCIL Lender; (iii) waive or extend any scheduled payment date (other than payment dates of mandatory prepayments under Section 1.3(b)(ii)-(vi)) or final maturity date of the principal amount of the SCIL Loan of any affected SCIL Lender; (iv) waive, forgive, defer, extend or postpone any payment of interest or Fees as to any affected SCIL Lender; (v) amend the second sentence of Section 10.1 or release any Guaranty or except as otherwise permitted herein or in the other Loan Documents, release, or permit any Credit Party to sell or otherwise dispose of, any Collateral with a value exceeding $4,000,000 in the aggregate (which action shall be deemed to directly affect all SCIL Lenders); (vi) change the percentage of the Commitments or of the aggregate unpaid principal amount of the SCIL Loan that shall be required for SCIL Lenders or any of them to take any action hereunder (which action shall be deemed to directly affect all SCIL Lenders); and (vii) amend or waive this Section 11.2 or the definitions of the terms "Requisite SCIL Lenders" insofar as such definition affects the substance of this Section 11.2 (which action shall be deemed to directly affect all SCIL Lenders). Furthermore, no amendment, modification, termination or waiver affecting the rights or duties of SCIL Agent under this Agreement or any other Loan Document shall be effective unless in writing and

signed by SCIL Agent in addition to SCIL Lenders required hereinabove to take such action. Each amendment, modification, termination or waiver shall be effective only in the specific instance and for the specific purpose for which it was given. No amendment, modification, termination or waiver shall be required for SCIL Agent to take additional Collateral pursuant to any Loan Document. No amendment, modification, termination or waiver of any provision

of any SCIL Note shall be effective without the written concurrence of the holder of that SCIL Note. No notice to or demand on any Credit Party in any case shall entitle such Credit Party or any other Credit Party to any other or further notice or demand in similar or other circumstances. Any amendment, modification, termination, waiver or consent effected in accordance with this Section 11.2 shall be binding upon each holder of the SCIL Notes at the time outstanding and each future holder of the SCIL Notes.

(d) If, in connection with any proposed amendment, modification, waiver or termination (a "Proposed Change"): requiring the consent of all affected SCIL Lenders, the consent of Requisite SCIL Lenders is obtained, but the consent of other SCIL Lenders whose consent is required is not obtained (any such SCIL Lender whose consent is not obtained being referred to as a "Non-Consenting SCIL Lender"), then, so long as SCIL Agent is not a Non-Consenting SCIL Lender, at Borrower's request SCIL Agent, or a Person reasonably acceptable to SCIL Agent, shall have the right with SCIL Agent's consent and in SCIL Agent's sole discretion (but shall have no obligation) to purchase from such Non-Consenting SCIL Lenders, and such Non-Consenting SCIL Lenders agree that they shall, upon SCIL Agent's request, sell and assign to SCIL Agent or such Person, all of the Pro Rata Share of such Non-Consenting SCIL Lenders for an amount equal to the principal balance of the SCIL Loan held by the Non-Consenting SCIL Lenders and all accrued interest and Fees with respect thereto through the date of sale, such purchase and sale to be consummated pursuant to an executed Assignment Agreement.

(e) Upon payment in full in cash and performance of all of the Obligations (other than indemnification Obligations) and a release of all claims against SCIL Agent and SCIL Lenders, and so long as no suits, actions proceedings, or claims are pending or threatened against any Indemnified Person asserting any damages, losses or liabilities that are Indemnified Liabilities, SCIL Agent shall deliver to Borrower termination statements, mortgage releases and other documents necessary or appropriate to evidence the termination of the Liens securing payment of the Obligations.

11.3 Fees and Expenses. Borrower shall reimburse (i) SCIL Agent for all reasonable out-of-pocket fees, costs and expenses (including the reasonable fees and expenses of all of its counsel, advisors, consultants and auditors) and (ii) SCIL Agent (and, with respect to clauses (c) and (d) below, all SCIL Lenders) for all reasonable out-of-pocket fees, costs and expenses, including the reasonable fees, costs and expenses of counsel or other advisors (including environmental and management consultants and appraisers) incurred in connection with the negotiation, preparation and filing and/or recordation of the Loan Documents and incurred in connection with:

(a) the forwarding to Borrower or any other Person on behalf of Borrower by SCIL Agent of the proceeds of the SCIL Loan (including a wire transfer fee of $25 per wire transfer);

(b) any amendment, modification or waiver of, or consent with respect to, or termination of, any of the Loan Documents or Related Transactions Documents or advice in connection with the syndication and administration of the SCIL Loan made pursuant hereto or its rights hereunder or thereunder;

(c) any litigation, contest, dispute, suit, proceeding or action (whether instituted by SCIL Agent, any SCIL Lender, any Credit Party or any other Person and whether as a party, witness or otherwise) in any way relating to the Collateral, any of the Loan Documents or any other agreement to be executed or delivered in connection herewith or therewith, including any litigation, contest, dispute, suit, case, proceeding or action, and any appeal or review thereof, in connection with a case commenced by or against any or all of the Credit Parties or any other Person that may be obligated to SCIL Agent by virtue of the Loan Documents, including any such litigation, contest, dispute, suit, proceeding or action arising in connection with any work-out or restructuring of the SCIL Loan during the pendency of one or more Events of Default; *provided* that in the case of reimbursement of counsel for SCIL Lenders other than SCIL Agent, such reimbursement shall be limited to one counsel for all such SCIL Lenders; *provided*, further, that no Person shall be entitled to reimbursement under this clause (c) in respect of any litigation, contest, dispute, suit, proceeding or action to the extent any of the foregoing results from such Person's gross negligence or willful misconduct;

(d) any attempt to enforce any remedies of SCIL Agent or any SCIL Lender against any or all of the Credit Parties or any other Person that may be obligated to SCIL Agent or any SCIL Lender by virtue of any of the Loan Documents, including any such attempt to enforce any such remedies in the course of any work-out or restructuring of the SCIL Loan during the pendency of one or more Events of Default; *provided* that in the case of reimbursement of counsel for SCIL Lenders other than SCIL Agent, such reimbursement shall be limited to one counsel for all such SCIL Lenders;

(e) any workout or restructuring of the SCIL Loan during the pendency of one or more Events of Default; and

(f) efforts to (i) monitor the SCIL Loan or any of the other Obligations, and (ii) verify, protect, evaluate, assess, appraise, collect, sell, liquidate or otherwise dispose of any of the Collateral;

including, as to each of clauses (a) through (f) above, all reasonable attorneys' and other professional and service providers' fees arising from such services and other advice, assistance or other representation, including those in connection with any appellate proceedings, and all expenses, costs, charges and other fees incurred by such counsel and others in connection with or relating to any of the events or actions described in this Section 11.3, all of which shall be payable, on demand, by Borrower. Without limiting the generality of the foregoing, such expenses, costs, charges and fees may include: fees, costs and expenses of accountants, environmental advisors, appraisers, investment bankers, management and other consultants and paralegals; court costs and expenses; photocopying and duplication expenses; court reporter fees, costs and expenses; long distance telephone charges; air express charges; telegram or telecopy charges; secretarial overtime charges; expenses for travel, lodging and food paid or incurred in connection with the performance of such legal or other advisory services and, in the case of

auditors, a per diem charge at the SCIL Agent's then applicable rate per person per day for each such auditor in the field and office plus all reasonable out-of-pocket costs and expenses (including, without limitation, air fare, lodging and meals) incurred in connection with or relating to audits to be conducted pursuant hereunder. As of the Closing Date, the SCIL Agent's applicable rate for auditors is $750 per person per day.

11.4 No Waiver. SCIL Agent's or any SCIL Lender's failure, at any time or times, to require strict performance by the Credit Parties of any provision of this Agreement or any other Loan Document shall not waive, affect or diminish any right of SCIL Agent or such SCIL Lender thereafter to demand strict compliance and performance herewith or therewith. Any suspension or waiver of an Event of Default shall not suspend, waive or affect any

other Event of Default whether the same is prior or subsequent thereto and whether the same or of a different type. Subject to the provisions of Section 11.2, none of the undertakings, agreements, warranties, covenants and representations of any Credit Party contained in this Agreement or any of the other Loan Documents and no Default or Event of Default by any Credit Party shall be deemed to have been suspended or waived by SCIL Agent or any SCIL Lender, unless such waiver or suspension is by an instrument in writing signed by an officer of or other authorized employee of SCIL Agent and the applicable required SCIL Lenders and directed to Borrower specifying such suspension or waiver.

11.5 Remedies. SCIL Agent's and SCIL Lenders' rights and remedies under this Agreement shall be cumulative and nonexclusive of any other rights and remedies that SCIL Agent or any SCIL Lender may have under any other agreement, including the other Loan Documents, by operation of law or otherwise. Recourse to the Collateral shall not be required.

11.6 Severability. Wherever possible, each provision of this Agreement and the other Loan Documents shall be interpreted in such a manner as to be effective and valid under applicable law, but if any provision of this Agreement or any other Loan Document shall be prohibited by or invalid under applicable law, such provision shall be ineffective only to the extent of such prohibition or invalidity, without invalidating the remainder of such provision or the remaining provisions of this Agreement or such other Loan Document.

11.7 Conflict of Terms. Except as otherwise provided in this Agreement or any of the other Loan Documents by specific reference to the applicable provisions of this Agreement, if any provision contained in this Agreement conflicts with any provision in any of the other Loan Documents, the provision contained in this Agreement shall govern and control.

11.8 Confidentiality. SCIL Agent and each SCIL Lender agree to use commercially reasonable efforts (equivalent to the efforts SCIL Agent or such SCIL Lender applies to maintain the confidentiality of its own confidential information) to maintain as confidential all confidential information provided to them by the Credit Parties and designated as confidential for a period of two (2) years following receipt thereof, except that SCIL Agent and any SCIL Lender may disclose such information (a) to Persons employed or engaged by SCIL Agent or such SCIL Lender, including any agents that have been granted access pursuant to Section 1.14; (b) to any bona fide assignee or participant or potential assignee or participant that has agreed to comply with the covenant contained in this Section 11.8 (and any such bona fide assignee or participant or potential assignee or participant may disclose such information to

Persons employed or engaged by them as described in clause (a) above); (c) as required or requested by any Governmental Authority or reasonably believed by SCIL Agent or such SCIL Lender to be compelled by any court decree, subpoena or legal or administrative order or process; (d) as, on the advice of SCIL Agent's or such SCIL Lender's counsel, is required by law; (e) in connection with the exercise of any right or remedy under the Loan Documents or in connection with any Litigation to which SCIL Agent or such SCIL Lender is a party; (f) to a Person that is an investor or prospective investor in a Securitization (as defined below) that agrees that its access to information regarding the Borrower and the SCIL Loan is solely for purposes of evaluating an investment in such Securitization, (g) to a Person that is a trustee, collateral manager, servicer, investor, potential investor or secured party in a Securitization in connection with the administration, servicing and reporting on the assets serving as collateral for such Securitization. For purposes of this Section "Securitization" shall mean a public or private offering by a SCIL Lender or any of its Affiliates or their respective successors and assigns, of securities which represent an interest in, or which are collateralized in whole or in part by, the SCIL Loan; or (h) that ceases to be confidential through no fault of SCIL Agent or any SCIL Lender.

11.9 GOVERNING LAW. **EXCEPT AS OTHERWISE EXPRESSLY PROVIDED IN ANY OF THE LOAN DOCUMENTS, IN ALL RESPECTS, INCLUDING ALL MATTERS OF CONSTRUCTION, VALIDITY AND PERFORMANCE, THE LOAN DOCUMENTS AND THE OBLIGATIONS SHALL BE GOVERNED BY, AND CONSTRUED AND ENFORCED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK APPLICABLE TO CONTRACTS MADE AND PERFORMED IN THAT STATE AND ANY APPLICABLE LAWS OF THE UNITED STATES OF AMERICA. EACH CREDIT PARTY HEREBY CONSENTS AND AGREES THAT THE STATE OR FEDERAL COURTS LOCATED IN NEW YORK COUNTY, CITY OF NEW YORK, NEW YORK SHALL HAVE EXCLUSIVE JURISDICTION TO HEAR AND DETERMINE ANY CLAIMS OR DISPUTES BETWEEN THE CREDIT PARTIES, SCIL AGENT AND SCIL LENDERS PERTAINING TO THIS AGREEMENT OR ANY OF THE OTHER LOAN DOCUMENTS OR TO ANY MATTER ARISING OUT OF OR RELATING TO THIS AGREEMENT OR ANY OF THE OTHER LOAN DOCUMENTS; *PROVIDED*, THAT SCIL AGENT, SCIL LENDERS AND THE CREDIT PARTIES ACKNOWLEDGE THAT ANY APPEALS FROM THOSE COURTS MAY HAVE TO BE HEARD BY A COURT LOCATED OUTSIDE OF NEW YORK COUNTY AND; *PROVIDED*, FURTHER THAT NOTHING IN THIS AGREEMENT SHALL BE DEEMED OR OPERATE TO PRECLUDE SCIL AGENT FROM BRINGING SUIT OR TAKING OTHER LEGAL ACTION IN ANY OTHER JURISDICTION TO REALIZE ON THE COLLATERAL OR ANY OTHER SECURITY FOR THE OBLIGATIONS, OR TO ENFORCE A JUDGMENT OR OTHER COURT ORDER IN FAVOR OF SCIL AGENT. EACH CREDIT PARTY EXPRESSLY SUBMITS AND CONSENTS IN ADVANCE TO SUCH JURISDICTION IN ANY ACTION OR SUIT COMMENCED IN ANY SUCH COURT, AND EACH CREDIT PARTY HEREBY WAIVES ANY OBJECTION THAT SUCH CREDIT PARTY MAY HAVE BASED UPON LACK OF PERSONAL JURISDICTION, IMPROPER VENUE OR FORUM NON CONVENIENS AND HEREBY CONSENTS TO THE GRANTING OF SUCH LEGAL OR EQUITABLE RELIEF AS IS DEEMED APPROPRIATE BY SUCH COURT. EACH CREDIT PARTY HEREBY WAIVES PERSONAL SERVICE OF THE SUMMONS, COMPLAINT AND**

OTHER PROCESS ISSUED IN ANY SUCH ACTION OR SUIT AND AGREES THAT SERVICE OF SUCH SUMMONS, COMPLAINTS AND OTHER PROCESS MAY BE MADE BY REGISTERED OR CERTIFIED MAIL ADDRESSED TO SUCH CREDIT PARTY AT THE ADDRESS SET FORTH IN ANNEX G OF THIS AGREEMENT AND THAT SERVICE SO MADE SHALL BE DEEMED COMPLETED UPON THE EARLIER OF SUCH CREDIT PARTY'S ACTUAL RECEIPT THEREOF OR THREE (3) DAYS AFTER DEPOSIT IN THE UNITED STATES MAILS, PROPER POSTAGE PREPAID.

11.10 Notices. Except as otherwise provided herein, whenever it is provided herein that any notice, demand, request, consent, approval, declaration or other communication shall or may be given to or served upon any of the parties by any other parties, or whenever any of the parties desires to give or serve upon any other parties any communication with respect to this Agreement, each such notice, demand, request, consent, approval, declaration or other communication shall be in writing and shall be deemed to have been validly served, given or delivered (a) upon the earlier of actual receipt and three (3) Business Days after deposit in the United States Mail, registered or certified mail, return receipt requested, with proper postage prepaid, (b) upon

transmission, when sent by telecopy or other similar facsimile transmission (with such telecopy or facsimile promptly confirmed by delivery of a copy by personal delivery or United States Mail as otherwise provided in this Section 11.10); (c) one (1) Business Day after deposit with a reputable overnight courier with all charges prepaid or (d) when delivered, if hand-delivered by messenger, all of which shall be addressed to the party to be notified and sent to the address or facsimile number indicated in Annex G or to such other address (or facsimile number) as may be substituted by notice given as herein provided. The giving of any notice required hereunder may be waived in writing by the party entitled to receive such notice. Failure or delay in delivering copies of any notice, demand, request, consent, approval, declaration or other communication to any Person (other than Borrower or SCIL Agent) designated in Annex G to receive copies shall in no way adversely affect the effectiveness of such notice, demand, request, consent, approval, declaration or other communication.

11.11 Section Titles. The Section titles and Table of Contents contained in this Agreement are and shall be without substantive meaning or content of any kind whatsoever and are not a part of the agreement between the parties hereto.

11.12 Counterparts. This Agreement may be executed in any number of separate counterparts, each of which shall collectively and separately constitute one agreement.

11.13 WAIVER OF JURY TRIAL. **BECAUSE DISPUTES ARISING IN CONNECTION WITH COMPLEX FINANCIAL TRANSACTIONS ARE MOST QUICKLY AND ECONOMICALLY RESOLVED BY AN EXPERIENCED AND EXPERT PERSON AND THE PARTIES WISH APPLICABLE STATE AND FEDERAL LAWS TO APPLY (RATHER THAN ARBITRATION RULES), THE PARTIES DESIRE THAT THEIR DISPUTES BE RESOLVED BY A JUDGE APPLYING SUCH APPLICABLE LAWS. THEREFORE, TO ACHIEVE THE BEST COMBINATION OF THE BENEFITS OF THE JUDICIAL SYSTEM AND OF ARBITRATION, THE PARTIES HERETO WAIVE TO THE FULLEST EXTENT PERMITTED BY LAW ALL RIGHT TO TRIAL BY JURY IN ANY ACTION, SUIT, OR PROCEEDING BROUGHT**

TO RESOLVE ANY DISPUTE, WHETHER SOUNDING IN CONTRACT, TORT OR OTHERWISE, AMONG SCIL AGENT, SCIL LENDERS AND ANY CREDIT PARTY ARISING OUT OF, CONNECTED WITH, RELATED TO, OR INCIDENTAL TO THE RELATIONSHIP ESTABLISHED AMONG THEM IN CONNECTION WITH, THIS AGREEMENT OR ANY OF THE OTHER LOAN DOCUMENTS OR THE TRANSACTIONS RELATED THERETO.

11.14 Press Releases and Related Matters. Each Credit Party executing this Agreement agrees that neither it nor its Affiliates will in the future issue any press releases or other public disclosure using the name of GE Capital or its affiliates or referring to this Agreement, the other Loan Documents or the Related Transactions Documents without at least two (2) Business Days' prior notice to GE Capital and without the prior written consent of GE Capital unless (and only to the extent that) such Credit Party or Affiliate is required to do so under law and then, in any event, such Credit Party or Affiliate will consult with GE Capital before issuing any press release. Each Credit Party consents to the publication by SCIL Agent or any SCIL Lender of a tombstone or similar advertising material relating to the financing transactions contemplated by this Agreement. SCIL Agent or such SCIL Lender shall provide a draft of any such tombstone or similar advertising material to each Credit Party for review and comment prior to the publication thereof. SCIL Agent reserves the right to provide to industry trade organizations information necessary and customary for inclusion in league table measurements.

11.15 Reinstatement. This Agreement shall remain in full force and effect and continue to be effective should any petition be filed by or against any Credit Party for liquidation or reorganization, should any Credit Party become insolvent or make an assignment for the benefit of any creditor or creditors or should a receiver or trustee be appointed for all or any significant part of any Credit Party's assets, and shall continue to be effective or to be reinstated, as the case may be, if at any time payment and performance of the Obligations, or any part thereof, is, pursuant to applicable law, rescinded or reduced in amount, or must otherwise be restored or returned by any obligee of the Obligations, whether as a "voidable preference," "fraudulent conveyance," or otherwise, all as though such payment or performance had not been made. In the event that any payment, or any part thereof, is rescinded, reduced, restored or returned, the Obligations shall be reinstated and deemed reduced only by such amount paid and not so rescinded, reduced, restored or returned.

11.16 Advice of Counsel. Each of the parties represents to each other party hereto that it has discussed this Agreement and, specifically, the provisions of Sections 11.9 and 11.13, with its counsel.

11.17 No Strict Construction. The parties hereto have participated jointly in the negotiation and drafting of this Agreement. In the event an ambiguity or question of intent or interpretation arises, this Agreement shall be construed as if drafted jointly by the parties hereto and no presumption or burden of proof shall arise favoring or disfavoring any party by virtue of the authorship of any provisions of this Agreement.

[Signature Page Follows]

IN WITNESS WHEREOF, this Agreement has been duly executed as of the date first written above.

BORROWER:

ROLLER BEARING COMPANY OF AMERICA, INC., a Delaware corporation

By: _____
Name: _____
Title: _____

SCIL AGENT AND SCIL LENDERS:

GENERAL ELECTRIC CAPITAL CORPORATION, as SCIL Agent and SCIL Lender

By: _____
Duly Authorized Signatory

[Signature Page to the SCIL Credit Agreement]

The following Persons are signatories to this Agreement in their capacity as Credit Parties and not as a Borrower.

CREDIT PARTIES:

INDUSTRIAL TECTONICS BEARINGS CORPORATION, a Delaware corporation

By: _____
Name: _____
Title: _____

RBC NICE BEARINGS INC., a Delaware corporation

By: _____
Name: _____
Title: _____

BREMEN BEARINGS, INC., a Delaware corporation

By: _____
Name: _____
Title: _____

TYSON BEARING COMPANY, **INC.,** a Delaware corporation

By: _____
Name: _____
Title: _____

RBC AIRCRAFT PRODUCTS, INC., a Delaware corporation

By: _____
Name: _____
Title: _____

RBC LINEAR PRECISION PRODUCTS, INC., a Delaware corporation

By: _____
Name: _____
Title: _____

MILLER BEARING COMPANY, INC., a Delaware corporation

By: _____
Name: _____
Title: _____

RBC OKLAHOMA, INC., a Delaware corporation
By: _____
Name: _____
Title: _____

ANNEX A (Recitals)
to
CREDIT AGREEMENT

DEFINITIONS

Capitalized terms used in the Loan Documents shall have (unless otherwise provided elsewhere in the Loan Documents) the following respective meanings and all references to Sections, Exhibits, Schedules or Annexes in the following definitions shall refer to Sections, Exhibits, Schedules or Annexes of or to the Agreement:

"A Rated Bank" has the meaning ascribed to it in Section 6.2.

"Account Debtor" means any Person who may become obligated to any Credit Party under, with respect to, or on account of, an Account, Chattel Paper or General Intangibles (including a payment intangible).

"Accounting Changes" has the meaning ascribed thereto in Annex E.

"Accounts" means all "accounts," as such term is defined in the Code, now owned or hereafter acquired by any Credit Party, including (a) all accounts receivable, other receivables, book debts and other forms of obligations (other than forms of obligations evidenced by Chattel Paper or Instruments), (including any such obligations that may be characterized as an account or contract right under the Code), (b) all of each Credit Party's rights in, to and under all purchase orders or receipts for goods or services, (c) all of each Credit Party's rights to any goods represented by any of the foregoing (including unpaid sellers' rights of rescission, replevin, reclamation and stoppage in transit and rights to returned, reclaimed or repossessed goods), (d) all rights to payment due to any Credit Party for property sold, leased, licensed, assigned or otherwise disposed of, for a policy of insurance issued or to be issued, for a secondary obligation incurred or to be incurred, for energy provided or to be provided, for the use or hire of a vessel under a charter or other contract, arising out of the use of a credit card or charge card, or for services rendered or to be rendered by such Credit Party or in connection with any other transaction (whether or not yet earned by performance on the part of such Credit Party), (e) all healthcare insurance receivables, and (f) all collateral security of any kind, now or hereafter in existence, given by any Account Debtor or other Person with respect to any of the foregoing.

"Acquisition" means a Domestic Acquisition or a Foreign Acquisition, or either of them.

"Acquisition Company" means (a) in the case of any Domestic Acquisition, a Delaware corporation, limited liability company or limited partnership and (b) in the case of any Acquisition outside the United States, a corporation, limited liability company or limited partnership or any equivalent legal entity under the laws of any jurisdiction in which a Permitted Acquisition outside the United State is consummated, which, in the case of clause (a) or clause (b), is a direct or indirect wholly-owned Subsidiary of Borrower formed for the sole purpose of completing a Permitted Acquisition of a Qualified Target.

"Acquisition Compliance Certificate" means a certificate in the form of Exhibit 6.1 showing compliance with the terms and provision of clauses (iv)(C) and (iv)(D) of the definition of the term "Permitted Loan Funded Acquisition" and clauses (iv)(C) and (iv)(D) of the definition of the term "Permitted Non-Loan Funded Acquisition", as the case may be, and a designation of assets, if any, in accordance with Section 6.8(d) with respect to such Acquisition.

"Acquisition Pro Forma" has the meaning ascribed to it in clause(xiv)(A) of the definition of the term "Permitted Loan Funded Acquisition".

"Acquisition Projections" has the meaning ascribed to it in clause(xiv)(B) of the definition of the term "Permitted Loan Funded Acquisition".

"Acquisition Subordinated Debt" means Indebtedness issued to seller(s) as consideration for a Permitted Loan Funded Acquisition in an amount, on such terms, and subordinated to the Obligations in a manner and form satisfactory to SCIL Agent and SCIL Lenders in their reasonable discretion as to right and time of payment and as to any other terms, rights and remedies thereunder, *provided* that Borrower may determine the maturity date thereof and SCIL Agent's and SCIL Lenders' discretion with respect to subordination provisions shall not preclude a maturity date otherwise permitted under the definition of the term "Permitted Loan Funded Acquisition".

"Activation Event" and "Activation Notice" have the meanings ascribed thereto in Annex B.

"Adjusted EBITDA" means for any period with respect to Holdings, on a consolidated basis, an amount equal to (i) EBITDA of Holdings, on a consolidated basis, for such period, plus (ii) the Permitted Adjustments, if any, relevant to such period, plus (iii) to the extent that the calculation thereof has been approved by the SCIL Agent (in consultation with Requisite SCIL Lenders) and to the extent not included in such EBITDA, the aggregate EBITDA for such period on pro forma basis of any Qualified Target of a Permitted Acquisition (other than in respect of RBC Aircraft) which closed within such period (it being understood that any EBITDA of such Qualified Target shall be included in the EBITDA of Holdings, on a consolidated basis, only for those Fiscal Quarters in such period occurring prior to the closing of such Permitted Acquisition, (iv) less the aggregate EBITDA of any Person or assets, as the case may be, sold by the Holdings or any Subsidiary thereof (if such EBITDA is positive), the sale of which closed during such period.

"Affected SCIL Lender" has the meaning ascribed to it in Section 1.16(d).

"Affiliate" means, with respect to any Person, (a) each Person that, directly or indirectly, owns or controls, whether beneficially, or as a trustee, guardian or other fiduciary, 10% or more of the Stock having ordinary voting power in the election of directors of such Person, (b) each Person that controls, is controlled by or is under common control with such Person, (c) each of such Person's officers, directors, joint venturers and partners and (d) in the case of Borrower, the immediate family members, spouses and lineal descendants of individuals who are Affiliates of Borrower. For the purposes of this definition, "control" of a Person shall

mean the possession, directly or indirectly, of the power to direct or cause the direction of its management or policies, whether through the ownership of voting securities, by contract or otherwise; *provided, however*, that with respect to each Credit Party and its Affiliates, the term "Affiliate" shall specifically exclude (i) SCIL Agent and each SCIL Lender and their respective Affiliates and (ii) any Person in which an investment fund managed by Whitney & Co. or its Affiliates has a direct or indirect equity or debt interest.

"Agreement" means the SCIL Credit Agreement by and among Borrower, the other Credit Parties party thereto, GE Capital, as SCIL Agent and SCIL Lender and the other SCIL Lenders from time to time party thereto, as the same may be amended, supplemented, restated or otherwise modified from time to time.

"Appendices" has the meaning ascribed to it in the recitals to the Agreement.

"Assignment Agreement" has the meaning ascribed to it in Section 9.1(a).

"Bankruptcy Code" means the provisions of Title 11 of the United States Code, 11 U.S.C. §§ 101 et seq.

"Blocked Accounts" has the meaning ascribed to it in Annex B.

"Borrower" has the meaning ascribed thereto in the preamble to the Agreement.

"Borrower Mexican Pledge Agreement" means the Pledge Agreement of even date herewith executed by Borrower in favor of SCIL Agent, on behalf of itself and SCIL Lenders, pledging sixty-six (66%) percent of the outstanding Stock of RBC de Mexico S De R.L. de CV governed by Mexican law, as the same may be amended, restated, modified and/or supplemented from time to time.

"Borrower Pledge Agreement" means the Pledge Agreement of even date herewith executed by Borrower in favor of SCIL Agent, on behalf of itself and SCIL Lenders, pledging (i) all Stock of its Domestic Subsidiaries, and (ii) all Intercompany Notes owing to or held by it, as the same may be amended, restated, modified and/or supplemented from time to time including, without limitation, by any joinder thereto.

"Borrower Swiss Pledge Agreement" means the Pledge Agreement of even date herewith executed by Borrower in favor of SCIL Agent, on behalf of itself and SCIL Lenders, as amended, restated or otherwise modified from time to time including, without limitation, by any joinder thereto, pledging sixty-six (66%) percent of the outstanding Stock of Schaublin Holding governed by Swiss law.

"Borrower Mexican Pledge Agreement" means the Pledge Agreement of even date herewith executed by Borrower in favor of SCIL Agent, on behalf of itself and SCIL Lenders, pledging sixty-six (66%) percent of the outstanding Stock of RBC de Mexico S De R.L. de CV governed by Mexican law, as the same may be amended, restated, modified and/or supplemented from time to time.

"Business Day" means any day that is not a Saturday, a Sunday or a day on which banks are required or permitted to be closed in the States of Illinois and/or New York and in reference to LIBOR Loans shall mean any such day that is also a LIBOR Business Day.

"Capital Expenditures" means, with respect to any Person, all expenditures (by the expenditure of cash or the incurrence of Indebtedness) by such Person during any measuring period for any fixed assets or improvements or for replacements, substitutions or additions thereto, that have a useful life of more than one year and that are required to be capitalized under GAAP, *provided* that expenditures for Permitted Acquisitions and reinvestment in assets in accordance with the proviso of Section 1.3(b)(ii) shall not constitute Capital Expenditures.

"Capital Lease" means, with respect to any Person, any lease of any property (whether real, personal or mixed) by such Person as lessee that, in accordance with GAAP, would be required to be classified and accounted for as a capital lease on a balance sheet of such Person.

"Capital Lease Obligation" means, with respect to any Capital Lease of any Person, the amount of the obligation of the lessee thereunder that, in accordance with GAAP, would appear on a balance sheet of such lessee in respect of such Capital Lease.

"Cash Management Systems" has the meaning ascribed to it in Section 1.8.

"Certificate of Exemption" has the meaning ascribed to it in Section 1.15.

"Change of Control" shall be deemed to have occurred if (a) prior to a Qualified Public Offering, Michael J. Hartnett, his Permitted Transferees, Whitney & Co., its Affiliates and the Related Stockholder Parties shall cease, taken as a whole, to own directly or indirectly, beneficially or of record, those shares or rights to acquire those shares of capital Stock of Holdings which entitle their holder to majority number of votes (*i.e.*, to that number of votes per share on all matters to be voted upon by Holdings which entitle such holder, in the aggregate, to 51% of the voting power of the issued and outstanding common Stock of Holdings); (b) following the completion of a Qualified Public Offering, (i) any person or group (within the meaning of Rule 13d-5 of the Securities Exchange Act of 1934) (other than Michael J. Hartnett, his Permitted Transferees, Whitney & Co., its Affiliates, the Related Stockholder Parties or one or more equity sponsors with funds under management of at least $500,000,000) shall have acquired beneficial ownership (within the meaning of Rule 13d-3 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934) of 30% or more of the issued and outstanding shares of capital Stock of Holdings or (ii) Whitney & Co., its Affiliates and Related Stockholder Parties shall cease, taken as a whole, to own directly or indirectly, beneficially or of record, at least 30% of the issued and outstanding shares of capital Stock of Holdings; (c) during any period of twelve consecutive calendar months, individuals who at the beginning of such period constituted the board of directors of Holdings (together with any new directors whose election by the board of directors of Holdings or whose nomination for election by the Stockholders of Holdings was approved by a vote of at least two-thirds of the directors then still in office who either were directors at the beginning of such period or whose election or nomination for election was previously so approved) cease for any reason other than death or disability to constitute a majority of the directors then in office; (d) Holdings ceases to own and

control all of the economic and voting rights associated with all of the outstanding capital Stock of Borrower; (e) Borrower ceases to own, directly or indirectly, and control all of the economic and voting rights associated with all of the outstanding capital Stock of any of its Subsidiaries other than (i) as a result of a dissolution of a Subsidiary resulting in the distribution of its assets to Borrower or the merger of any Subsidiary with Borrower or another Subsidiary of Borrower or (ii) as a result of a Permitted Asset Sale to the extent permitted by Section 6.8(f), or (f) any change of control (or similar event, however denominated) shall occur under one or more of the Discount Debentures Documents.

"Charges" means all federal, state, county, city, municipal, local, foreign or other governmental taxes (including taxes owed to the PBGC at the time due and payable), levies, assessments, charges, liens, claims or encumbrances upon or relating to (a) the Collateral, (b) the Obligations, (c) the employees, payroll, income or gross receipts of any Credit Party, (d) any Credit Party's ownership or use of any properties or other assets, or (e) any other aspect of any Credit Party's business.

"Chattel Paper" means any "chattel paper," as such term is defined in the Code, including electronic chattel paper, now owned or hereafter acquired by any Credit Party, wherever located.

"Closing Checklist" means the schedule, including all appendices, exhibits or schedules thereto, listing certain documents and information to be delivered in connection with the Agreement, the other Loan Documents and the transactions contemplated thereunder, substantially in the form attached hereto as Annex C.

"Closing Date" means the date on which each of the conditions set forth in Section 2.1 shall have been satisfied except for such conditions, if any, that have been waived in writing by the SCIL Agent and the Requisite SCIL Lenders.

"Code" means the Uniform Commercial Code as the same may, from time to time, be enacted and in effect in the State of New York; *provided* that to the extent that the Code is used to define any term herein or in any Loan Document and such term is defined differently in different Articles or Divisions of the Code, the definition of such term contained in Article or Division 9 shall govern; *provided, further*, that in the event that, by reason of mandatory provisions of law, any or all of the attachment, perfection or priority of, or remedies with respect to, SCIL Agent's or any SCIL Lender's Lien on any Collateral is governed by the Uniform Commercial Code as enacted and in effect in a jurisdiction other than the State of New York, the term "Code" shall mean the Uniform Commercial Code as enacted and in effect in such other jurisdiction solely for purposes of the provisions thereof relating to such attachment, perfection, priority or remedies and for purposes of definitions related to such provisions.

"Collateral" means the property covered by the Security Agreement, the Mortgages and the other Collateral Documents and any other property, real or personal, tangible or intangible, now existing or hereafter acquired, that may at any time be or become subject to a security interest or Lien in favor of SCIL Agent, on behalf of itself and SCIL Lenders, to secure the Obligations.

"Collateral Documents" means the Security Agreement, the Pledge Agreements, the Guaranties, the Mortgages, the Patent Security Agreement, the Trademark Security Agreement, the Copyright Security Agreement and all similar agreements entered into guaranteeing payment of, or granting a Lien upon property as security for payment of, the Obligations.

"Collection Account" means that certain account of SCIL Agent, account number 502-328-54 in the name of SCIL Agent at Bankers Trust Company in New York, New York ABA No. 021 001 033, or such other account as may be specified in writing by SCIL Agent as the "Collection Account."

"Compliance Certificate" has the meaning ascribed to it in Annex D.

"Concentration Account" has the meaning ascribed to it in Annex B.

"Contracts" means all "contracts," as such term is defined in the Code, now owned or hereafter acquired by any Credit Party, in any event, including all contracts, undertakings, or agreements (other than rights evidenced by Chattel Paper, Documents or Instruments) in or under which any Credit Party may now or hereafter have any right, title or interest, including any agreement relating to the terms of payment or the terms of performance of any Account.

"Control Letter" means a letter agreement between SCIL Agent and (i) the issuer of uncertificated securities with respect to uncertificated securities in the name of any Credit Party, (ii) a securities intermediary with respect to securities, whether certificated or uncertificated, securities entitlements and other financial assets held in a securities account in the name of any Credit Party, (iii) a futures commission merchant or clearing house, as applicable, with respect to commodity accounts and commodity contracts held by any Credit Party, whereby, among other things, the issuer, securities intermediary or futures commission merchant disclaims any security interest in the applicable financial assets, acknowledges the Lien of SCIL Agent, on behalf of itself and SCIL Lenders on such financial assets, and agrees to follow the instructions or entitlement orders of First Lien Agent (or SCIL Agent following a First Lien Payment Event) without further consent by the affected Credit Party.

"Copyright License" means any and all rights now owned or hereafter acquired by any Credit Party under any written agreement granting any right to use any Copyright or Copyright registration.

"Copyright Security Agreements" means the Copyright Security Agreements made in favor of SCIL Agent, on behalf of itself and SCIL Lenders, by each applicable Credit Party, as the same may be amended, restated, modified and/or supplemented from time to time including, without limitation, by any joinder thereto.

"Copyrights" means all of the following now owned or hereafter adopted or acquired by any Credit Party: (a) all copyrights and General Intangibles of like nature (whether registered or unregistered), all registrations and recordings thereof, and all applications in connection therewith, including all registrations, recordings and applications in the United States

Copyright Office or in any similar office or agency of the United States, any state or territory thereof, or any other country or any political subdivision thereof, and (b) all reissues, extensions or renewals thereof.

"Costing Reserve" means a reserve with respect to the variance between the perpetual cost of Inventory and the invoice cost of Inventory.

"Credit Parties" means Borrower, its Domestic Subsidiaries and any other Guarantor.

"Credit Party Post-Holdco Debenture Debt Proceeds" has the meaning ascribed to it in Section 5.8(b)(iii).

"Current Assets" means, with respect to any Person, all current assets of such Person as of any date of determination calculated in accordance with GAAP, but excluding cash, cash equivalents and debts due from Affiliates."

"Current Liabilities" means, with respect to any Person, all liabilities that should, in accordance with GAAP, be classified as current liabilities, and in any event shall include all Indebtedness payable on demand or within one year from any date of determination without any option on the part of the obligor to extend or renew beyond such year, all accruals for federal or other taxes based on or measured by income and payable within such year, but excluding the current portion of long-term debt required to be paid within one year and the aggregate outstanding principal balances of the First Lien Revolving Loan and the First Lien Swing Line Loan.

"Default" means any event that, with the passage of time or notice or both, would, unless cured or waived, become an Event of Default.

"Default Rate" has the meaning ascribed to it in Section 1.5(d).

"Deposit Accounts" means all "deposit accounts" as such term in defined in the Code, now or hereafter held in the name of any Credit Party.

"Disclosure Schedules" means the Schedules prepared by Borrower and denominated as Disclosure Schedules (1.4) through (6.7) in the Index to the Agreement.

"Discount Debentures" means those certain 13% Senior Discount Debentures Due 2009 issued by Holdings in an aggregate original principal amount of $74,882,000 pursuant to that certain Indenture dated as of June 15, 1997 between Holdings, as issuer, and United States Trust Company of New York, as trustee (the "Discount Debentures Indenture").

"Discount Debentures Documents" means the Discount Debentures, the Discount Debentures Indenture and any other instrument, document or agreement delivered pursuant thereto or in connection therewith.

"Discount Debentures Indenture" has the meaning ascribed to it in the definition of the Discount Debentures.

"Disqualified Stock" mean any Stock which, by its terms (or by the terms of any security into which it is convertible or for which it is exchangeable), or upon the happening of any event, (a) matures (excluding any maturity as the result of an optional redemption by the issuer thereof) or is mandatorily redeemable, pursuant to a sinking fund obligation or otherwise, or is redeemable at the option of the holder thereof, in whole or in part, on or prior to the eighth anniversary of the Closing Date, (b) is convertible into or exchangeable (unless at the sole option of the issuer thereof) for (i) debt securities or (ii) any Stock referred to in clause (a) above, in each case at any time prior to the eighth anniversary of the Closing Date, or (c) contains any repurchase obligation which may come into effect prior to payment in full of all Obligations.

"Dividends" has the meaning ascribed to it in Section 6.14.

"Documents" means any "documents," as such term is defined in the Code, now owned or hereafter acquired by any Credit Party, wherever located.

"Dollars" or "$" means lawful currency of the United States of America.

"Domestic" means, as to any Person, a Person which is created or organized under the laws of the United States of America, any of its states or the District of Columbia.

"Domestic Acquisition" has the meaning ascribed to in the definition of the term "Permitted Loan Funded Acquisition."

"Domestic Acquisition Projections" has the meaning ascribed to it in clause(xii)(B) of the definition of the term "Permitted Loan Funded Acquisition".

"EBITDA" means, with respect to any Person for any fiscal period, without duplication, an amount equal to (a) consolidated net income of such Person for such period, determined in accordance with GAAP, minus (b) the sum of (i) income tax credits, (ii) interest income, (iii) gain from extraordinary items for such period, (iv) any aggregate net gain during such period arising from the sale, exchange or other disposition of capital assets of such Person, and (v) any other non-cash gains (including non-cash gains in respect of Hedging Agreements, including those resulting from the application of FAS 133) that have been added in determining consolidated net income, in each case to the extent included in the calculation of consolidated net income of such Person for such period in accordance with GAAP, but without duplication, plus (c) the sum of (i) any provision for income taxes, (ii) Interest Expense, (iii) loss from extraordinary items for such period, (iv) depreciation and amortization for such period, (v) amortized debt discount for such period, (vi) the amount of any deduction to consolidated net income as the result of any grant of any Stock or equity rights to any employee of such Person, in each case to the extent included in the calculation of consolidated net income of such Person for such period in accordance with GAAP, but without duplication, (vii) any aggregate net loss during such period arising from the sale, exchange or other disposition of capital assets of such Person, (viii) with the consent of SCIL Agent, which shall not be unreasonably withheld, any non-recurring losses or charges that have been deducted from the consolidated net income of such

Person in accordance with GAAP, (ix) any other non-cash losses or charges in respect of Hedging Agreements (including those resulting from the application of FAS 133) that have been deducted in the calculation of consolidated net income of such Person for such period in

accordance with GAAP, but without duplication, and (x) the amount of any reduction to the consolidated net income of Holdings as the result of the Restricted Payment described and permitted pursuant to Section 6.14(a)(E){Whitney & Co. Management Fees} or Section 6.14(b)(v){Holdco Operating Expenses}. For purposes of this definition, the following items shall be excluded in determining consolidated net income of a Person: (1) the income (or deficit) of any other Person accrued prior to the date it became a Subsidiary of, or was merged or consolidated into, such Person or any of such Person's Subsidiaries; (2) the income (or deficit) of any other Person (other than a Subsidiary) in which such Person has an ownership interest, except to the extent any such income has actually been received by such Person in the form of cash dividends or distributions; (3) the undistributed earnings of any Subsidiary of such Person to the extent that the declaration or payment of dividends or similar distributions by such Subsidiary is not at the time permitted by the terms of any contractual obligation or requirement of law applicable to such Subsidiary; (4) any restoration to income of any contingency reserve, except to the extent that provision for such reserve was made out of income accrued during such period; (5) any write-down of assets (other than Accounts or Inventory) and any write-down of goodwill (to the extent it is a write-down of goodwill only), or write-up of any asset; (6) any net gain from the collection of the proceeds of life insurance policies; (7) any net gain arising from the acquisition of any securities, or the extinguishment, under GAAP, of any Indebtedness, of such Person, (8) in the case of a successor to such Person by consolidation or merger or as a transferee of its assets, any earnings of such successor prior to such consolidation, merger or transfer of assets, (9) any deferred credit representing the excess of equity in any Subsidiary of such Person at the date of acquisition of such Subsidiary over the cost to such Person of the investment in such Subsidiary, and (10) any other non-cash expenses or deductions in connection with the issuances or modifications of stock options or rights issued to employees or directors.

"Environmental Indemnity Agreement" means that certain Environmental Indemnity Agreement, dated the date hereof, by the Credit Parties in favor of SCIL Agent on behalf of the SCIL Lenders.

"Environmental Laws" means all applicable federal, state, local and foreign laws, statutes, ordinances, codes, rules, standards and regulations, now or hereafter in effect, and any applicable judicial or administrative interpretation thereof, including any applicable judicial or administrative order, consent decree, order or judgment, imposing liability or standards of conduct for or relating to the regulation and protection of human health, safety, the environment and natural resources (including ambient air, surface water, groundwater, wetlands, land surface or subsurface strata, wildlife, aquatic species and vegetation). Environmental Laws include the Comprehensive Environmental Response, Compensation, and Liability Act of 1980 (42 U.S.C. §§ 9601 et seq.) ("CERCLA"); the Hazardous Materials Transportation Authorization Act of 1994 (49 U.S.C. §§ 5101 et seq.); the Federal Insecticide, Fungicide, and Rodenticide Act (7 U.S.C. §§ 136 et seq.); the Solid Waste Disposal Act (42 U.S.C. §§ 6901 et seq.); the Toxic Substance Control Act (15 U.S.C. §§ 2601 et seq.); the Clean Air Act (42 U.S.C. §§ 7401 et seq.); the Federal Water Pollution Control Act (33 U.S.C. §§ 1251 et seq.); the Occupational Safety and Health Act (29 U.S.C. §§ 651 et seq.); and the Safe Drinking Water Act (42 U.S.C. §§ 300(f) et seq.), and any and all regulations promulgated thereunder, and all analogous state, local and foreign counterparts or equivalents and any transfer of ownership notification or approval statutes relating to or stemming from environmental matters.

"Environmental Liabilities" means, with respect to any Person, all liabilities, obligations, responsibilities, response, remedial and removal costs, investigation and feasibility study costs, capital costs, operation and maintenance costs, losses, damages, punitive damages, property damages, natural resource damages, consequential damages, treble damages, costs and expenses (including all reasonable fees, disbursements and expenses of counsel, experts and consultants), fines, penalties, sanctions and interest incurred as a result of or related to any claim, suit, action, investigation, proceeding or demand by any Person, whether based in contract, tort, implied or express warranty, strict liability, criminal or civil statute or common law arising under or related to any Environmental Laws, Environmental Permits, or in connection with any Release or threatened Release or presence of a Hazardous Material whether on, at, in, under, from or about or in the vicinity of any real or personal property.

"Environmental Permits" means all permits, licenses, authorizations, certificates, approvals or registrations required by any Governmental Authority under any Environmental Laws.

"Equipment" means all "equipment," as such term is defined in the Code, now owned or hereafter acquired by any Credit Party, wherever located and, in any event, including all such Credit Party's machinery and equipment, including processing equipment, conveyors, machine tools, data processing and computer equipment, including embedded software and peripheral equipment and all engineering, processing and manufacturing equipment, office machinery, furniture, materials handling equipment, tools, attachments, accessories, automotive equipment, trailers, trucks, forklifts, molds, dies, stamps, motor vehicles, rolling stock and other equipment of every kind and nature, trade fixtures and fixtures not forming a part of real property, together with all additions and accessions thereto, replacements therefor, all parts therefor, all substitutes for any of the foregoing, fuel therefor, and all manuals, drawings, instructions, warranties and rights with respect thereto, and all products and proceeds thereof and condemnation awards and insurance proceeds with respect thereto.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended from time to time, and any regulations promulgated thereunder.

"ERISA Affiliate" means, with respect to any Credit Party, any trade or business (whether or not incorporated) that, together with such Credit Party, are treated as a single employer within the meaning of Sections 414(b), (c), (m) or (o) of the IRC.

"ERISA Event" means, with respect to any Credit Party or any ERISA Affiliate, (a) any event described in Section 4043(c) of ERISA with respect to a Title IV Plan; (b) the withdrawal of any Credit Party or ERISA Affiliate from a Title IV Plan subject to Section 4063 of ERISA during a plan year in which it was a substantial employer, as defined in Section 4001(a)(2) of ERISA; (c) the complete or partial withdrawal of any Credit Party or any ERISA Affiliate from any Multiemployer Plan; (d) the filing of a notice of intent to terminate a Title IV Plan or the treatment of a plan amendment as a termination under Section 4041 of ERISA; (e) the institution of proceedings to terminate a Title IV Plan or Multiemployer Plan by the PBGC; (f) the failure by any Credit Party or ERISA Affiliate to make when due required contributions to a Multiemployer Plan or Title IV Plan unless such failure is cured within thirty (30) days; (g) any other event or condition that might reasonably be expected to constitute grounds under Section 4042

of ERISA for the termination of, or the appointment of a trustee to administer, any Title IV Plan or Multiemployer Plan or for the imposition of liability under Section 4069 or 4212(c) of ERISA; (h) the termination of a Multiemployer Plan under Section 4041A of ERISA or the reorganization or insolvency of a Multiemployer Plan under Section 4241 or 4245 of ERISA; or (i) the loss of a Qualified Plan's qualification or tax exempt status; or (j) the termination of a Plan described in Section 4064 of ERISA.

"ESOP" means a Plan that is intended to satisfy the requirements of Section 4975(e)(7) of the IRC.

"Event of Default" has the meaning ascribed to it in Section 8.1.

"Event of Loss" means, with respect to any property, any of the following: (a) any loss, destruction or damage of such property; (b) any condemnation or seizure of such property or for the exercise of any right of eminent domain; or (c) any actual condemnation, seizure or taking, by exercise of the power of eminent domain or otherwise, of such property, or confiscation of such property or the requisition of the use of such property.

"Excess Cash Flow" has the meaning and shall be computed in accordance with Exhibit ECF attached hereto.

"Existing Obligations" shall mean the "Obligations", as defined in the Prior Credit Agreement.

"Fair Labor Standards Act" means the Fair Labor Standards Act, 29 U.S.C. §201 et seq.

"Fair Market Value" means, with respect any asset, the price (after taking into account any liabilities relating to such assets) which could be negotiated in an arm's length transaction, for cash, between a willing seller and a willing and able buyer, neither of which is under any compulsion to complete the transaction.

"Federal Funds Rate" means, for any day, a floating rate equal to the weighted average of the rates on overnight federal funds transactions among members of the Federal Reserve System, as determined by SCIL Agent in its sole discretion, which determination shall be final, binding and conclusive (absent manifest error).

"Federal Reserve Board" means the Board of Governors of the Federal Reserve System.

"Fees" means any and all fees payable to SCIL Agent or any SCIL Lender pursuant to the Agreement or any of the other Loan Documents.

"Financial Covenants" means the financial covenants set forth in Annex G.

"Financial Statements" means the consolidated and consolidating income statements, statements of cash flows and balance sheets of Borrower delivered in accordance with Section 3.4 and Annex D.

"First Lien Agent" means GE Capital in its capacity as agent for the First Lien Lenders or any successor agent for the First Lien Lenders.

"First Lien Credit Agreement" has the meaning set forth in the Recitals hereto.

"First Lien Lenders" has the meaning set forth in the Recitals hereto.

"First Lien Loan Documents" shall mean the "Loan Documents" as defined in Annex A to the First Lien Credit Agreement.

"First Lien Loans has the meaning set forth in the Recitals hereto.

"First Lien Payment Event" has the meaning ascribed to it in Section 1.3(b)(ii).

"First Lien Obligations" shall mean the "Obligations" as defined in Annex A to the First Lien Credit Agreement.

"First Lien Revolving Loans" shall mean the "Revolving Loans" as defined in Annex A to the First Lien Credit Agreement.

"First Lien Payment Event" has the meaning ascribed to it in Section 1.3(b).

"First Lien Swing Line Loans" shall mean the "Swing Line Loans" as defined in Annex A to the Senior Credit Agreement.

"First Lien Term Loan" shall mean the "Term Loan" as defined in Annex A to the Senior Credit Agreement.

"Fiscal Month" means any of the monthly accounting periods of Borrower.

"Fiscal Quarter" means any of the quarterly accounting periods of Borrower, ending on the last Saturday closest to the last day of March, June, September and December.

"Fiscal Year" means any of the annual accounting periods of Borrower ending on the Saturday closest to March 31 of each year.

"Fixed Charges" means, with respect to Holdings, on a consolidated basis, for any fiscal period, an amount equal to the sum of (a) the aggregate of all cash Interest Expense paid or accrued during such period (excluding (i) original issue discount and (ii) interest paid by the issuance of any payment-in-kind notes plus (b) scheduled payments of principal with respect to Indebtedness during such period other than Acquisition Subordinated Debt as

to which a Reserve has been established, plus (c) payments on earn-outs to sellers in connection with a Permitted Acquisition, unless such earn-outs are deducted in the calculation of EBITDA during the relevant period or a Reserve with respect thereto has been established, including a Reserve with respect to Acquisition Subordinated Debt, plus (d) the aggregate of all redemptions, purchases, retirements, defeasances, sinking fund or similar payments or acquisitions for value with respect to Indebtedness plus (d) dividends paid in cash. For purposes of this definition, the following Fixed Charges shall be excluded: (1) the Fixed Charges of any other Person prior to the date it became

a Subsidiary of, or was merged or consolidated into, such Person or any of such Person's Subsidiaries, and (2) the Fixed Charges of any other Person (other than a Subsidiary) in which such Person has an ownership interest.

"Fixed Charge Coverage Ratio" means, with respect to any Person for any fiscal period, the ratio of (a) Adjusted EBITDA less Capital Expenditures (other than that portion of Capital Expenditures financed by third party loans) and income taxes paid in cash to (b) Fixed Charges.

"Fixtures" means all "fixtures" as such term is defined in the Code, now owned or hereafter acquired by any Credit Party.

"Foreign" means, as to any Person, a Person which is not created or organized under the laws of the United States of America, or any of its states or the District of Columbia.

"Foreign Acquisition" has the meaning ascribed to it in the definition of the term "Permitted Non-Loan Funded Acquisition".

"Foreign Acquisition Pro Forma" has the meaning ascribed to it in clause(vi)(A) of the definition of the term "Permitted Non-Loan Funded Acquisition".

"Foreign Acquisition Projections" has the meaning ascribed to it in clause(vi)(B) of the definition of the term "Permitted Non-Loan Funded Acquisition".

"Funded Debt" means, with respect to any Person, without duplication, all Indebtedness for borrowed money evidenced by notes, bonds, debentures, or similar evidences of Indebtedness that by its terms matures more than one year from, or is directly or indirectly renewable or extendible at such Person's option under a revolving credit or similar agreement obligating the SCIL Lender or SCIL Lenders to extend credit over a period of more than one year from the date of creation thereof, and specifically including Capital Lease Obligations, current maturities of long-term debt, revolving credit and short-term debt extendible beyond one year at the option of the debtor, and also including, in the case of Borrower, the Obligations, the First Lien Loans and, without duplication, Guaranteed Indebtedness consisting of guaranties of Funded Debt of other Persons. For purposes of this definition when computing the Funded Debt of Holdings and its Subsidiaries, the following Indebtedness shall be excluded: (1) the Indebtedness of any other Person prior to the date it became a Subsidiary of, or was merged into, Holdings or any Subsidiary of Holdings; and (2) the Indebtedness of any other Person (other than a Subsidiary) in which Holdings has an ownership interest. For the avoidance of doubt, Funded Debt shall not include any obligations under or amounts due in respect of the Prior Senior Subordinated Notes.

"GAAP" means generally accepted accounting principles in the United States of America, consistently applied, as such term is further defined in Annex E to the Agreement.

"GE Capital" means General Electric Capital Corporation, a Delaware corporation.

"GE Capital Fee Letter" means that certain letter, dated as of April 8, 2004, between GE Capital and Borrower with respect to certain Fees to be paid from time to time by Borrower to GE Capital as modified by that certain side letter between Borrower and GE Capital dated as of April 8, 2004.

"General Intangibles" means all "general intangibles," as such term is defined in the Code, now owned or hereafter acquired by any Credit Party, including all right, title and interest that such Credit Party may now or hereafter have in or under any Contract, all payment intangibles, customer lists, Licenses, Copyrights, Trademarks, Patents, and all applications therefor and reissues, extensions or renewals thereof, rights in Intellectual Property, interests in partnerships, joint ventures and other business associations, licenses, permits, copyrights, trade secrets, proprietary or confidential information, inventions (whether or not patented or patentable), technical information, procedures, designs, knowledge, know-how, software, data bases, data, skill, expertise, experience, processes, models, drawings, materials and records, goodwill (including the goodwill associated with any Trademark or Trademark License), all rights and claims in or under insurance policies (including insurance for fire, damage, loss and casualty, whether covering personal property, real property, tangible rights or intangible rights, all liability, life, key man and business interruption insurance, and all unearned premiums), uncertificated securities, choses in action, deposit, checking and other bank accounts, rights to receive tax refunds and other payments, rights to receive dividends, distributions, cash, Instruments and other property in respect of or in exchange for pledged Stock and Investment Property, rights of indemnification, all books and records, correspondence, credit files, invoices and other papers, including without limitation all tapes, cards, computer runs and other papers and documents in the possession or under the control of such Credit Party or any computer bureau or service company from time to time acting for such Credit Party.

"Goods" means all "goods" as defined in the Code, now owned or hereafter acquired by any Credit Party, wherever located, including embedded software to the extent included in "goods" as defined in the Code, manufactured homes, standing timber that is cut and removed for sale and unborn young of animals.

"Governmental Authority" means any nation or government, any state or other political subdivision thereof, and any agency, department or other entity exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to government.

"Granting SCIL Lender" has the meaning ascribed to it in Section 9.1(g).

"Guaranteed Indebtedness" means, as to any Person, any obligation of such Person guaranteeing, providing comfort or otherwise supporting any Indebtedness, lease, dividend, or other obligation ("primary obligation") of any other Person (the "primary obligor") in any manner, including any

obligation or arrangement of such Person to (a) purchase or repurchase any such primary obligation, (b) advance or supply funds (i) for the purchase or payment of any such primary obligation or (ii) to maintain working capital or equity capital of the primary obligor or otherwise to maintain the net worth or solvency or any balance sheet condition of the primary obligor, (c) purchase property, securities or services primarily for the purpose of assuring the owner of any such primary obligation of the ability of the primary obligor to make payment of such primary obligation, (d) protect the beneficiary of such

arrangement from loss (other than product warranties given in the ordinary course of business) or (e) indemnify the owner of such primary obligation against loss in respect thereof. The amount of any Guaranteed Indebtedness at any time shall be deemed to be an amount equal to the lesser at such time of (x) the stated or determinable amount of the primary obligation in respect of which such Guaranteed Indebtedness is incurred and (y) the maximum amount for which such Person may be liable pursuant to the terms of the instrument embodying such Guaranteed Indebtedness, or, if not stated or determinable, the maximum reasonably anticipated liability (assuming full performance) in respect thereof.

"Guaranties" means, collectively, each Subsidiary Guaranty and any other guaranty executed by any Guarantor in favor of SCIL Agent and SCIL Lenders in respect of the Obligations.

"Guarantors" means each Secured Guarantor and each other Person, if any, that executes a guaranty or other similar agreement in favor of SCIL Agent, for itself and the ratable benefit of SCIL Lenders, in connection with the transactions contemplated by the Agreement and the other Loan Documents.

"Hazardous Material" means any substance, material or waste that is regulated by, or forms the basis of liability now or hereafter under, any Environmental Laws, including any material or substance that is (a) defined as a "solid waste," "hazardous waste," "hazardous material," "hazardous substance," "extremely hazardous waste," "restricted hazardous waste," "pollutant," "contaminant," "hazardous constituent," "special waste," "toxic substance" or other similar term or phrase under any Environmental Laws, or (b) petroleum or any fraction or by-product thereof, asbestos, polychlorinated biphenyls (PCB's), or any radioactive substance.

"Hedging Agreement" means any Interest Rate Protection Agreement, foreign currency exchange agreement, commodity price protection agreement or other interest or currency exchange rate or commodity price hedging arrangement.

"Hedging Termination Value" means, in respect of any one or more Hedging Agreements, after taking into account the effect of any legally enforceable netting agreement relating to such Hedging Agreements, (a) for any date on or after the date such Hedging Agreements have been closed out and termination value(s) determined in accordance therewith, such termination value(s), and (b) for any date prior to the date referenced in clause (a) the amount(s) determined as the mark-to-market value(s) for such Hedging Agreements, as determined based upon one or more mid-market or other readily available quotations provided by any recognized dealer in such Hedging Agreements.

"Holdco Debenture Debt" means Indebtedness evidenced by Discount Debentures.

"Holdings" means Roller Bearing Holding Company, Inc., a Delaware corporation.

"Immediate Family" with respect to any individual, shall mean his brothers, sisters, spouse, children (including adopted children), parents, parents-in-law, grandchildren, great grandchildren and other lineal descendants and spouses of any of the foregoing.

"Indebtedness" means, with respect to any Person, without duplication (a) all indebtedness of such Person for borrowed money or for the deferred purchase price of property payment for which is deferred 12 months or more, but excluding obligations to trade creditors incurred in the ordinary course of business that are unsecured and not overdue by more than 6 months unless being contested in good faith, (b) all reimbursement and other obligations with respect to letters of credit, bankers' acceptances and surety bonds, whether or not matured, (c) all obligations evidenced by notes, bonds, debentures or similar instruments, (d) all indebtedness created or arising under any conditional sale or other title retention agreement with respect to property acquired by such Person (even though the rights and remedies of the seller or lender under such agreement in the event of default are limited to repossession or sale of such property), (e) all Capital Lease Obligations and the present value (discounted at the Index Rate as in effect on the Closing Date) of future rental payments under all synthetic leases, (f) all obligations of such Person under commodity purchase or option agreements or other commodity price hedging arrangements, in each case whether contingent or matured, (g) all obligations of such Person under any Hedging Agreement, in each case whether contingent or matured, (h) all Indebtedness referred to above secured by (or for which the holder of such Indebtedness has an existing right, contingent or otherwise, to be secured by) any Lien upon or in property or other assets (including accounts and contract rights) owned by such Person, even though such Person has not assumed or become liable for the payment of such Indebtedness, and (i) the Obligations. Notwithstanding the foregoing, in no event shall Indebtedness include any obligations under or amounts due in respect of the Prior Senior Subordinated Notes or Stock of Holdings other than Disqualified Stock.

"Indemnified Liabilities" has the meaning ascribed to it in Section 1.13.

"Indemnified Person" has the meaning ascribed to it in Section 1.13.

"Index Rate" means, for any day, a floating rate equal to the higher of (i) the rate publicly quoted from time to time by The Wall Street Journal as the "base rate on corporate loans posted by at least 75% of the nation's 30 largest banks" (or, if The Wall Street Journal ceases quoting a base rate of the type described, the highest per annum rate of interest published by the Federal Reserve Board in Federal Reserve statistical release H.15 (519) entitled "Selected Interest Rates" as the Bank prime loan rate or its equivalent), and (ii) the Federal Funds Rate plus 50 basis points per annum. Each change in any interest rate provided for in the Agreement based upon the Index Rate shall take effect at the time of such change in the Index Rate.

"Index Rate Loan" means the SCIL Loan or portion thereof bearing interest by reference to the Index Rate.

"Industrial Revenue Bond Financing" means financing of acquisition of real estate and improvements thereto, Fixtures and Equipment involved in industrial or commercial projects from proceeds of tax-exempt or taxable bonds issues by state or local government agency.

"Instruments" means all "instruments," as such term is defined in the Code, now owned or hereafter acquired by any Credit Party, wherever located, and, in any event, including all certificated securities, all certificates of deposit, and all promissory notes and other evidences of indebtedness, other than instruments that constitute, or are a part of a group of writings that constitute, Chattel Paper.

"Intellectual Property" means any and all Licenses, Patents, Copyrights, Trademarks, and the goodwill associated with such Trademarks.

"Intercompany Notes" has the meaning ascribed to it in Section 6.3.

"Intercompany WIP" has the meaning ascribed to it in Section 6.4(a).

"Intercreditor Agreement" means that certain Intercreditor Agreement, dated as of even date herewith, between the SCIL Agent and GE Capital as agent for the holders of the First Lien Loans, as amended, restated, supplemented and otherwise modified from time to time.

"Interest Expense" means, with respect to any Person for any fiscal period, interest expense (whether cash or non-cash) of such Person less any interest income of such Person determined in accordance with GAAP for the relevant period ended on such date, including interest expense with respect to any Funded Debt of such Person and interest expense for the relevant period that has been capitalized on the balance sheet of such Person.

"Interest Payment Date" means (a) as to any Index Rate Loan, the first Business Day of each month to occur while such SCIL Loan is outstanding, and (b) as to any LIBOR Loan, the last day of the applicable LIBOR Period and, in addition, in the case of a LIBOR Period in excess of three months, the last day of the third month of such LIBOR Period, *provided* that, in addition to the foregoing, each of (x) the date upon which the SCIL Loan has been paid in full and (y) the Scheduled Termination Date shall be deemed to be an "Interest Payment Date" with respect to any interest that has then accrued under the Agreement.

"Interest Rate Protection Agreement" shall mean any interest rate swap agreement, interest rate cap agreement, interest rate collar agreement or similar agreement or arrangement designed to protect Borrower or any Secured Guarantor against fluctuations in interest rates and not entered into for speculation.

"Inventory" means all "inventory," as such term is defined in the Code, now owned or hereafter acquired by any Credit Party, wherever located, and in any event including inventory, merchandise, goods and other personal property that are held by or on behalf of any Credit Party for sale or lease or are furnished or are to be furnished under a contract of service, or that constitute raw materials, work in process, finished goods, returned goods, supplies or materials of any kind, nature or description used or consumed or to be used or consumed in such Credit Party's business or in the processing, production, packaging, promotion, delivery or shipping of the same, including other supplies and embedded software.

"Investment Property" means all "investment property" as such term is defined in the Code now owned or hereafter acquired by any Credit Party, wherever located, including (a) all securities, whether certificated or uncertificated, including stocks, bonds, interests in limited

liability companies, partnership interests, treasuries, certificates of deposit, and mutual fund shares; (b) all securities entitlements of any Credit Party, including the rights of such Credit Party to any securities account and the financial assets held by a securities intermediary in such securities account and any free credit balance or other money owing by any securities intermediary with respect to that account; (c) all securities accounts of any Credit Party; (d) all commodity contracts of any Credit Party; and (e) all commodity accounts held by any Credit Party.

"IRB Loan" shall mean Indebtedness evidenced by any of the following: (a) the Loan Agreement dated as of September 1, 1994, between South Carolina Jobs-Economic Development Authority (the "Authority") and Borrower relating to $7,700,000 Variable Rate Demand Industrial Development Revenue Bonds (Roller Bearing Company of America, Inc. Project) Series 1994A, (b) the Trust Indenture dated as of September 1, 1994, by and between the Authority and Mark Twain Bank, as trustee, with respect to the bonds described in clause (a) of this definition, (c) the Loan Agreement dated as of September 1, 1994, between the Authority and Borrower relating to $1,155,000 Variable Rate Demand Industrial Development Revenue Bonds (Roller Bearing Company of America, Inc. Project) Series 1994B, (d) the Trust Indenture dated as of September 1, 1994, by and between the Authority and Mark Twain Bank, as trustee, with respect to the bonds described in clause (c) of this definition, (e) the Loan Agreement dated as of September 1, 1998 between the Authority and RBC Linear Precision Products, Inc. relating to $3,000,000 Tax Exempt Demand/Fixed Rate Industrial Development Revenue Bonds (RBC Linear Precision Products, Inc. Project) Series 1998, (f) the Trust Indenture dated as of September 1, 1998 with respect to the bonds described in clause (e) of this definition, (g) the Loan Agreement dated as of April 1, 1999 between California Infrastructure and Economic Development Bank and Borrower relating to $4,800,000 Variable Rate Demand Industrial Revenue Bonds Series 1999 (Roller Bearing Company of America, Inc. — Santa Ana Project) and (h) the Indenture of Trust dated as of April 1, 1999 with respect to the bonds described in clause (g) of this definition and, in each case, the other documents executed in connection therewith.

"IRC" means the Internal Revenue Code of 1986, as amended, and all regulations promulgated thereunder.

"IRS" means the Internal Revenue Service.

"Keyman Life Insurance" means a keyman life insurance policy on Michael J. Hartnett from an insurance company and on terms and conditions acceptable to the SCIL Agent, in an amount of at least $10,000,000.

"Letter-of Credit Rights" means "letter-of-credit rights" as such term is defined in the Code, now owned or hereafter acquired by any Credit Party, including rights to payment or performance under a letter of credit, whether or not such Credit Party, as beneficiary, has demanded or is entitled to demand payment or performance.

"LIBOR Business Day" means a Business Day on which banks in the City of London are generally open for interbank or foreign exchange transactions.

"LIBOR Loan" means a Loan or any portion thereof bearing interest by reference to the LIBOR Rate.

"LIBOR Period" means, with respect to any LIBOR Loan, each period commencing on a LIBOR Business Day selected by Borrower pursuant to the Agreement and ending one, two, three or six months thereafter, as selected by Borrower's irrevocable notice to SCIL Agent as set forth in Section 1.5(e); *provided* that the foregoing provision relating to LIBOR Periods is subject to the following:

(a) if any LIBOR Period would otherwise end on a day that is not a LIBOR Business Day, such LIBOR Period shall be extended to the next succeeding LIBOR Business Day unless the result of such extension would be to carry such LIBOR Period into another calendar month in which event such LIBOR Period shall end on the immediately preceding LIBOR Business Day;

(b) any LIBOR Period that would otherwise extend beyond the Commitment Termination Date shall end two (2) LIBOR Business Days prior to such date;

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

(d) Borrower shall select LIBOR Periods so that there shall be no more than 10 separate LIBOR Loans in existence at any one time.

"LIBOR Rate" means for each LIBOR Period, a rate of interest determined by SCIL Agent equal to:

(a) the offered rate for deposits in United States Dollars for the applicable LIBOR Period that appears on Telerate Page 3750 as of 11:00 a.m. (London time), on the second full LIBOR Business Day next preceding the first day of such LIBOR Period (unless such date is not a Business Day, in which event the next succeeding Business Day will be used); divided by

(b) a number equal to 1.0 minus the aggregate (but without duplication) of the rates (expressed as a decimal fraction) of reserve requirements in effect on the day that is two (2) LIBOR Business Days prior to the beginning of such LIBOR Period (including basic, supplemental, marginal and emergency reserves under any regulations of the Federal Reserve Board or other Governmental Authority having jurisdiction with respect thereto, as now and from time to time in effect) for Eurocurrency funding (currently referred to as "Eurocurrency Liabilities" in Regulation D of the Federal Reserve Board that are required to be maintained by a member bank of the Federal Reserve System.

If such interest rates shall cease to be available from Telerate News Service, the LIBOR Rate shall be determined from such financial reporting service or other information as shall be mutually acceptable to SCIL Agent and Borrower.

"License" means any Copyright License, Patent License, Trademark License or other license of rights or interests now held or hereafter acquired by any Credit Party.

"Lien" means any mortgage or deed of trust, pledge, hypothecation, assignment, deposit arrangement, lien, charge, claim, security interest, easement or encumbrance, or preference, priority or other security agreement or preferential arrangement of any kind or nature whatsoever (including any lease or title retention agreement, any financing lease having substantially the same economic effect as any of the foregoing, and the filing of, or agreement to give, any financing statement perfecting a security interest under the Code or comparable law of any jurisdiction).

"Litigation" has the meaning ascribed to it in Section 3.13.

"Loan Account" has the meaning ascribed to it in Section 1.12.

"Loan Documents" means the Agreement, the Notes, the Collateral Documents, the Intercreditor Agreement, the Environmental Indemnity Agreement, the GE Capital Fee Letter and all other agreements, instruments, documents and certificates identified in the Closing Checklist executed and delivered to, or in favor of, SCIL Agent or any SCIL Lenders and including all other pledges, powers of attorney, consents, assignments, contracts, notices, and all other written matter whether heretofore, now or hereafter executed by or on behalf of any Credit Party, or any employee of any Credit Party, and delivered to SCIL Agent or any SCIL Lender in connection with the Agreement or the transactions contemplated thereby. Any reference in the Agreement or any other Loan Document to a Loan Document shall include all appendices, exhibits or schedules thereto, and all amendments, restatements, supplements or other modifications thereto, and shall refer to the Agreement or such Loan Document as the same may be in effect at any and all times such reference becomes operative. Loan Documents shall in no event include the First Lien Credit Agreement or the First Lien Loan Documents or any agreement, document or instrument delivered by the Credit Parties to the Trustee relating to the Refinancing.

"Lock Boxes" has the meaning ascribed to it in Annex B.

"Margin Stock" has the meaning ascribed to it in Section 3.10.

"Material Adverse Effect" means a material adverse effect on (a) the business, assets, operations, prospects or financial or other condition of the Credit Parties considered as a whole, (b) Borrower's ability to pay any of the Loans or any of the other Obligations in accordance with the terms of the Agreement, (c) the Collateral or SCIL Agent's Liens, on behalf of itself and SCIL Lenders, on the Collateral or the priority of such Liens, or (d) SCIL Agent's or any SCIL Lender's rights and remedies under the Agreement and the other Loan Documents. Without limiting the generality of the foregoing, any event or occurrence adverse to one or more Credit Parties which results or could reasonably be expected to result in losses, costs, damages, liabilities or expenditures in excess of $2,500,000 shall constitute a Material Adverse Effect.

"Maximum Amount" means, as of any date of determination, an amount equal to the Revolving Loan Commitment of all SCIL Lenders as of that date.

"Maximum Lawful Rate" has the meaning ascribed to it in Section 1.5(f).

"Mortgaged Properties" has the meaning assigned to it in Annex C.

"Mortgages" means each of the mortgages, deeds of trust, leasehold mortgages, leasehold deeds of trust, collateral assignments of leases or other real estate security documents delivered by any Credit Party to SCIL Agent on behalf of itself and SCIL Lenders with respect to the Mortgaged Properties, all in form and substance reasonably satisfactory to SCIL Agent, as each may be amended restated, supplemented or modified from time to time.

"Multiemployer Plan" means a "multiemployer plan" as defined in Section 3(37) of ERISA, and to which any Credit Party or ERISA Affiliate is making, is obligated to make or has made or been obligated to make, contributions on behalf of participants who are or were employed by any of them with the last six years.

"New SCIL Lender" means a Qualified Assignee or other similar investment fund, bank, savings and loan, savings bank or "accredited investor" (as defined in Regulation D of the Securities Act of 1933) that is deemed to be acceptable by the SCIL Agent to become a SCIL Lender under this Agreement in connection with a Commitment Increase.

"Non-Consenting SCIL Lender" has the meaning ascribed to it in Section 11.2(d)(i).

"Notice of Conversion/Continuation" has the meaning ascribed to it in Section 1.5(e).

"Obligations" means all loans, advances, debts, liabilities and obligations, including letter of credit obligations, for the performance of covenants, tasks or duties or for payment of monetary amounts (whether or not such performance is then required or contingent, or such amounts are liquidated or determinable) owing by any Credit Party to SCIL Agent or any SCIL Lender, and all covenants and duties regarding such amounts, of any kind or nature, present or future, whether or not evidenced by any note, agreement or other instrument, arising under the Agreement or any of the other Loan Documents. This term includes all principal, interest (including all interest that accrues after the commencement of any case or proceeding by or against any Credit Party in bankruptcy, whether or not allowed in such case or proceeding), Fees, Charges, expenses, attorneys' fees and any other sum chargeable to any Credit Party under the Agreement or any of the other Loan Documents.

"Officer Certificate" means a certificate of Chief Executive Officer, Chief Financial Officer, any other responsible officer having substantially the same authority and responsibility or any other responsible officer deemed acceptable to SCIL Agent, executed on behalf of Holdings, Borrower or any other Credit Party, in each case in accordance with the Agreement.

"Patent License" means rights under any written agreement now owned or hereafter acquired by any Credit Party granting any right with respect to any invention on which a Patent is in existence.

"Patent Security Agreements" means the Patent Security Agreements made in favor of SCIL Agent, on behalf of itself and SCIL Lenders, by each applicable Credit Party, as the same may be amended, restated, modified and/or supplemented from time to time including, without limitation, by any joinder thereto.

"Patents" means all of the following in which any Credit Party now holds or hereafter acquires any interest: (a) all letters patent of the United States or any other country, all registrations and recordings thereof, and all applications for letters patent of the United States or of any other country, including registrations, recordings and applications in the United States Patent and Trademark Office or in any similar office or agency of the United States, any State or any other country, and (b) all reissues, continuations, continuations-in-part or extensions thereof.

"PBGC" means the Pension Benefit Guaranty Corporation.

"Pension Plan" means a Plan described in Section 3(2) of ERISA.

"Permitted Acquisition" means Permitted Loan Funded Acquisition, Permitted Non-Loan Funded Acquisition, or either of them.

"Permitted Adjustments" means each of the dollar amount of adjustments to Adjusted EBITDA of Holdings and its Subsidiaries described on Exhibit PA hereto which shall be deemed to be applicable in computing Adjusted EBITDA only for a period of 12 months after the date described on Exhibit PA pertaining to such adjustments.

"Permitted Asset Sale" means any sale, transfer, conveyance, assignment or other disposition of any of the properties or other assets made, directly or indirectly, by Borrower or any other Credit Party which meets each of the following conditions:

(a) no Default or Event of Default then exists or would result therefrom;

(b) Borrower or such other Credit Party, as the case may be, receives consideration at the time of such sale, transfer, conveyance, assignment or other disposition at least equal to the Fair Market Value of the property or other assets being sold, transferred, conveyed, assigned or otherwise disposed of, *provided*, *however*, that the Fair Market Value of any property or other assets being sold, transferred, conveyed, assigned or otherwise disposed of (A) in excess of $1,000,000 but less than $5,000,000 shall be determined conclusively by the board of directors of Borrower (or a duly authorized committee thereof) acting in good faith and shall be evidenced by a resolution of such board of directors delivered to the SCIL Agent and (B) in excess of

$5,000,000 shall be determined by the board of directors of the Borrower as provided in the immediately preceding clause (A), whose determination, however, shall not be conclusive but which shall be supported by an appraisal as may be requested the SCIL Agent, at the expense of the Borrower, by an independent, third-party appraiser designated by the SCIL Agent and reasonably acceptable to the Borrower.; and

(c) at least 85% of such consideration received by Borrower or such other Credit Party consists of cash.

"Permitted Encumbrances" means the following encumbrances: (a) Liens for taxes or assessments or other governmental Charges not yet due and payable or which are being contested in accordance with Section 5.2(b); (b) pledges or deposits of money securing statutory obligations under workmen's compensation, unemployment insurance, social security or public liability laws or similar legislation (excluding Liens under ERISA); (c) pledges or deposits of money securing bids, tenders, contracts (other than contracts for the payment of money) or leases to which any Credit Party is a party as lessee made in the ordinary course of business; (d) inchoate and unperfected workers', mechanics' or similar liens arising in the ordinary course of business, so long as such Liens attach only to Equipment, Fixtures and/or Real Estate; (e) carriers', warehousemen's, suppliers' or other similar possessory liens arising in the ordinary course of business and securing liabilities not yet due and payable or which are being contested in accordance with Section 5.2(b), so long as such Liens attach only to Inventory; (f) deposits securing, or in lieu of, surety, appeal or customs bonds in proceedings to which any Credit Party is a party; (g) any attachment or judgment lien not constituting an Event of Default under Section 8.1(j); (h) zoning restrictions, easements, licenses, or other restrictions on the use of any Real Estate or other minor irregularities in title (including leasehold title) thereto, so long as the same do not materially impair the use, value, or marketability of such Real Estate; (i) presently existing or hereafter created Liens in favor of SCIL Agent, on behalf of SCIL Lenders; (j) Liens expressly permitted under clauses (b) and (c) of Section 6.7 of the Agreement, (k) Liens securing the IRB Loans and the Swiss Loans, (l) Liens securing Industrial Revenue Bond Financing incurred or assumed after the date hereof permitted under the terms of the Agreement, (m) deposits made in the ordinary course of business to secure liability to insurance carriers, (n) leases or subleases granted to others not materially interfering with the business of the Credit Parties, (o) any interest or title of a landlord or a sublandlord under any lease, (o) Liens consisting of owner's rights to raw materials held on consignment at 999 Happy Valley Road, Glasgow, Kentucky 42141 that are segregated and clearly labeled, (p) Liens arising from precautionary Code financing statements with respect to assets leased by Borrower or its Subsidiaries pursuant to operating leases, (q) non-exclusive licenses of Borrower's or its Subsidiaries' Intellectual Property entered into in the ordinary course, (r) Liens on, or rights of setoff against, cash of any Credit Party constituting deposits of cash made by such Credit Party in the ordinary course of business and within the general parameters customary in the industry, to secure Indebtedness under Specified Hedging Agreements that is permitted under Section 6.3(a) hereof, (s) Liens on the Refinancing Proceeds in favor of the Trustee solely to the extent granted or otherwise arising in connection with the Refinancing and (t) Liens expressly permitted under clause (e) of Section 6.7 of the Agreement.

"Permitted Loan Funded Acquisition" means (a) acquisition by any Credit Party or an Acquisition Company (or Holdings, so long as contemporaneously therewith, all assets so acquired are transferred to Borrower or any other Credit Party) of all or substantially all of the assets of a Qualified Target or assets that constitute all or substantially all of the assets of a division or operating unit of a Qualified Target, (b) purchase by any Credit Party or an Acquisition Company which shall become a Credit Party upon consummation of such Permitted Acquisition (or Holdings, so long as contemporaneously therewith, all assets so acquired are transferred to Borrower or any other Credit Party) of 100% of the outstanding Stock of a Qualified Target, (c) purchase by any Credit Party or an Acquisition Company which shall become a Credit Party upon consummation of such Permitted Acquisition (or Holdings, so long as contemporaneously therewith, all assets so acquired are transferred to Borrower or any other

Credit Party) of not less than 80% of each class of outstanding Stock of a Qualified Target as long as, without limitation to conditions required for Permitted Loan Funded Acquisition set forth below, SCIL Agent will be granted a perfected Lien (subject to Permitted Encumbrances) and except as contemplated by clauses (A) and (C) of this definition of the term "Permitted Loan Funded Acquisition" in all in the assets and Stock of the Qualified Target, and SCIL Agent shall have received lien search results, financing statements and supplemental security agreements, a Guaranty, environmental indemnity agreements, blocked account agreements and other collateral documents in connection therewith as reasonably requested by SCIL Agent, or (d) participation by any Credit Party or an Acquisition Company (or Holdings, so long as contemporaneously therewith, all assets so acquired are transferred to Borrower or any other Credit Party) in a merger of a Qualified Target with and into Borrower or a Secured Guarantor or the merger of an Acquisition Company into a Qualified Target (with Borrower as the sole Stockholder of Qualified Target after giving effect thereto) or the merger of a Qualified Target into an Acquisition Company (each such acquisition, purchase or merger being an "Domestic Acquisition"), subject to satisfaction of each of the following conditions (and each such Domestic Acquisition shall be a "Permitted Loan Funded Acquisition" only upon satisfaction of each of the following conditions) (capitalized terms used in this definition which are not defined in this Agreement shall have the meanings ascribed to such terms in the First Lien Credit Agreement):

(i) SCIL Agent shall receive at least thirty (30) days' (or any shorter period if requested by such Credit Party and consented to by SCIL Agent in writing) prior written notice of such Domestic Acquisition, which notice shall include a reasonably detailed description of such Domestic Acquisition, which may be subject to further negotiation, and a copy of any executed letter of intent relating thereto;

(ii) such Domestic Acquisition shall only involve a Qualified Target which business would not subject SCIL Agent or any SCIL Lender to regulatory or third party approvals in connection with the exercise of its rights and remedies under this Agreement or any other Loan Documents other than approvals applicable to the exercise of such rights and remedies with respect to Borrower prior to such Domestic Acquisition;

(iii) such Domestic Acquisition shall be consensual and shall have been approved by the Qualified Target's board of directors or, in the case of a Qualified Target in bankruptcy, a court of competent jurisdiction;

(iv) no additional Indebtedness, Guaranteed Indebtedness or other liabilities shall be incurred, assumed or otherwise be reflected on a consolidated balance sheet of Borrower and Qualified Target after giving effect to such Domestic Acquisition, except (A) First Lien Revolving Loans made under the First Lien Credit Agreement that are made in accordance with the terms of Section 2.3 or First Lien Loans made in respect of an Increased Commitment under the First Lien Credit Agreement or an additional SCIL Loan made in respect of a SCIL Loan Commitment Increase under this Agreement, (B) trade payables and accrued expenses, each in existence at the time of the Domestic Acquisition and not created in anticipation thereof and each arising in ordinary course, (C) Industrial Revenue Bond Financing, Capital Leases and purchase money Indebtedness, not to exceed in the aggregate 25% of total consideration paid for such Permitted Loan Funded Acquisition (including the book value of assumed liabilities), each

in existence at the time of Domestic Acquisition and not created in anticipation thereof and each arising in the ordinary course of business, and (D) Subordinated Debt in the form of an "earn-out" and unsecured Domestic Acquisition Subordinated Debt (1) with a maturity date after the maturity of the Obligations in an amount not to exceed twenty five percent (25%) of the purchase price of any given Permitted Loan Funded Acquisition or (2) with an earlier maturity but subject to Reserve under and as defined in the First Lien Credit Agreement;

(v) the assets acquired in such Domestic Acquisition shall be free and clear of all Liens (other than Permitted Encumbrances and except as contemplated by clauses (iv)(A) and (iv)(C) of this definition of the term "Permitted Loan Funded Acquisitions");

(vi) such Qualified Target is a Domestic Person and at the closing of the Domestic Acquisition of such Qualified Target, SCIL Agent will be granted a perfected Lien (subject to Permitted Encumbrances and except as contemplated by clauses (iv)(A) and (iv)(C) of this definition of the term "Permitted Loan Funded Acquisitions") in all assets acquired pursuant thereto or, in the case of equity purchase, in the assets and Stock of the Qualified Target, and Borrower shall have executed such documents and taken such actions as may be reasonably required by SCIL Agent in connection therewith, and SCIL Agent shall have received lien search results, financing statements and supplemental security agreements, a Guaranty, environmental indemnity agreements, blocked account agreements and other collateral documents and other documents reasonably requested by SCIL Agent;

(vii) at the time of such Domestic Acquisition and immediately after giving effect thereto (including any First Lien Revolving Loans, First Lien Loans made in respect of an Increased Commitment under the First Lien Credit Agreement or an additional SCIL Loan made in respect of a SCIL Loan Commitment Increase under this Agreement in connection therewith), no Default or Event of Default shall have occurred and be continuing;

(viii) at least five (5) days before the closing date for the Permitted Loan Funded Acquisition, SCIL Agent shall have received the following financial statements consisting of balance sheets, statements of income and retained earnings and cash flows with respect to the Qualified Target to the extent such financial statements exist or are obtained by such date: (A) annual financial statements for the most recent 3-year period preceding the Domestic Acquisition; (B) monthly financial statements for the most recent 4-quarter period preceding the Domestic Acquisition; and (C) monthly financial statements for year-to-date preceding the Domestic Acquisition, setting forth in comparative form the figures for the two previous years;

(ix) at least five (5) days before the closing date for the Permitted Loan Funded Acquisition, SCIL Agent shall have received all pro forma financial statements consisting of balance sheets, statements of income and retained earnings and cash flows with respect to the Qualified Target prepared by Borrower or a Secured Guarantor, as applicable, in connection with such Domestic Acquisition;

(x) SCIL Agent shall have not less than seven (7) days to review (without, however, the right to approve or disapprove), environmental audits with respect to real estate acquired in connection with a Permitted Loan Funded Acquisition and with respect to

Qualified Targets acquired by merger or Stock purchase or where contingent liabilities are to be assumed, litigation, actuarial studies and similar contingent liability analyses with respect to the Qualified Target;

(xi) at least seven (7) days (or any shorter period if requested by such Credit Party and consented to by SCIL Agent in writing) prior to the date of such Domestic Acquisition, SCIL Agent shall have received copies of the draft acquisition agreement and related agreements, instruments, and other documents reasonably requested by SCIL Agent and, promptly following the closing date for such Permitted Loan Funded Acquisition, final drafts of the foregoing;

(xii) at least five (5) days prior to the closing of an Domestic Acquisition, Borrower shall have delivered to SCIL Agent:

(A) a pro forma consolidated balance sheet, income statement and cash flow statement of Holdings and its Subsidiaries (the "Acquisition Pro Forma"), based on recent financial statements, which shall fairly present in all material respects the assets, liabilities, financial condition and results of operations of Holdings and its Subsidiaries in accordance with GAAP consistently applied, but taking into account such Permitted Loan Funded Acquisition and the funding of the First Lien Revolving Loan and/or SCIL Loan in connection therewith, including detailed acquisition adjustments acceptable to SCIL Agent, and such Domestic Acquisition Pro Forma shall reflect that (x) average daily Borrowing Availability for the 90-day period preceding the consummation of such Permitted Loan Funded Acquisition would have exceeded $5,000,000 on a pro forma basis (after giving effect to such Permitted Loan Funded Acquisition (including acquired Eligible Accounts and Eligible Inventory as to which an audit has been completed) and the First Lien Revolving Loan and/or SCIL Loan funded in connection therewith as if made on the first day of such period) and the Domestic Acquisition Projections (as hereinafter defined) shall reflect that such Borrowing Availability of $5,000,000 shall continue for at least two (2) years after the consummation of such Domestic Acquisition, and (y) on a pro forma basis, no Event of Default has occurred and is continuing or would result after giving effect to such Domestic Acquisition and Borrower would have been in compliance with the Financial Covenants set forth in Annex E for the four quarter period reflected in the Compliance Certificate most recently delivered to SCIL Agent pursuant to Annex D prior to the consummation of such Domestic Acquisition (after giving effect to such Permitted Loan Funded Acquisition and the Revolving Loan funded in connection therewith as if made on the first day of such period);

(B) updated versions of the most recently delivered Projections covering the 1-year period commencing on the date of such Domestic Acquisition and otherwise prepared in accordance with the Projections (the "Domestic Acquisition Projections") and based upon historical financial data of a recent date reasonably satisfactory to SCIL Agent, taking into account such Permitted Loan Funded Acquisition;

(C) an Officer Certificate of the Chief Financial Officer of Holdings and Borrower, other responsible officer of Borrower and Holdings having

substantially the same authority and responsibility or other responsible officer acceptable to SCIL Agent, to the effect that: (w) Holdings on a consolidated basis (after taking into consideration all rights of contribution and indemnity Borrower has against Holdings and each other Subsidiary of Holdings) will be Solvent upon the consummation of the Permitted Loan Funded Acquisition; (x) the Acquisition Pro Forma fairly presents the financial condition of Holdings (on a consolidated basis) as of the date thereof after giving effect to the Domestic Acquisition; (y) the Domestic Acquisition Projections are reasonable estimates of the future financial performance of Holdings (on a consolidated basis) subsequent to the date thereof based upon the historical performance of Holdings, Borrower and the Qualified Target and show that Holdings (on a consolidated basis) shall continue to be in compliance with the Financial Covenants set forth in Annex E for the 2-year period thereafter; and (z) Holdings and Borrower have completed in all material respects their due diligence investigation with respect to the Qualified Target and such Permitted Loan Funded Acquisition; and

(D) an Acquisition Compliance Certificate showing compliance with the terms and provision of clauses (iv)(C) and (iv)(D) of this definition of the term "Permitted Loan Funded Acquisition", and a designation of assets, if any, in accordance with Section 6.8(d) with respect to such Acquisition.

"Permitted Non-Loan Funded Acquisition" means (a) acquisition by any Foreign Subsidiary of Borrower of all or substantially all of the assets of a Foreign Qualified Target or assets that constitute all or substantially all of the assets of a division or operating unit of a Foreign Qualified Target, (b) purchase by any Foreign Subsidiary of Borrower or by a Domestic Credit Party of more than 50% of the outstanding Stock of a Foreign Qualified Target or (c) participation by any Foreign Subsidiary of Borrower in a merger of a Foreign Qualified Target with and into such Foreign Subsidiary of Borrower (each such acquisition, purchase or merger being an "Foreign Acquisition"), subject to satisfaction of each of the following conditions (and each such or by a Foreign Acquisition shall be a "Permitted Non-Loan Funded Acquisition" only upon satisfaction of each of the following conditions):

(i) SCIL Agent shall receive a written notice of such Foreign Acquisition reasonably in advance of such Foreign Acquisition, which notice shall include a reasonably detailed description of such Foreign Acquisition and any financing thereof, and promptly following the closing date for such Permitted Non-Loan Funded Acquisition, copies of all acquisition agreements and related agreements, instruments, and other documents executed in connection therewith or related thereto;

(ii) such Foreign Acquisition shall be consensual and shall have been approved by the Foreign Qualified Target's board of directors or, in the case of a Foreign Qualified Target in bankruptcy, a court of competent jurisdiction;

(iii) consideration for the Foreign Acquisition is funded entirely from (A) proceeds of a financing provided to the Foreign Subsidiary of Borrower with recourse solely to the assets of the Foreign Subsidiary upon which SCIL Agent has no Liens, (B) unsecured Indebtedness issued to seller(s) in such Foreign Acquisition; (C) cash which is provided by

Foreign Subsidiaries, (D) Stockholder Proceeds or (E) combination of any of the foregoing clauses (A), (B), (C) or (D);

(iv) no Credit Party incurs any Indebtedness, Guaranteed Indebtedness or any other liability or obligation in connection with or relating to such Foreign Acquisition;

(v) at the time of such Foreign Acquisition and immediately after giving effect thereto, no Default or Event of Default shall have occurred and be continuing;

(vi) at least five (5) days prior to the closing of an Foreign Acquisition, Borrower shall have delivered to SCIL Agent:

(A) a pro forma consolidated balance sheet, income statement and cash flow statement of Holdings and its Subsidiaries (the "Foreign Acquisition Pro Forma"), based on recent financial statements, which shall fairly present in all material respects the assets, liabilities, financial condition and results of operations of Holdings and its Subsidiaries in accordance with GAAP consistently applied, but taking into account such Permitted Non-Loan Funded Acquisition, including detailed acquisition adjustments acceptable to SCIL Agent, and such Foreign Acquisition Pro Forma shall reflect that (x) average daily Borrowing Availability for the 90-day period preceding the consummation of such Permitted Non-Loan Funded Acquisition would have exceeded $5,000,000 on a pro forma basis (after giving effect to such Permitted Non-Loan Funded Acquisition and the Foreign Acquisition Projections (as hereinafter defined) shall reflect that such Borrowing Availability of $5,000,000 shall continue for at least two (2) years after the consummation of such Foreign Acquisition, and (y) on a pro forma basis, no Event of Default has occurred and is continuing or would result after giving effect to such Foreign Acquisition and Borrower would have been in compliance with the Financial Covenants set forth in Annex E for the four quarter period reflected in the Compliance Certificate most recently delivered to SCIL Agent pursuant to Annex D prior to the consummation of such Foreign Acquisition (after giving effect to such Permitted Non-Loan Funded Acquisition);

(B) updated versions of the most recently delivered Projections covering the 1-year period commencing on the date of such Foreign Acquisition and otherwise prepared in accordance with the Projections (the "Foreign Acquisition Projections") and based upon historical financial data of a recent date reasonably satisfactory to SCIL Agent, taking into account such Permitted Non-Loan Funded Acquisition;

(C) an Officer Certificate of the Chief Financial Officer of Holdings and Borrower or another responsible officer of Borrower and Holdings having substantially the same authority and responsibility or otherwise acceptable to SCIL Agent, to the effect that: (w) Holdings on a consolidated basis (after taking into consideration all rights of contribution and indemnity Borrower has against Holdings and each other Subsidiary of Holdings) will be Solvent upon the consummation of the Permitted Non-Loan Funded Acquisition; (x) the Foreign Acquisition Pro Forma fairly presents the financial condition of Holdings (on a consolidated basis) as of the date

thereof after giving effect to the Foreign Acquisition; (y) the Foreign Acquisition Projections are reasonable estimates of the future financial performance of Holdings (on a consolidated basis) subsequent to the date thereof based upon the historical performance of Holdings, Borrower, Foreign Subsidiaries and the Foreign Qualified Target and show that Holdings (on a consolidated basis) shall continue to be in compliance with the

Financial Covenants set forth in Annex E for the 2-year period thereafter; and (z) applicable Foreign Subsidiary has completed in all material respects its due diligence investigation with respect to the Foreign Qualified Target and such Permitted Non-Loan Funded Acquisition; and

(D) an Acquisition Compliance Certificate showing compliance with the terms and provision of clauses (iv)(C) and (iv)(D) of this definition of the term "Permitted Loan Funded Acquisition", and a designation of assets, if any, in accordance with Section 6.8(d) with respect to such Acquisition;

(vii) the aggregate consideration for all Permitted Non-Loan Funded Acquisitions since the Closing Date does not exceed the dollar equivalent of $30,000,000 (the dollar equivalent being the amount of Dollars, as of any date of determination, into which currency other than Dollars may be converted in accordance with prevailing exchange rates, as determined by SCIL Agent in its reasonable discretion, on the date of determination); and

(viii) in the case Foreign Qualified Target is a Foreign Person which will become a first-tier Foreign Subsidiary of a Domestic Credit Party or of a Domestic Acquisition Company after giving effect to the proposed Foreign Acquisition (x) at the closing of the Foreign Acquisition of such Foreign Qualified Target, if any Domestic Acquisition Company is formed for the purpose of completing such Foreign Acquisition, such Domestic Acquisition Company satisfies all requirements to become a Secured Guarantor under the Agreement, (y) at the closing of the Foreign Acquisition of such Foreign Qualified Target, such Foreign Qualified Target satisfies all requirements to become a Secured Guarantor under the Agreement (other than the requirement that the Qualified Target be a Domestic Subsidiary) or, if becoming a Secured Guarantor would result in adverse tax liabilities under Section 956 of the IRC (or any similar statute) for Holdings, Borrower or the other Credit Parties (as demonstrated by Borrower in a manner reasonably satisfactory to SCIL Agent), such Foreign Qualified Target shall not be required to become a Secured Guarantor provided that Agent shall have been granted a first priority perfected Lien on 66% of Stock of such Foreign Qualified Target and (z) to the extent any assets of such Foreign Qualified Target are located in the United States, the fair market value of such assets does not exceed 5% of the purchase price for the proposed Foreign Acquisition (unless a greater percentage is approved by Requisite SCIL Lenders in writing).

"Permitted Transferee" means, with respect to any Person, if such Person is an individual, (i) a member of the Immediate Family of such Person, (ii) a trust or other similar legal entity for the primary benefit of such Person and/or one or more members of his Immediate Family, or (iii) a partnership, limited partnership, limited liability company, corporation or other entity in which such Person alone or together with members of his Immediate Family possess 100% of the outstanding voting securities.

"Person" means any individual, sole proprietorship, partnership, joint venture, trust, unincorporated organization, association, corporation, limited liability company, institution, public benefit corporation, other entity or government (whether federal, state, county, city, municipal, local, foreign, or otherwise, including any instrumentality, division, agency, body or department thereof).

"Plan" means, at any time, an "employee benefit plan," as defined in Section 3(3) of ERISA, that any Credit Party or ERISA Affiliate maintains, contributes to or has an obligation to contribute to on behalf of participants who are or were employed by any Credit Party.

"Pledge Agreements" means the Borrower Pledge Agreement, Borrower Swiss Pledge Agreement, Borrower Mexican Pledge Agreement and any other pledge agreement entered into after the Closing Date by any Credit Party (as required by the Agreement or any other Loan Document).

"Post-Holdco Debenture Debt Proceeds" has the meaning ascribed to it in Section 5.8(b)(ii).

"Prior Senior Subordinated Indenture" means that certain Indenture dated as of June 15, 1997 among Borrower, its Subsidiaries party thereto and United States Trust Company of New York, as trustee.

"Prior Senior Subordinated Notes" means those certain 9-5/8% Senior Subordinated Notes due 2007 issued by Borrower in an aggregate original principal amount of $110,000,000 pursuant the Prior Senior Subordinated Indenture.

"Prior Senior Subordinated Note Documents" means the Prior Senior Subordinated Indenture, Prior Senior Subordinated Notes, and any other instrument, document or agreement delivered pursuant thereto or in connection therewith.

"Proceeds" means "proceeds," as such term is defined in the Code, including (a) any and all proceeds of any insurance, indemnity, warranty or guaranty payable to any Credit Party from time to time with respect to any of the Collateral, (b) any and all payments (in any form whatsoever) made or due and payable to any Credit Party from time to time in connection with any requisition, confiscation, condemnation, seizure or forfeiture of all or any part of the Collateral by any Governmental Authority (or any Person acting under color of governmental authority), (c) any claim of any Credit Party against third parties (i) for past, present or future infringement of any Patent or Patent License, or (ii) for past, present or future infringement or dilution of any Copyright, Copyright License, Trademark or Trademark License, or for injury to the goodwill associated with any Trademark or Trademark License, (d) any recoveries by any Credit Party against third parties with respect to any litigation or dispute concerning any of the Collateral including claims arising out of the loss or nonconformity of, interference with the use of, defects in, or infringement of rights in, or damage to, Collateral, (e) all amounts collected on, or distributed on account of, other Collateral, including dividends, interest, distributions and Instruments with respect to Investment Property and pledged Stock, and (f) any and all other amounts, rights to payment or other property acquired upon the sale, lease, license, exchange or other disposition of Collateral and all rights arising out of Collateral.

"Pro Forma" means the unaudited consolidated and consolidating balance sheet of Borrower and its Subsidiaries as of March 31, 2004 after giving pro forma effect to the Related Transactions and the acquisition of RBC Aircraft.

"Projections" means Borrower's forecasted consolidated: (a) balance sheets; (b) profit and loss statements; (c) cash flow statements; and (d) capitalization statements, which, in the case of profit and loss statements, shall be prepared on a Subsidiary by Subsidiary or division-by-division basis, if applicable, and all consistent with the historical Financial Statements of Borrower, together with appropriate supporting details and a statement of underlying assumptions.

"Pro Rata Share" means with respect to all matters relating to any SCIL Lender, (a) prior to the SCIL Loan Commitment Termination Date, with respect to the SCIL Loan, the percentage obtained by dividing (i) the SCIL Loan Commitment of that SCIL Lender by (ii) the aggregate SCIL Loan Commitments of all SCIL Lenders, as any such percentages may be adjusted by assignments permitted pursuant to Section 9.1 and (b) with respect to the SCIL Loan on and after the SCIL Loan Commitment Termination Date, the percentage obtained by dividing (i) the aggregate outstanding principal balance of the SCIL Loan held by that SCIL Lender, by (ii) the outstanding principal balance of the SCIL Loan held by all SCIL Lenders.

"Qualified Assignee" means (a) any SCIL Lender, any Affiliate of any SCIL Lender and, with respect to any SCIL Lender that is an investment fund that invests in commercial loans, any other investment fund that invests in commercial loans and that is managed or advised by the same investment advisor as such SCIL Lender or by an Affiliate of such investment advisor, and (b) any commercial bank, savings and loan association or savings bank or any other entity which is an "accredited investor" (as defined in Regulation D under the Securities Act or 1933) which extends credit or buys loans as one of its businesses, including insurance companies, mutual funds, lease financing companies and commercial finance companies, in each case, which has a rating of BBB or higher from S&P and a rating of Baa2 or higher from Moody's at the date that it becomes a SCIL Lender and which, through its applicable lending office, is capable of lending to Borrower without the imposition of any withholding or similar taxes; *provided* that no Person determined by SCIL Agent to be acting in the capacity of a vulture fund or distressed debt purchaser shall be a Qualified Assignee and no Person or Affiliate of such Person (other than a Person that is already a SCIL Lender) holding Subordinated Debt or Stock issued by any Credit Party shall be a Qualified Assignee.

"Qualified Plan" means a Pension Plan that is intended to be tax-qualified under Section 401(a) of the IRC.

"Qualified Public Offering" means an initial public offering of Stock of Holdings resulting in net cash proceeds to Holdings of at least $30,000,000 and which qualifies Holdings for listing on NASDAQ National Markets or the New York Stock Exchange.

"Qualified Target" means a corporation, limited partnership, limited liability company or partnership or a similar Person that is incorporated, formed or organized under the laws of one of the United States of America, Canada, Europe or Asia, with substantially all of its assets located in the United States of America, Canada, Europe or Asia and that is engaged in a

business engaged in by Borrower or any Credit Party or a business substantially similar or related thereto.

"RBC Aircraft" means RBC Aircraft Products, Inc., a Delaware corporation.

"Real Estate" has the meaning ascribed to it in Section 3.6.

"Refinancing" means the payment of the Refinancing Proceeds to the Trustee for redemption of the Prior Senior Subordinated Notes and payment of all amounts (including any call premium, accrued and unpaid interest, and fees and expenses) owing in respect thereof under the Prior Senior Subordinated Documents and the satisfaction of the conditions set forth in Section 2.1(b) hereto.

"Refinancing Proceeds" means that portion of the net cash proceeds of the SCIL Loan and the First Lien Loan that Borrower causes to be paid to the Trustee on the Closing Date to be used solely for redeeming the Prior Senior Subordinated Notes and paying all amounts (including any call premium, accrued and unpaid interest, and fees and expenses) owing in respect thereof under the Prior Senior Subordinated Documents, as reflected in Disclosure Schedule 1.4.

"Related Stockholder Party" has the meaning ascribed to it in Section 1.3(b)(v)(A).

"Related Transactions" means the borrowing under the SCIL Loan on the Closing Date, the Refinancing, the borrowing of the First Lien Loan, the payment of all fees, costs and expenses associated with all of the foregoing and the execution and delivery of all of the Related Transactions Documents.

"Related Transactions Documents" means the Loan Documents, the First Lien Loan Documents and all other agreements or instruments executed in connection with the Related Transactions.

"Release" means any release, threatened release, spill, emission, leaking, pumping, pouring, emitting, emptying, escape, injection, deposit, disposal, discharge, dispersal, dumping, leaching or migration of Hazardous Material in the indoor or outdoor environment, including the movement of Hazardous Material through or in the air, soil, surface water, ground water or property.

"Replacement SCIL Lender" has the meaning ascribed to it in Section 1.16(d).

"Requisite SCIL Lenders" means SCIL Lenders having (a) more than 51% of the Commitments of all SCIL Lenders, or (b) if the Commitments have been terminated, more than 51% of the aggregate outstanding amount of the Loans; *provided* that if only two SCIL Lenders shall exist, "Requisite SCIL Lenders" shall mean both such SCIL Lenders.

"Restricted Payment" means, with respect to any Credit Party (a) the declaration or payment of any dividend or the incurrence of any liability to make any other payment or distribution of cash or other property or assets in respect of Stock; (b) any payment on account of

the purchase, redemption, defeasance, sinking fund or other retirement or acquisition for value of such Credit Party's Stock or any other payment or distribution made in respect thereof, either directly or indirectly; (c) any payment or prepayment of principal of, premium, if any, or interest, fees or other charges on or with respect to, and any redemption, purchase, retirement, defeasance, sinking fund or similar payment or acquisition for value with respect to, any Subordinated Debt; (d) any payment made to redeem, purchase, repurchase or retire, or to obtain the surrender of, any outstanding warrants, options or other rights to acquire Stock of such Credit Party now or hereafter outstanding; (e) any payment of a claim for the rescission of the purchase or sale of, or for

material damages arising from the purchase or sale of, any shares of such Credit Party's Stock or of a claim for reimbursement, indemnification or contribution arising out of or related to any such claim for damages or rescission; (f) any payment, loan, contribution, or other transfer of funds or other property to any Stockholder of such Credit Party other than payment of compensation in the ordinary course of business to Stockholders who are employees of such Credit Party; and (g) any payment of management fees (or other fees of a similar nature) by such Credit Party to any Stockholder of such Credit Party or its Affiliates.

"Retiree Welfare Plan" means, at any time, a Welfare Plan that provides for continuing coverage or benefits for any participant or any beneficiary of a participant after such participant's termination of employment, other than continuation coverage provided pursuant to Section 4980B of the IRC and at the sole expense of the participant or the beneficiary of the participant.

"Scheduled Termination Date" means the earliest of (a) June 29, 2011, (b) the date of termination of SCIL Lenders' obligations to permit existing SCIL Loan to remain outstanding pursuant to Section 8.2(b), and (c) the date of prepayment in full in cash by Borrower of the SCIL Loan.

"Schaublin" means Schaublin S.A, a Swiss corporation and wholly-owned Subsidiary of Schaublin Holding (excluding directors' qualifying shares).

"Schaublin Financing" shall mean the credit facility provided to Schaublin pursuant to that certain Credit Agreement dated on or about December 8, 2003 between Schaublin and Credit Suisse and all documents and agreements executed and/or delivered in connection therewith, as the same may be amended, restated, modified or supplemented from time to time.

"Schaublin Holding" means Schaublin Holding S.A., a Swiss corporation and wholly-owned Subsidiary of Borrower (excluding directors' qualifying shares).

"SCIL Agent" means GE Capital in its capacity as SCIL Agent for SCIL Lenders or its successor appointed pursuant to Section 9.7.

"SCIL Lenders" means SCIL Lenders named on the signature pages of the Agreement, and, if any such SCIL Lender shall decide to assign all or any portion of the Obligations, such term shall include any assignee of such SCIL Lender.

"SCIL Leverage Ratio" means, with respect to Holdings, Borrower and their Subsidiaries, on a consolidated basis, as of any date of determination, the ratio of (a) the difference of (i) the sum of (x) Senior Debt plus (y) Indebtedness incurred pursuant to the Loan Documents minus (ii) the sum of (x) the Credit Parties' consolidated unrestricted cash and Cash Equivalents (as defined in the First Lien Credit Agreement) on hand in excess of $1,000,000 but not in excess of $4,000,000 (other than any cash or Cash Equivalents (as defined in the First Lien Credit Agreement) constituting proceeds of an asset disposition by any Credit Party for which SCIL Agent and First Lien Agent have received notice from Borrower pursuant to Section 1.3(b)(ii) hereof and Section 1.3(b)(ii) of the First Lien Credit Agreement, respectively, that such proceeds will be reinvested in fixed assets) and (y) the Credit Parties' consolidated unrestricted cash and Cash Equivalents (as defined in the First Lien Credit Agreement) on hand in excess of $4,000,000 to the extent the same constitute proceeds of an asset disposition by any Credit Party as to which Borrower has provided irrevocable written notice to the SCIL Agent and First Lien Agent (in lieu of its right retain such proceeds for reinvestment in fixed assets pursuant to Section 1.3(b)(ii) hereof and Section 1.3(b)(ii) of the First Lien Credit Agreement) that such proceeds will be used to prepay the First Lien Loans in accordance with the terms and provisions of the First Lien Credit Agreement and, following a First Lien Payment Event, the SCIL Loans in accordance with the terms and provisions hereof (*provided*, that with respect to the First Lien Revolving Loan, Senior Debt shall include the average monthly balance outstanding during any applicable measuring period) to (b) the sum of Adjusted EBITDA for the 12-month period ending on the date of determination.

"SCIL Loan" has the meaning assigned to it in Section 1.1(a)(i).

"SCIL Loan Commitment Increase" has the meaning ascribed to it in the definition of the term "SCIL Loan Commitments".

"SCIL Loan Commitment Increase Cap" has the meaning ascribed to it in the definition of the term "SCIL Loan Commitments".

"SCIL Loan Commitment" means (a) as to any SCIL Lender with a SCIL Loan Commitment, the commitment of such SCIL Lender to make its Pro Rata Share of the SCIL Loan as set forth on Annex H to the Agreement or in the most recent Assignment Agreement executed by such SCIL Lender, and (b) as to all SCIL Lenders with a SCIL Loan Commitment, the aggregate commitment of all SCIL Lenders to make the SCIL Loan, which aggregate commitment shall be Forty-Five Million Dollars ($45,000,000) on the Closing Date; *provided* that, upon satisfaction of the conditions to the increase in SCIL Loan Commitments specified in Section 2.2, SCIL Loan Commitments may be increased in the aggregate amount not to exceed the lesser of: (i) $40,000,000 less any increase in the aggregate principal amount of the commitments under the First Lien Credit Agreement Loan effectuated after the Closing Date, (ii) an amount that, after giving effect to such increase, would not cause the Senior Leverage Ratio of Holdings, Borrower and its Subsidiaries on a consolidated basis to exceed 2.50:1.00 for the period of twelve consecutive completed fiscal months most recently ended on or prior to the date of the increase (assuming that such increase in Senior Debt had occurred on the last days of such period), and (iii) the amount requested in writing by the Borrower (each such increase being the "SCIL Loan Commitment Increase" and the aggregate amount of all such increases permitted hereunder being the "SCIL Loan Commitment Increase Cap") and such amount may be reduced,

amortized or adjusted from time to time in accordance with the Agreement. After advancing the SCIL Loan (including, without limitation, after advancing the SCIL Loan pursuant to the SCIL Loan Commitment Increase), each reference to a SCIL Lender's SCIL Loan Commitment shall refer to that SCIL Lender's Pro Rata Share of the outstanding SCIL Loan.

"SCIL Loan Commitment Termination Date" means the later of (1) the date on which each SCIL Lender has funded its SCIL Loan Commitment as in effect on the Closing Date to Borrower and (2) the Closing Date.

"Security Agreement" means the Security Agreement of even date herewith entered into by and among SCIL Agent, on behalf of itself and SCIL Lenders, and each Credit Party that is a signatory thereto, as the same may be amended, restated, modified and/or supplemented from time to time including, without limitation, by any joinder thereto.

"Secured Guarantor" means a Person (i) that execute a guaranty or other similar agreement in favor of SCIL Agent (ii) that is a Domestic Subsidiary of Borrower (other than Bunting Acquisition Corp., a Delaware corporation), (iii) that has granted SCIL Agent a first priority perfected Lien on all or substantially all of its assets to secure payments and performance of the Obligations, (iv) with respect to which SCIL Agent has received all opinions, certificates and other documents requested by SCIL Agent, and (v) whose outstanding equity interests have been pledged to SCIL Agent to secure payment and performance of the Obligations.

"Senior Debt" means all Funded Debt of Holdings, Borrower and their Subsidiaries, on a consolidated basis, excluding (i) Subordinated Debt, (ii) all Indebtedness incurred pursuant to the Loan Documents, and (iii) all Indebtedness in respect of the Holdco Discount Debentures.

"Senior Leverage Ratio" means, with respect to Holdings, Borrower and their Subsidiaries, on a consolidated basis, as of any date of determination , the ratio of (a) the difference of (i) Senior Debt minus (ii) the sum of (x) the Credit Parties' consolidated unrestricted cash and Cash Equivalents (as defined in the First Lien Credit Agreement) on hand in excess of $1,000,000 but not in excess of $4,000,000 (other than any cash or Cash Equivalents (as defined in the First Lien Credit Agreement) constituting proceeds of an asset disposition by any Credit Party for which SCIL Agent and First Lien Agent have received notice from Borrower pursuant to Section 1.3(b)(ii) hereof and Section 1.3(b)(ii) of the First Lien Credit Agreement, respectively, that such proceeds will be reinvested in fixed assets) and (y) the Credit Parties' consolidated unrestricted cash and Cash Equivalents (as defined in the First Lien Credit Agreement) on hand in excess of $4,000,000 to the extent the same constitute proceeds of an asset disposition by any Credit Party as to which Borrower has provided irrevocable written notice to the SCIL Agent and First Lien Agent (in lieu of its right retain such proceeds for reinvestment in fixed assets pursuant to Section 1.3(b)(ii) hereof and Section 1.3(b)(ii) of the First Lien Credit Agreement) that such proceeds will be used to prepay the First Lien Loans in accordance with the terms and provisions of the First Lien Credit Agreement and, following a First Lien Payment Event, the SCIL Loans in accordance with the terms and provisions hereof (*provided*, that with respect to the First Lien Revolving Loan, Senior Debt shall include the

average monthly balance outstanding during any applicable measuring period) to (b) the sum of Adjusted EBITDA for the 12-month period ending on the date of determination.

"Settlement Date" has the meaning ascribed to it in Section 9.9(a)(ii).

"Software" means all "software" as such term is defined in the Code, now owned or hereafter acquired by any Credit Party, other than software embedded in any category of Goods, including all computer programs and all supporting information provided in connection with a transaction related to any program.

"Solvent" means, with respect to any Person on a particular date, that on such date (a) the fair value of the property of such Person is greater than the total amount of liabilities, including contingent liabilities, of such Person; (b) the present fair salable value of the assets of such Person is not less than the amount that will be required to pay the probable liability of such Person on its debts as they become absolute and matured; (c) such Person does not intend to, and does not believe that it will, incur debts or liabilities beyond such Person's ability to pay as such debts and liabilities mature; and (d) such Person is not engaged in a business or transaction, and is not about to engage in a business or transaction, for which such Person's property would constitute an unreasonably small capital. The amount of contingent liabilities (such as litigation, guaranties and pension plan liabilities) at any time shall be computed as the amount that, in light of all the facts and circumstances existing at the time, represents the amount that can be reasonably be expected to become an actual or matured liability.

"SPC" has the meaning ascribed to it in Section 9.1(g).

"Specified Hedging Agreements" shall have the same meaning as set forth for such term in the First Lien Credit Agreement.

"Stock" means all shares, options, warrants, general or limited partnership interests, membership interests or other equivalents (regardless of how designated) of or in a corporation, partnership, limited liability company or equivalent entity whether voting or nonvoting, including common stock, preferred stock or any other "equity security" (as such term is defined in Rule 3a11-1 of the General Rules and Regulations promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934).

"Stockholder" means, with respect to any Person, each holder of Stock of such Person.

"Stockholder Proceeds" has the meaning ascribed to it in Section 5.8(c)(ii).

"Subordinated Debt" means any Indebtedness of any Credit Party in an amount, on such terms, and subordinated to the Obligations in a manner and form satisfactory to SCIL Agent and SCIL Lenders and subordinated to the First Lien Obligations in a manner and form satisfactory to the First Lien Agent and the First Lien Lenders, in each case in their sole discretion as to right and time of payment and as to any other terms, rights and remedies thereunder.

"Subordinated Debt Documents" means any instrument, document or agreement (including subsidiary guaranties delivered by applicable Subsidiaries of Borrower) evidencing the Subordinated Debt, in each including all schedules, exhibits, amendments, supplements, modifications, assignments and all other documents delivered pursuant thereto or in connection therewith.

"Subsidiary" means, with respect to any Person, (a) any corporation of which an aggregate of more than 50% of the outstanding Stock having ordinary voting power to elect a majority of the board of directors of such corporation (irrespective of whether, at the time, Stock of any other class or classes of such corporation shall have or might have voting power by reason of the happening of any contingency) is at the time, directly or indirectly, owned

legally or beneficially by such Person or one or more Subsidiaries of such Person, or with respect to which any such Person has the right to vote or designate the vote of 50% or more of such Stock whether by proxy, agreement, operation of law or otherwise, and (b) any partnership or limited liability company in which such Person and/or one or more Subsidiaries of such Person shall have an interest (whether in the form of voting or participation in profits or capital contribution) of more than 50% or of which any such Person is a general partner or may exercise the powers of a general partner. Unless the context otherwise requires, each reference to a Subsidiary shall be a reference to a Subsidiary of the Borrower.

"Subsidiary Guaranty" means Subsidiary Guaranty dated as of the Closing Date executed by each Secured Guarantor in favor of SCIL Agent, on behalf of itself and SCIL Lenders as the same may be amended, restated, modified and/or supplemented from time to time including, without limitation, by any joinder thereto.

"Supporting Obligations" means all "supporting obligations" as such term is defined in the Code, including letters of credit and guaranties issued in support of Accounts, Chattel Paper, Documents, General Intangibles, Instruments, or Investment Property.

"Swiss Loan" means the Indebtedness of RBC Schaublin S.A. Delémont to Credit Suisse pursuant to the terms of the Credit Agreement dated as of December 27, 1999 not to exceed Swiss Francs 12,000,000 in the aggregate.

"Tax Sharing Agreement" means the Tax Sharing Agreement dated June 16, 1997, by and among Holdings, Borrower and Subsidiaries.

"Taxes" means (i) taxes, levies, imposts, deductions, Charges or withholdings, and all liabilities with respect thereto, excluding taxes imposed on or measured by the net income of SCIL Agent or a SCIL Lender and (ii) franchise taxes (imposed in lieu of taxes imposed on or measured by net income) of SCIL Agent or a SCIL Lender, in each case, by the jurisdictions under the laws of which SCIL Agent and SCIL Lenders are organized or conduct business or any political subdivision thereof.

"Termination Date" means the date on which (a) the SCIL Loans have been indefeasibly repaid in full and (b) all other Obligations under the Agreement and the other Loan Documents have been completely discharged.

"Title IV Plan" means a Pension Plan (other than a Multiemployer Plan), that is covered by Title IV of ERISA or subject to Section 412 of IRC, and that any Credit Party or ERISA Affiliate maintains, contributes to or has an obligation to contribute to on behalf of participants who are or were employed by any of them.

"Trademark Security Agreements" means the Trademark Security Agreements made in favor of SCIL Agent, on behalf of SCIL Lenders, by each applicable Credit Party, as the same may be amended, restated, modified and/or supplemented from time to time including, without limitation, by any joinder thereto.

"Trademark License" means rights under any written agreement now owned or hereafter acquired by any Credit Party granting any right to use any Trademark.

"Trademarks" means all of the following now owned or hereafter adopted or acquired by any Credit Party: (a) all trademarks, trade names, corporate names, business names, trade styles, service marks, logos, other source or business identifiers, prints and labels on which any of the foregoing have appeared or appear, designs and general intangibles of like nature (whether registered or unregistered), all registrations and recordings thereof, and all applications in connection therewith, including registrations, recordings and applications in the United States Patent and Trademark Office or in any similar office or agency of the United States, any state or territory thereof, or any other country or any political subdivision thereof; (b) all reissues, extensions or renewals thereof; and (c) all goodwill associated with or symbolized by any of the foregoing.

"Trustee" has the meaning ascribed to it in Section 2.1(b).

"Unfunded Pension Liability" means, at any time, the aggregate amount, if any, of the sum of (a) the amount by which the present value of all accrued benefits under each Title IV Plan exceeds the fair market value of all assets of such Title IV Plan allocable to such benefits in accordance with Title IV of ERISA, all determined as of the most recent valuation date for each such Title IV Plan using the actuarial assumptions for funding purposes in effect under such Title IV Plan, and (b) for a period of 5 years following a transaction which might reasonably be expected to be covered by Section 4069 of ERISA, the liabilities (whether or not accrued) that could be avoided by any Credit Party or any ERISA Affiliate as a result of such transaction.

"Welfare Plan" means a Plan described in Section 3(1) of ERISA.

"Working Capital" means, with respect to any Fiscal Year, the average Current Assets of Holdings and its Subsidiaries on a consolidated basis less the average Current Liabilities of Holdings and its Subsidiaries on a consolidated basis for the first month of each Fiscal Year compared to the average Current Assets of Holdings and its Subsidiaries on a consolidated basis less the average Current Liabilities of Holdings and its Subsidiaries on a consolidated basis for the last month of such Fiscal Year determined from the financial statements delivered with respect thereto under paragraphs (a) and/or (d) of Annex D.

Rules of construction with respect to accounting terms used in the Agreement or the other Loan Documents shall be as set forth in Annex E. All other undefined terms contained

in any of the Loan Documents shall, unless the context indicates otherwise, have the meanings provided for by the Code to the extent the same are used or defined therein; in the event that any term is defined differently in different Articles or Divisions of the Code, the definition contained in Article or Division 9 shall control. Unless otherwise specified, references in the Agreement or any of the Appendices to a Section, subsection or clause refer to such Section, subsection or clause as contained in the Agreement. The words "herein," "hereof" and "hereunder" and other words of similar import refer to the Agreement as a whole, including all Annexes, Exhibits and Schedules, as the same may from time to time be amended, restated, modified or supplemented, and not to

any particular section, subsection or clause contained in the Agreement or any such Annex, Exhibit or Schedule. The word "including" means "including, without limitation".

Wherever from the context it appears appropriate, each term stated in either the singular or plural shall include the singular and the plural, and pronouns stated in the masculine, feminine or neuter gender shall include the masculine, feminine and neuter genders. The words "including", "includes" and "include" shall be deemed to be followed by the words "without limitation"; the word "or" is not exclusive; references to Persons include their respective successors and assigns (to the extent and only to the extent permitted by the Loan Documents) or, in the case of governmental Persons, Persons succeeding to the relevant functions of such Persons; and all references to statutes and related regulations shall include any amendments of the same and any successor statutes and regulations. Whenever any provision in any Loan Document refers to the knowledge (or an analogous phrase) of any Credit Party, such words are intended to signify that such Credit Party has actual knowledge or awareness of a particular fact or circumstance.

ANNEX B (Section 1.8)
to
CREDIT AGREEMENT

CASH MANAGEMENT SYSTEM

Borrower shall, and shall cause the Secured Guarantors to, establish and maintain the Cash Management Systems described below:

(a) Before the Closing Date and until the Termination Date, Borrower shall (i) establish lock boxes ("Lock Boxes") or, at SCIL Agent's discretion, blocked accounts ("Blocked Accounts") at one or more of the banks set forth in Disclosure Schedule (3.19), and shall request in writing and otherwise take such reasonable steps to ensure that all Account Debtors forward payment directly to such Lock Boxes, and (ii) deposit and cause the Secured Guarantors to deposit or cause to be deposited promptly, and in any event no later than the first Business Day after the date of receipt thereof, all cash, checks, drafts or other similar items of payment relating to or constituting payments made in respect of any and all Collateral (whether or not otherwise delivered to a Lock Box) into one or more Blocked Accounts in Borrower's name or any such Secured Guarantor's name and at a bank identified in Disclosure Schedule (3.19) (each, a "Relationship Bank"). On or before the Closing Date, Borrower shall have established a concentration account in its name (such account and any replacement or successor thereof, the the "Concentration Account") at the bank that shall be designated as the Concentration Account bank for Borrower in Disclosure Schedule (3.19) (such bank and any replacement or successor thereof reasonably satisfactory to Agent, the "Concentration Account Bank") which bank shall be reasonably satisfactory to SCIL Agent.

(b) [Intentionally Omitted]

(c) On or before the Closing Date (or such later date as SCIL Agent shall consent to in writing), the Concentration Account Bank, each bank where a disbursement account is maintained and all other Relationship Banks, shall have entered into tri-party blocked account agreements with SCIL Agent, for the benefit of itself and SCIL Lenders, and Borrower and the Secured Guarantors, as applicable, in form and substance reasonably acceptable to SCIL Agent, which shall become operative on or prior to the Closing Date. Subject to the Intercreditor Agreement, each such blocked account agreement shall provide, among other things, that (i) all items of payment deposited in such account and proceeds thereof deposited in the Concentration Account are held by such bank as agent or bailee-in-possession for First Lien Agent and after the occurrence of a First Lien Payment Event, SCIL Agent, on behalf of itself and SCIL Lenders, (ii) the bank executing such agreement has no rights of setoff or recoupment or any other claim against such account, as the case may be, other than for payment of its service fees and other charges directly related to the administration of such account and for returned checks or other items of payment, and (iii) from and after the Closing Date (A) with respect to banks at which a Blocked Account is maintained, such bank agrees, from and after the receipt of a notice (an "Activation Notice") from SCIL Agent (which Activation Notice may be given by SCIL Agent following (but not before) a First Lien Payment Event has occurred at any time at which an Event of Default described in Sections 8.1(a), 8.1(b) (as a result of a breach of any of

Sections 1.4, 1.8, 5.4(a), 5.8, 6.1, 6.2, 6.5, 6.6, 6.7, 6.8, 6.10, 6.12, 6.14, and 6.19), 8.1(f), 8.1(h) or 8.1(i) has occurred and is continuing (any of the foregoing being referred to herein as an "Activation Event")), to forward immediately all amounts in each Blocked Account to the Concentration Account Bank and to commence the process of daily sweeps from such Blocked Account into the Concentration Account and (B) with respect to the Concentration Account Bank, such bank agrees from and after the receipt of an Activation Notice from SCIL Agent upon the occurrence of an Activation Event, to immediately forward all amounts received in the Concentration Account to the Collection Account through daily sweeps from such Concentration Account into the Collection Account. From and after the date SCIL Agent has delivered an Activation Notice to any bank with respect to any Blocked Account(s), Borrower shall not, and shall not cause or permit any Secured Guarantor to, accumulate or maintain cash in disbursement accounts or payroll accounts as of any date of determination in excess of checks outstanding against such accounts as of that date and amounts necessary to meet minimum balance requirements.

(d) So long as no Default or Event of Default has occurred and is continuing, Borrower may amend Disclosure Schedule (3.19) to add or replace a Relationship Bank, Lock Box or Blocked Account or to replace any Concentration Account or any disbursement account; *provided* that prior to the time of the opening of such account or Lock Box, Borrower or the Secured Guarantors, as applicable, and such bank shall have executed and delivered to SCIL Agent a tri-party blocked account agreement, in form and substance reasonably satisfactory to SCIL Agent. Following (but not before) a First Lien Payment Event, Borrower shall close any of its depository, lock box or concentration accounts (and establish replacement accounts in accordance with the foregoing sentence) promptly and in any event within thirty (30) days following notice from SCIL Agent (so long as a First Lien Payment Event has occurred) that the creditworthiness of any bank holding an account is no longer acceptable in SCIL Agent's reasonable judgment, or as promptly as practicable and in any event within sixty (60) days following notice from SCIL Agent that the operating performance, funds transfer or availability procedures or performance with respect to accounts or Lock Boxes of the bank holding such accounts or SCIL Agent's liability under any tri-party blocked account agreement with such bank is no longer acceptable in SCIL Agent's reasonable judgment.

(e) The Lock Boxes, Blocked Accounts, disbursement accounts and the Concentration Account shall be cash collateral accounts, with all cash, checks and other similar items of payment in such accounts securing payment of the SCIL Loan and all other Obligations, and in which Borrower and each Secured Guarantor shall have granted a Lien to SCIL Agent (subject to no Lien other than Permitted Encumbrances), on behalf of itself and SCIL Lenders, pursuant to the Security Agreement.

(f) Subject to the Intercreditor Agreement, all amounts deposited in the Collection Account shall be deemed received by SCIL Agent in accordance with Section 1.10 and shall be applied (and allocated) by SCIL Agent in accordance with Section 1.11. In no event shall any amount be so applied unless and until such amount shall have been credited in immediately available funds to the Collection Account.

(g) Subject to the Intercreditor Agreement, Borrower shall and shall cause its Affiliates, officers, employees, agents, directors or other Persons acting for or in concert with Borrower (each a "Related Person") to (i) hold in trust for SCIL Agent, for the benefit of itself

and SCIL Lenders, all checks, cash and other items of payment received by Borrower or any such Related Person, and (ii) promptly after receipt by Borrower or any such Related Person of any checks, cash or other items of payment, deposit the same into a Blocked Account. Borrower and each Related Person thereof acknowledges and agrees that all cash, checks or other items of payment constituting proceeds of Collateral are part of the Collateral. All proceeds of the sale or other disposition of any Collateral, shall be deposited directly into Blocked Accounts.

(h) Any provision of this Annex B to the contrary notwithstanding,

(A) the applicable Credit Parties may maintain with Bank of America, Inc. the following Disbursement Accounts: #01928-04511(Zero Balance), #01923-04509(Payroll), #10277-09778(Zero Balance), #10277-01277(Payroll) and #0007-5842-9716(Payroll) that are not a part of the Cash Management Systems described in this Annex B as long as (i) the aggregate balance on deposit in all such accounts does not exceed $10,000 at any time (net of checks written but not yet cleared against the balance on deposit in such accounts), (ii) in the case of each such account that is a payroll account, (x) the disbursements of funds from such account are used solely to satisfy the applicable Credit Party's payroll obligations and (y) no funds are deposited in such account earlier than two (2) days prior to the distribution of funds from such account to satisfy the applicable Credit Party's payroll obligations, and (iii) in the case of each such account that is a zero-balance account, the balance on deposit in such account as of any date of determination shall not be in excess of checks outstanding against such account as of that date and amounts necessary to meet minimum balance requirements;

(B) the applicable Credit Parties may maintain with Fleet National Bank the Disbursement Account #0071630214 (Payroll) that is not a part of the Cash Management Systems described in this Annex B as long as (i) the aggregate balance on deposit in such account does not exceed $10,000 at any time (net of checks written but not yet cleared against the balance on deposit in such accounts), (ii) the disbursements of funds from such account are used solely to satisfy the applicable Credit Party's payroll obligations and (iii) no funds are deposited in such account earlier than two (2) days prior to the distribution of funds from such account to satisfy the applicable Credit Party's payroll obligations;

(C) the applicable Credit Parties may maintain with First Source Bank the following Disbursement Accounts: #4300 521 91(Payroll) and #128 5436 (Payroll) that are not a part of the Cash Management Systems described in this Annex B as long as (i) the aggregate balance on deposit in all such accounts does not exceed $10,000 at any time (net of checks written but not yet cleared against the balance on deposit in such accounts), (ii) the disbursements of funds from each such account is used solely to satisfy the applicable Credit Party's payroll obligations and (iii) no funds are deposited in any such account earlier than two (2) days prior to the distribution of funds from such account to satisfy the applicable Credit Party's payroll obligations; and

(D) the applicable Credit Parties may maintain with First Source Bank the Disbursement Account # Midfirst Bank (Payroll) that is not a part of the Cash Management Systems described in this Annex B as long as (i) the aggregate balance on deposit in such account does not exceed $10,000 at any time (net of checks written but not yet cleared against the balance on deposit in such accounts), (ii) the disbursements of funds from such account are

used solely to satisfy the applicable Credit Party's payroll obligations and (iii) no funds are deposited in such account earlier than two (2) days prior to the distribution of funds from such account to satisfy the applicable Credit Party's payroll obligations.

ANNEX C (Section 2.1(a))
to
CREDIT AGREEMENT

CHECKLIST

In addition to, and not in limitation of, the conditions described in Section 2.1 of the Agreement, pursuant to Section 2.1(a), the items described on the attached Closing Checklist must be received by SCIL Agent in form and substance satisfactory to SCIL Agent on or prior to the Closing Date (each capitalized term used but not otherwise defined herein shall have the meaning ascribed thereto in Annex A to the Agreement).

[See Attached Closing Checklist**]**

ANNEX D (Section 4.1(a))
to
CREDIT AGREEMENT

Borrower shall deliver or cause to be delivered to SCIL Agent or to SCIL Agent for distribution to the SCIL Lenders, as indicated, the following:

(a) Monthly Financials. To SCIL Agent for distribution to the SCIL Lenders, within forty-five (45) days after the end of each Fiscal Month (other than a Fiscal Month that is the last month of a Fiscal Quarter), financial information regarding Holdings, Borrower and its Subsidiaries, certified by the Chief Financial Officer of Borrower, consisting of consolidated and consolidating (i) unaudited balance sheets as of the close of such Fiscal Month and the related statements of income and cash flows for that portion of the Fiscal Year ending as of the close of such Fiscal Month; (ii) unaudited statements of income and cash flows for such Fiscal Month, setting forth in comparative form the figures for the corresponding period in the prior year and the figures contained in the Projections for such Fiscal Year, all prepared in accordance with GAAP (subject to normal year-end adjustments); and (iii) a summary of the outstanding balance of all Intercompany Notes as of the last day of that Fiscal Month. Such financial information shall be accompanied by an Officer Certificate of Borrower executed by the Chief Financial Officer of Borrower or another responsible officer of Borrower having substantially the same authority and responsibility or otherwise acceptable to SCIL Agent, certifying that (i) such financial information presents fairly in accordance with GAAP (subject to normal year-end adjustments) the financial position and results of operations of Holdings, Borrower and its Subsidiaries, on a consolidated and consolidating basis, in each case as at the end of such Fiscal Month and for that portion of the Fiscal Year then ended and (ii) any other information presented is true, correct and complete in all material respects and that there was no Default or Event of Default in existence as of such time or, if a Default or Event of Default shall have occurred and be continuing, describing the nature thereof and all efforts undertaken to cure such Default or Event of Default. In addition, Borrower shall deliver to SCIL Agent and SCIL Lenders, within forty-five (45) days after the end of each Fiscal Month, a management discussion and analysis of the financial performance of Holdings, Borrower and its Subsidiaries prepared in accordance with Borrower's past practices.

(b) Quarterly Financials. To SCIL Agent for distribution to the SCIL Lenders, within forty-five (45) days after the end of each Fiscal Quarter, consolidated and consolidating financial information regarding Holdings, Borrower and its Subsidiaries, certified by the Chief Financial Officer of Borrower, including (i) unaudited balance sheets as of the close of such Fiscal Quarter and the related statements of income and cash flow for that portion of the Fiscal Year ending as of the close of such Fiscal Quarter and (ii) unaudited statements of income and cash flows for such Fiscal Quarter, in each case setting forth in comparative form the figures for the corresponding period in the prior year and the figures contained in the Projections for such Fiscal Year, all prepared in accordance with GAAP (subject to normal year-end adjustments). Such financial information shall be accompanied by (A) a statement in reasonable detail in the form of Exhibit E-1 (each, a "Compliance Certificate") in respect of the Financial

Covenants that are tested on a quarterly basis and (B) an Officer Certificate of Borrower executed by the Chief Financial Officer of Borrower or another responsible officer of Borrower having substantially the same authority and responsibility or otherwise acceptable to SCIL Agent, certifying that (i) such financial information presents fairly in accordance with GAAP (subject to normal year-end adjustments) the financial position, results of operations and statements of cash flows of Holdings, Borrower and its Subsidiaries, on both a consolidated and consolidating basis, as at the end of such Fiscal Quarter and for that portion of the Fiscal Year then ended, (ii) any other information presented is true, correct and complete in all material respects and that there was no Default or Event of Default in existence as of such time or, if a Default or Event of Default has occurred and is continuing, describing the nature thereof and all efforts undertaken to cure such Default or Event of Default.

(c) Operating Plan. To SCIL Agent for distribution to the SCIL Lenders, as soon as available, but not later than thirty (30) days after the end of each Fiscal Year, an annual operating plan for Holdings and Borrower, approved by the Board of Directors of Borrower, for the following Fiscal Year, which (i) includes a statement of all of the material assumptions on which such plan is based, (ii) includes monthly balance sheets and a quarterly budget for the following year and (iii) integrates sales, gross profits, operating expenses, operating profit, cash flow projections and Borrowing Availability projections, all prepared on the same basis and in similar detail as that on which operating results are reported (and in the case of cash flow projections, representing management's good faith estimates of future financial performance based on historical performance), and including plans for personnel, Capital Expenditures and facilities.

(d) Annual Audited Financials. To SCIL Agent for distribution to the SCIL Lenders, within ninety (90) days after the end of each Fiscal Year, or on a later date on which filing thereof is required with the Securities and Exchange Commission, audited Financial Statements for Holdings, Borrower and its Subsidiaries on a consolidated and (unaudited) consolidating basis, consisting of balance sheets and statements of income and retained earnings and cash flows, setting forth in comparative form in each case the figures for the previous Fiscal Year, which Financial Statements shall be prepared in accordance with GAAP and certified without qualification, by an independent certified public accounting firm of national standing or otherwise acceptable to SCIL Agent. Such Financial Statements shall be accompanied by (i) the Compliance Certificate showing the calculations used in determining compliance with the Financial Covenants, (ii) a report from such accounting firm to the effect that, in connection with their audit examination, nothing has come to their attention to cause them to believe that a Default or Event of Default has occurred with respect to the Financial Covenants (or specifying those Defaults and Events of Default that they became aware of), it being understood that such audit examination extended only to accounting matters and that no special investigation was made with respect to the existence of Defaults or Events of Default, (iii) the annual letters to such accountants in connection with their audit examination detailing contingent liabilities and material litigation matters, and (iv) an Officer Certificate of Borrower executed by the Chief Executive Officer or Chief Financial Officer of Borrower, or another responsible officer of Borrower having substantially the same authority and responsibility or otherwise acceptable to SCIL Agent, certifying that all such Financial Statements present fairly in accordance with GAAP the financial position, results of operations and statements of cash flows of Holdings, Borrower and its Subsidiaries on a consolidated and consolidating basis, as at the end of such

Fiscal Year and for the period then ended, and that there was no Default or Event of Default in existence as of such time or, if a Default or Event of Default has occurred and is continuing, describing the nature thereof and all efforts undertaken to cure such Default or Event of Default.

(e) Management Letters. To SCIL Agent for distribution to the SCIL Lenders, within five (5) Business Days after receipt thereof by any Credit Party, copies of all management letters, exception reports or similar letters or reports received by such Credit Party from its independent certified public accountants.

(f) Default Notices. To SCIL Agent for distribution to the SCIL Lenders, as soon as practicable, and in any event within five (5) Business Days after an executive officer of Borrower has actual knowledge of the existence of any Default, Event of Default or other event that has had a Material Adverse Effect, telephonic or telecopied notice specifying the nature of such Default or Event of Default or other event, including the anticipated effect thereof, which notice, if given telephonically, shall be promptly confirmed in writing on the next Business Day.

(g) SEC Filings and Press Releases. To SCIL Agent for distribution to the SCIL Lenders, promptly upon their becoming available, copies of: (i) all Financial Statements, reports, notices and proxy statements made publicly available by any Credit Party to its security holders; (ii) all regular and periodic reports and all registration statements and prospectuses, if any, filed by any Credit Party with any securities exchange or with the Securities and Exchange Commission or any governmental or private regulatory authority; and (iii) all press releases and other statements made available by any Credit Party to the public concerning material changes or developments in the business of any such Person.

(h) Subordinated Debt and Equity Notices. To SCIL Agent for distribution to the SCIL Lenders, as soon as practicable, copies of all material written notices given or received by any Credit Party with respect to any Subordinated Debt or Stock of such Person, and, within three (3) Business Days after any Credit Party obtains knowledge of any matured or unmatured event of default with respect to any Subordinated Debt, notice of such event of default.

(i) Supplemental Schedules. To SCIL Agent, supplemental disclosures, if any, required by Section 5.6.

(j) Litigation. To SCIL Agent for distribution to the SCIL Lenders in writing, promptly upon learning thereof, notice of any Litigation commenced or threatened against any Credit Party that (i) seeks damages in excess of $250,000, (ii) seeks injunctive relief affecting the business of any Credit Party in any material respect, (iii) is asserted or instituted against any Plan, its fiduciaries or its assets or against any Credit Party or ERISA Affiliate in connection with any Plan, (iv) alleges criminal misconduct by any Credit Party, (v) alleges the violation of any law regarding, or seeks remedies in connection with, any Environmental Liabilities; or (vi) involves any product recall.

(k) Insurance Notices. To SCIL Agent, disclosure of losses or casualties required by Section 5.4.

(l) Lease Default Notices. To SCIL Agent, within five (5) Business Days after receipt thereof, copies of (i) any and all default notices received under or with respect to any leased location or public warehouse where Collateral is located, and (ii) such other notices or documents as SCIL Agent may reasonably request.

(m) Lease Amendments. To SCIL Agent, promptly after receipt thereof, copies of all material amendments to real estate leases.

(n) Certain Bank Accounts. To SCIL Agent, promptly upon request of SCIL Agent, copies of all bank statements provided to the applicable Credit Parties relating to each of the bank accounts referenced in the paragraph (h) of Annex B and, upon reasonable request of SCIL Agent from time to time, such other information relating to such accounts.

(o) Other Documents. To SCIL Agent for distribution to the SCIL Lenders, such other financial and other information respecting any Credit Party's business or financial condition as SCIL Agent shall, from time to time, reasonably request.

ANNEX E (Section 6.10)
to
CREDIT AGREEMENT

FINANCIAL COVENANTS

Borrower shall not breach or fail to comply with, and shall not permit Holdings to breach or fail to comply with, any of the following financial covenant, each of which shall be calculated in accordance with GAAP consistently applied:

(a) Fixed Charge Coverage Ratio. Holdings, Borrower and its Subsidiaries on a consolidated basis shall have at the end of each Fiscal Quarter set forth below, a Fixed Charge Coverage Ratio for the 12-month period then ended of not less than the following:

1.15 to 1.00	for the Fiscal Quarter ending	September 30, 2004;
1.15 to 1.00	for the Fiscal Quarter ending	December 31, 2004;
1.20 to 1.00 for each Fiscal Quarter ending thereafter.		

(b) Senior Leverage Ratio. Holdings, Borrower and its Subsidiaries on a consolidated basis shall have, at the end of each Fiscal Quarter set forth below, a Senior Leverage Ratio as of the last day of such Fiscal Quarter and for the 12-month period then ended of not more than the following:

3.80 to 1.00	for the Fiscal Quarter ending	September 30, 2004;
3.80 to 1.00	for the Fiscal Quarter ending	December 31, 2004;
3.60 to 1.00	for the Fiscal Quarter ending	March 31, 2005;
3.60 to 1.00	for the Fiscal Quarter ending	June 30, 2005;
3.55 to 1.00	for the Fiscal Quarter ending	September 30, 2005;
3.45 to 1.00	for the Fiscal Quarter ending	December 31, 2005;
3.20 to 1.00	for the Fiscal Quarter ending	March 31, 2006;
3.10 to 1.00	for the Fiscal Quarter ending	June 30, 2006;
3.10 to 1.00	for the Fiscal Quarter ending	September 30, 2006;

3.05 to 1.00	for the Fiscal Quarter ending	December 31, 2006;
3.05 to 1.00	for the Fiscal Quarter ending	March 31, 2007;
3.00 to 1.00	for the Fiscal Quarter ending	June 30, 2007;
2.90 to 1.00	for the Fiscal Quarter ending	September 30, 2007;
2.85 to 1.00	for the Fiscal Quarter ending	December 31, 2007;
2.80 to 1.00	for the Fiscal Quarter ending	March 31, 2008;

2.75 to 1.00 for each Fiscal Quarter ending thereafter.

(c) SCIL Leverage Ratio. Holdings, Borrower and its Subsidiaries on a consolidated basis shall have, at the end of each Fiscal Quarter set forth below, a SCIL Leverage Ratio as of the last day of such Fiscal Quarter and for the 12-month period then ended of not more than the following:

5.05 to 1.00	for the Fiscal Quarter ending	September 30, 2004;
5.05 to 1.00	for the Fiscal Quarter ending	December 31, 2004;
4.80 to 1.00	for the Fiscal Quarter ending	March 31, 2005;
4.80 to 1.00	for the Fiscal Quarter ending	June 30, 2005;
4.75 to 1.00	for the Fiscal Quarter ending	September 30, 2005;
4.60 to 1.00	for the Fiscal Quarter ending	December 31, 2005;
4.30 to 1.00	for the Fiscal Quarter ending	March 31, 2006;
4.20 to 1.00	for the Fiscal Quarter ending	June 30, 2006;
4.15 to 1.00	for the Fiscal Quarter ending	September 30, 2006;
4.10 to 1.00	for the Fiscal Quarter ending	December 31, 2006;
4.10 to 1.00	for the Fiscal Quarter ending	March 31, 2007;
4.05 to 1.00	for the Fiscal Quarter ending	June 30, 2007;
3.95 to 1.00	for the Fiscal Quarter ending	September 30, 2007;
3.85 to 1.00	for the Fiscal Quarter ending	December 31, 2007;
3.80 to 1.00	for the Fiscal Quarter ending	March 31, 2008;

3.75 to 1.00 for each Fiscal Quarter ending thereafter.

provided, that solely for the purposes of paragraphs (b) and (c) of this Annex E, any net proceeds received from issuance of Stock to Michael J. Hartnett, Whitney & Co. or any Related Stockholder Party or contribution by Michael J. Hartnett, Whitney & Co. or any Related Stockholder Party to capital that are used to repay the First Lien Term Loan subsequent to the end of any Fiscal Quarter, but prior to the date on which the Compliance Certificate is required to be delivered pursuant to subsection Annex E with respect to such Fiscal Quarter, the First Lien Term Loan shall be deemed to have been repaid as of the last day of the relevant period for the purpose of calculating SCIL Leverage Ratio or Senior Leverage Ratio related thereto and if, after giving effect thereto Holdings, Borrower and its Subsidiaries shall be in compliance with paragraphs (b) and (c) of this Annex E, Holdings, Borrower and its Subsidiaries shall be deemed to have satisfied the requirements hereof as of the relevant date of determination with the same effect as through no failure to comply herewith at such date had occurred, and the applicable breach or default hereof which had occurred shall be deemed cured for all purposes of the Agreement; *provided*, *however*, that notwithstanding anything herein to the contrary, in no event shall (i) Holdings, Borrower or any of its Subsidiaries be entitled to avail itself of the preceding proviso more than once during the term of the Agreement and (ii) the aggregate amount of the net proceeds received from Stock issuances to the Permitted Stockholders and contribution by the Permitted Stockholders to capital that are used to repay the First Lien Term Loan described in the preceding proviso exceed $3,000,000.

(d) Maximum Capital Expenditures. Borrower and its Subsidiaries on a consolidated basis shall not make Capital Expenditures during any Fiscal Year that exceed $10,000,000 in the aggregate.

Unless otherwise specifically provided herein, any accounting term used in the Agreement shall have the meaning customarily given such term in accordance with GAAP, and all financial computations hereunder shall be computed in accordance with GAAP consistently applied. That certain items or computations are explicitly modified by the phrase "in accordance with GAAP" shall in no way be construed to limit the foregoing. If any "Accounting Changes" (as defined below) occur and such changes result in a change in the calculation of the financial

covenants, standards or terms used in the Agreement or any other Loan Document, then Borrower, SCIL Agent and SCIL Lenders agree to enter into negotiations in order to amend such provisions of the Agreement so as to equitably reflect such Accounting Changes with the desired result that the criteria for evaluating the financial condition of Holdings, Borrower and its Subsidiaries shall be the same after such Accounting Changes as if such Accounting Changes had not been made; *provided*, *however*, that the agreement of Requisite SCIL Lenders to any required amendments of such provisions shall be sufficient to bind all SCIL Lenders. If SCIL Agent, Borrower and Requisite SCIL Lenders agree upon the required amendments, then after appropriate amendments have been executed and the underlying Accounting Change with respect thereto has been implemented, any reference to GAAP contained in the Agreement or in any other Loan Document shall, only to the extent of such Accounting Change, refer to GAAP, consistently applied after giving effect to the implementation of such Accounting Change. Until such time as SCIL Agent, Borrower and Requisite SCIL Lenders agree upon such amendments, all calculations of financial covenants and other standards and terms in accordance with the Agreement and the other Loan Documents shall be made without regard to the underlying Accounting Change, but all Financial Statements delivered pursuant to this Agreement shall be prepared and delivered in accordance with GAAP, consistently applied after giving effect to such Accounting Changes. For purposes of Section 8.1, a breach of a Financial Covenant contained in this Annex G shall be deemed to have occurred as of any date of determination by SCIL Agent or as of the last day of any specified measurement period, regardless of when the Financial Statements reflecting such breach are delivered to SCIL Agent. "Accounting Changes" means (i) changes in accounting principles required by the promulgation of any rule, regulation, pronouncement or opinion by the Financial Accounting Standards Board of the American Institute of Certified Public Accountants (or successor thereto or any agency with similar functions), (ii) changes in accounting principles concurred in by Borrower's certified public accountants; (iii) purchase accounting adjustments under A.P.B. 16 or 17 and EITF 88-16, and the application of the accounting principles set forth in FASB 109, including the establishment of reserves pursuant thereto and any subsequent reversal (in whole or in part) of such reserves; and (iv) the reversal of any reserves established as a result of purchase accounting adjustments. All such adjustments resulting from expenditures made

subsequent to the Closing Date (including capitalization of costs and expenses or payment of pre-Closing Date liabilities) shall be treated as expenses in the period the expenditures are made and deducted as part of the calculation of EBITDA in such period.

ANNEX F (Section 9.9(a))
to
CREDIT AGREEMENT

SCIL LENDERS' WIRE TRANSFER INFORMATION

Name:	General Electric Capital Corporation
Bank:	DeutscheBank Trust Company Americas New York, New York
ABA #:	021001033
Account #:	50232854
Account Name:	GECC/CAF Depository
Reference:	CFN 4731

ANNEX G (Section 11.10)
to
CREDIT AGREEMENT

NOTICE ADDRESSES

(A) If to SCIL Agent or GE Capital, at

General Electric Capital Corporation
100 California Street, 10th Floor
San Francisco, California 94111
Attention: Daniel Shapiro and Neel Morey
Telecopier No.: (415) 277-7443
Telephone No.: (415) 277-7400

with copies to:

General Electric Capital Corporation
500 W. Monroe Street, 16th Floor
Chicago, Illinois 60661
Attention: Andrew Packer
Telecopier No.: (312) 441-6876
Telephone No.: (312) 441-7244

and

Latham & Watkins
233 S. Wacker Drive, Suite 5800
Chicago, Illinois 60606
Attention: David G. Crumbaugh
Telecopier No.: (312) 993-9767
Telephone No.: (312) 876-7700

and

General Electric Capital Corporation
201 Merritt 7
6th Floor
Norwalk, CT 06856-5201
Attention: Corporate Counsel-Commercial Finance – GE Global Sponsor Finance
Telecopier No.: (203) 956-4216
Telephone No.: (203) 956-4000

(B) If to Borrower, at

Roller Bearing Company of America, Inc.
60 Round Hill Road

P. O. Box 430
Fairfield, Connecticut 06430-0430
Attention: Chief Financial Officer
Telecopier No.: (203) 256-0775
Telephone No.: (203) 255-1511

With copies to:

Kirkland & Ellis LLP
153 East 53rd Street
New York, NY 10022
Attention: Frederick Tanne and Armand A. Della Monica
Telecopier No.: (212) 446-4900
Telephone No.: (212) 446-4800

ANNEX H (from Annex A - Commitments definition)
to
CREDIT AGREEMENT

PRO RATA SHARE

Commitments	SCIL Lender(s)	Pro Rata Share
SCIL Loan Commitment: $45,000,000	General Electric Capital Corporation	100%

EXHIBIT ECF to

CREDIT AGREEMENT

Roller Bearing Company of America

Excess Cash Flow Recapture Calculation for Fiscal Year December 31, 200

		FY200
	Consolidated Net Income[1]	
(a)	Plus:	
	Depreciation[2]	
	Amortization[2]	
	Interest Expense[2]	
	the amount of any reduction to the consolidated net income of Holdings as the result of the Restricted Payment described and permitted pursuant to Section 6.14(a)(E){Whitney & Co. Management Fees} or Section 6.14(b)(v){Holdco Operating Expenses}	
	Subtotal	
(b)	Change in Working Capital[3]	
(c)	Less: Cash Capital Expenditures	
(d)	Less:	
	Interest Expense[4]	
	Scheduled Principal Payments[5]	
	Plus:	
(e)	Extraordinary Loss (or minus Extraordinary Gain)[6]	—
	Cost of Related Transactions[7]	—

(f)	Plus: (non-cash taxes deducted from Consolidated Net Income)	—	—	—	—	—
	Excess Cash Flow					
	Required Prepayment (%)					
	Required Prepayment ($)					

(1) This Excess Cash Flow calculation shall pertain to the consolidated net income of Holdings and its Subsidiaries for the Fiscal Year ending as of the date set forth above. All financial terms used in this Exhibit shall be deemed to relate to Holdings and its Subsidiaries on a consolidated basis for the Fiscal Year ended as of the date set forth above.

(2) Exclude portion of depreciation, amortization and/or Interest Expense not included in consolidated net income.

(3) Plus decreases or minus increases in Working Capital.

(4) Include paid and accrued interest. If included in Interest Expense, exclude any original issue discount, interest paid in kind and amortized debt discount.

(5) Principal payments include both those paid and payable on Funded Debt (except in the case of the Revolving Loan, principal payments that are not accompanied by a permanent reduction in the Revolving Loan Commitments).

(6) Cash items not included in consolidated net income and/or non-cash items included in consolidated net income.

(7) Cost of fees incurred in connection with the Related Transaction to the extent not included in consolidated net income.

EXHIBIT PA to

CREDIT AGREEMENT

	Fiscal Year 2004				
In Dollars	**Q1**	**Q2**	**Q3**	**Q4**	**Total**
Bremen					
Plant Relocation/Mfg. process redesign	186,000	213,000	210,000	190,000	799,000
Tyson					
Manufacturing Process Re-design	253,000	221,000	201,000	187,000	862,000
Mexico					
Mexico stat-up transfer pricing	223,000	222,000	222,000	—	667,000
	622,000	656,000	633,000	377,000	2,328,000
API Pro Forma EBITDA	1,586,000	1,586,000	1,586,000	—	4,757,000

DISCLOSURE SCHEDULE 6.12
to
CREDIT AGREEMENT

SALE-LEASEBACK REAL ESTATE

(1) NICE Ball Bearings Facility
2060 Detwiler Road
Kulpsville, Montgomery County, PA

(2) Transport Dynamics
3131 W. Segerstrom Avenue
Santa Ana, CA 92704

(3) Roller Bearing Company of America
Corporate Headquarters
60 Round Hill Road
Fairfield, CT 06824

Exhibit 10.30

SECURITY AGREEMENT

SECURITY AGREEMENT, dated as of June 29, 2004, among ROLLER BEARING COMPANY OF AMERICA, INC., a Delaware corporation ("Borrower"), the other Credit Parties signatory hereto (each "Guarantor" collectively "Guarantors", Borrower and each Guarantor are sometimes collectively referred to herein as "Grantors" and individually as a "Grantor"), and GENERAL ELECTRIC CAPITAL CORPORATION, a Delaware corporation, individually and in its capacity as Agent for SCIL Lenders ("SCIL Agent").

W I T N E S S E T H:

WHEREAS, pursuant to that certain SCIL Credit Agreement dated as of the date hereof by and among Grantors, SCIL Agent and SCIL Lenders (including all annexes, exhibits and schedules thereto, and as from time to time amended, restated, supplemented or otherwise modified, the "Credit Agreement"), SCIL Lenders have agreed to make the second collateral institutional loan to Borrower (the "SCIL");

WHEREAS, the Guarantors have guaranteed the Obligations of Borrower under the Credit Agreement and will benefit directly from the SCIL and financial accommodations provided thereunder; and

WHEREAS, in order to induce SCIL Agent and SCIL Lenders to enter into the Credit Agreement and other Loan Documents and to induce SCIL Lenders to make the SCIL as provided for in the Credit Agreement, Grantors have agreed to grant a continuing Lien on the Collateral (as hereinafter defined) to secure the Obligations;

NOW, THEREFORE, in consideration of the premises and mutual covenants herein contained and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. Defined Terms.

a. All capitalized terms used but not otherwise defined herein have the meanings given to them in the Credit Agreement or in Annex A thereto. All other terms contained in this Security Agreement, unless the context indicates otherwise, have the meanings provided for by the Code to the extent the same are used or defined therein.

b. "Uniform Commercial Code jurisdiction" means any jurisdiction that has adopted all or substantially all of Article 9 as contained in the 2000 Official Text of the Uniform Commercial Code, as recommended by the National Conference of Commissioners on Uniform State Laws and the American Law Institute, together with any subsequent amendments or modifications to the Official Text.

2. Grant Of Lien.

a. To secure the prompt and complete payment, performance and observance of all of the Obligations, each Grantor hereby grants, assigns, conveys, mortgages, pledges, hypothecates and transfers to SCIL Agent, for itself and the benefit of SCIL Lenders, a Lien

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upon all of its right, title and interest in, to and under all personal property and other assets, whether now owned by or owing to, or hereafter acquired by or arising in favor of such Grantor (including under any trade names, styles or derivations thereof), and whether owned or consigned by or to, or leased from or to, such Grantor, and regardless of where located (all of which being hereinafter collectively referred to as the "Collateral"), including:

(i) all Accounts;

(ii) all Chattel Paper;

(iii) all Documents;

(iv) all General Intangibles (including payment intangibles and Software);

(v) all Goods (including Inventory, Equipment and Fixtures);

(vi) all Instruments;

(vii) all Investment Property;

(viii) all Deposit Accounts, of any Grantor, including all Blocked Accounts, Concentration Accounts, Disbursement Accounts, and all other bank accounts and all deposits therein;

(ix) all money, cash or cash equivalents of any Grantor;

(x) all Supporting Obligations and Letter-of-Credit Rights of any Grantor; and

(xi) to the extent not otherwise included, all Proceeds, tort claims, insurance claims and other rights to payments not otherwise included in the foregoing and products of the foregoing and all accessions to, substitutions and replacements for, and rents and profits of, each of the foregoing.

b. In addition, to secure the prompt and complete payment, performance and observance of the Obligations and in order to induce SCIL Agent and SCIL Lenders as aforesaid, each Grantor hereby grants to SCIL Agent, for itself and the benefit of SCIL Lenders, a right of setoff against the property of such Grantor held by SCIL Agent or any SCIL Lender, consisting of property described above in Section 2(a) now or hereafter in the possession

or custody of or in transit to SCIL Agent or any SCIL Lender, for any purpose, including safekeeping, collection or pledge, for the account of such Grantor, or as to which such Grantor may have any right or power.

3. SCIL Agent's and SCIL Lenders' Rights: Limitations on SCIL Agent's and SCIL Lenders' Obligations .

a. It is expressly agreed by Grantors that, anything herein to the contrary notwithstanding, each Grantor shall remain liable under each of its Contracts and each of its Licenses to observe and perform all the conditions and obligations to be observed and performed by it thereunder. Neither SCIL Agent nor any SCIL Lender shall have any obligation or liability under any Contract or License by reason of or arising out of this Security Agreement or the granting herein of a Lien thereon or the receipt by SCIL Agent or any SCIL Lender of any payment relating to any Contract or License pursuant hereto. Neither SCIL Agent nor any SCIL Lender shall be required or obligated in any manner to perform or fulfill any of the obligations of any Grantor under or pursuant to any Contract or License, or to make any payment, or to make any inquiry as to the nature or the sufficiency of any payment received by it or the sufficiency of any performance by any party under any Contract or License, or to present or file any claims, or to take any action to collect or enforce any performance or the payment of any amounts which may have been assigned to it or to which it may be entitled at any time or times.

b. SCIL Agent may at any time after an Event of Default has occurred and is continuing without prior notice to any Grantor, notify Account Debtors and other Persons obligated on the Collateral that SCIL Agent has a security interest therein, and that payments shall be made directly to SCIL Agent. Furthermore, if SCIL Agent determines that Account Debtors' contra-accounts or set-off rights may cause an Event of Default or Borrowing Availability to be less than zero, SCIL Agent may notify Account Debtors that SCIL Agent has a security interest therein, and that payments shall be made directly to SCIL Agent. In such circumstances and upon the request of SCIL Agent, each Grantor shall so notify Account Debtors and other Persons obligated on Collateral. Once any such notice has been given to any Account Debtor or other Person obligated on the Collateral, the affected Grantor shall not give any contrary instructions to such Account Debtor or other Person without SCIL Agent's prior written consent.

c. SCIL Agent may at any time in SCIL Agent's own name, in the name of a nominee of SCIL Agent or in the name of any Grantor communicate (by mail, telephone, facsimile or otherwise) with Account Debtors, parties to Contracts and obligors in respect of Instruments to verify with such Persons, to SCIL Agent's satisfaction, the existence, amount terms of, and any other matter relating to, Accounts, Instruments, Chattel Paper and/or payment intangibles. If an Event of Default shall have occurred and be continuing, each Grantor, at its own expense, shall cause the independent certified public accountants then engaged by such Grantor to prepare and deliver to SCIL Agent and each SCIL Lender at any time and from time to time promptly upon SCIL Agent's reasonable request the following reports with respect to each Grantor: (i) a reconciliation of all Accounts; (ii) an aging of all Accounts; (iii) trial balances; and (iv) a test verification of such Accounts as SCIL Agent may reasonably request. Each Grantor, at its own expense, shall deliver to SCIL Agent the results of each physical verification, if any, which such Grantor may in its discretion have made, or caused any other Person to have made on its behalf, of all or any portion of its Inventory.

4. Representations and Warranties. Each Grantor represents and warrants that:

a. Each Grantor has rights in and the power to transfer each item of the Collateral upon which it purports to grant a Lien hereunder free and clear of any and all Liens other than Permitted Encumbrances.

b. No effective security agreement, financing statement, equivalent security or Lien instrument or continuation statement covering all or any part of the Collateral is on file or of record in any public office, except such as may have been filed (i) by any Grantor in favor of SCIL Agent pursuant to this Security Agreement or the other Loan Documents, and (ii) in connection with any other Permitted Encumbrances.

c. This Security Agreement is effective to create a valid and continuing Lien on and, upon the filing of the appropriate financing statements listed on Schedule I hereto, a perfected Lien in favor of SCIL Agent, for itself and the benefit of SCIL Lenders, on the Collateral with respect to which a Lien may be perfected by filing pursuant to the Code. Such Lien is prior to all other Liens, except Permitted Encumbrances and is enforceable as such as against any and all creditors of Grantor (other than beneficiaries of the Permitted Encumbrances).

d. Schedule II-A hereto lists all Instruments, Letter of Credit Rights and Chattel Paper of each Grantor. All action by any Grantor necessary or desirable to protect and perfect the Lien of SCIL Agent on each item set forth on Schedule II-B (including the delivery of all originals thereof to Senior Agent (or, after the occurrence of the "Termination Date" under and as defined in the Senior Credit Agreement, to SCIL Agent) and the legending of all Chattel Paper as required by Section 5(b) hereof) has been duly taken. The Lien of SCIL Agent, for the benefit of SCIL Agent and SCIL Lenders, on the Collateral listed on Schedule II-B hereto is prior to all other Liens, except Permitted Encumbrances, and is enforceable as such against any and all creditors of Grantor (other than beneficiaries of the Permitted Encumbrances).

e. Each Grantor's name as it appears in official filings in the state of its incorporation or other organization, the type of entity of each Grantor (including corporation, partnership, limited partnership or limited liability company), organizational identification number issued by each Grantor's state of incorporation or organization or a statement that no such number has been issued, each Grantor's state of organization or incorporation, the location of each Grantor's chief executive office, principal place of business, offices, all warehouses and premises where Collateral is stored or located, and the locations of its books and records concerning the Collateral are set forth on Schedule III-A, Schedule III-B, Schedule III-C, Schedule III-D, Schedule III-E, Schedule III-F, Schedule III-G, Schedule III-H, or Schedule III-I, respectively, hereto. Each Grantor has only one state of incorporation or organization.

f. With respect to the Accounts, except as specifically disclosed (x) in the most recent Collateral Report delivered to SCIL Agent, or (y) in writing to SCIL Agent, (i) they represent bona fide sales of Inventory or rendering of services to Account Debtors in the ordinary course of each Grantor's business and are not evidenced by a judgment, Instrument or Chattel Paper; (ii) there are no setoffs, claims or disputes existing or asserted with respect thereto and no Grantor has made any agreement with any Account Debtor for any extension of time for the payment thereof, any compromise or settlement for less than the full amount thereof, any release of any Account Debtor from liability therefor, or any deduction therefrom except a discount or allowance allowed by such Grantor in the ordinary course of its business for prompt payment and disclosed to SCIL Agent; (iii) to each Grantor's knowledge, there are no facts, events or occurrences which in any way impair the validity or enforceability thereof or could reasonably be expected to reduce the amount payable thereunder as shown on any Grantor's

books and records and any invoices, statements and Collateral Reports delivered to SCIL Agent and SCIL Lenders with respect thereto; (iv) no Grantor has received any notice of proceedings or actions which are threatened or pending against any Account Debtor which might result in any adverse change in such Account Debtor's financial condition; and (v) no Grantor has knowledge that any Account Debtor is unable generally to pay its debts as they become due. Further with respect to the Accounts (x) the amounts shown on all invoices, statements and Collateral Reports which may be delivered to SCIL Agent with respect thereto are actually and absolutely owing to such Grantor as indicated thereon and are not in any way contingent; (y) no payments have been or shall be made thereon except payments immediately delivered to the applicable Blocked Accounts or SCIL Agent as required pursuant to the terms of Annex C to the Credit Agreement; and (z) to each Grantor's knowledge, all Account Debtors have the capacity to contract.

g. With respect to any Inventory scheduled or listed on the most recent Collateral Report delivered to SCIL Agent, (i) such Inventory is located at one of the applicable Grantor's locations set forth on Schedule III-A, Schedule III-B, Schedule III-C, Schedule III-D, Schedule III-E, Schedule III-F, Schedule III-G, or Schedule III-H hereto, as applicable, (ii) no such Inventory is now, or shall at any time or times hereafter be stored at any other location without except (A) locations added in connection with a Permitted Acquisition, or (B) otherwise with SCIL Agent's prior consent, and if SCIL Agent gives such consent, each applicable Grantor will concurrently therewith obtain, to the extent required by the Credit Agreement, bailee, landlord and mortgagee agreements in form reasonably acceptable to SCIL Agent, (iii) the applicable Grantor has good, indefeasible and merchantable title to such Inventory and such Inventory is not subject to any Lien or security interest or document whatsoever except for the Lien granted to SCIL Agent, for the benefit of SCIL Agent and SCIL Lenders, and except for Permitted Encumbrances, (iv) except as specifically disclosed in the most recent Collateral Report delivered to SCIL Agent, such Inventory is Eligible Inventory of good and merchantable quality, free from any material defects, (v) such Inventory is not subject to any licensing, patent, royalty, trademark, trade name or copyright agreements with any third parties which would require any consent of any third party upon sale or disposition of that Inventory or the payment of any monies to any third party upon such sale or other disposition, and (vi) the completion of manufacture, sale or other disposition of such Inventory by SCIL Agent following an Event of Default shall not require the consent of any Person and shall not constitute a breach or default under any contract or agreement to which any Grantor is a party or to which such Inventory is subject.

h. No Grantor has any interest in, or title to, any Patent, Trademark or Copyright except as set forth in Schedule IV-A, Schedule IV-B, or Schedule IV-C hereto. This Security Agreement is effective to create a valid and continuing Lien on and, upon timely filing of the Copyright Security Agreements with the United States Copyright Office and timely filing of the Patent Security Agreements and the Trademark Security Agreements with the United State Patent and Trademark Office, perfected Liens in favor of SCIL Agent on each Grantor's Patents, Trademarks and Copyrights and such perfected Liens are enforceable as such as against any and all creditors of any Grantor.

5. Covenants. Each Grantor covenants and agrees with SCIL Agent, for the benefit of SCIL Agent and SCIL Lenders, that from and after the date of this Security Agreement and until the Termination Date:

a. Further Assurances; Pledge of Instruments; Chattel Paper.

(i) At any time and from time to time, upon the written request of SCIL Agent and at the sole expense of Grantors, each Grantor shall promptly and duly execute and deliver any and all such further instruments and documents and take such further actions as SCIL Agent may reasonably deem desirable to obtain the full benefits of this Security Agreement and of the rights and powers herein granted, including (A) using commercially reasonable efforts to secure all consents and approvals necessary or appropriate for the assignment to or for the benefit of SCIL Agent of any License or Contract held by such Grantor and to enforce the security interests granted hereunder; and (B) filing any financing or continuation statements under the Code with respect to the Liens granted hereunder or under any other Loan Document as to those jurisdictions that are not Uniform Commercial Code jurisdictions.

(ii) If requested by SCIL Agent, each Grantor shall deliver to Senior Agent (or, after the occurrence of the "Termination Date" under and as defined in the Senior Credit Agreement, to SCIL Agent) all Collateral consisting of negotiable Documents, certificated securities, Chattel Paper and Instruments (in each case, accompanied by stock powers, allonges or other instruments of transfer executed in blank) promptly after such Credit Party receives the same.

(iii) Each Grantor shall, in accordance with the terms of the Credit Agreement, obtain or use commercially reasonable efforts to obtain waivers or subordinations of Liens from landlords and mortgagees, and each Credit Party shall in all instances obtain signed acknowledgements of SCIL Agent's Liens from bailees having possession of any Grantor's Goods that they hold for the benefit of SCIL Agent.

(iv) Each Grantor that is or becomes the beneficiary of a letter of credit shall promptly, and in any event within two (2) Business Days after becoming a beneficiary, notify SCIL Agent thereof and enter into a tri-party agreement with SCIL Agent and the issuer and/or confirmation bank with respect to Letter-of-Credit Rights assigning such Letter-of-Credit Rights to SCIL Agent, all in form and substance reasonably satisfactory to SCIL Agent.

(v) If requested by SCIL Agent, each Grantor shall take all steps necessary to grant SCIL Agent control of all electronic chattel paper in accordance with the Code and all "transferable records" as defined in each of the Uniform Electronic Transactions Act and the Electronic Signatures in Global and National Commerce Act.

(vi) Each Grantor hereby irrevocably authorizes SCIL Agent at any time and from time to time to file in any filing office in any Uniform Commercial Code jurisdiction any initial financing statements and amendments thereto that (a) indicate the Collateral (i) as "all assets of Grantor and all proceeds thereof" or words of similar effect, regardless of whether any particular asset comprised in the Collateral falls within the scope of Article 9 of the Code or such jurisdiction, or (ii) as being of an equal or lesser scope or with greater detail, and (b) contain any other information required by part 5 of Article 9 of the Code for the sufficiency or filing office acceptance of any financing

statement or amendment, including (i) whether such Grantor is an organization, the type of organization and any organization identification number issued to such Grantor, and (ii) in the case of a financing statement filed as a fixture filing or indicating Collateral as as-extracted collateral or timber to be cut, a sufficient description of real property to which the Collateral relates. Each Grantor agrees to furnish any such information to SCIL Agent promptly upon request. Each Grantor also ratifies its authorization for SCIL Agent to have filed in any Uniform Commercial Code jurisdiction any initial financing statements or amendments thereto if filed prior to the date hereof.

b. Maintenance of Records. Grantors shall keep and maintain, at their own cost and expense, satisfactory and complete records of the Collateral, including a record of any and all payments received and any and all credits granted with respect to the Collateral and all other dealings with the Collateral. Grantors shall mark their books and records pertaining to the Collateral to evidence this Security Agreement and the Liens granted hereby. If any Grantor retains possession of any Chattel Paper or Instruments with SCIL Agent's consent, such Chattel Paper and Instruments shall be marked with the following legend: "This writing and the obligations evidenced or secured hereby are subject to the security interest of General Electric Capital Corporation, as SCIL Agent, for the benefit of SCIL Agent and certain SCIL Lenders."

c. Covenants Regarding Patent, Trademark and Copyright Collateral.

(i) Grantors shall notify SCIL Agent immediately if they know or have reason to know that any application or registration relating to any Patent, Trademark or Copyright (now or hereafter existing) that is material to the conduct of its business may become abandoned or dedicated, or of any adverse determination or development (including the institution of, or any such determination or development in, any proceeding in the United States Patent and Trademark Office, the United States Copyright Office or any court) regarding any Grantor's ownership of any Patent, Trademark or Copyright that is material to the conduct of its business, its right to register the same, or to keep and maintain the same.

(ii) In no event shall any Grantor, either itself or through any agent, employee, licensee or designee, file an application for the registration of any Patent, Trademark or Copyright with the United States Patent and Trademark Office, the United States Copyright Office or any similar office or agency without giving SCIL Agent prior written notice thereof, and, upon request of SCIL Agent, Grantor shall execute and deliver any and all Patent Security Agreements, Copyright Security Agreements or Trademark Security Agreements as SCIL Agent may request to evidence SCIL Agent's Lien on such Patent, Trademark or Copyright, and the General Intangibles of such Grantor relating thereto or represented thereby.

(iii) Grantors shall take all actions necessary or requested by SCIL Agent to maintain and pursue each application, to obtain the relevant registration and to maintain the registration of each of the Patents, Trademarks and Copyrights (now or hereafter existing), including the filing of applications for renewal, affidavits of use, affidavits of noncontestability and opposition and interference and cancellation proceedings, unless

the applicable Grantor shall determine that such Patent, Trademark or Copyright is not material to the conduct of its business.

(iv) In the event that a Grantor becomes aware of any of the Patent, Trademark or Copyright Collateral is infringed upon, or misappropriated or diluted by a third party, such Grantor shall notify SCIL Agent of the same and, unless such Patent, Trademark or Copyright Collateral is not material to the conduct of its business or as otherwise consented by SCIL Agent, shall enter into a supplement to this Security Agreement granting to SCIL Agent a Lien on a commercial tort claim (as defined in the Code) related thereto. Such Grantor shall, unless such Grantor shall reasonably determine that such Patent, Trademark or Copyright Collateral is not material to the conduct of its business, promptly sue for infringement, misappropriation or dilution and to recover any and all damages for such infringement, misappropriation or dilution, and shall take such other actions as SCIL Agent shall deem appropriate under the circumstances to protect such Patent, Trademark or Copyright Collateral.

d. Indemnification. In any suit, proceeding or action brought by SCIL Agent or any SCIL Lender relating to any Collateral for any sum owing with respect thereto or to enforce any rights or claims with respect thereto, each Grantor will save, indemnify and keep SCIL Agent and SCIL Lenders harmless from and against all expense (including reasonable attorneys' fees and expenses), loss or damage suffered by reason of any defense, setoff, counterclaim, recoupment or reduction of liability whatsoever of the Account Debtor or other Person obligated on the Collateral, arising out of a breach by any Grantor of any obligation thereunder or arising out of any other agreement, indebtedness or liability at any time owing to, or in favor of, such obligor or its successors from such Grantor, except in the case of SCIL Agent or any SCIL Lender, to the extent such expense, loss, or damage is attributable solely to the gross negligence or willful misconduct of SCIL Agent or such SCIL Lender as finally determined by a court of competent jurisdiction. All such obligations of Grantors shall be and remain enforceable against and only against Grantors and shall not be enforceable against SCIL Agent or any SCIL Lender.

e. Limitation on Liens on Collateral. No Grantor will create, permit or suffer to exist, and each Grantor will defend the Collateral against, and take such other action as is necessary to remove, any Lien on the Collateral except Permitted Encumbrances, and will defend the right, title and interest of SCIL Agent and SCIL Lenders in and to any of such Grantor's rights under the Collateral against the claims and demands of all Persons whomsoever (other than the beneficiaries of the Permitted Encumbrances.

f. Notices. Each Grantor will advise SCIL Agent promptly, in reasonable detail, of any Lien (other than Permitted Encumbrances) or claim made or asserted against any of the Collateral of which such Grantor is aware.

g. Good Standing Certificates. If requested by SCIL Agent, but not more frequently than once during each calendar quarter, each Grantor shall provide to SCIL Agent a certificate of good standing from its state of incorporation or organization.

h. No Reincorporation. Without limiting the prohibitions on mergers involving the Grantors contained in the Credit Agreement, no Grantor shall reincorporate or reorganize itself under the laws of any jurisdiction other than the jurisdiction in which it is incorporated or organized as of the date hereof without the prior written consent of SCIL Agent.

i. Terminations; Amendments Not Authorized. Each Grantor acknowledges that it is not authorized to file any financing statement or amendment or termination statement with respect to any financing statement evidencing a Lien granted hereunder without the prior written consent of SCIL Agent and agrees that it will not do so without the prior written consent of SCIL Agent, subject to such Grantor's rights under Section 9-509(d)(2) of the Code.

j. Authorized Terminations. SCIL Agent will promptly deliver to each Grantor for filing or authorize each Grantor to prepare and file termination statements and releases in accordance with Section 11.2(e) of the Credit Agreement.

6. SCIL Agent's Appointment as Attorney-In-Fact.

On the Closing Date each Grantor shall execute and deliver to SCIL Agent a power of attorney (the "Power of Attorney") substantially in the form attached hereto as Exhibit A. The power of attorney granted pursuant to the Power of Attorney is a power coupled with an interest and shall be irrevocable until the Termination Date. The powers conferred on SCIL Agent, for the benefit of SCIL Agent and SCIL Lenders, under the Power of Attorney are solely to protect SCIL Agent's interests (for the benefit of SCIL Agent and SCIL Lenders) in the Collateral and shall not impose any duty upon SCIL Agent or any SCIL Lender to exercise any such powers. SCIL Agent agrees that (a) except for the powers granted in clause (h) of the Power of Attorney, it shall not exercise any power or authority granted under the Power of Attorney unless an Event of Default has occurred and is continuing, and (b) SCIL Agent shall account for any moneys received by SCIL Agent in respect of any foreclosure on or disposition of Collateral pursuant to the Power of Attorney provided that none of SCIL Agent or any SCIL Lender shall have any duty as to any Collateral, and SCIL Agent and SCIL Lenders shall be accountable only for amounts that they actually receive as a result of the exercise of such powers. NONE OF SCIL AGENT, SCIL LENDERS OR THEIR RESPECTIVE AFFILIATES, OFFICERS, DIRECTORS, EMPLOYEES, AGENTS OR REPRESENTATIVES SHALL BE RESPONSIBLE TO ANY GRANTOR FOR ANY ACT OR FAILURE TO ACT UNDER ANY POWER OF ATTORNEY OR OTHERWISE, EXCEPT IN RESPECT OF DAMAGES ATTRIBUTABLE SOLELY TO THEIR OWN GROSS NEGLIGENCE OR WILLFUL MISCONDUCT AS FINALLY DETERMINED BY A COURT OF COMPETENT JURISDICTION, NOR FOR ANY PUNITIVE, EXEMPLARY, INDIRECT OR CONSEQUENTIAL DAMAGES.

7. Remedies; Rights Upon Default.

a. In addition to all other rights and remedies granted to it under this Security Agreement, the Credit Agreement, the other Loan Documents and under any other instrument or agreement securing, evidencing or relating to any of the Obligations, if any Event of Default shall have occurred and be continuing, SCIL Agent may exercise all rights and remedies of a secured party under the Code. Without limiting the generality of the foregoing, each Grantor

expressly agrees that in any such event SCIL Agent, without demand of performance or other demand, advertisement or notice of any kind (except the notice specified below of time and place of public or private sale) to or upon such Grantor or any other Person (all and each of which demands, advertisements and notices are hereby expressly waived to the maximum extent permitted by the Code and other applicable law), may forthwith enter upon the premises of such Grantor where any Collateral is located through self-help, without judicial process, without first obtaining a final judgment or giving such Grantor or any other Person notice and opportunity for a hearing on SCIL Agent's claim or action and may collect, receive, assemble, process, appropriate and realize upon the Collateral, or any part thereof, and may forthwith sell, lease, license, assign, give an option or options to purchase, or sell or otherwise dispose of and deliver said Collateral (or contract to do so), or any part thereof, in one or more parcels at a public or private sale or sales, at any exchange at such prices as it may deem acceptable, for cash or on credit or for future delivery without assumption of any credit risk. SCIL Agent or any SCIL Lender shall have the right upon any such public sale or sales and, to the extent permitted by law, upon any such private sale or sales, to purchase for the benefit of SCIL Agent and SCIL Lenders, the whole or any part of said Collateral so sold, free of any right or equity of redemption, which equity of redemption each Grantor hereby releases. Such sales may be adjourned and continued from time to time with or without notice. SCIL Agent shall have the right to conduct such sales on any Grantor's premises or elsewhere and shall have the right to use any Grantor's premises without charge for such time or times as SCIL Agent deems necessary or advisable.

If any Event of Default shall have occurred and be continuing, each Grantor further agrees, at SCIL Agent's request, to assemble the Collateral and make it available to SCIL Agent at a place or places designated by SCIL Agent which are reasonably convenient to SCIL Agent and such Grantor, whether at such Grantor's premises or elsewhere. Until SCIL Agent is able to effect a sale, lease, or other disposition of Collateral, SCIL Agent shall have the right to hold or use Collateral, or any part thereof, to the extent that it deems appropriate for the purpose of preserving Collateral or its value or for any other purpose deemed appropriate by SCIL Agent. SCIL Agent shall have no obligation to any Grantor to maintain or preserve the rights of such Grantor as against third parties with respect to Collateral while Collateral is in the possession of SCIL Agent. SCIL Agent may, if it so elects, seek the appointment of a receiver or keeper to take possession of Collateral and to enforce any of SCIL Agent's remedies (for the benefit of SCIL Agent and SCIL Lenders), with respect to such appointment without prior notice or hearing as to such appointment. SCIL Agent shall apply the net proceeds of any such collection, recovery, receipt, appropriation, realization or sale to the Obligations as provided in the Credit Agreement, and only after so paying over such net proceeds, and after the payment by SCIL Agent of any other amount required by any provision of law, need SCIL Agent account for the surplus, if any, to any Grantor. To the maximum extent permitted by applicable law, each Grantor waives all claims, damages, and demands against SCIL Agent or any SCIL Lender arising out of the repossession, retention or sale of the Collateral except such as arise solely out of the gross negligence or willful misconduct of SCIL Agent or such SCIL Lender as finally determined by a court of competent jurisdiction. Each Grantor agrees that ten (10) days prior notice by SCIL Agent of the time and place of any public sale or of the time after which a private sale may take place is reasonable notification of such matters. Grantors shall remain liable for any deficiency if the proceeds of any sale or disposition of the Collateral are insufficient to pay all Obligations, including any attorneys' fees and other expenses incurred by SCIL Agent or any SCIL Lender to collect such deficiency.

b. Except as otherwise specifically provided herein, each Grantor hereby waives presentment, demand, protest or any notice (to the maximum extent permitted by applicable law) of any kind in connection with this Security Agreement or any Collateral.

c. To the extent that applicable law imposes duties on SCIL Agent to exercise remedies in a commercially reasonable manner, each Grantor acknowledges and agrees that it is not commercially unreasonable for SCIL Agent (i) to fail to incur expenses reasonably deemed significant by SCIL

Agent to prepare Collateral for disposition or otherwise to complete raw material or work in process into finished goods or other finished products for disposition, (ii) to fail to obtain third party consents for access to Collateral to be disposed of, or to obtain or, if not required by other law, to fail to obtain governmental or third party consents for the collection or disposition of Collateral to be collected or disposed of, (iii) to fail to exercise collection remedies against Account Debtors or other Persons obligated on Collateral or to remove Liens on or any adverse claims against Collateral, (iv) to exercise collection remedies against Account Debtors and other Persons obligated on Collateral directly or through the use of collection agencies and other collection specialists, (v) to advertise dispositions of Collateral through publications or media of general circulation, whether or not the Collateral is of a specialized nature, (vi) to contact other Persons, whether or not in the same business as the Grantor, for expressions of interest in acquiring all or any portion of such Collateral, (vii) to hire one or more professional auctioneers to assist in the disposition of Collateral, whether or not the Collateral is of a specialized nature, (viii) to dispose of assets in wholesale rather than retail markets, (ix) to disclaim disposition warranties, such as title, possession or quiet enjoyment, (x) to purchase insurance or credit enhancements to insure SCIL Agent against risks of loss, collection or disposition of Collateral or to provide to SCIL Agent a guaranteed return from the collection or disposition of Collateral, or (xi) to the extent deemed appropriate by SCIL Agent, to obtain the services of other brokers, investment bankers, consultants and other professionals to assist SCIL Agent in the collection or disposition of any of the Collateral. Each Grantor acknowledges that the purpose of this Section 7(c) is to provide non-exhaustive indications of what actions or omissions by SCIL Agent would not be commercially unreasonable in SCIL Agent's exercise of remedies against the Collateral and that other actions or omissions by SCIL Agent shall not be deemed commercially unreasonable solely on account of not being indicated in this Section 7(c). Without limitation upon the foregoing, nothing contained in this Section 7(c) shall be construed to grant any rights to any Grantor or to impose any duties on SCIL Agent that would not have been granted or imposed by this Security Agreement or by applicable law in the absence of this Section 7(c).

d. Neither SCIL Agent nor the SCIL Lenders shall be required to make any demand upon, or pursue or exhaust any of their rights or remedies against, any Grantor, any other obligor, guarantor, pledgor or any other Person with respect to the payment of the Obligations or to pursue or exhaust any of their rights or remedies with respect to any Collateral therefor or any direct or indirect guarantee thereof. Neither SCIL Agent nor the SCIL Lenders shall be required to marshal the Collateral or any guarantee of the Obligations or to resort to the Collateral or any such guarantee in any particular order, and all of its and their rights hereunder or under any other Loan Document shall be cumulative. To the extent it may lawfully do so, each Grantor absolutely and irrevocably waives and relinquishes the benefit and advantage of, and covenants not to assert against SCIL Agent or any SCIL Lender, any valuation, stay, appraisement, extension, redemption or similar laws and any and all rights or defenses it may

have as a surety now or hereafter existing which, but for this provision, might be applicable to the sale of any Collateral made under the judgment, order or decree of any court, or privately under the power of sale conferred by this Security Agreement, or otherwise.

8. Grant of License to Use Intellectual Property Collateral. For the purpose of enabling SCIL Agent to exercise rights and remedies under Section 7 hereof (including, without limiting the terms of Section 7 hereof, in order to take possession of, hold, preserve, process, assemble, prepare for sale, market for sale, sell or otherwise dispose of Collateral) at such time and for so long as SCIL Agent shall be lawfully entitled to exercise such rights and remedies, each Grantor hereby grants to SCIL Agent, for the benefit of SCIL Agent and SCIL Lenders, a nonexclusive license (exercisable without payment of royalty or other compensation to such Grantor) to use, license or sublicense any intellectual property now owned or hereafter acquired by such Grantor, and wherever the same may be located, and including in such license access to all media in which any of the licensed items may be recorded or stored and to all computer software and programs used for the compilation or printout thereof.

9. Limitation on SCIL Agent's and SCIL Lenders' Duty in Respect of Collateral. SCIL Agent and each SCIL Lender shall use reasonable care with respect to the Collateral in its possession or under its control. Neither SCIL Agent nor any SCIL Lender shall have any other duty as to any Collateral in its possession or control or in the possession or control of any SCIL Agent or nominee of SCIL Agent or such SCIL Lender, or any income thereon or as to the preservation of rights against prior parties or any other rights pertaining thereto.

10. Reinstatement. This Security Agreement shall remain in full force and effect and continue to be effective should any petition be filed by or against any Grantor for liquidation or reorganization, should any Grantor become insolvent or make an assignment for the benefit of any Creditor or Creditors or should a receiver or trustee be appointed for all or any significant part of any Grantor's assets, and shall continue to be effective or be reinstated, as the case may be, if at any time payment and performance of the Obligations, or any part thereof, is, pursuant to applicable law, rescinded or reduced in amount, or must otherwise be restored or returned by any obligee of the Obligations, whether as a "voidable preference," "fraudulent conveyance," or otherwise, all as though such payment or performance had not been made. In the event that any payment, or any part thereof, is rescinded, reduced, restored or returned, the Obligations shall be reinstated and deemed reduced only by such amount paid and not so rescinded, reduced, restored or returned.

11. Notices. Except as otherwise provided herein, whenever it is provided herein that any notice, demand, request, consent, approval, declaration or other communication shall or may be given to or served upon any of the parties by any other party, or whenever any of the parties desires to give and serve upon any other party any communication with respect to this Security Agreement, each such notice, demand, request, consent, approval, declaration or other communication shall be in writing and shall be given in the manner, and deemed received, as provided for in the Credit Agreement.

12. Severability. Whenever possible, each provision of this Security Agreement shall be interpreted in a manner as to be effective and valid under applicable law, but if any provision of this Security Agreement shall be prohibited by or invalid under applicable law, such provision

shall be ineffective to the extent of such prohibition or invalidity without invalidating the remainder of such provision or the remaining provisions of this Security Agreement. This Security Agreement is to be read, construed and applied together with the Credit Agreement and the other Loan Documents which, taken together, set forth the complete understanding and agreement of SCIL Agent, SCIL Lenders and Grantors with respect to the matters referred to herein and therein.

13. No Waiver; Cumulative Remedies. Neither SCIL Agent nor any SCIL Lender shall by any act, delay, omission or otherwise be deemed to have waived any of its rights or remedies hereunder, and no waiver shall be valid unless in writing, signed by SCIL Agent and then only to the extent therein set forth. A waiver by SCIL Agent of any right or remedy hereunder on any one occasion shall not be construed as a bar to any right or remedy which SCIL Agent would otherwise have had on any future occasion. No failure to exercise nor any delay in exercising on the part of SCIL Agent or any SCIL Lender, 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 future exercise thereof or the exercise of any other right, power or privilege. The rights and remedies hereunder provided are cumulative and may be exercised singly or concurrently, and are not exclusive of any rights and remedies provided by law. None of the terms or provisions of this security agreement may be waived, altered, modified or amended except by an instrument in writing, duly executed by SCIL Agent and Grantors.

14. Limitation by Law. All rights, remedies and powers provided in this Security Agreement may be exercised only to the extent that the exercise thereof does not violate any applicable provision of law, and all the provisions of this Security Agreement are intended to be subject to all applicable mandatory provisions of law that may be controlling and to be limited to the extent necessary so that they shall not render this Security Agreement invalid, unenforceable, in whole or in part, or not entitled to be recorded, registered or filed under the provisions of any applicable law.

15. Termination of this Security Agreement. Subject to Section 10 hereof, this Security Agreement shall terminate upon the Termination Date.

16. Successors and Assigns. This Security Agreement and all Obligations of Grantors hereunder shall be binding upon the successors and assigns of each Grantor (including any debtor-in-possession on behalf of such Grantor) and shall, together with the rights and remedies of SCIL Agent, for the benefit of SCIL Agent and SCIL Lenders, hereunder, inure to the benefit of SCIL Agent and SCIL Lenders, all future holders of any instrument evidencing any of the Obligations and their respective successors and assigns. No sales of participations, other sales, assignments, transfers or other dispositions of any agreement governing or instrument evidencing the Obligations or any portion thereof or interest therein shall in any manner impair the Lien granted to SCIL Agent, for the benefit of SCIL Agent and SCIL Lenders, hereunder. No Grantor may assign, sell, hypothecate or otherwise transfer any interest in or Obligation under this Security Agreement.

17. Counterparts. This Security Agreement may be authenticated in any number of separate counterparts, each of which shall collectively and separately constitute one agreement.

This Security Agreement may be authenticated by manual signature, facsimile or, if approved in writing by SCIL Agent, electronic means, all of which shall be equally valid.

18. GOVERNING LAW. EXCEPT AS OTHERWISE EXPRESSLY PROVIDED IN ANY OF THE LOAN DOCUMENTS, IN ALL RESPECTS, INCLUDING ALL MATTERS OF CONSTRUCTION, VALIDITY AND PERFORMANCE, THIS SECURITY AGREEMENT AND THE OBLIGATIONS ARISING HEREUNDER SHALL BE GOVERNED BY, AND CONSTRUED AND ENFORCED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK APPLICABLE TO CONTRACTS MADE AND PERFORMED IN THAT STATE, AND ANY APPLICABLE LAWS OF THE UNITED STATES OF AMERICA. EACH GRANTOR HEREBY CONSENTS AND AGREES THAT THE STATE OR FEDERAL COURTS LOCATED IN NEW YORK COUNTY, CITY OF NEW YORK, NEW YORK, SHALL HAVE EXCLUSIVE JURISDICTION TO HEAR AND DETERMINE ANY CLAIMS OR DISPUTES BETWEEN GRANTORS, SCIL AGENT AND SCIL LENDERS PERTAINING TO THIS SECURITY AGREEMENT OR ANY OF THE OTHER LOAN DOCUMENTS OR TO ANY MATTER ARISING OUT OF OR RELATING TO THIS SECURITY AGREEMENT OR ANY OF THE OTHER LOAN DOCUMENTS, PROVIDED. THAT SCIL AGENT, SCIL LENDERS AND GRANTORS ACKNOWLEDGE THAT ANY APPEALS FROM THOSE COURTS MAY HAVE TO BE HEARD BY A COURT LOCATED OUTSIDE OF NEW YORK COUNTY, AND, PROVIDED, FURTHER, NOTHING IN THIS AGREEMENT SHALL BE DEEMED OR OPERATE TO PRECLUDE SCIL AGENT FROM BRINGING SUIT OR TAKING OTHER LEGAL ACTION IN ANY OTHER JURISDICTION TO REALIZE ON THE COLLATERAL OR ANY OTHER SECURITY FOR THE OBLIGATIONS, OR TO ENFORCE A JUDGMENT OR OTHER COURT ORDER IN FAVOR OF SCIL AGENT. EACH GRANTOR EXPRESSLY SUBMITS AND CONSENTS IN ADVANCE TO SUCH JURISDICTION IN ANY ACTION OR SUIT COMMENCED IN ANY SUCH COURT, AND EACH GRANTOR HEREBY WAIVES ANY OBJECTION WHICH IT MAY HAVE BASED UPON LACK OF PERSONAL JURISDICTION, IMPROPER VENUE OR FORUM NON CONVENIENS AND HEREBY CONSENTS TO THE GRANTING OF SUCH LEGAL OR EQUITABLE RELIEF AS IS DEEMED APPROPRIATE BY SUCH COURT. EACH GRANTOR HEREBY WAIVES PERSONAL SERVICE OF THE SUMMONS, COMPLAINT AND OTHER PROCESS ISSUED IN ANY SUCH ACTION OR SUIT AND AGREES THAT SERVICE OF SUCH SUMMONS, COMPLAINTS AND OTHER PROCESS MAY BE MADE BY REGISTERED OR CERTIFIED MAIL ADDRESSED TO SUCH GRANTOR AT THE ADDRESS SET FORTH ON ANNEX I TO THE CREDIT AGREEMENT AND THAT SERVICE SO MADE SHALL BE DEEMED COMPLETED UPON THE EARLIER OF ACTUAL RECEIPT THEREOF OR THREE (3) DAYS AFTER DEPOSIT IN THE U.S. MAILS, PROPER POSTAGE PREPAID.

19. Waiver of Jury Trial. Because disputes arising in connection with complex financial transactions are most quickly and economically resolved by an experienced and expert person and the parties wish applicable state and federal laws to apply (rather than arbitration rules), the parties desire that disputes arising hereunder or relating hereto be resolved by a judge applying such applicable laws. Therefore, to achieve the best combination of the benefits of the judicial system and of arbitration, the parties hereto waive all right to trial by jury in any action, suit or proceeding brought to resolve any dispute, whether sounding in contract, tort, or otherwise, among SCIL Agent, SCIL Lenders, and Grantors arising out of, connected with,

related to, or incidental to the relationship established in connection with, this Security Agreement or any of the other loan documents or the transactions related hereto or thereto.

20. Section Titles. The Section titles contained in this Security Agreement are and shall be without substantive meaning or content of any kind whatsoever and are not a part of the Agreement between the parties hereto.

21. No Strict Construction. The parties hereto have participated jointly in the negotiation and drafting of this Security Agreement. In the event an ambiguity or question of intent or interpretation arises, this Security Agreement shall be construed as if drafted jointly by the parties hereto and no presumption or burden of proof shall arise favoring or disfavoring any party by virtue of the authorship of any provisions of this Security Agreement.

22. Advice of Counsel. Each of the parties represents to each other party hereto that it has discussed this Security Agreement and, specifically, the provisions of Section 18 and Section 19, with its counsel.

23. Benefit of SCIL Lenders. All Liens granted or contemplated hereby shall be for the benefit of SCIL Agent, individually, and SCIL Lenders, and all proceeds or payments realized from Collateral in accordance herewith shall be applied to the Obligations in accordance with the terms of the Credit Agreement.

24. Subordination. Notwithstanding anything herein to the contrary, the security interest in favor of SCIL Agent granted hereunder and the rights of SCIL Agent in respect thereof shall be subordinate in all respects to the Senior Lien to the extent provided in the Intercreditor Agreement.

25. Performance by Grantors. Notwithstanding anything herein to the contrary, no Grantor shall be required to comply with any covenant or perform any act under this Agreement to the extent that compliance with such covenant or performance of such act would conflict with the terms of any agreement of such Grantor in favor of Senior Agent until such time as the "Termination Date" under and as defined in the Senior Credit Agreement has occurred.

IN WITNESS WHEREOF, each of the parties hereto has caused this Security Agreement to be executed and delivered by its duly authorized officer as of the date first set forth above.

GENERAL ELECTRIC CAPITAL CORPORATION, as SCIL Agent

By: /s/ [ILLEGIBLE]
Duly Authorized Signatory

ROLLER BEARING COMPANY OF AMERICA, INC., as Borrower

By: /s/ Daniel A. Bergerun
Name: DANIEL A. BERGERUN
Title: VP & CFO

INDUSTRIAL TECTONICS BEARINGS CORPORATION, as Grantor

By: /s/ Daniel A. Bergerun
Name: DANIEL A. BERGERUN
Title: VP & CFO

RBC NICE BEARINGS INC., as Grantor

By: /s/ Daniel A. Bergerun
Name: DANIEL A. BERGERUN
Title: VP & CFO

[Signature page to SCIL Security Agreement]

IN WITNESS WHEREOF, each of the parties hereto has caused this Security Agreement to be executed and delivered by its duly authorized officer as of the date first set forth above.

GENERAL ELECTRIC CAPITAL CORPORATION, as SCIL Agent

By:
Duly Authorized Signatory

ROLLER BEARING COMPANY OF AMERICA, INC., as Borrower

By: /s/ Daniel A. Bergerun
Name: DANIEL A. BERGERUN
Title: VP & CFO

INDUSTRIAL TECTONICS BEARINGS CORPORATION, as Grantor

By: /s/ Daniel A. Bergerun
Name: DANIEL A. BERGERUN
Title: VP & CFO

RBC NICE BEARINGS INC., as Grantor

By: /s/ Daniel A. Bergerun
Name: DANIEL A. BERGERUN
Title: VP & CFO

BREMEN BEARINGS, INC., as Grantor

By: /s/ Daniel A. Bergerun
Name: DANIEL A. BERGERUN
Title: VP & CFO

TYSON BEARING COMPANY, INC., as Grantor

By: /s/ Daniel A. Bergerun
Name: DANIEL A. BERGERUN
Title: VP & CFO

RBC LINEAR PRECISION PRODUCTS, INC., as Grantor

By: /s/ Daniel A. Bergerun
Name: DANIEL A. BERGERUN
Title: VP & CFO

MILLER BEARING COMPANY, INC., as Grantor

By: /s/ Daniel A. Bergerun
Name: DANIEL A. BERGERUN
Title: VP & CFO

RBC OKLAHOMA, INC., as Grantor

By: /s/ Daniel A. Bergerun
Name: DANIEL A. BERGERUN
Title: VP & CFO

RBC AIRCRAFT PRODUCTS, INC., as Grantor

By: /s/ Daniel A. Bergerun
Name: DANIEL A. BERGERUN
Title: VP & CFO

Exhibit 10.31

PLEDGE AGREEMENT

This PLEDGE AGREEMENT, dated as of June 29, 2004 (together with all amendments, if any, from time to time hereto, this "Agreement") between ROLLER BEARING COMPANY OF AMERICA, INC., a Delaware corporation (the "Pledgor"), and GENERAL ELECTRIC CAPITAL CORPORATION, in its capacity as SCIL Agent for SCIL Lenders ("SCIL Agent").

W I T N E S S E T H:

WHEREAS, pursuant to that certain SCIL Credit Agreement dated as of the date hereof by and among Pledgor, the Persons named therein as Credit Parties, SCIL Agent and the Persons signatory thereto from time to time as SCIL Lenders (including all annexes, exhibits and schedules thereto, and as from time to time amended, restated, supplemented or otherwise modified (the "Credit Agreement"), the SCIL Lenders have agreed to make a second collateralized institutional loan to Borrower (the "SCIL");

WHEREAS, Pledgor is the record and beneficial owner of the shares of Stock listed in Part A of Schedule I hereto and the owner of the promissory notes and instruments listed in Part B of Schedule I hereto;

WHEREAS, Pledgor benefits from the credit facilities made available to Borrower under the Credit Agreement;

WHEREAS, in order to induce SCIL Agent and SCIL Lenders to make the SCIL as provided for in the Credit Agreement, Pledgor has agreed to pledge the Pledged Collateral to SCIL Agent in accordance herewith;

NOW, THEREFORE, in consideration of the premises and the covenants hereinafter contained and to induce SCIL Lenders to make the SCIL under the Credit Agreement, it is agreed as follows:

1. Definitions. Unless otherwise defined herein, terms defined in the Credit Agreement are used herein as therein defined, and the following shall have (unless otherwise provided elsewhere in this Agreement) the following respective meanings (such meanings being equally applicable to both the singular and plural form of the terms defined):

"Bankruptcy Code" means title 11, United States Code, as amended from time to time, and any successor statute thereto.

"Pledged Collateral" has the meaning assigned to such term in Section 2 hereof.

"Pledged Entity" means an issuer of Pledged Shares or Pledged Indebtedness.

"Pledged Indebtedness" means the Indebtedness evidenced by promissory notes and instruments listed on Part B of Schedule I hereto;

"Pledged Shares" means those shares of Stock listed on Part A of Schedule I hereto.

"Secured Obligations" has the meaning assigned to such term in Section 3 hereof.

"Senior Lien Termination Date" means the "Termination Date" as defined in the Senior Credit Agreement

2. Pledge. Pledgor hereby pledges to SCIL Agent, and grants to SCIL Agent for itself and the ratable benefit of SCIL Lenders, a security interest in all of the following (collectively, the "Pledged Collateral"):

a. the Pledged Shares and the certificates representing the Pledged Shares, and all dividends, distributions, cash, instruments and other property or proceeds from time to time received, receivable or otherwise distributed in respect of or in exchange for any or all of the Pledged Shares; and

b. such portion, as determined by SCIL Agent as provided in Section 6(d) below, of any additional shares of Stock of a Pledged Entity from time to time acquired by Pledgor in any manner (which shares of Stock shall be deemed to be part of the Pledged Shares), and the certificates representing such additional shares, and all dividends, distributions, cash, instruments and other property or proceeds from time to time received, receivable or otherwise distributed in respect of or in exchange for any or all of such Stock; and

c. the Pledged Indebtedness and the promissory notes or instruments evidencing the Pledged Indebtedness, and all interest, cash, instruments and other property and assets from time to time received, receivable or otherwise distributed in respect of the Pledged Indebtedness; and

d. all additional Indebtedness arising after the date hereof and owing to Pledgor and evidenced by promissory notes or other instruments, together with such promissory notes and instruments, and all interest, cash, instruments and other property and assets from time to time received, receivable or otherwise distributed in respect of that Pledged Indebtedness.

3. Security For Obligations. This Agreement secures, and the Pledged Collateral is security for, the prompt payment in full when due, whether at stated maturity, by acceleration or otherwise, and performance of all Obligations (collectively, the "Secured Obligations").

4. Delivery of Pledged Collateral. At all times following the Senior Lien Termination Date, all certificates and all promissory notes and instruments evidencing the Pledged Collateral shall be delivered to and held by or on behalf of SCIL Agent, for itself and the ratable benefit of SCIL Lenders, pursuant hereto. All Pledged Shares shall be accompanied by duly executed instruments of transfer or assignment in blank, all in form and substance satisfactory to SCIL Agent and all promissory notes or other instruments evidencing the Pledged Indebtedness shall be endorsed by Pledgor.

5. Representations and Warranties. Pledgor represents and warrants to SCIL Agent that:

a. Pledgor is, and at the time of delivery of the Pledged Shares to Senior Agent will be, the sole holder of record and the sole beneficial owner of such Stock free and clear of any Lien thereon or affecting the title thereto, except for any Lien created by the Loan Documents and the prior Lien of Senior Agent on such Stock (such prior Lien, the "Senior Lien"); Pledgor is and at the time of delivery of the Pledged Indebtedness to Senior Agent will be, the sole owner of such Pledged Indebtedness free and clear of any Lien thereon or affecting title thereto, except for any Lien created by the Loan Documents and the Senior Lien;

b. All of the Pledged Shares have been duly authorized, validly issued and are fully paid and non-assessable; the Pledge Indebtedness has been duly authorized, authenticated or issued and delivered by, and is the legal, valid and binding obligations of, the Pledged Entity issuing such Pledged Indebtedness, and no such Pledged Entity is in default thereunder.

c. Pledgor has the power and requisite authority to pledge, assign, transfer, deliver, deposit and set over the Pledged as provided herein.

d. All of the Pledged Shares are presently owned by Pledgor, and are presently represented by the certificates listed on Part A of Schedule I hereto. As of the date hereof, there are no existing options, warrants, calls or commitments of any character whatsoever relating to the Pledged Shares;

e. No consent, approval, authorization or other order or other action by, and no notice to or filing with, any Governmental Authority or any other Person is required (i) for the pledge by Pledgor of the Pledged Collateral pursuant to this Agreement or for the execution, delivery or performance of this Agreement by Pledgor, or (ii) for the exercise by SCIL Agent of (A) the voting or other rights provided for in this Agreement or (B) the remedies in respect of the Pledged Collateral pursuant to this Agreement, except as may be required by the Code or laws affecting the offering and sale of securities generally;

f. The pledge, assignment and delivery of the Pledged Collateral pursuant to this Agreement will create a valid Lien on and a perfected security interest in favor of the SCIL Agent for its benefit and the ratable benefit of SCIL Lenders in the Pledged Collateral in accordance with Section 2, securing the payment of the Secured Obligations, subject to no other Lien;

g. This Agreement has been duly authorized, executed and delivered by Pledgor and constitutes a legal, valid and binding obligation of Pledgor enforceable against Pledgor in accordance with its terms;

h. The Pledged Shares constitute 100% of the issued and outstanding shares of Stock of the Pledgor's Domestic Subsidiaries and 66% of the Stock of RBC Schaublin Holding S.A. and RBC Mexico S. DE R.L. DE C.V.

i. Except as disclosed on Part B of Schedule I, none of the Pledged Indebtedness is subordinated in right of payment to other Indebtedness (except for the Secured Obligations) or subject to the terms of an indenture.

The representations and warranties set forth in this Section 5 shall survive the execution and delivery of this Agreement.

6. Covenants. Pledgor covenants and agrees that until the Termination Date:

a. Without the prior written consent of SCIL Agent, Pledgor will not sell, assign, transfer, pledge, or otherwise encumber any of its rights in or to the Pledged Collateral, or any unpaid dividends, interest or other distributions or payments with respect to the Pledged Collateral or grant a Lien in the Pledged Collateral, unless otherwise expressly permitted by the Credit Agreement;

b. Pledgor will, at its expense, promptly execute, acknowledge and deliver all such instruments and take all such actions as SCIL Agent from time to time may reasonably request in order to ensure to SCIL Agent and SCIL Lenders the benefits of the Liens in and to the Pledged Collateral intended to be created by this Agreement, including the filing of any necessary Code financing statements, which may be filed by SCIL Agent with or (to the extent permitted by law) without the signature of Pledgor, and will cooperate with SCIL Agent, at Pledgor's expense, in obtaining all necessary approvals and making all necessary filings under federal, state, local or foreign law in connection with such Liens or any sale or transfer of the Pledged Collateral in accordance with Section 8;

c. Pledgor has and will defend the title to the Pledged Collateral and the Liens of SCIL Agent in the Pledged Collateral against the claim of any Person and will maintain and preserve such Liens; and

d. Pledgor will, upon obtaining ownership of any additional Stock or promissory notes or instruments of a Pledged Entity or Stock or promissory notes or instruments otherwise required to be pledged to SCIL Agent pursuant to any of the Loan Documents, which Stock, notes or instruments are not already Pledged Collateral, promptly (and in any event within three (3) Business Days) deliver to SCIL Agent a Pledge Amendment, duly executed by Pledgor, in substantially the form of Schedule II hereto (a "Pledge Amendment") in respect of any such additional Stock, notes or instruments, pursuant to which Pledgor shall pledge to SCIL Agent all of such additional Stock, notes and instruments. Pledgor hereby authorizes SCIL Agent to attach each Pledge Amendment to this Agreement and agrees that all Pledged Shares and Pledged Indebtedness listed on any Pledge Amendment delivered to Senior Agent (or, after the Senior Lien Termination Date, to SCIL Agent) shall for all purposes hereunder be considered Pledged Collateral.

7. Pledgor's Rights. As long as no Default or Event of Default shall have occurred and be continuing and until written notice shall be given to Pledgor in accordance with Section 8(a) hereof:

a. Pledgor shall have the right, from time to time, to vote and give consents with respect to the Pledged Collateral, or any part thereof; provided, however, that no vote shall be cast, and no consent shall be given or action taken, which would have the effect of impairing the position or interest of SCIL Agent in respect of the Pledged Collateral or which would

authorize, effect or consent to (unless and to the extent expressly permitted by the Credit Agreement):

(i) the dissolution or liquidation, in whole or in part, of a Pledged Entity;

(ii) the consolidation or merger of a Pledged Entity with any other Person;

(iii) the sale, disposition or encumbrance of all or substantially all of the assets of a Pledged Entity, except for Liens in favor of SCIL Agent and Senior Agent;

(iv) the issuance of any additional shares of its Stock to any Person other than Pledgor (and if to Pledgor, only so long as such additional shares are upon issuance promptly pledged to SCIL Agent); or

(v) the alteration of the voting rights with respect to the Stock of a Pledged Entity; and

b. (i) Pledgor shall be entitled, from time to time, to collect and receive for its own use all cash dividends and interest paid in respect of the Pledged Shares and Pledged Indebtedness to the extent not in violation of the Credit Agreement other than any and all: (A) dividends and other distributions paid or payable in cash in respect of any Pledged Shares in connection with a partial or total liquidation or dissolution or in connection with a reduction of capital, capital surplus or paid-in capital of a Pledged Entity; and (B) cash paid, payable or otherwise distributed, in respect of principal of, or in redemption of, or in exchange for, any Pledged Collateral; provided, however, that until actually paid all rights to such distributions shall remain subject to the Lien created by this Agreement; and

(ii) All dividends and other payments (other than such cash dividends and interest as are permitted to be paid to Pledgor in accordance with clause (i) above) and all other distributions in respect of any of the Pledged Shares or Pledged Indebtedness, whenever paid or made, shall be delivered to Senior Agent (or, after the Senior Lien Termination Date, to SCIL Agent) to hold as Pledged Collateral and shall, if received by Pledgor, be received in trust for the benefit of Senior Agent and SCIL Agent, be segregated from the other property or funds of Pledgor, and be forthwith delivered to SCIL Agent as Pledged Collateral in the same form as so received (with any necessary indorsement).

8. Defaults and Remedies; Proxy.

a. Upon the occurrence of an Event of Default and during the continuation of such Event of Default, and concurrently with written notice to Pledgor, SCIL Agent (personally or through an SCIL Agent) is hereby authorized and empowered to transfer and register in its name or in the name of its nominee the whole or any part of the Pledged Collateral, to exchange certificates or instruments representing or evidencing Pledged Collateral for certificates or instruments of smaller or larger denominations, to exercise the voting and all other rights as a holder with respect thereto, to collect and receive all cash dividends, interest, principal and other distributions made thereon, to sell in one or more sales after ten (10) days' notice of the time and

place of any public sale or of the time at which a private sale is to take place (which notice Pledgor agrees is commercially reasonable) the whole or any part of the Pledged Collateral and to otherwise act with respect to the Pledged Collateral as though SCIL Agent was the outright owner thereof. Any sale shall be made at public or private sale at SCIL Agent's place of business, or at any place to be named in the notice of sale, either for cash or upon credit or for future delivery at such price as SCIL Agent may deem fair, and SCIL Agent may be the purchaser of the whole or any part of the Pledged Collateral so sold and hold the same thereafter in its own right free from any claim of Pledgor or any right of redemption. Each sale shall be made to the highest bidder, but SCIL Agent reserves the right to reject any and all bids at such sale which, in its discretion, it shall deem inadequate. Demands of performance, except as otherwise herein specifically provided for, notices of sale, advertisements and the presence of property at sale are hereby waived and any sale hereunder may be conducted by an auctioneer or any officer or agent of SCIL Agent. PLEDGOR HEREBY IRREVOCABLY CONSTITUTES AND APPOINTS SCIL AGENT AS THE PROXY AND ATTORNEY-IN-FACT OF PLEDGOR WITH RESPECT TO THE PLEDGED COLLATERAL, INCLUDING THE RIGHT TO VOTE THE PLEDGED SHARES, WITH FULL POWER OF SUBSTITUTION TO DO SO. THE APPOINTMENT OF SCIL AGENT AS PROXY AND ATTORNEY-IN-FACT IS COUPLED WITH AN INTEREST AND SHALL BE IRREVOCABLE UNTIL THE TERMINATION DATE. IN ADDITION TO THE RIGHT TO VOTE THE PLEDGED SHARES, THE APPOINTMENT OF SCIL AGENT AS PROXY AND ATTORNEY-IN-FACT SHALL INCLUDE THE RIGHT TO EXERCISE ALL OTHER RIGHTS, POWERS, PRIVILEGES AND REMEDIES TO WHICH A HOLDER OF THE PLEDGED SHARES WOULD BE ENTITLED (INCLUDING GIVING OR WITHHOLDING WRITTEN CONSENTS OF SHAREHOLDERS, CALLING SPECIAL MEETINGS OF SHAREHOLDERS AND VOTING AT SUCH MEETINGS). SUCH PROXY SHALL BE EFFECTIVE, AUTOMATICALLY AND WITHOUT THE NECESSITY OF ANY ACTION (INCLUDING ANY TRANSFER OF ANY PLEDGED SHARES ON THE RECORD BOOKS OF THE ISSUER THEREOF) BY ANY PERSON (INCLUDING THE ISSUER OF THE PLEDGED SHARES OR ANY OFFICER OR AGENT THEREOF), UPON THE OCCURRENCE OF AN EVENT OF DEFAULT. NOTWITHSTANDING THE FOREGOING, SCIL AGENT SHALL NOT HAVE ANY DUTY TO EXERCISE ANY SUCH RIGHT OR TO PRESERVE THE SAME AND SHALL NOT BE LIABLE FOR ANY FAILURE TO DO SO OR FOR ANY DELAY IN DOING SO.

b. If, at the original time or times appointed for the sale of the whole or any part of the Pledged Collateral, the highest bid, if there be but one sale, shall be inadequate to discharge in full all the Secured Obligations, or if the Pledged Collateral be offered for sale in lots, if at any of such sales, the highest bid for the lot offered for sale would indicate to SCIL Agent, in its discretion, that the proceeds of the sales of the whole of the Pledged Collateral would be unlikely to be sufficient to discharge all the Secured Obligations, SCIL Agent may, on one or more occasions and in its discretion, postpone any of said sales by public announcement at the time of sale or the time of previous postponement of sale, and no other notice of such postponement or postponements of sale need be given, any other notice being hereby waived; provided, however, that any sale or sales made after such postponement shall be after ten (10) days' notice to Pledgor.

c. If, at any time when SCIL Agent shall determine to exercise its right to sell the whole or any part of the Pledged Collateral hereunder, such Pledged Collateral or the part thereof to be sold shall not, for any reason whatsoever, be effectively registered under the Securities Act of 1933, as amended (or any similar statute then in effect) (the "Act"), SCIL Agent may, in its discretion (subject only to applicable requirements of law), sell such Pledged Collateral or part thereof by private sale in such manner and under such circumstances as SCIL Agent may deem necessary or advisable, but subject to the other requirements of this Section 8, and shall not be required to effect such registration or to cause the same to be effected. Without limiting the generality of the foregoing, in any such event, SCIL Agent in its discretion (x) may, in accordance with applicable securities laws, proceed to make such private sale notwithstanding that a registration statement for the purpose of registering such Pledged Collateral or part thereof could be or shall have been filed under said Act (or similar statute), (y) may approach and negotiate with a single possible purchaser to effect such sale, and (z) may restrict such sale to a purchaser who is an accredited investor under the Act and who will represent and agree that such purchaser is purchasing for its own account, for investment and not with a view to the distribution or sale of such Pledged Collateral or any part thereof. In addition to a private sale as provided above in this Section 8, if any of the Pledged Collateral shall not be freely distributable to the public without registration under the Act (or similar statute) at the time of any proposed sale pursuant to this Section 8, then SCIL Agent shall not be required to effect such registration or cause the same to be effected but, in its discretion (subject only to applicable requirements of law), may require that any sale hereunder (including a sale at auction) be conducted subject to restrictions:

(i) as to the financial sophistication and ability of any Person permitted to bid or purchase at any such sale;

(ii) as to the content of legends to be placed upon any certificates representing the Pledged Collateral sold in such sale, including restrictions on future transfer thereof;

(iii) as to the representations required to be made by each Person bidding or purchasing at such sale relating to that Person's access to financial information about Pledgor and such Person's intentions as to the holding of the Pledged Collateral so sold for investment for its own account and not with a view to the distribution thereof; and

(iv) as to such other matters as SCIL Agent may, in its discretion, deem necessary or appropriate in order that such sale (notwithstanding any failure so to register) may be effected in compliance with the Bankruptcy Code and other laws affecting the enforcement of creditors' rights and the Act and all applicable state securities laws.

d. Pledgor recognizes that SCIL Agent may be unable to effect a public sale of any or all the Pledged Collateral and may be compelled to resort to one or more private sales thereof in accordance with clause (c) above. Pledgor also acknowledges that any such private sale may result in prices and other terms less favorable to the seller than if such sale were a public sale and, notwithstanding such circumstances, agrees that any such private sale shall not

Be deemed to have been made in a commercially unreasonable manner solely by virtue of such sale being private. SCIL Agent shall be under no obligation to delay a sale of any of the Pledged Collateral for the period of time necessary to permit the Pledged Entity to register such securities for public sale under the Act, or under applicable state securities laws, even if Pledgor and the Pledged Entity would agree to do so.

e. Pledgor agrees to the maximum extent permitted by applicable law that following the occurrence and during the continuance of an Event of Default it will not at any time plead, claim or take the benefit of any appraisal, valuation, stay, extension, moratorium or redemption law now or hereafter in force in order to prevent or delay the enforcement of this Agreement, or the absolute sale of the whole or any part of the Pledged Collateral or the possession thereof by any purchaser at any sale hereunder, and Pledgor waives the benefit of all such laws to the extent it lawfully may do so. Pledgor agrees that it will not interfere with any right, power and remedy of SCIL Agent provided for in this Agreement or now or hereafter existing at law or in equity or by statute or otherwise, or the exercise or beginning of the exercise by SCIL Agent of any one or more of such rights, powers or remedies. No failure or delay on the part of SCIL Agent to exercise any such right, power or remedy and no notice or demand which may be given to or made upon Pledgor by SCIL Agent with respect to any such remedies shall operate as a waiver thereof, or limit or impair SCIL Agent's right to take any action or to exercise any power or remedy hereunder, without notice or demand, or prejudice its rights as against Pledgor in any respect.

f. Pledgor further agrees that a breach of any of the covenants contained in this Section 8 will cause irreparable injury to SCIL Agent, that SCIL Agent shall have no adequate remedy at law in respect of such breach and, as a consequence, agrees that each and every covenant contained in this Section 8 shall be specifically enforceable against Pledgor, and Pledgor hereby waives and agrees not to assert any defenses against an action for specific performance of such covenants except for a defense that the Secured Obligations are not then due and payable in accordance with the agreements and instruments governing and evidencing such obligations.

9. Waiver. No delay on SCIL Agent's part in exercising any power of sale, Lien, option or other right hereunder, and no notice or demand which may be given to or made upon Pledgor by SCIL Agent with respect to any power of sale, Lien, option or other right hereunder, shall constitute a waiver thereof, or limit or impair SCIL Agent's right to take any action or to exercise any power of sale, Lien, option, or any other right hereunder, without notice or demand, or prejudice SCIL Agent's rights as against Pledgor in any respect.

10. Assignment. SCIL Agent may assign, indorse or transfer any instrument evidencing all or any part of the Secured Obligations as provided in, and in accordance with, the Credit Agreement, and the holder of such instrument shall be entitled to the benefits of this Agreement.

11. Termination. Immediately following the Termination Date, SCIL Agent shall deliver to Pledgor the Pledged Collateral pledged by Pledgor in the possession of SCIL Agent at the time subject to this Agreement and all instruments of assignment executed in connection therewith, free and clear of the Liens hereof and, except as otherwise provided herein or therein,

all of Pledgor's Obligations hereunder or under the other Loan Documents shall at such time terminate.

12. Lien Absolute. All rights of SCIL Agent hereunder, and all Obligations of Pledgor hereunder, shall be absolute and unconditional irrespective of:

a. any lack of validity or enforceability of the Credit Agreement, any other Loan Document or any other agreement or instrument governing or evidencing any Secured Obligations;

b. any change in the time, manner or place of payment of, or in any other term of, all or any part of the Secured Obligations, or any other amendment or waiver of or any consent to any departure from the Credit Agreement, any other Loan Document or any other agreement or instrument governing or evidencing any Secured Obligations;

c. any exchange, release or non-perfection of any other Collateral, or any release or amendment or waiver of or consent to departure from any guaranty, for all or any of the Secured Obligations;

d. the insolvency of any Credit Party; or

e. any other circumstance which might otherwise constitute a defense available to, or a discharge of, Pledgor.

13. Release. Pledgor consents and agrees that SCIL Agent may at any time, or from time to time, in its discretion:

a. renew, extend or change the time of payment, and/or the manner, place or terms of payment of all or any part of the Secured Obligations; and

b. exchange, release and/or surrender all or any of the Collateral (including the Pledged Collateral), or any part thereof, by whomsoever deposited, which is now or may hereafter be held by SCIL Agent in connection with all or any of the Secured Obligations; all in such manner and upon such terms as SCIL Agent may deem proper, and without notice to or further assent from Pledgor, it being hereby agreed that Pledgor shall be and remain bound upon this Agreement, irrespective of the value or condition of any of the Collateral, and notwithstanding any such change, exchange, settlement, compromise, surrender, release, renewal or extension, and notwithstanding also that the Secured Obligations may, at any time, exceed the aggregate principal amount thereof set forth in the Credit Agreement, or any other agreement governing any Secured Obligations. Pledgor hereby waives notice of acceptance of this Agreement, and also presentment, demand, protest and notice of dishonor of any and all of the Secured Obligations, and promptness in commencing suit against any party hereto or liable hereon, and in giving any notice to or of making any claim or demand hereunder upon Pledgor. No act or omission of any kind on SCIL Agent's part shall in any event affect or impair this Agreement.

14. Reinstatement. This Agreement shall remain in full force and effect and continue to be effective should any petition be filed by or against Pledgor or any Pledged Entity for

liquidation or reorganization, should Pledgor or any Pledged Entity become insolvent or make an assignment for the benefit of creditors or should a receiver or trustee be appointed for all or any significant part of Pledgor's or a Pledged Entity's assets, and shall continue to be effective or be reinstated, as the case may be, if at any time payment and performance of the Secured Obligations, or any part thereof, is, pursuant to applicable law, rescinded or reduced in amount, or must otherwise be restored or returned by any obligee of the Secured Obligations, whether as a "voidable preference", "fraudulent conveyance", or otherwise, all as though such payment or performance had not been made. In the event that any payment, or any part thereof, is rescinded, reduced, restored or returned, the Secured Obligations shall be reinstated and deemed reduced only by such amount paid and not so rescinded, reduced, restored or returned.

15. Miscellaneous.

a. SCIL Agent may execute any of its duties hereunder by or through agents or employees and shall be entitled to advice of counsel concerning all matters pertaining to its duties hereunder.

b. Pledgor agrees to promptly reimburse SCIL Agent for actual out-of-pocket expenses, including, without limitation, reasonable counsel fees, incurred by SCIL Agent in connection with the administration and enforcement of this Agreement.

c. Neither SCIL Agent, nor any of its respective officers, directors, employees, agents or counsel shall be liable for any action lawfully taken or omitted to be taken by it or them hereunder or in connection herewith, except for its or their own gross negligence or willful misconduct as finally determined by a court of competent jurisdiction.

d. THIS AGREEMENT SHALL BE BINDING UPON PLEDGOR AND ITS SUCCESSORS AND ASSIGNS (INCLUDING A DEBTOR-IN-POSSESSION ON BEHALF OF PLEDGOR), AND SHALL INURE TO THE BENEFIT OF, AND BE ENFORCEABLE BY, SCIL AGENT AND ITS SUCCESSORS AND ASSIGNS, AND SHALL BE GOVERNED BY, AND CONSTRUED AND ENFORCED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK APPLICABLE TO CONTRACTS MADE AND PERFORMED IN THAT STATE, AND NONE OF THE TERMS OR PROVISIONS OF THIS AGREEMENT MAY BE WAIVED, ALTERED, MODIFIED OR AMENDED EXCEPT IN WRITING DULY SIGNED FOR AND ON BEHALF OF SCIL AGENT AND PLEDGOR.

16. Severability. If for any reason any provision or provisions hereof are determined to be invalid and contrary to any existing or future law, such invalidity shall not impair the operation of or effect those portions of this Agreement which are valid.

17. Notices. Except as otherwise provided herein, whenever it is provided herein that any notice, demand, request, consent, approval, declaration or other communication shall or may be given to or served upon any of the parties by any other party, or whenever any of the parties desires to give or serve upon any other a communication with respect to this Agreement, each such notice, demand, request, consent, approval, declaration or other communication shall be in writing and either shall be delivered in person or sent by registered or certified mail, return

receipt requested, with proper postage prepaid, or by facsimile transmission and confirmed by delivery of a copy by personal delivery or United States mail as otherwise provided herein:

a. If to SCIL Agent, at:

General Electric Capital Corporation
100 California Street, 10th Floor
San Francisco, CA 94111
Attention: Daniel Shapiro and Neel Morey
Facsimile: (415) 277-7443

With copies to:

Latham & Watkins
233 S. Wacker Drive
Sears Tower, Suite 5800
Chicago, Illinois 60606
Attention: David Crumbaugh
Fax No.: 312-993-9767

and

General Electric Capital Corporation
500 W. Monroe Street, 16th Floor
Chicago, IL 60661
Attention: Andrew Packer
Facsimile: (312) 441-6876

If to Pledgor, at:

Roller Bearing Company of America, Inc.
60 Round Hill Road
Fairfield, Connecticut 06430
Attention: Chief Executive Officer
Fax No.: 203-256-0775

With copies to:

Kirkland & Ellis LLP
153 East 53rd Street
New York, New York 10022
Attention: Frederick Tanne and Armand A. Della Monica
Fax No.: 212-446-4900

or at such other address as may be substituted by notice given as herein provided. The giving of any notice required hereunder may be waived in writing by the party entitled to receive such

notice. Every notice, demand, request, consent, approval, declaration or other communication hereunder shall be deemed to have been duly served, given or delivered (a) upon the earlier of actual receipt and three (3) Business Days after deposit in the United States Mail, registered or certified mail, return receipt requested, with proper postage prepaid, (b) upon transmission, when sent by telecopy or other similar facsimile transmission (with such telecopy or facsimile promptly confirmed by delivery of a copy by personal delivery or United States Mail as otherwise provided in this Section 17, (c) one (1) Business Day after deposit with a reputable overnight courier with all charges prepaid, or (d) when delivered, if hand-delivered by messenger. Failure or delay in delivering copies of any notice, demand, request, consent, approval, declaration or other communication to the persons designated above to receive copies shall in no way adversely affect the effectiveness of such notice, demand, request, consent, approval, declaration or other communication.

18. Section Titles. The Section titles contained in this Agreement are and shall be without substantive meaning or content of any kind whatsoever and are not a part of the Agreement between the parties hereto.

19. Counterparts. This Agreement may be executed in any number of counterparts, which shall, collectively and separately, constitute one agreement.

20. Benefit of SCIL Lenders. All Security Interests granted or contemplated hereby shall be for the benefit of SCIL Agent and SCIL Lenders, and all proceeds or payments realized from the Pledged Collateral in accordance herewith shall be applied to the Obligations in accordance with the terms of the Credit Agreement.

21. Subordination. Notwithstanding anything herein to the contrary, the security interest granted to SCIL Agent in favor of SCIL Lenders hereunder and the rights of such parties in respect hereof shall be subordinate to the Senior Lien to the extent provided in the Intercreditor Agreement.

22. Performance of Pledgor. Notwithstanding anything herein to the contrary, Pledgor shall not be required to perform any covenant or obligation under this Agreement to the extent that compliance with such covenant or performance of such act would conflict with the terms of any agreement of Pledgor in favor of Senior Agent until the Senior Lien Termination Date shall have occurred.

[signature page follows]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed as of the date first written above.

ROLLER BEARING COMPANY OF AMERICA, INC.

By: /s/ Daniel A. Bergerun
Name: DANIEL A. BERGERUN
Title: VP & CFO

GENERAL ELECTRIC CAPITAL CORPORATION, as
SCIL Agent

By: /s/ Scott J. Lorimer
Name: Scott J. Lorimer
It's Duly Authorized Signatory

[Signature page to SCIL Pledge Agreement]

MASTER REAFFIRMATION
AND AMENDMENT TO LOAN DOCUMENTS

THIS MASTER REAFFIRMATION AND AMENDMENT TO LOAN DOCUMENTS (this **"Master Reaffirmation"**) is made as of June 29, 2004, among Roller Bearing Company of America, Inc., a Delaware corporation (**"Borrower"),** Industrial Tectonics Corporation, a Delaware corporation (**"Industrial Tectonics"**), RBC Nice Bearings Inc., a Delaware corporation (**"RBC Nice**"), Bremen Bearings, Inc., a Delaware corporation (**"Bremen"**), Tyson Bearing Company, Inc., a Delaware corporation ("**Tyson**"), RBC Linear Precision Products, Inc., a Delaware corporation (**"RBC Linear"**), Miller Bearing Company, Inc., a Delaware corporation (**"Miller Bearing"**), RBC Aircraft Products, Inc., a Delaware corporation (**"Aircraft Products"**), and RBC Oklahoma, Inc., a Delaware corporation (**"RBC Oklahoma";** and together with Industrial Tectonics, RBC Nice, Bremen, Tyson, RBC Linear, Miller Bearing, and Aircraft Products, each a **"Domestic Subsidiary"** and collectively the **"Domestic Subsidiaries"**) (Borrower and the Domestic Subsidiaries are herein sometimes referred to individually as a **"Credit Party"** and collectively as the **"Credit Parties"**) and GENERAL ELECTRIC CAPITAL CORPORATION, a Delaware corporation, individually and in its capacity as Agent for Lenders (**"Agent"**). Unless otherwise defined herein, capitalized terms used herein shall have the meanings ascribed to them in the Credit Agreement (as defined below).

W I T N E S S E T H:

WHEREAS, Borrower, the Domestic Subsidiaries, Agent and Lenders have entered into that certain Fourth Amended and Restated Credit Agreement (as further amended, modified, restated or otherwise supplemented from time to time, the **"Credit Agreement"**) of even date herewith, which Credit Agreement amends and restates in its entirety that certain Third Amended and Restated Credit Agreement, dated as of December 19, 2003, which, in turn, amended and restated that certain Second Amended and Restated Credit Agreement, dated as of December 8, 2003, which, in turn, amended and restated that certain Amended and Restated Credit Agreement, dated as of June 19, 2003, which, in turn, amended and restated that certain Credit Agreement, dated as of May 30, 2002 (collectively, the **"Existing Credit Agreement"**);

WHEREAS, the Credit Parties have previously executed and delivered to Agent, for the benefit of itself and Lenders, various promissory notes, security documents, guaranties and the other credit support documents, including, without limitation, those documents described on Exhibit A hereto (collectively, the **"Existing Credit Support Documents"**) in connection with the Existing Credit Agreement;

WHEREAS, each Credit Party will derive both direct and indirect benefits from the loans and other financial accommodations made pursuant to the Credit Agreement; and

WHEREAS, it is a condition precedent to making the loans, advances and other financial accommodations of Agent and Lenders under the Credit Agreement that the Credit Parties enter into this Master Reaffirmation to acknowledge and agree that the Existing Credit Support Documents, and the liens, security interests and guarantees granted and issued thereunder, secure and guarantee the Obligations under the Credit Agreement;

NOW, THEREFORE, in consideration of the premises set forth herein and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, each of the undersigned agrees as follows:

1. Amendments to Loan Documents. The Credit Parties hereby agree that the Obligations now or hereafter existing under the Credit Agreement are evidenced, secured and guaranteed, as applicable, by the Existing Credit Support Documents. All references in the Existing Credit Support Documents to "Obligations" under the Existing Credit Agreement shall be deemed to refer to the "Obligations" pursuant to and as defined in the Credit Agreement. All references in the Existing Credit Support Documents to the "Credit Agreement" shall be deemed to refer to the Credit Agreement. Cross references in the Existing Credit Support Documents to particular section references in the Existing Credit Agreement shall be deemed to be cross references to the corresponding sections, as applicable, of the Credit Agreement.

2. Reaffirmation. In connection with the execution and delivery of the Credit Agreement, each Credit Party, as debtor, grantor, mortgagor, pledgor, guarantor, assignor, or in other similar capacities in which such Credit Party grants liens or security interests in its properties or otherwise acts as accommodation party, guarantor or indemnitor, as the case may be, in any case under the Existing Credit Support Documents, ratifies and reaffirms all of its payment and performance obligations and obligations to indemnify, contingent or otherwise, under each of such Existing Credit Support Documents to which it is a party, and each Credit Party hereby ratifies and reaffirms such Credit Party's grant of liens on or security interests in its properties pursuant to such Existing Credit Support Documents to which it is a party as security for the "Obligations" under or with respect to the Existing Credit Agreement, and confirms and agrees that such liens and security interests hereafter secure all of the Obligations, including, without limitation, all additional Obligations resulting from the Credit Agreement, in each case as if each reference in such Existing Credit Support Documents to the obligations secured thereby are construed to hereafter mean and refer to such Obligations under the Credit Agreement. Each of the Domestic Subsidiaries hereby consents to the terms and conditions of the Credit Agreement and reaffirms its guaranty of all of the Obligations under or with respect to the Credit Agreement (including, without limitation, all additional Obligations resulting from the Credit Agreement). Each of the Credit Parties acknowledges receipt of a copy of the Credit Agreement and acknowledges that each of the Existing Credit Support Documents remains in full force and effect and is hereby ratified and confirmed. The execution of this Master Reaffirmation shall not operate as a waiver of any right, power or remedy of Agent or any Lender, nor constitute a waiver of any provision of any of the Existing Credit Support Documents nor constitute a novation of any of the Obligations under the Credit Agreement or Existing Credit Support Documents.

3. Successors and Assigns. This Master Reaffirmation shall be binding upon each of the Credit Parties and upon their respective successors and assigns and shall inure to the benefit of Agent and the Lenders and their respective successors and assigns; all references herein to Borrower shall be deemed to include its successors and assigns and all references herein to any of the Domestic Subsidiaries shall be deemed to include such Domestic Subsidiary's successors and assigns. The successors and assigns of Credit Parties shall include, without limitation, their irrespective receivers, trustees, or debtors-in- possession.

4. Further Assurances. Each Credit Party hereby agrees from time to time, as and when requested by Agent or any Lender to execute and deliver or cause to be executed and delivered, all such documents, instruments and agreements and to take or cause to be taken such further or other action as Agent or such Lender may reasonably deem necessary or desirable in order to carry out the intent and purposes of this Master Reaffirmation and the other Loan Documents.

5. Definitions. All references to the singular shall be deemed to include the plural and vice versa where the context so requires.

6. Loan Document. This Master Reaffirmation shall be deemed to be a "Loan Document" for all purposes under the Credit Agreement.

7. **Governing Law. THIS AGREEMENT SHALL BE GOVERNED BY AND SHALL BE CONSTRUED AND ENFORCED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK APPLICABLE TO CONTRACTS MADE AND PERFORMED IN THAT STATE AND ANY APPLICABLE LAWS OF THE UNITED STATES OF AMERICA.**

8. Severability. Wherever possible, each provision of this Master Reaffirmation shall be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Master Reaffirmation shall be prohibited by or invalid under such law, such provision shall be ineffective to the extent of such prohibition or invalidity without invalidating the remainder of such provision or the remaining provisions of this Master Reaffirmation.

9. Merger. This Master Reaffirmation represents the final agreement of each of the Credit Parties with respect to the matters contained herein and may not be contradicted by evidence of prior or contemporaneous agreements, or prior or subsequent oral agreements, among any of the Credit Parties, Agent or the Lenders.

10. Execution in Counterparts. This Master Reaffirmation may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute one and the same agreement.

11. Section Headings. The section headings herein are for convenience of reference only, and shall not affect in any way the interpretation of any of the provisions hereof.

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- Signature Page Follows -

IN WITNESS WHEREOF, the parties have executed this Master Reaffirmation as of the date first written above.

ROLLER BEARING COMPANY OF AMERICA, INC., a Delaware corporation

By: /s/ Daniel A. Bergerun
Name: DANIEL A. BERGERUN
Title: VP & CFO

GENERAL ELECTRIC CAPITAL CORPORATION, as Agent

By: /s/ Daniel A. Bergerun
Name: DANIEL A. BERGERUN
Title: VP & CFO

INDUSTRIAL TECTONICS BEARINGS CORPORATION, a Delaware corporation

By: /s/ Daniel A. Bergerun
Name: DANIEL A. BERGERUN
Title: VP & CFO

RBC NICE BEARINGS, INC., a Delaware corporation

By: /s/ Daniel A. Bergerun
Name: DANIEL A. BERGERUN
Title: VP & CFO

BREMEN BEARINGS, INC., a Delaware corporation

By: /s/ Daniel A. Bergerun
Name: DANIEL A. BERGERUN

Title: VP & CFO

[Signature Page to Master Reaffirmation and Amendment to Loan Documents]

IN WITNESS WHEREOF, the parties have executed this Master Reaffirmation as of the date first written above.

ROLLER BEARING COMPANY OF AMERICA,
INC., a Delaware corporation

By:
Name:
Title:

GENERAL ELECTRIC CAPITAL
CORPORATION, as Agent

By: /s/ Scott J. Lorimer
Name: Scott J. Lorimer
Title: Duly Authorized Signatory

INDUSTRIAL TECTONICS BEARINGS
CORPORATION, a Delaware corporation

By:
Name:
Title:

RBC NICE BEARINGS, INC.,
a Delaware corporation

By:
Name:
Title:

BREMEN BEARINGS, INC.,
a Delaware corporation

By:
Name:
Title:

[Signature Page to Master Reaffirmation and Amendment to Loan Documents]

TYSON BEARING COMPANY, INC.,
a Delaware corporation

By: /s/ Daniel A. Bergerun
Name: DANIEL A. BERGERUN
Title: VP & CFO

RBC LINEAR PRECISION PRODUCTS, INC.,
a Delaware corporation

By: /s/ Daniel A. Bergerun
Name: DANIEL A. BERGERUN
Title: VP & CFO

MILLER BEARING COMPANY, INC.,
a Delaware corporation

By: /s/ Daniel A. Bergerun

Name: DANIEL A. BERGERUN
Title: VP & CFO

RBC OKLAHOMA, INC.,
a Delaware corporation

By: /s/ Daniel A. Bergerun
Name: DANIEL A. BERGERUN
Title: VP & CFO

RBC AIRCRAFT PRODUCTS, INC.,
a Delaware corporation

By: /s/ Daniel A. Bergerun
Name: DANIEL A. BERGERUN
Title: VP & CFO

EXHIBIT A

EXISTING CREDIT SUPPORT DOCUMENTS

1. Security Agreement, dated as of May 30, 2002, by and among Borrower and each of the Domestic Subsidiaries as Grantors and Agent.

2. Guaranty, dated as of May 30, 2002, by and among each of the Domestic Subsidiaries, as Guarantors, and Agent.

3. Trademark Security Agreement, dated as May 30, 2002, by Borrower in favor of Agent.

4. Patent Security Agreement, dated as of May 30, 2002, by Borrower in favor of Agent.

5. Trademark Security Agreement, dated as of May 30, 2002, by Tyson in favor of Agent.

6. Trademark Security Agreement, dated as of May 30, 2002 by RBC Oklahoma in favor of Agent.

7. Trademark Security Agreement, dated as of May 30, 2002, by Industrial Tectonics in favor of Agent.

8. Trademark Security Agreement, dated as of May 30, 2002, by Miller Bearing in favor of Agent.

9. Patent Security Agreement, dated as of May 30, 2002, by RBC Oklahoma in favor of Agent.

10. Trademark Security Agreement, dated as of December 19, 2003, by Aircraft Products in favor of Agent.

11. Patent Security Agreement, dated as of December 19, 2003, by Aircraft Products in favor of Agent.

12. Pledge Agreement, dated as of May 30, 2002, by and between Borrower, as Pledgor, and Agent.

13. Pledge Agreement, dated as of June 19, 2003, by and between Borrower, as Pledgor, and Agent (regarding Schaublin Holding stock).

14. Environmental Indemnity Agreement, dated as of May 30, 2002, by each of the Credit Parties, for the benefit of Agent.

15. Mortgage, Security Agreement, Assignment of Leases and Rents, Financing Statement and Fixture Filing, dated as of May 30, 2002, by Borrower, as Mortgagor, to Agent, as Mortgagee, relating to property in Darlington County, South Carolina.

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16. Open-End Mortgage Deed, Security Agreement, Assignment of Leases and Rents, Financing Statement and Fixture Filing, dated as of May 30, 2002, by Borrower, as Mortgagor, to Agent, as Mortgagee, relating to property in Fairfield County, Connecticut.

17. Deed of Trust, Security Agreement, Assignment of Leases and Rents, Financing Statement and Fixture Filing, dated as of May 30, 2002, by Borrower, as Trustor, to Chicago Title Company, as the Trustee, for the benefit of Agent, relating to property in Orange County, California.

18. Mortgage, Security Agreement, Assignment of Leases and Rents, Financing Statement and Fixture Filing, dated as of May 30, 2002, by Borrower, as Mortgagor, to Agent, as Mortgagee, relating to property in Colleton Country, South Carolina.

19. Deed of Trust, Security Agreement, Assignment of Leases and Rents, Financing Statement and Fixture Filing, dated as of May 30, 2002, by Industrial Tectonics, as Trustor, to Chicago Title Company, as the Trustee, for the benefit of Agent, relating to the property in Los Angeles County,

California.

20. Mortgage, Security Agreement, Assignment of Leases and Rents, Financing Statement and Fixture Filing, dated as of May 30, 2002, by RBC Nice, as Mortgagor, to Agent, as Mortgagee, relating to property in Montgomery County, Pennsylvania.

21. Mortgage, Security Agreement, Assignment of Leases and Rents, Financing Statement and Fixture Filing, dated as of May 30, 2002, by Miller Bearing, as Mortgagor, to Agent, as Mortgagee, relating to property in Marshall County, Indiana.

22. Assignment of Representations, Warranties, Covenants and Indemnities, dated as of December 19, 2003, by Borrower and Aircraft Products in favor of Agent.

LEASE AGREEMENT

THIS LEASE AGREEMENT (this "Lease") is made as of the 31st day of May, 2004 by and between **SHADOWMOSS PROPERTIES, LLC.**, a South Carolina limited liability company ("Landlord"), and **ROLLER BEARING COMPANY OF AMERICA, INC.**, a Delaware corporation ("Tenant").

WITNESSETH

Subject to the terms and conditions hereinafter set forth, Landlord does hereby let and lease unto Tenant those certain premises (the "Premises") comprising the Improvements (as defined in Section 5 below) to be located on the real property (the "Land") containing approximately 2.121 acres located in the City of Hartsville, County of Darlington and State of South Carolina commonly referred to as 2268 South 5th Street and being more particularly described on Exhibit A attached hereto and by reference made a part hereof, and all appurtenances thereto.

TO HAVE AND TO HOLD the Premises and appurtenances upon the terms and conditions hereinafter set forth.

1. Building Size: It shall be understood by both Landlord and Tenant that Landlord agrees to build on the Land a commercial building of approximately 24,322 square feet and that final plans and specifications will be presented to Tenant for approval prior to the commencing of construction.

2. Term; Renewal: Subject to Section 5, the term of this Lease (the "Term") shall begin on the first day of August, 2004 (the "Commencement Date") and end on the last day of September, 2014, subject to extension as set forth below. Provided Tenant is not then in default hereunder beyond the expiration of any applicable notice and cure periods, Tenant shall have the right and privilege to extend the Term for three (3) periods of five (5) years each upon all of the same terms and conditions herein set forth, including rental. If Tenant elects to exercise its right to extend the Term of this Lease as herein provided, Tenant must give Landlord written notice of such election at least ninety (90) days prior to the expiration of the then-current Term. Notwithstanding the forgoing, in the event Tenant has sublet the Premises or any portion thereof prior to the expiration of the Term hereof to anyone other than a Permitted Transferee (as defined in Section 15), Tenant shall not have the right to thereafter extend the Term as herein provided.

3. Rental: During the Term, Tenant shall pay to Landlord for the use and occupancy of the Premises rental at the rate of ninety thousand dollars and no cents ($90,000.00) per year, payable in equal monthly installments of seven thousand five hundred dollars and no cents ($7,500.00) in advance on or before the fifth day of each and every calendar month. It is further understood and agreed by Landlord and Tenant that the above rental figures are based upon estimated prices for the Improvements and may require adjustment in the event actual costs are substantially different from those estimates. Such adjustment shall be calculated by applying a factor of $87.00 for every ten thousand dollars ($10,000.00), or pro-rata portion thereof, that the actual cost is different from the estimated cost of $987,227.00, with the resulting figure being either added to or subtracted from the monthly rental contained herein and becoming a part of this Lease as if it had been originally written. Not withstanding the provisions of this Section 3, in the event such a rental adjustment shall become necessary it shall be only after mutual agreement of Landlord and Tenant and shall be evidenced by written amendment to the Lease, signed by both parties.

4. Payment of Rental: All rental payments provided herein shall be made payable to

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Landlord at 2586 Kelleytown Road, Hartsville, South Carolina 29550 until prior written notice to the contrary is given by Landlord.

5. Improvements and Delivery of Premises:

(a) Landlord agrees that it will cause to be developed upon the Land a building containing approximately 24,322 square feet with parking area (collectively, the "Improvements"), substantially in accordance with the plans and specifications (the "Plans") referenced on Exhibit B attached hereto and by this reference made a part hereof. Landlord covenants that the Improvements shall be constructed in compliance with all applicable governmental laws, rules, directives, ordinances and regulations (collectively, "Laws"). Landlord warrants that all of the Improvements shall be constructed in a good and workmanlike manner and free from defects for twelve (12) months following the Commencement Date. Landlord shall assign to Tenant any and all warranties and guaranties of third parties held by Landlord, with respect to the Improvements, that extend beyond the twelve (12)-month period, for enforcement directly by Tenant. If a warranty or guaranty is not assignable, then Landlord shall enforce it for the benefit of Tenant, as directed by Tenant. Landlord shall notify Tenant in writing at least ten (10) days prior to completion of the Improvements. Such notice shall state the date of which the Improvements shall be available for occupancy by Tenant and, together with a certificate of occupancy from the appropriate local governing authority and a certificate of substantial completion from Landlord's architect, shall constitute delivery of possession on the date specified. Prior to the Commencement Date, Tenant shall inspect the Premises, Landlord shall demonstrate all building systems and Landlord and Tenant shall prepare and execute a punch list. The punch list shall list incomplete, minor and insubstantial details of construction, necessary mechanical adjustments, and needed finishing touches. Landlord shall complete the punch list items within thirty (30) days after the Commencement Date. Landlord shall promptly correct any latent defects as they become known to Landlord or if Tenant notifies Landlord within thirty (30) days after Tenant first learns of the defect.

(b) In the event the Improvements have not been completed by August 1, 2004, then in such case the Commencement Date shall become the first day of the next month following the completion and the Term of ten (10) years shall begin on such date. Rental payments shall be pro-rated for any portion of a month in which Tenant shall occupy the Premises for business prior to the Commencement Date. Notwithstanding the foregoing, Tenant shall have the right to occupy the Premises prior to the Commencement Date without the obligation to pay any rental for the purpose of installing its furniture, fixtures and equipment and other matters preparatory to its occupancy for business. Landlord shall coordinate with Tenant's contractors, and allow such contractors into the construction area to perform while work is ongoing and without such installation constituting acceptance or occupancy of the Premises.

6. Taxes and Assessments: Tenant shall pay all city and county ad valorem taxes and assessments levied against the Premises during the Term prior to the same becoming delinquent provided sufficient written notice (at least thirty (30) days) has been provided by Landlord. Taxes for any year in which Tenant occupies the Premises for less than a full year will be pro-rated to the number of months during which Tenant actually occupied the facility.

7. Insurance: At all times during the Term:

(a) Tenant shall, at its expense, maintain on the Premises a policy of fire and extended coverage insurance, with vandalism and malicious mischief endorsements to the full replacement value thereof, and will furnish to Landlord a certificate showing the issuance of such coverage and naming Landlord or any other designated party as additional insured and/or loss payee.

Such coverage shall not be subject to cancellation except after thirty (30) days to Landlord or Landlord's lender.

(b) Tenant shall maintain public liability and property damage insurance with liability limits of not less than **$500,000.** per person and **$1,000,000.** per occurrence and property damage limits of not less than **$100,000.** per occurrence, with an aggregate coverage of **$200.000.** insuring all liability of Tenant and its authorized representatives arising out of and in connection with Tenant's use or occupancy of the Premises.

(c) Tenant agrees that it will defend, indemnify, protect and hold harmless Landlord from any loss, damage, expense, or injury to persons or property resulting from Tenant's use and occupancy of the Premises, except to the extent resulting from the negligence or willful misconduct of Landlord or Landlord's agents, employees, invitees or contractors.

(d) Tenant shall assume the risk of loss for its personal property (fixtures and equipment) on the Premises and Landlord shall have no interest in the proceeds of insurance thereon, if any.

(e) Landlord shall defend, indemnify, protect and hold harmless Tenant from any loss, damage, expense, or injury to persons or property resulting from Landlord's default under this Lease or the negligence or willful misconduct of it or its agents, employees, invitees or contractors, except to the extent resulting from the negligence or willful misconduct of Tenant or Tenant's agents, employees, invitees or contractors.

8. Use of Premises: Tenant shall have the right to use the Premises only for the purpose of manufacturing, testing and the assembling of bearing and any other products that Tenant may be producing at the time of the execution of this Lease or may produce in the future, and all uses incidental to the foregoing. With respect to Tenant's use of the Premises, Tenant shall comply with all Laws of any lawful authority having jurisdiction over the Premises or the adjacent public streets including without limitation making, at its own expense, all alterations to the Premises required by any such authority. Landlord warrants and covenants that, at the time of delivery to Tenant, the Premises shall comply with all Laws. Without limiting the generality of the foregoing, Tenant shall make such arrangements for the storage and disposition of all garbage and refuse as may be required to keep the Premises and all adjoining entry ways, sidewalks and delivery areas in the manner required by law and in as neat and orderly condition as may be reasonably obtainable given the nature of Tenant's business. Except to the extent specifically set forth above, Landlord shall comply, at Landlord's sole cost and expense, with all Laws that are applicable to all or any part of the physical condition and occupancy of the Improvements or the Land, or relate to the performance by Landlord of any duties or obligations to be performed by Landlord under this Lease.

9. Maintenance:

(a) Landlord's Covenant to Maintain: Landlord, at its own expense, shall be responsible for repairing the foundation, exterior structural walls, bearing walls, roof, support beams and columns, window frames, windows, doors and floor slabs of the Premises unless same are damaged as a result of the negligence or willful misconduct of Tenant, its agents, or invitees, in which event, Tenant shall be responsible for and shall provide for such repairs. On default of Landlord in making such repairs, Tenant may, but shall not be required to, make such repairs for Landlord's account. Landlord may, at its option, do such additional repairs and/or renovations as it shall deem necessary.

(b) Tenant's Covenant to Maintain: Except as set forth in subsection 9(a) above, Tenant shall, at its own expense, maintain and make all necessary repairs to the Premises and to the pipes, HVAC system, plumbing system, window glass, fixtures, and all other appliances and appurtenances belonging thereto and all equipment used in connection with the Premises, and to the sidewalks and curbs adjoining or appurtenant to the Premises. Such repairs, interior and exterior, shall be made promptly as and when necessary. All repairs shall be in quality and class at least equal to the original work. On default of Tenant in making such repairs, Landlord may, but shall not be required to, make such repairs for Tenant's account, and the expense thereof shall constitute and be collectable as additional rent. Tenant will not commit any undue waste on the Premises and will conform with all applicable Laws respecting the use and occupancy thereof. At the termination of this Lease, Tenant will surrender the Premises to Landlord in substantially as good condition of repair as when received, ordinary wear and tear, damage by fire, repairs that are Landlord's responsibility hereunder, the elements and unavoidable casualty excepted.

10. Damage or Destruction by Casualty:

(a) Except as provided in subsections (b) and (c) of this Section 10, in the event of damage to or destruction of the Premises by fire or other insured casualty, Landlord, at its sole expense, shall promptly restore the Premises as nearly as possible to its condition prior to such damage or destruction. All insurance proceeds received by Landlord pursuant to the provisions of this Lease, less the cost, if any, of such recovery, shall be held in trust and applied by Landlord to the payment of such restoration, as such restoration progresses.

(b) If the Premises are destroyed or so damaged by fire or other casualty such that repair of such damage shall require 120 days or more, Tenant may terminate this Lease on notice of at least ten (10) days and no more than thirty (30) days. Such notice shall be given within sixty (60) days after the date of such damage or destruction. If the Lease shall so terminate, all rent shall be apportioned to the date of termination and all insurance proceeds shall belong to Landlord.

(c) If the Premises are damaged by fire or other casualty to the extent of fifty percent (50%) or more of its replacement value in the last two (2) years of the Term, then either Landlord or Tenant may terminate this Lease by giving notice of at least ten (10) days and no more than thirty(30) days. Such notice shall be given within sixty (60) days after such damage. If Landlord elects to terminate this Lease as herein provided, Tenant may reinstate this Lease by exercising any then existing option to renew the Term by written notice to Landlord within fifteen (15) days of Tenant's receipt of Landlord's termination notice. Upon receipt of such reinstatement notice from Tenant, Landlord, at its sole expense, shall promptly restore the Premises as nearly as possible to its condition prior to such damage.

(d) Any disbursement of insurance proceeds by a holder of a deed of trust shall be deemed to have been made by Landlord.

(e) Rent shall abate from the date of the casualty until restoration is complete and Tenant can resume use of the Premises for the purpose to which it was put immediately prior to the casualty.

(f) If repair of the Premises is not completed by Landlord within 120 days after the date of its damage or destruction, then Tenant may terminate this Lease by written notice to Landlord at any time after the expiration of said 120-day period and before completion of said repairs.

11. Utilities: During the Term, Tenant shall pay for all lights, heat, water, sanitary sewer fees, and other utilities required by it in the use of the Premises. As part of the construction of the Improvements, Landlord shall cause all such utilities to be brought to the Premises.

12. Signs: Tenant may install such signs on the Premises as it may deem appropriate provided it shall have first obtained all required approvals, licenses and/or permits of all applicable authorities.

13. Alterations, Fixtures and Equipment: Tenant, at its own expense, may, in a good workmanlike manner, make alterations or improvements on the Premises as it shall deem necessary in the conduct of its business without, however, materially altering the basic character of such premises. Any trade fixtures, equipment and other personal property installed in or attached to the Premises by or at the expense of Tenant shall remain the property of Tenant, and Tenant shall have the right at any time to remove any and all of such personal property, fixtures and/or equipment; provided however, that in such event Tenant shall repair all damage to the Premises resulting from such removal. Notwithstanding the foregoing, it is understood by the parties that Tenant contemplates improving the Premises by constructing an addition of up to approximately twenty-five thousand (25,000) square feet to accommodate Tenant's business needs. Landlord shall not unreasonably withhold, condition or delay its consent to any such addition by Tenant.

14. Landlord's Entry: Landlord shall have the right to enter upon the Premises at all reasonable times during the Term for the purpose of inspection, maintenance, repair and alteration of the Premises and Landlord shall have the right during the last 90 days of the Term to enter the Premises to show the same to prospective tenants or purchasers. Notwithstanding the foregoing, except in emergencies, all entries by Landlord shall be: (i) at reasonable times and after at least twenty-four (24) hours' prior oral or written notice to Tenant; (ii) conducted so as not to unduly interfere with Tenant's use and occupancy of the Premises; and (iii) subject to Tenant's reasonable security and confidentiality requirements from time to time (including the accompaniment of a Tenant representative if necessary in Tenant's sole discretion).

15. Assignment and Sublease: Tenant may, after obtaining written consent of Landlord, assign this lease or sublet the premises or any part thereof but such assignment or subletting shall not in any way release Tenant from its liability to carry out and perform in the manner herein set forth any of the other covenants and conditions of this Lease. Such consent to assign or sublet referenced above shall not be unreasonably withheld, conditioned or delayed by Landlord. Notwithstanding anything to the contrary herein, Tenant may, without the prior notice to or consent of Landlord, assign this lease or sublease all or any part of the Premises to (such assignee or subtenant is referred to herein as a "Permitted Transferee"): (i) an entity controlled by, controlling or under common control with Tenant, or in which Tenant owns a legitimate, substantial and material interest for a legitimate purpose; or (ii) an entity acquiring or succeeding to substantially all of the business, or substantially all of a business unit, of Tenant, by merger, spin-off, reorganization, consolidation, acquisition (of assets or equity) or otherwise. For this purpose "control" shall mean the possession of the power to direct or cause the direction of the management and policies of such entity through the ownership of a sufficient percentage of voting securities.

16. Default:

(a) Tenant's Default: If Tenant shall be in default in the payment of any rent due hereunder or in the performance of any of the covenants or conditions hereof, and shall fail to correct and rectify such default within thirty (30) days from the receipt of written notice thereof from Landlord, or if

Tenant shall be adjudicated bankrupt, or make any assignment for the benefit of creditors, or if the interest of Tenant herein shall be sold under execution or other process, Landlord may enter into the Premises, and again have and repossess the same by any legal process as if the Lease had not been made and shall thereupon have the right to cancel this Lease, without prejudice, however, to the right of Landlord to recover all rent due to the time of such entry. In case of any such default and entry, Landlord shall relet the Premises from time to time during the Term for the highest rent obtainable and may recover from Tenant any deficiency between such amount and the rent herein reserved.

(b) Landlord's Default: If Landlord defaults in performance of its obligations hereunder, Tenant shall have such rights and remedies as shall be provided by law and in equity and Landlord shall reimburse Tenant for its reasonable attorneys' fees in prosecuting any successful suit against Landlord for enforcement of this Lease. Any litigation between the parties hereto in connection with this Lease or the Premises shall occur in Gwinett county, Georgia and in accordance with applicable Georgia law.

17. Remedies Cumulative-Nonwaiver: No remedy herein or otherwise conferred upon or reserved to Landlord or Tenant shall be considered exclusive of any other remedy, but the same shall be distinct, separate and cumulative and shall be in addition to every other remedy given hereunder, or now or hereafter existing at law or in equity; and every power and remedy given by this Lease to Landlord or Tenant may be exercised from time to time as often as occasion may arise, or as may be deemed expedient. No delay or omission of Landlord or Tenant to exercise any right or power arising from any default on the part of the other shall impair any such right to power, or shall be constructed to be a waiver of any such default or an acquiescence thereto.

18. Eminent Domain: If any part of the Premises is taken under the power of eminent domain (including any conveyance made in lieu thereof), and such taking shall in the reasonable judgment of Tenant make the operation of Tenant's business on the Premises impractical, then Tenant shall have the right to terminate this Lease by giving Landlord written notice of such termination within thirty (30) days after such taking. If Tenant does not so elect to terminate this lease, Landlord at its own expense will repair and restore the Premises to a tenantable condition, and the rental to be paid by Tenant hereunder shall be equitably reduced in proportion to the reduction in square footage of the Premises. All proceeds and awards from any such taking shall be

the sole property of Landlord, except that Tenant shall have the right to make a separate claim for compensation for moving expenses, interruption of or damage to Tenant's business, and any of its property.

19. Notices: All notices provided in this Lease shall be in writing and shall be sent by prepaid registered or certified mail or overnight delivery with a nationally-recognized courier with return receipt to the parties as follows: to Landlord at 2586 Kelleytown Road, Hartsville, South Carolina 29550, and to Tenant at Attn: Corporate Risk Manager, 60 Round Hill Road, Fairfield, Connecticut 06824, with a simultaneous copy to Tenant at Attn: Plant Manager, 2268 South Fifth Street, Hartsville, South Carolina 29550. Either party may, from time to time by notice as herein provided, designate a different address to which notices to it shall be sent. Receipt of any notice shall be evidenced by the date of receipt or rejection on the return receipt. Notices to either party may be given by the attorney for the other party acting on behalf of such other party.

20. Holding Over: If Tenant shall for any reason hold over at the end of the Term, Tenant shall become a tenant from month-to-month at the rental payable hereunder and otherwise upon the covenants and conditions contained herein.

21. Subordination: Tenant will, upon request by Landlord, subject and subordinate all or

any of its rights under this Lease to any and all mortgages and deeds of trust now existing or hereafter placed on the property of which the Premises are a part; provided, however, that Tenant will not be disturbed in the use or enjoyment of the Premises so long as it is not in default hereunder beyond the expiration of any applicable notice and cure period. Tenant agrees that this Lease shall remain in full force and effect notwithstanding any default or foreclosure under any such mortgage or deed of trust and that it will attorn to the mortgagee, trustee or beneficiary of such mortgage or deed of trust, and their successor or assigns, and to the purchaser or assignee under any such foreclosure. Tenant will, upon request by Landlord, execute and deliver to Landlord, or to any other person designated by Landlord, any reasonable instrument or instruments reasonably required to give effect to the provisions of this Section 21.

22. Transfer of Landlord's Interest: In the event of the sale, assignment or transfer by Landlord of its interest in the Premises or in the Lease (other than a collateral assignment to secure a debt of Landlord) to a successor-in-interest who has a net worth of at least one million dollars ($1,000,000.00) and who expressly assumes in writing the obligations hereunder, except with respect to such obligations as shall have accrued prior to any such sale, assignment or transfer, Tenant agrees to look solely to such successors-in-interest of Landlord for performance of Landlord's obligations under this Lease. Any securities given by Tenant to Landlord to secure performance of Tenant's obligations hereunder may be assigned and transferred by Landlord to such successor-in-interest of Landlord, and, upon acknowledgment by such successor of receipt of such security and its express written assumption of the obligation to account to Tenant for such security in accordance with the terms if this Lease, Landlord shall thereby be discharged of any further obligation relating thereto. Landlord's assignment of this Lease or of any or all of its rights herein shall in no manner affect Tenant's obligations hereunder. Tenant shall thereafter attorn and look to such assignee, as Landlord, provided Tenant has first received written notice of such assignment of Landlord's interest. Notwithstanding anything to the contrary herein, Landlord shall not sell the Land or the Premises or any interest therein prior to the Commencement Date. If Landlord breaches the preceding covenant, Tenant shall have the right to take over completion of the construction of the Improvements on the account of Landlord.

23. Estoppel Certificate: Within ten (10) business days after request therefor by Landlord or any mortgagee or trustee under a mortgage or deed of trust covering the Premises, or, if upon the sale, assignment or other transfer of the Premises by Landlord, an estoppel certificate shall be required from Tenant, Tenant shall deliver in recordable from a statement to any proposed mortgagee or other transferee, or to Landlord, certifying any facts that are true with respect to this Lease, including without limitation (if such be the case) that this Lease is in full force and effect, that Tenant is in occupancy of the Premises, and that there are no defenses or offsets to the Lease claimed by Tenant. Within ten (10) business days after request therefor by Tenant, Landlord shall deliver in recordable from a statement to Tenant or any person or entity directed by Tenant, certifying any facts that are true with respect to this Lease, including without limitation (if such be the case) that this Lease is in full force and effect, and that there are no defenses or offsets to the Lease claimed by Landlord.

24. Possession and Warranty: Landlord represents, warrants and covenants that: (i) it is seized of the Premises in fee simple, free of all liens, encumbrances, easements, claims, leases, restrictions and restrictive covenants except as shown on Exhibit A hereto and has the good right and lawful authority to enter into this Lease for the full Term; (ii) it will put Tenant in actual possession of the Premises at the beginning of the Term; (iii) Tenant, upon paying the said rental and performing the covenants herein agreed by it to be performed, shall peaceably and quietly have, hold and enjoy the Premises and appurtenances thereto; and (iv) there are no restrictions in the chain of title, ordinances, regulations or other Laws that are presently binding and enforceable and prohibit the use of the Premises for the purpose herein before set out.

25. Tenant's Environmental Representations and Warranties:

(a) Tenant shall at all times make a good faith effort to comply with, and not be in violation of, in connection with its use, maintenance or operation of the Premises and the conduct of the business related thereto, any applicable Laws relating to environmental matters, including by way of illustration and not by ways of limitation: (i) the Clean Air Act; (ii) the federal Water Pollution Control Act of 1972; (iii) the Resource Conservation and Recovery Act of 1976; and (iv) the comprehensive environmental Laws of South Carolina.

(b) Without limiting the generality of subsection (a), above, Tenant shall: (i) at all times use its best efforts to receive, handle, use, store, treat, ship and dispose of all hazardous substances, petroleum products and waste in strict compliance with all applicable environmental, health, or safety statutes, ordinances, orders, rules, regulations or requirements; and (ii) remove prior to the termination of this Lease from and off the Premises, all hazardous substances, petroleum products and wasted released on the Premises by Tenant.

(c) No hazardous or toxic materials, substances, pollutants, contaminants or waste will be released by Tenant into the environment, or deposited, discharged, placed or disposed of by Tenant at, on or adjacent to the Premises except in compliance with all environmental laws.

(d) Tenant shall immediately notify Landlord of any notices of any violation of any of the matters referred to in subsections (a) through (c) relating to the Premises of this use.

(e) At any time during the Term or thereafter, including after the termination of this Lease, Tenant covenants as its sole cost and expense, to remove or take remedial action with regard to any materials released by Tenant to the environment at, on or adjacent to the Premises during the Term for which any removal or remedial action is required pursuant to Law, provided: (i) no such removal or remedial action shall be taken except after reasonable advance written notice to Landlord; and (ii) any such removal or remedial action shall be undertaken in a manner so as to minimize any impact on the business conducted at the Premises or any adjacent property.

(f) Tenant shall at all times during the Term retain any and all liabilities arising from the handling, treatment, storage, transportation of disposal of hazardous or toxic materials, substances, pollutants, contaminants, petroleum products or wastes by Tenant whether stored by Tenant in tanks owned by Landlord or Tenant.

(g) Tenant shall indemnify and hold Landlord harmless from and against any and all: (i) liabilities, losses, claims, damages (including, without limitations, interest, penalties, fines and monetary sanctions), and costs; and (ii) reasonable attorneys' and accountants' fees and expenses, court costs and all other reasonable out-of-pocket expenses reasonably incurred or suffered by Landlord by reason of, resulting from, in connection with, or arising in any manner whatsoever out of the breach of any warranty or covenant, or the inaccuracy of any representation of Tenant made by Tenant in this Lease.

(h) All representations, warranties, covenants, agreements and indemnities of Tenant shall survive the termination of this Lease and shall not be affected by any investigation by or on behalf of Landlord or by any information Landlord may have or obtain with respect thereto.

26. Nature and Extent of Agreement: This instrument contains the complete agreement of the parties regarding the terms and conditions of the lease of the Premises and there are no oral or written

conditions, terms, understandings or other agreements pertaining thereto which have not been incorporated herein. This instrument creates only the relationship of landlord and tenant between the parties hereto as to the Premises, and nothing herein shall in any way be constructed to impose upon either party hereto any obligations or restrictions not herein expressly set forth.

27. Binding Effect: This Lease shall be binding upon and shall insure to the benefit of the parties hereto and their respective successors and assigns.

28. Right of First Offer:

(a) Before Landlord sells the Land and/or the Premises or any part thereof (the "Property"), it must notify Tenant in writing of its intention to sell and Tenant shall have the right to purchase the Property upon the terms and conditions set forth in this Section 28. Tenant shall have sixty (60) days to notify Landlord of its binding intention to purchase the Property at its appraised value as determined by an appraisal obtained by each of Landlord and Tenant within thirty (30) days after Tenant's notice. If the two appraisers cannot agree upon the valuation, they shall select a third appraiser and the value of the Property as determined by a majority of the appraisers shall bind the parties. Failure of Tenant to send such notice within sixty (60) days shall be deemed Tenant's waiver of its option to purchase the Property, subject to the terms and provisions of this Section 28.

(b) If Tenant decides not to purchase the Property from Landlord pursuant to subsection 28(a), Landlord agrees not to sell the Property to any entity that will be in competition with Tenant at the site.

(c) If Tenant waives, or is deemed to have waived, its right to purchase the Property, Landlord shall be free to sell or transfer the Property, with no further obligation to Tenant under this Section unless either of the following conditions shall apply: (i) within ninety (90) days after the waiver or deemed waiver, Landlord has not entered into a contract for the sale or transfer of the Property; or (ii) within one hundred fifty (150) days after the waiver or deemed waiver, Landlord has not sold the Property. If either of clause (i) or (ii) preceding shall apply, Landlord shall again offer the Property to Tenant under this Section 28.

(d) If Tenant exercises its option to purchase the Property, the closing shall take place on or before one hundred twenty (120) days following Tenant's notice. At the closing, Landlord shall convey title to the Property by general warranty deed, free and clear of all liens, encumbrances, mortgages, easements, conditions, reservations and restrictions except those matters that are reasonably acceptable to Tenant.

29. Notice or Memorandum of Lease: Together with execution of this Lease, the parties shall execute a notice or memorandum of lease suitable for recording containing information required by South Carolina law, but specifically excepting the rental provisions hereof. Landlord shall promptly record the notice or memorandum of lease on the Hartsville land records and provide Tenant with the recording information.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF, the parties hereto have executed this Lease under seal as of the day and year first above written.

LANDLORD:

SHADOWMOSS PROPERTIES, LLC

By: _____

Witness: Goz G. Segars, President

TENANT:

ROLLER BEARING COMPANY OF AMERICA, INC.

By: _____

Witness:

STATE OF SOUTH CAROLINA)
)
COUNTY OF DARLINGTON)

This day of May, 2004, personally came before me , a Notary Public for said County and State, Goz G. Segars, known to me, who being by me duly sworn, says that he is a President of North/South Properties of Hartsville, LLC and that the foregoing instrument in writing was signed and sealed by him in behalf of said company. The said Goz G. Segars, acknowledged the said writing to be the act and deed of the company.

WITNESS my hand and notarial seal.

_____
Notary Public
My Commission Expires:

STATE OF)
)
COUNTY OF)

This day of May, 2004, personally came before me , a Notary Public for said County and State, , known to me, who being by me duly sworn, says that he is a of Roller Bearing Company of America, Inc. and that the foregoing instrument in writing was signed and sealed by him in behalf of said corporation by its authority duly given. The said acknowledged the said writing to be the act and deed of the corporation.

WITNESS my hand and notarial seal.

_____
Notary Public
My Commission Expires:

EXHIBIT A

LEGAL DESCRIPTION OF THE LAND

All that certain piece, parcel or lot of land situate, lying and being in the County of Darlington, State of South Carolina, being shown and designated as “Area” containing 2.121 acres as shown on a survey prepared for RBC Holdings Corp., a Delaware Corp., made by J. Henry Walker, III, PLS, dated March 17, 2004, and recorded in the Office of the Clerk of Court for Darlington County in Plat Book at Page . Reference being had to said plat for a more complete and accurate description.

Also, the non-exclusive rights and privileges of ingress and egress over, on and across an area designated as “Easement Area” containing 0.246 acres as shown on the above referenced survey, said easement being situate to the west of the above parcel containing 2.121 acres.

This being a portion of the property conveyed to RBC Holdings Corp. by deed of General Sullivan Group, Inc. as recorded in the Office of the Clerk of Court for Darlington County in Deed Book 921, Page 344 on November 2, 1987. Reference also Certificate of Amendment filed in Darlington County records in Book D-17, Page 243 on April 1, 1992, for change of name from RBC Holdings Corp. to Roller Bearing Company of America, Inc.

EXHIBIT B

PLANS AND SPECIFICATIONS

27 sheets total - issue date of 3/22/04 with or without revision one - dated 4/13/04.
sheet divisions:
6 civil sheets designated ‘c’ and numbered 1.01, 1.02, 1.03, 1.04, 1.05, 1.06

5 architectural sheets designated ‘a’ and numbered 2.01, 3.02, 3.02, 4.01, 5.01.
4 structural sheets designated ‘s’ and numbered 6.01, 6.02, 6.03, 6.04
4 plumbing sheets designated ‘p’ and numbered 7.01, 7.02, 7.03, 7.04
4 mechanical sheets designated ‘m’ and numbered 8.01, 8.02, 8.03, 8.04
4 electrical sheets designated ‘e’ and numbered 9.01, 9.02, 9.03, 9.04
1 fire protection sheet designated FP and numbered 1, dated 4/20/04

ADDENDUM TO LEASE

The parties hereto, ABCS Properties, LLC as Lessor, and Bremen Bearings, Inc., as Lessee, and Roller Bearing of America, Inc., Guarantor, do hereby amend the Lease Agreement previously entered into between the parties. The Agreement is amended as follows:

1. First, except to the extent modified by subsequent provisions, all provisions of the Lease previously entered into are incorporated as a part of this addendum.

2. It is the desire of the Lessee, to expand the present facility, and to alter the right to purchase the building and real estate previously mentioned, and as modified by this addendum. It is the desire of the Lessee, to expand the present facility for increased rent, and the alteration of the right to purchase as subsequently set forth.

3. The Lessor agrees to construct an addition to the present facility, to the West in accordance with Exhibit “A” attached hereto and made a part hereof.

4. It is understood that the construction will begin within thirty (30) days after receipt of the authority from Lessee and Guarantor, by the receipt of this document signed by the Lessee and the Guarantor. Said construction to be completed within one hundred fifty (150) days.

5. Lessee and Guarantor, having agreed to the construction of a 9000 square foot addition, further agree that the lease shall increase by the sum of $5,284.00 (monthly), which shall be added to the present lease payment of $14,866.00, making the new Lease rate $20,150.00 of which shall be effective the earlier date of completion or occupancy of the addition.

6. Further, the “right to purchase” option is altered to eliminate the one presently in effect, and to give to Lessee, the right of first refusal in the event of any sale. In the event Lessee purchases the property pursuant to the right of first refusal, then closing shall occur within ninety (90) days.

IN WITNESS WHEREOF, the parties hereto have executed this Lease this 21st day of November, 2003.

Bremen Bearings, Inc.,
A Delaware Corporation

By: _____
By: _____

ABCS Properties, LLC
An Indiana Limited Liability Company

By: _____
By: _____

Roller Bearing Company of America, Inc.
Guarantor

By: _____
By: _____

Exhibit 10.34

CREDIT AGREEMENT

between

Schaublin SA

(hereinafter referred to as «Borrower» or «Schaublin»),

and

CREDIT SUISSE

(hereinafter referred to as the «Bank» or the «Lender»)

December 8, 2003

TABLE OF CONTENTS

Whereas the Borrower has requested the Bank for credit facilities (hereafter referred to as «Facilities»); and

whereas the Bank is prepared to grant such Facilities to the Borrower under certain terms and conditions, therefore the parties agree as follows:

1. FACILITY

1.1. TYPE OF CREDIT FACILITIES

The Bank has agreed to make the following credit facilities (the «Facilities») available to the Borrower on the terms of this Agreement up to the maximum amount specified under Clause 1.2..

1.2. AMOUNTS AND COMMITMENTS

The Bank has agreed to make available to the Borrower credit facilities ("Facilities") in an aggregate amount not to exceed CHF 12,000,000.00 (Swiss Francs twelve million and o/oo), divided in two sub-facilities as defined hereafter:

Facility A: CHF 10,000,000.00 (Swiss Francs ten million and o/oo)

Facility B: CHF 2,000,000.00 (Swiss Francs two million and o/oo)

1.3. AVAILABILITY

During the Commitment Periods, the Borrower may borrow under the Facilities once the Lender has received and is satisfied with any and all items listed in the Annex A hereto.

1.4. PURPOSE

The Facilities are available for the following:

Facility A: CHF 10,000,000.00 (Swiss francs ten million and o/oo) to refinance existing shareholder loans from Schaublin Holding SA. Facility A is a result of the acquisition of the borrower by RBC and the acquisition of myonic SAS, Les Utils (F), subsequently renamed RBC France SAS ("RBCF").

Facility B: CHF 2,000,000.00 (Swiss francs two million and o/oo) to finance general working capital and corporate purposes of Schaublin SA.

1.5. COMMITMENT PERIODS

The Facilities expiry dates will be the Final Repayment Dates (termination dates) specified in Clause 4.4..

1.6. DRAWDOWN

Shall be carried out by notification to the Bank by the Borrower pursuant to Clause 2.2.. The Bank may, but is not obliged to accept simplified drawdown procedures for Facility B, i.e. Fixed Term Advance Requests in a different form than specified under Annex B.

1.7. COLLATERAL/SECURITY

Facility A & B: The following collateral/security shall be pledged and assigned to the Bank in order to secure Facility A until all liabilities under Facility A have been discharged and no commitment under Facility A is outstanding:

According to separate form "Special Deed of Pledge", Schaublin Holding SA will pledge and assign to the Bank 99.4% (1366 shares) of the present and future share capital of Schaublin. Schaublin Holding SA is a wholly-owned (100.0% of share capital) subsidiary of RBC.

The pledged shares have to be transferred to and deposited with the Bank. In addition, Schaublin will provide the Bank with a resolution of the Board of Directors to accept any inscription of a shareholder, without any restriction, as designated by the Bank. This last requirement does not apply to the qualification shares ("Qualifikationsaktien").

2. ADVANCES

2.1. UTILIZATION

The Facilities shall be available:

Facility A: in the form of fixed term advances (hereafter collectively referred to as «Advances» and individually «Advance») for periods of one month up to twelve months, not to exceed the Final Repayment Date A. Facility A may be drawn in minimum amounts of CHF 500,000.00. The Bank may from time to time grant exceptions to the periods of availability upon the Borrower's request;

Facility B: in the form of fixed term advances (hereafter collectively referred to as «Advances» and individually «Advance») for periods of one month up to twelve months, not to exceed the Final Repayment Date B. Facility B may be drawn in minimum amounts of CHF 250,000.00 or their equivalent U.S. Dollars, Euros or Yen; and

in the form of current account(s) and/or in the form of bank guarantees, performance bonds, letters of credit and currency transactions.

The interest rate shall be determined separately for each Advance.

2.2. NOTICE TO THE BANK

The Bank's decision to make an Advance shall further be subject to the condition precedent that the Bank shall have received a Fixed Term Advance Request, as defined in Annex B, at the latest by 12.00 a.m. Delémont time, three Business Days prior to the date of such borrowing, specifying (i) the currency, (ii) the term of the Advance, and (iii) unless previously supplied, details of an account to which the Borrower wishes the payments in the currency specified to be made. «Business Day» means a day on which the banks are open in Delémont.

2.3. MAXIMUM NUMBER OF ADVANCES

Under Facility A no more than 10 Advances altogether may be outstanding.

2.4. MAXIMUM OUTSTANDING

The aggregate amount of the Advances requested and drawn by the Borrower under Facility A may not exceed the amount determined by the Bank for Facility A, respectively, as specified in clause 1.2. above.

The aggregate amount of the Advances requested and drawn by the Borrower under Facility B, plus the aggregate outstanding under current account(s), bank guarantees, performance bonds and letters of credit under Facility B, as available, may not exceed the maximum amount determined by the Bank for Facility B as specified in clause 1.2. above.

3. INTEREST AND COMMISSIONS

3.1. PAYMENT

The Borrower shall pay interest accrued on each Advance in accordance with the provisions of Clause 3.2., Clause 3.3. and Clause 3.6..

The Borrower shall pay interest for current account(s) under Facility B in accordance with the provisions of Clause 3.4. and Clause 3.6.. In addition, Schaublin shall pay a Commission on the outstanding amount of each guarantee, performance bond and letter of credit issued under Facility B in accordance with the provisions of Clause 3.5. and Clause 3.6..

3.2. RATE AND CALCULATION ADVANCES

The interest rate applicable, per annum, to each Advance under the Facilities will be the London Interbank Offered Rate («LIBOR»), for the relevant term and currency, plus a Margin as defined in Clause 3.3..

«LIBOR» is defined, in respect of any Advance or unpaid sum, as the annual percentage rate displayed on Telerate page 3750 or 3740 at or about 11 a.m. (London time) two Business Days prior to any drawdown or renewal of such Advances, or, if unavailable, the rate determined by the Bank to be the rate which would have been offered to the Bank by prime banks in the London interbank market on the quotation date for deposits of a comparable amount to that Advance or other sum, in the same

currency and for a period comparable to its term, rounded to the next 1/16 of a percent. Any and all interest and fees shall accrue from day to day and shall be calculated on the basis of a year of 360 days and the actual number of days. For any Advance with a maturity in excess of twelve months, LIBOR shall be replaced by the Swap Rate. The «Swap Rate» is defined, in respect of any Advance or unpaid sum, as the annual percentage rate determined by the Bank on the date such term starts to be the rate which would have been offered to the Bank by prime banks on the quotation date for deposits of a comparable amount to that Advance or other sum, in the same currency and for a period comparable to its term.

For Advances with a maturity of up to six months, the Borrower shall pay interest accrued on each Advance on the date of maturity of such Advance. For Advances with a maturity in excess of six months, the Borrower shall pay interest at the end of each calendar quarter and on the date of maturity of such Advance.

3.3. MARGIN

Facility A: The applicable interest Margin on Advances drawn under Facility A depends on the Debt Capacity Ratio.

The «Debt Capacity Ratio" is defined as senior bank debt divided by earnings before interests, taxes, depreciation and amortization («EBITDA») and is calculated on a consolidated basis, i.e. for Schaublin and all its subsidiaries. In the context of «Debt Capacity Ratio" the Senior Bank Debt is being defined as the amount due to the Bank as of the end of the measuring period, after giving effect to the principal payment due on such date.

Until receipt of the annual audited consolidated accounts of Schaublin as of March 31, 2004, the applicable interest margin shall be 2.25%. Thereafter, the applicable interest Margin shall be adjusted for all drawings on an annual basis as of July 1 of the respective year, based upon the annual audited consolidated accounts of Schaublin, according to the following pricing grid:

Debt Capacity Ratio:	**Margin:**
> 2.75x	4.50%
> 2.50x and ≤ 2.75x	2.50%
> 2.25x and ≤ 2.50x	2.25%

> 1.75x and ≤ 2.25x	2.00%
> 1.25x and ≤ l.75x	1.75%
> 1.00x and ≤ 1.25x	1.50%
≤ 1.00x	1.25%

3.4. RATE AND CALCULATION CURRENT ACCOUNT

Schaublin shall pay to the Bank at the end of each calendar quarter and pro rata on the Final Repayment Date interest on the amount outstanding on current account(s) under Facility B, increased by a quarterly utilization fee of 0.25%, calculated on the highest used amount during that period. For utilizations in Swiss Francs, the current account interest rate shall be 5.55% per annum. For utilizations in other currencies, the respective interest rate offered by the bank will be applied.

The Bank has the right to adjust the current account interest rate at any time according to prevailing market conditions and according to the financial performance of the Borrower and/or the assigned credit rating of the Borrower by the Bank, without notice period and at its sole discretion. Such change shall only occur in case the Bank changes the rate on current account credit limits applicable to borrowers similarily situated to the Borrower or if the Bank adapts its internal rating.

3.5. COMMISSION

At the end of each calendar quarter and pro rata on the Final Repayment Date, Schaublin shall pay to the Bank a Commission at a rate equal to the applicable Margin per annum of Facility B on the outstanding amount of each guarantee, performance bond and letter of credit issued under Facility B, whereby the Commission shall be calculated on the basis of the actual number of days elapsed and a year of 360 days.

3.6. DEFAULT RATE

If a Default, as defined in clause 9.1., has occurred and as long as such a Default lasts, the applicable interest rate on Advances and on current account(s), as well as the applicable Commission on the outstanding amount of each guarantee, performance bond and letter of credit issued under Facility B, will be increased by 2.00% per annum.

4. REPAYMENT, REDUCTION & CANCELLATION

4.1. REPAYMENT

The Borrower shall repay each Advance, in the same currency as the one in which the Advance was disbursed and on the account to be designated by the Bank, from time to time, on its maturity date, together with the interest accrued thereon.

4.2. CANCELLATION OF AMOUNTS AVAILABLE

Any amount not drawn under Facility A (the unused portion) 45 days after the signing of this Agreement will be deemed to be cancelled. Any amount so cancelled shall permanently reduce the amount available under Facility A.

4.3. REDUCTION

The following reductions of Facility A are mandatory and such reductions shall permanently reduce the amount available under Facility A.

Date:	Reduction in CHF:
March 31, 2004	500,000.00
September 30, 2004	1,000,000.00
March 31, 2005	1,000,000.00
September 30, 2005	1,250,000.00
March 31, 2006	1,250,000.00
September 30, 2006	1,000,000.00
March 31, 2007	1,000,000.00
September 30, 2007	1,000,000.00
March 31, 2008	750,000.00
September 30, 2008	750,000.00
March 31, 2009	500,000.00

4.4. FINAL REPAYMENT

Facility A: Schaublin shall repay in full all Advances (principal and accrued interest including fees and similar expenses or remuneration) under Facility A on March 31, 2009 ("Final Repayment Date A"), if a Business Day as defined under 2.2., otherwise according to clause 5.3.. The Bank's commitment for Facility A shall automatically terminate on the close of business of the Final Repayment Date A. Schaublin may not borrow any Advance should the last day of its term fall after that date.

Facility B: Schaublin shall repay in full all amounts outstanding under current accounts (principal and accrued interest including fees and similar expenses or remuneration) under Facility B on March 31, 2009 ("Final Repayment Date B"), if a Business Day as defined under 2.2., otherwise according to clause 5.3.. The Bank's commitment for Facility B shall automatically terminate on the close of business of the Final Repayment Date B. Schaublin may not borrow any Advance should the last day of its term fall after that date. Any guarantee, performance bond and letter of credit issued under this Agreement and outstanding on the Final Repayment Date B shall be cash collateralized as of the Final Repayment Date B.

4.5. CANCELLATION

Facility A: On the giving of thirty days prior written notice to the Bank, Cancellation of Facility A will be permitted in minimum amounts of CHF 500,000.00 and integral multiples thereof. Any amount so cancelled shall permanently reduce the amount available under Facility A. Any notice of intended Cancellation shall be irrevocable.

Facility B: Facility B and current accounts can be cancelled mutually at any time with immediate effect. Advances already granted under Facility B and any guarantee, performance bond and letter of credit issued under Facility B will remain unaffected by a Cancellation of Facility B until their maturity as restricted under Clause 2.1. and 4.4.. Furthermore, the Cancellation of an Advance or a current account granted under Facility B will not automatically result in the termination of Facility B as a whole. Any notice of intended Cancellation shall be irrevocable.

4.6. PREPAYMENT AND CANCELLATION

If the Borrower is required to make any payment to the Bank under Clause 5.2. (Taxation of the Bank, etc.) or under Clause 6. (Changes in Circumstances), it may prepay all or any one of the Advances to which the provisions of these clauses apply by giving the Bank an irrevocable notice of prepayment and cancellation and the Borrower will prepay the Advances ten (10) Business Days after such notice is given. The unused portion of the commitment will be deemed to be cancelled on the date of receipt of such notice by the Bank.

The outstanding amounts shall be repaid without penalty, subject to payment to the Bank of the difference, if negative, if any, of:

(a) the amount of interest which the Bank is able to obtain by placing an amount equal to the amount prepaid on deposit with prime banks in the relevant interbank market for the remainder of relevant interest period, as soon as reasonably practicable after receipt thereof from the Borrower, less

(b) the amount of interest which would otherwise be payable to the Bank on the relevant amount received for the remainder of the relevant interest period (less the margin).

The certificate of the Bank setting out the amount shall, in the absence of a manifest error, be prima facie evidence thereof.

5. PAYMENT AND TAXES

5.1. MANNER OF PAYMENT

Each payment to be made by the Borrower must be:

(a) remitted to any account which the Bank specifies;

(b) made for value on the due date, in the currency in which it is stated to be payable;

(c) freely disposable outside of bilateral or multilateral payment agreements which may exist at the time of payment, free and clear of any and all present and future taxes, levies, imposts, duties, deductions, withholdings, fees, liabilities and similar charges, now or hereafter imposed by or on behalf of any taxing authority.

If deduction of any such taxes shall at any time during the continuance of the Facilities be required by or under the authority of any government, the Borrower shall pay such amount in respect of principal and interest as may be necessary in order that the amounts effectively received by the Bank after such deduction shall be equal to the respective amount of principal and interest which would have been paid to the Bank if no such deduction had been made.

5.2. TAXATION OF THE BANK, ETC.

If the Bank is required to make any payment on account of tax (other than tax imposed on the net income of its lending office by the jurisdiction in which it is incorporated or in which its lending office is located) in respect of any sum received or receivable by it under this Agreement, or if any liability in

respect of any such payment is asserted, imposed, levied or assessed against the Bank, the Borrower shall on the Bank's demand, pay the Bank an amount equal to the amount which the Bank is required to pay, together with any interest, penalties and expenses payable or incurred in connection with it.

5.3. BUSINESS DAYS

If any payment under this Agreement becomes due on a day which is not a Business Day, the due date for that payment will be extended to the next day which is a Business Day, unless such Business Day shall fall in the following calendar month, in which event the due date will be the immediately preceding Business Day.

5.4. PARTIAL PAYMENT

If at any time the Bank receives a smaller payment than the amount of any payment due, it may apply the amount effectively received in or towards discharge of the Borrower's liabilities in any order selected by the Bank under the respective Facility for which the payment has been made.

6. CHANGES IN CIRCUMSTANCES

6.1. INCREASED COSTS

If the result of any change in any law, regulation or official directive (whether or not having the force of law), or in the interpretation or application thereof, or compliance by the Bank with any request or directive of any applicable monetary or fiscal agent or authority or banking authority (whether or not having the force of law) is to increase the cost (including an increase of costs resulting from an adverse change in the calculation basis of the Bank's own fund requirements) of the Bank of maintaining or funding any Advance or is to reduce the amount of principal or interest receivable, then upon demand by the Bank, the Borrower shall pay to the Bank such amount as shall compensate the Bank for such additional cost or reduction.

6.2. ESCAPE CLAUSE

In case the Bank should not be able to grant or renew Advances in the currency requested by the Borrower owing to any present or future currency restrictions or similar circumstances (i.e. initiated by Central Banks, Governments or any other public authority or body) the Bank reserves the right to advance another freely available currency at that date. The Bank's opinion as to whether a currency is available or not shall be conclusive and binding on the Borrower, except in case of manifest error.

6.3. RESTRICTION CLAUSE

Should the Swiss National Bank or any other government body or authority impose restrictions of any kind or nature on the Bank affecting the Facilities, the Bank shall have the right to request that the conditions of the present Facilities be renegotiated by sending without delay written notice to the Borrower.

Should no consent be reached following a negotiation period of thirty (30) days, the Borrower and the Bank shall have the right to cancel the Facilities with immediate effect and without having to pay any penalty, whereby any and all amounts owed by the Borrower to the Bank shall immediately become due for repayment.

6.4. ILLEGALITY

The Bank will notify the Borrower if it reasonably believes that it is, or will be, acting illegally or contrary to any applicable rules and regulations in relation to the Facilities («Notice of Illegality"), specifying the reason therefore. The Bank shall thereupon use its best efforts to transfer and/or assign its rights under these Facilities to another bank not affected by such illegality or violation of rules and regulations. If the Bank notifies the Borrower in writing within twenty (20) Business Days after dispatching a copy of the aforementioned Notice of Illegality to the Borrower, the commitment of the Bank under this Agreement will thereupon terminate. For the transfer and/or the assignment of the Bank's rights and/or obligations and to prepare such a transfer or assignment of the bank's rights and/or obligations, the Borrower releases the Bank from the obligation to observe banking secrecy. If the Bank so requires, the Borrower will prepay any Advance which is affected by any such illegality or violation on the date specified by the Lender in the notice.

7. UNDERTAKINGS, COVENANTS ETC.

7.1. GENERAL UNDERTAKINGS

The Borrower agrees that until all of its liabilities under this Agreement have been discharged and as long as any commitment is outstanding:

(a) **Default:** the Borrower shall notify the Bank immediately if any Event of Default or any potential Event of Default occurs or may reasonably be expected to occur;

(b) **Information:** the Borrower shall inform the Bank without delay of any event which is appropriate to materially adversely affect the credit quality of the Facilities, such as major disposals of assets or acquisitions. It will supply the Bank with any information regarding the Borrower and any of its subsidiaries and their financial affairs and those of any of their subsidiaries which the Bank may request.

(c) **Pari Passu:** it will ensure that its liabilities under this Agreement will rank at least equally with any and all other present and future liabilities of the Borrower and/or its subsidiaries other than those which are mandatorily privileged by law;

(d) **Negative Undertakings:** in case the Borrower wants to untertake one of the following actions under (i) to (vii), it will provide the Bank in advance with detailed information. Should the Bank acting reasonably conclude that such undertaking represents a Material Adverse Change, such undertaking would constitute an Event of Default according to Clause 9.1 (i).

(i) **Negative Pledge:** create any encumbrance or permit any encumbrance to exist over all or any of its assets or revenues or of the assets or revenues of all or any of its subsidiaries, other than liens to secure equipment financing or future permitted loans; or

(ii) **Guarantees:** give any guarantee, indemnity or other security in connection with any other liability of any other person otherwise than in the normal course of its business; or

(iii) **Capital Commitment:** authorize or accept any capital commitments outside the normal course of its business; or

(iv) **Merger:** consolidate with or merge into any other body corporate, or merge any other body corporate into itself; or

(v) **Disposal of Assets or Revenues:** dispose, transfer, grant or lease its assets or assets of its subsidiaries, except if such disposal, transfer, grant or lease is made in the ordinary course of business. The disposal, transfer, grant or lease of (a) patents, (b) trademarks, and (c) shares of subsidiaries of the Borrower, however, are not regarded as being in the ordinary course of business; or

(vi) **Major Acquisitions:** purchase or undertake to purchase (either itself or through any of its subsidiaries) assets other than the planned Capex in kind and amounts as defined in the Business plan remitted to the Bank and as limited in clause 7.5 (b), which will result in a major change in the ability of the Borrower to fulfill its present and future obligations in relation to the Facilities, or a change of its business activities; or

(vii) **Reorganization:** Enter into a de-merger or reorganization which will result in a major change in the ability of the Borrower to fulfill their present and future obligations in relation to the Facilities.

7.2. REPRESENTATIONS AND WARRANTIES

The Borrower represents and warrants to the Bank that:

(a) the Borrower is a company duly organized and validly existing under the laws of its country of incorporation with full power and authority under such laws to own its properties and to conduct its business;

(b) the making and performance of the Facilities have been duly authorized by all necessary corporate action of the Borrower and

(i) do not contravene any provision of any applicable law or the Borrower’s articles of association, and

(ii) will not result in a breach of or constitute a default under any contractual provisions, the breach of which would impair the Borrower’s ability to perform its obligations under this Agreement;

(c) this Agreement is valid and legally enforceable in accordance with its terms against the Borrower in its country of incorporation;

(d) there are no actions, suits or proceedings pending or, to the knowledge of the Borrower, threatened against the Borrower or any of its subsidiaries before any court, tribunal or governmental body, agency, authority or other instrumentality which might substantially adversely affect the financial condition of the Borrower and/or of any of its subsidiaries or their ability to perform their obligations hereunder;

7.3. SPECIFIC UNDERTAKINGS

Schaublin agrees that until all of its and its subsidiaries’ liabilities under this Agreement have been discharged and no commitment is outstanding:

(a) it will remit annual audited consolidated accounts of Schaublin and its subsidiaries, including a covenant compliance certificate pursuant to Clause 7.3.(c) hereafter, within 120 days after the end of each financial year;

(b) it will remit annual audited accounts of Schaublin SA within 120 days after the end of each financial year;

(c) it will remit annual audited accounts of Schaublin Holding SA within 120 days after the end of each financial year;

(d) it will remit quarterly consolidated financial key figures of Schaublin and its subsidiaries, including a covenant compliance certificate pursuant to Clause 7.3.(c) hereafter, within 90 days after the end of each financial quarter. These consolidated financial key figures shall contain at least (1) revenues, (2) order backlog, (3) EBITDA, (4) total debt, and (5) all other relevant figures to calculate the Financial Covenants;

(e) it will remit on a quarterly basis a covenant compliance certificate, as defined in Annex C, showing the detailed calculation of each Financial Covenant and signed by the Chief Financial Officer of Schaublin;

(f) it will remit annual audited accounts of RBCF within 120 days after the end of each financial year. For the fiscal year 2003 the financial year of RBCF will end at December 31 and will be changed to March 31 in 2004;

(g) it will remit annual consolidated budgets of Schaublin an its subsidiaries and a restated three-year business plan with key financial projections within 30 days after their completion, but no later than April 30 of each year;

(h) it represents and warrants that it has no knowledge of any past, present or future fact related to the environment, health and safety, which could materially affect it and/or any of its subsidiaries in a negative way.

7.4. FINANCIAL COVENANTS

The following Financial Covenants as well as the ratio used for the Margin calculation (ratio and amounts) to be calculated based on the consolidated accounts of Schaublin must be permanently satisfied by Schaublin and all of its subsidiaries on a consolidated basis. The calculation of the ratio shall as a rule be carried out by Schaublin quarterly for the past 12 months (rolling calculation period) and be remitted at the latest to the Bank 60 days after the end of the calculation period. The first calculation period shall be January 1 until 31, March 2003. However, the Bank shall be entitled to demand the financial data required to check on the compliance with the Covenants at any time. The Financial Covenants will be restated and amended in case of a change of Schaublin's and/or any of its subsidiaries accounting principles/policies (especially in case of dissolution of hidden reserves, revaluation of assets, capital gains from disposal of assets, change in accounting method(s), change in depreciation and amortization policy, etc.):

(a) **Minimum Interest Coverage Ratio**

Definition:

Interest Coverage Ratio: Consolidated EBITDA divided by consolidated Total Net Interest (as defined in Annex C).

Minimum ratio at any time: 7.50x

(b) **Minimum Net Worth**

Definition:

Minimum Net Worth: Consolidated equity of Schaublin and its subsidiaries, including subordinated shareholder loans.

Minimum ratios:

Period:	Net Worth in CHF:
until March 31, 2004	CHF 14,000,000.00
Thereafter for all periods	CHF 15,000,000.00

Net Worth is being defined as the consolidated equity including subordinated loans as of the end of the measuring period, after giving effect to a possible repayment on the subordinated loans as set in Clause 8 on such date.

(c) **Maximum Debt Capacity Ratio**

Definition:

Debt Capacity: Consolidated senior bank debt divided by consolidated trailing twelve-month EBITDA. Senior Bank Debt is being defined as the amount due to the Bank as of the end of the measuring period, after giving effect to the principal payment on such date.

Maximum ratios:

Period:	Debt Capacity Ratio:
until March 31, 2004	2.75x
until March 31, 2005	2.25x
until March 31, 2006	1.50x
thereafter	1.25x

(d) **Minimum Inventory Turnover Rate**

Definition:

Inventory Turnover: Consolidated trailing twelve-month Cost of Goods Sold (COGS) divided by Inventory as stated at the end of the measuring period.

Minimum ratio at any time: 1.00x

(e) **Debt Restriction**

No additional financial debt or similar obligations provided to the Borrower and/or its subsidiaries shall be allowed without prior written consent of the Bank, with the following exceptions:

(i) revolving line of credit and letters of credit facilities of EUR 750,000.00 (Euros seven hundred fifty thousand and o/oo) in aggregate at the maximum for RBCF granted by a local bank.

(ii) existing lease financing provided to the Borrower;

(iii) existing subordinated debt provided by Schaublin Holding of CHF 1,375,000.00 (Swiss francs one million and three hundred seventy-five thousand and o/oo) to the Borrower;

(iv) Subordinated debt in form of a shareholder loan by Schaublin Holding as defined in Clause 8.

(d) **Violation of financial covenants**

A violation of any financial covenant described above may be cured by a capital contribution by the Borrower's parent, i.e. such capital contribution shall effectively be treated as an increase to EBITDA for compliance measurement purposes.

7.5. OTHER COVENANTS

(a) **Capital expenditures ("Capex")**
Capex are limited to the amounts projected in the business plan.

Projected Capex

Period (fiscal year)	Max. amounts in CHF
1.4.2003 to 31.3.2004	975,000.00
1.4.2004 to 31.3.2005	945,000.00
1.4.2005 to 31.3.2006	945,000.00
thereafter per fiscal year	950,000.00

(b) **Transaction with Shareholders / Related Parties**
The Borrower undertakes for itself and its subsidiaries for the whole duration of these Facilities not to provide any credit or similar financial support to their shareholders or any related parties to them, as well as not to enter into any obligation or provide any financial or other support which is not in due course of business. All other transactions in normal course of business shall be done on an arm's length basis, including transactions between the Borrower and its ultimate parent company in the USA and the latter affiliated companies.

(c) **Insurance Coverage and Environmental Risk**
The Borrower confirms and undertakes for itself and its subsidiaries and for the whole duration of this Agreement to have adequate insurance coverage for their assets, losses due to interruption of business activities, responsibility claim of third parties as well as all other usual insurance coverage for such business activities.

The Borrower confirms and undertakes for itself and its subsidiaries and for the whole duration of this Agreement not to enter in business activities which could bear any material environmental risk.

8. SHAREHOLDER LOAN

Schaublin Holding will provide the Borrower with a shareholder loan in the amount of CHF 150,000.00 (Swiss Francs one hundred fifty thousand and o/oo). This loan will be subordinated to the Bank's Debt and will bear an interest rate of 3.00%. The subordinated loan(s) of total CHF 1,525,000.00 may be repaid to the extent that (i) the financial covenant levels set in this credit agreement under clause 7.4. are still met after such payment and (ii) all amortizations due under Facility A on or before such date as set in clause 4.3 shall have been made.

9. EVENTS OF DEFAULT

9.1. EVENTS

The occurrence of any of the following is an Event of Default:

(a) **Non-Payment:** the Borrower, after a remedy period of seven (7) Business Days from the due date, shall fail to pay any amount of principal or interest, or any other amount due hereunder, when same becomes due and payable under this Agreement; or

(b) **Breach of Obligations:** the Borrower and/or any one of its subsidiaries and/or any third party mentioned in this Agreement fails to perform or to observe any of the material terms and conditions and/or material undertakings contained in this Agreement and (if capable of remedy)

such failure is not remedied within twenty (20) days of its occurrence; or

(c) **Misrepresentation:** any representation or warranty made by the Borrower or any third party under or in connection with this Agreement shall turn out to have been incorrect or misleading in any substantial material respect; or

(d) **Cross-Default:** the Borrower or any of its subsidiaries

(i) after giving effect to any applicable grace period, shall fail to pay for borrowed money other than money referred to under this Agreement, or any interest or premium thereon, when due (whether at scheduled maturity or by prepayment, acceleration, demand or otherwise) or any other default under any agreement or instrument relating to any such indebtedness, or any other event shall occur, if the effect of such default or event is to accelerate, or to permit the acceleration of the maturity of such indebtedness, or any such indebtedness shall be declared to be due and payable, or required to be prepaid to the stated maturity thereof, except for the case that the aggregate amount of such default or event shall not exceed CHF 250,000.00 per event and CHF 500,000.00 per annum; or

(ii) (a) becomes bound to repay prematurely any other loan or obligation by reason of a default by the Borrower or (as the case may be) any one of its subsidiaries which is followed by an appropriate demand of such repayment except where the Borrower or (as the case may be) any one of its subsidiaries are taking action in good faith to dispute the validity of the obligation to repay such other loan or obligation prematurely, except for the case that the aggregate amount of such default or event shall not exceed CHF 250,000.00 per event and CHF 500,000.00 per annum; or (b) fail to make any payment of principal, premium or interest in respect of such other loan or obligation, or any payment under a guarantee in respect of any loan or other obligation, on the due date for such

repayment or within any grace period specified in the agreement or other instrument constituting such other loan, obligation or guarantee as aforesaid, except for the case that the aggregate amount of such default or event shall not exceed CHF 250,000.00 per event and CHF 500,000.00 per annum.

(e) **Winding-up or Dissolution:** any order is made by any competent court or other authority or resolution passed by the Borrower for the dissolution or winding-up of the Borrower or any order is made by any competent court or other authority for the dissolution or winding-up of any of its subsidiaries or for the appointment of a liquidator, receiver or trustee of the Borrower or (as the case may be) any of its subsidiaries or of the whole or any part of the undertaking or assets of the Borrower or (as the case may be) any of its subsidiaries which would be material in the context of this Agreement or the Borrower or (as the case may be) any of its subsidiaries apply for «Sursis Concordataire» (within the meaning ascribed to that expression by the laws of Switzerland) or an equivalent legal institution in case of any subsidiary; or

(f) **Insolvency:** the Borrower or (as the case may be) any of its subsidiaries stop or threaten or declare their intention to cease payments or are unable to, or admit to creditors generally its inability to pay its debts as they fall due, or is finally adjudicated or found bankrupt or insolvent, or makes any conveyance or assignment for the benefit of or enter into any composition or other arrangement with its creditors generally; or

(g) **Change of Control:** any change of control in Schaublin

For the present purposes «Change of Control» shall mean:

That Schaublin is not anymore controlled 100% directly or indirectly by Roller Bearing Company of America, Inc. and RBCF is not anymore controlled 100% directly or indirectly by Schaublin; or

(h) **Security Enforceable:** any present or future security on, over or with respect to the assets of the Borrower and/or any one of its subsidiaries become enforceable or any beneficiary of encumbrances takes possession or a receiver is appointed of the whole or any material part of the undertaking, property and assets of the Borrower and/or any one of its subsidiaries or a distress or execution is levied or enforced upon or sued for all or any material part of the assets of the Borrower and/or any one of its subsidiaries; or

(i) **General Material Adverse Change:** a change in the business, operations, sales, costs, assets or liabilities of the Borrower and/or any of its subsidiaries which individually or in the aggregate, have materially affected or are likely in the future to materially affect the financial condition, net worth and profitability of the Borrower; or

(j) **Unlawfulness, Invalidity:** it is or becomes unlawful for the Borrower to perform promptly any of its obligations under this Agreement or for the Bank to exercise any of its rights under this Agreement, or if this Agreement for any other reason becomes invalid or unenforceable or ceases to be in full force and effect, or if the Borrower does or causes or permit to be done anything which evidences an intention to contest or repudiate this Agreement wholly or in part; or

(k) **Compliance with Laws:** the Borrower and/or any one of its subsidiaries ceases or will cease to comply with any law, regulation or requirement applicable to it in the carrying out of their business if such failure to comply would materially impair its ability to perform their obligations under this Agreement.

9.2. CONSEQUENCES

If an Event of Default occurs, the Bank may, upon notice in writing to the Borrower immediately terminate the commitment and declare all Advances and all other Bank debts hereunder to be forthwith due and payable, whereupon the unpaid principal amount of such Advances together with accrued interest to the date of declaration and all other amounts due hereunder shall become immediately due and payable without presentment, demand, protest or other notice of any kind, all of which are hereby expressly waived by the Borrower.

10. SET-OFF

10.1. SET-OFF

The Bank may at any time take all or any of the following steps:

(a) open a new account in the name of the Borrower (defined as Schaublin, as applicable) and debit that account, or debit an existing account of the Borrower with any amount due to the Bank by the respective Borrower;

(b) combine or consolidate, regardless of currency, all or any of the accounts with the Bank in the name of the respective Borrower or to which the respective Borrower is beneficially entitled at any of the Bank's branches in any country or territory; and

(c) (after taking into account any combination or consolidation of accounts), set off any amount standing to the credit of any such account by applying any such credit balance in or towards payment of any amount due to the Bank.

10.2. CURRENCY CONVERSION

The Bank may at any time use any of the Borrower's credit balances with the Bank to purchase at the Bank's applicable spot rate of exchange any other currency or currencies which the Bank considers necessary to reduce or discharge any amount due to the Bank, and may apply that currency or those currencies in or towards payment of those amounts.

11. INDEMNITIES

11.1. GENERAL INDEMNITY

The Borrower will indemnify the Bank against all losses (including but not limited to losses from liquidating or re-employing deposits from third parties which were acquired to effect or maintain the Facilities or any part of them) and expenses which the Bank may incur (after taking into account any payments to the Bank of interest at a default rate) as a result of the occurrence of:

(a) an Event of Default; and/or

(b) the failure of the Borrower to pay any amount due under this Agreement on the due date; and/or

(c) any Advance being repaid or prepaid for any reason otherwise than on the last day of its term; and/or

(d) any Advance not being borrowed for any reason (excluding default by the Bank) after a notice requesting that Advance has been sent to the Bank by the Borrower.

11.2. CURRENCY INDEMNITY

If any payment in connection with this Agreement is made or recovered in a currency other than that in which it is required to be paid then, if the payment to the Bank (when converted at the Bank's rate of exchange on the date of payment or, in the case of a liquidation of a company of Schaublin and/or one of its subsidiaries, the latest date for the determination of liabilities permitted by the applicable law) falls short of the amount remaining unpaid under this Agreement, the Borrower will indemnify the Bank against the amount of such shortfall.

12. FEES AND EXPENSES

12.1. STRUCTURING FEE

Schaublin will pay to the Bank a structuring fee of CHF 50,000.00, payable within 30 days as from the signing of this Agreement.

12.2. EXPENSES

All out-of-pocket expenses, costs, charges, tax and expenses, including legal fees, incurred by the Bank in connection with the negotiation, preparation and completion of this Agreement shall be borne by the Bank. Out-of-pocket expenses, including legal fees, incurred in connection with any change, reorganization, amendment of this Agreement after the signing date shall be borne by the Borrower.

12.3. VALUE ADDED TAX

All amounts stated in this agreement to be payable by the Borrower are exclusive of value added tax or any similar tax property chargeable in respect of services under this Agreement, and the Borrower will pay all tax of this nature together with the amounts on which such tax shall be levied.

13. ASSIGNMENT, TRANSFER AND LENDING OFFICES

13.1. NO ASSIGNMENT BY THE BORROWER

The Borrower may not assign or transfer any of its rights or obligations under this Agreement, except with the prior written approval of the Bank.

13.2. ASSIGNMENT AND TRANSFER BY THE BANK

The Bank shall be entitled to transfer or assign the whole or any part of its rights and obligations under the Facility to an affiliated, controlled or related company or other entity and provided that such assignment will not in any way be prejudicial to the Borrower from a tax perspective, subject to prior notification of the Borrower. In particular, the Bank shall not be entitled to transfer or assign the whole or any part of its rights and/or obligations under this Agreement if the consequence was that all or any of the Facilities would be deemed to be a bond for Swiss tax purposes. Any other transfer/assignment may be effected with the prior written approval of the Borrower only, which approval shall not be unduly withheld. For the transfer and/or the assignment of the Bank's rights and/or obligations and to prepare such a transfer and/or assignment of the Bank's rights and/or obligations the Borrower releases the Bank from the obligation to observe banking secrecy.

14. NOTIFICATION

14.1. BY THE BANK

All notification by the Bank to the Borrower as well as all correspondence in connection with these Facilities shall be delivered either in person, sent by mail or telefax and shall be deemed to have been duly given if addressed to:

Schaublin SA
c/o Roller Bearing Company of America, Inc.
60 Round Hill Road
Fairfield, CT 06430
USA
Attention: Michael S. Gostomski
Telephone: 001 (203) 255-1511
Telefax: 001 (203) 256-0775

With a copy to:

Schaublin SA
Attention: Jean-Paul Tardif, Operations Director
Rue de la Blancherie 9
2800 Delémont

14.2. BY THE BORROWER

All notification by the Borrower to the Bank as well as all correspondence in connection with these Facilities shall be delivered either in person, sent by mail or telefax and shall be deemed to have been duly given if addressed to:

CREDIT SUISSE
Attention: C. Saucy
P.O. Box 237
2800 Delémont
Telephone: ++41 (0)32 421 95 23
Telefax: ++41 (0)32 421 95 88

14.3. OBJECTIONS

Any objection by the Borrower relating to the execution or non-execution of any order of any kind as well as any objection to any statement of account or any other communication must be made within seven Business Days upon receipt of the respective communication; otherwise the execution or non-execution of the order as well as the pertinent statements and communications are deemed to have been approved.

15. GOVERNING LAW AND JURISDICTION

This Agreement will be governed by and construed in accordance with Swiss law, which shall also govern any decision as to the validity of this choice of law clause.

Any dispute arising out of or in connection with this Agreement shall be settled by the competent courts of the canton of Jura and the Swiss Confederation, venue being Delémont, provided always that the Bank shall be entitled to institute proceedings against the Borrower before any competent court, including, but not limited to the courts competent at the places or registered offices of the Borrower or any of its subsidiaries.

16. MISCELLANEOUS

16.1. CONFIDENTIALITY

The parties hereto will keep the information contained in this Agreement confidential subject to agreed exceptions, such as disclosure required by law, disclosure of information already in the public domain without default by any of the parties hereto and disclosure to professional advisors on a need to know basis.

16.2. NO WAIVER

The Bank shall not be considered having waived any of its rights under this Agreement if it has not exercised such right in a given case or has exercised such rights only partially.

16.3. SEVERABILITY

If, at any time, any provision of this Agreement is or becomes illegal, invalid or unenforceable in any respect under the laws of any jurisdiction, neither the legality, validity or enforceability of the remaining provisions hereof nor the legality, validity or enforceability of such provision under the law of any other jurisdiction shall in any way be affected or impaired thereby and the Borrower and the Lender agree that any void provision shall be replaced by a new provision being as close as possible to the void one.

16.4. INTERPRETATION

Words importing the plural shall include the singular and vice versa. CHF shall mean Swiss Francs and vice versa. EUR shall mean Euros and vice versa.

16.5. ORIGINALS

The parties hereto have executed this Agreement - constituting the legally binding Agreement - in three originals (two for the Borrower and one for the Bank).

The enclosed General Conditions are integral part except as stated otherwise within this Agreement. In case of a contradiction between this Agreement and the General Conditions, this Agreement shall prevail.

SIGNED on behalf of each of the parties:

Delémont, December 8, 2003

The Borrower:

Schaublin SA /s/ Michael S. Gostomski

Third Party:

Schaublin Holding SA /s/ Michael S. Gostomski

The Bank:

CREDIT SUISSE /s/ Th. Lovis /s/ C. Saucy

Th. Lovis **C. Saucy**
Director Assistant Vice President

ANNEX A

CONDITIONS PRECEDENT-
ITEMS REQUIRED BEFORE AN ADVANCE OR OTHER FUNDS MAY BE BORROWED

The Bank shall not be obliged to permit any drawdown by the Borrower, and the Borrower shall not give any notice of drawing, unless and until the Bank has received the following documents and evidence and has found them to be satisfactory in form and substance:

(a) any obligation of the Bank to permit the initial drawdown shall be subject to the following conditions precedent:

(i) formation and existence of Schaublin SA and all its subsidiaries;

(ii) certified copies of the constitutional documents for each company entering into financing documentation;

(iii) Board resolutions confirming the approval for entering into financing documentation for each company entering into financing documentation;

(iv) completion and execution of all loan documentation relating to the Facilities, including execution of all required guarantee and security documentation;

(v) transfer of all the pledged shares requested in this Agreement into safe custody accounts with the Bank;

(vi) all necessary corporate authorizations for the entry into the transaction documents;

(vii) receipt of financial information in form and substance satisfactory to the Bank;

(viii) no Material Adverse Change in operations, business, properties, conditions (financial or otherwise) or prospects of the Borrower and all of their subsidiaries since March 31, 2003 (audited numbers) and September 30, 2003.

(ix) absence of any material pending or threatened litigation or other proceedings;

(x) compliance with and maintenance of all applicable laws and regulations, including all required regulatory consents and approvals (unless failure to comply which does not materially impair the Borrower's ability to perform their obligations under this Agreement).

(b) any obligation of the Bank to permit any drawdown under this Agreement shall be subject to the following conditions precedent:

(i) all Representations and Warranties made by the Borrower in this Agreement or in the security documents are true and correct;

(ii) no Event of Default has occurred and is continuing or will occur as a result of drawdown;

(iii) no breach of any provisions under this Agreement or the security documents;

(iv) receipt of duly completed and signed Fixed Term Advance Request by the Bank, unless the Bank accepts a simplified drawdown procedure for Advances under Facility B;

(v) such other documents relating to any of the matters contemplated herein as the Bank may reasonably request.

ANNEX B

FIXED TERM ADVANCE REQUEST

From: [Name of company, address] («Borrower»)

To: Credit Suisse, Delémont («Lender»)

Date

Dear Sirs,

We refer to the Agreement (as from time to time amended, varied, novated or supplemented, the «Facilities») dated December 8, 2003, and made between Schaublin and Credit Suisse.

We hereby give you notice that we wish to make a fixed term Advance under these Facilities as follows:

Facility (A, B):

Currency:

Amount:

First value date:

Duration:

To be transferred to account: No:

Beneficiary:

Bank:

We confirm that at the date thereof, the Representations and Undertakings set out in the Agreement are true and no event which is or may become (with the passage of time, the giving notice, the making of any determination under the Agreement or any combination thereof) an Event of Default has occurred.

Yours Sincerely,

ANNEX C

COMPLIANCE CERTIFICATE

The undersigned officer of Schaublin hereby certifies that he is the Chief Financial Officer of Schaublin, and that as such he is authorized to execute this compliance certificate required to be furnished pursuant to the Credit Agreement, dated December 8, 2003, and further certifies that:

1) Attached hereto is a copy of the Borrower's quarterly statements for the period ending [ ], which contains the consolidated balance sheet and the related consolidated statements of income and cash flows of Schaublin and all its subsidiaries, setting forth in each case in comparable form the figures for the previous year (collectively the "Financial Statements").

2) The Financial Statements are complete and correct in all material respects and were prepared in reasonable detail and in accordance with the Swiss Generally Accepted Accounting Principles (FER or IAS applied consistently throughout the periods reflected therein.

3) The undersigned has no knowledge of any Default or Event of Default.

4) The following calculations as of [ ] support the statement made in paragraph 3 above with respect to the Credit Agreement.

i) Minimum Interest Coverage Ratio

Total Interest Expenses
- Total Interest Income
Total Net Interest Expenses "B"

Consolidated Net Income
+ Taxes
+ Total Net Interest Expenses "B"
EBIT
+ Amortization of Goodwill
+ Depreciation
EBITDA "A"

Minimum Interest Coverage Ratio ("A" divided by "B")

Covenant Minimum 7.50x

ii) Minimum Net Worth

Consolidated Share Capital
+ Consolidated Reserves
+ Consolidated Retained Earnings
+ Subordinated shareholder loans
Net Worth

Covenant Minimum

iii) Maximum Debt Capacity Ratio

Consolidated Senior Bank Debt "A"
Consolidated EBITDA (as determined in i) above) "B"

Maximum Debt Capacity Ratio ("A" divided by "B")

Covenant Maximum

iv) Minimum Inventory Turnover Rate

Cost of Goods sold "A"
Inventory "B"

Minimum Inventory Trunover Rate ("A" divided by "B")

Covenant Minimum 1.00x

Schaublin SA

(Name, Title)

(Date)

ANNEX D

GENERAL CONDITIONS

See separate Document

ANNEX E

Special Deed of Pledge

1. The undersigned

Schaublin Holding SA
Rue de la Blancherie 9
2800 Delémont

(hereinafter referred to as pledgor)

herewith **pledges** in favour of Credit Suisse (hereinafter referred to as Bank) the securities, savings and investment books of any kind (hereinafter referred to as books), loan stock rights not evidenced by certificates (especially securities for which the issue of certificates is deferred), metal deposits and other valuables listed hereafter and held by the Bank or held under their name but for the pledgor's account by any agent or representative of the Bank, as well as any rights to recovery of possession of such assets. Securities which are not in bearer form are pledged to the Bank in accordance with Article 901, Section 2 of the Swiss Civil Code (hereinafter referred to as the SCC).

The pledge also includes all forfeited, current and future associated rights such as interest and dividend payments and subscription rights.

2. The purpose of this pledge is to cover any and all claims of the Bank against

Schaublin SA
Blancherie 9
2800 Delémont

(hereinafter referred to as debtor)

as a result of any contract or agreement entered into or to be entered into in the future within the framework of business relationships. This applies to both the principal and the accrued and maturing interest, commissions and fees. Collateral deposited with one of the Bank's offices is also liable for claims of other offices of the Bank. In the case of several claims, the Bank shall determine for which claim the collateral or liquidation proceeds are liable.

3. The pledgor hereby assigns to the Bank all insurance and other private or public law claims (including expropriation claims) accruing to him with respect to the aforementioned securities and property, and the Bank are entitled to effect the necessary communications and to collect such proceeds or indemnification and to give receipt on his behalf .

4. The present pledge shall be in addition to and independent of any existing or future guarantees and shall remain in force until such time as the obligations to the Bank shall have been fulfilled in their entirety. The release of individual pledged items from the pledge does not affect the Bank's lien on the other pledged items. In the event that collateral is exchanged, the new items shall be subject to this pledge without further formalities. This applies in particular to repayments of titles, whereby the corresponding proceeds replace the title and become subject to the pledge. The whole item is subject to this pledge, even if its value is increased by reason of additional payments or for any other reason.

5. Should the bank refrain from exercising its right of pledged property, or delay in doing so, this neither constitutes a waiver of the Bank's right nor does it entail any responsability for the Bank. Upon their claims becoming due, the Bank shall also be entitled to dispose of the pledged collateral at its discretion, provided, however, previous notice has been given to the debtor. The obligation to give notice shall be waived in the event of impending danger (marked fluctuations in market prices, etc.). The Bank is entitled to institute ordinary execution for payment of a debt against the debtor without having first to realise the collateral by forced execution or by free sale. In doing so, the Bank does not, however, waive its rights under the lien or pledge.

6. If the deed of pledge is issued on behalf of third parties, all notices shall be deemed to be valid if they have been sent to the debtor. In the case of pledged books, the Bank is entitled to notify the issuer that a book has been pledged. The pledger undertakes to cooperate with the Bank to transfer the collateral to a new buyer. Pledged securities which are not in bearer form are hereby assigned blank to the Bank in the event that it should become necessary to dispose of them.

7. The Bank's form of Safe Custody Regulations and General Conditions, receipt of which is hereby confirmed, supplement the terms of this contract.

8. For the fulfilment of all commitments arising from the establishment of this pledge, the pledgor elects **special domicile** at CREDIT SUISSE in **Delémont.**

Swiss law shall be applicable in the interpretation of this pledge. Any dispute arising out of or in connection with this document shall be submitted for judgement to the **ordinary Courts of the Canton of Jura** subject to appeal to the Swiss Federal Court at Lausanne. The Bank has, however, the right to take legal action before the court at the undersigned's domicile or before any other competent court.

List of pledged assets, rights and claims

Number of shares	
-1366-	Pledge of 99.4% of the shares of Schaublin SA, Delémont, with a nominal value of CHF 100'000.–

Place, date	Signature
Delémont, December 8, 2003	/s/ Michael S. Gostomski
	Board of Directors of Schaublin Holding SA

The board of directors of Schaublin SA, Delémont, hereby agrees to the pledge by Schaublin Holding SA of 1366 shares of Schaublin SA in favour of CREDIT SUISSE. The board understands that the pledge is made in order to support its indebtedness towards CREDIT SUISSE. This deed of pledge is hereby ratified by the board of Schaublin SA. If the collateral is realised by forced execution or by free sale, the board of Schaublin SA herewith already agrees to register any new acqueror of the shares in the shareholders' registry.

Delémont, December 8, 2003	/s/ Michael S. Gostomski
	Board of Directors of Schaublin SA

General Conditions

These General Conditions govern the relationship between CREDIT SUISSE (hereinafter referred to as Bank) and its clients subject to any special agreement and the established rules of banking practice.

For the sake of clarity, the Bank uses only masculine pronouns in its forms. These are to be understood as including both sexes.

Art. 1 identity check

The Bank undertakes to check carefully the identity of its clients and their authorised agents. The client is liable for any damage resulting from failure to recognise falsifications or incorrect identification provided that the Bank has exercised the degree of due care usual in banking transactions.

Art. 2 Legal Incapacity

The client is liable for any damage resulting from his incapacity to act provided that such incapacity to act was not apparent to the Bank on exercising the degree of due care usual in banking transactions. The client is liable in all cases for any damage or loss resulting from incapacity on the part of his authorised agent or other third party.

Art. 3 Communications from the Bank

Communications from the Bank are deemed to have been duly transmitted if sent to the last address supplied to the Bank by the client.

Art. 4 Errors in transmission

Damage resulting from the use of postal services, fax, telephone, telex, e-mail and other means of communication or transport, such as from loss, delay, misunderstandings, mutilation or duplicate dispatch is to be borne by the client provided that the Bank has exercised the degree of due care usual in banking transactions.

Art. 5 Defective execution of instructions

In the event of damage resulting from the defective execution, late execution or non-execution of instructions (with the exception of instructions relating to stock exchange transactions), the Bank's liability is limited to an amount equal to the loss of interest, unless its attention has been expressly directed to the risk of more extensive damage at the time of and in respect of such instructions.

Art. 6 Saturday an official holiday

In business transactions with the Bank, Saturday shall be treated as an official Bank holiday.

Art. 7 Complaints

Complaints by a client relating to the execution of instructions as well as to other communications must be lodged immediately upon receipt of the communication concerned and at the latest within the particular period specified by the Bank. If the Bank fails to send a communication which the client expects, the client must nevertheless lodge his complaint as if he had received the communication by ordinary mail. Any damage arising from delay in making a complaint is to be borne by the client.

Objections concerning account or safekeeping account statements must be submitted within one month of receipt. Upon expiry of this period the statement is deemed to have been approved.

Art. 8 Right of lien and set-off

The Bank has a right of lien on all assets it holds for the account of a client whether in its own custody or placed elsewhere and a right of set-off as regards all funds credited to a client's account in respect of all claims which the Bank may have against the client, irrespective of the due dates of such claims or currencies in which they are expressed. Immediately upon default by the client the Bank shall be entitled to dispose, either by forced sale or in the open market, of any assets over which it has a right of lien.

Art. 9 Accounts

The Bank reserves the right to alter its interest and commission rates at any time, e.g. in the event of changes in market conditions and to advise the client of such change in writing or by other suitable means. No deductions are allowed from interest and commissions due to the Bank. Any expenses, taxes or other charges are to be borne by the client. If the client gives several instructions, the total amount of which exceeds his available balance, the Bank will decide at its discretion which of the instructions to carry out, in whole or in part, irrespective of the date they bear or the date of their receipt by the Bank.

Art. 10 Accounts in foreign currencies

The Bank's assets corresponding to the client's credit balances in foreign currency are held in the same currency

in or outside of the country whose currency is involved. The client bears proportionately to his share all the economic and legal consequences which, as a result of measures taken by the country in question, affect all the Bank's assets in the country of the currency or in the country where the funds are invested.

The obligations of the Bank arising from accounts in foreign currencies will be discharged exclusively at the place of business of the branches or offices at which the accounts in question are held solely through the establishment of a credit entry at a Bank branch, a correspondent bank or a bank nominated by the client in the country of the currency.

Art. 11 Drafts, cheques and other instruments

The Bank reserves the right to debit the client's account with unpaid drafts, cheques or other instruments, previously credited or discounted. Pending the settlement of any outstanding debit balance, the Bank retains a claim to payment of the total amount of the draft, cheque or similar instrument, plus related claims against any party liable under the instrument, whether such claims emanate from the instrument or exist for any other legal reason.

Art. 12 Termination of business relationship

The Bank or the client may terminate the business relationship at any time and at either's own discretion.
The Bank may in particular cancel credit facilities at any time and demand repayment of debts without notice.

Art. 13 Outsourcing of operations

The Bank reserves the right to outsource, in whole or in part, certain areas of business (e.g. funds transfer and securities operations).

Art. 14 Applicable law and venue for legal proceedings

All legal relations between the client and the Bank are governed by Swiss law. The exclusive venue for any kind of legal proceedings is Zurich or the place of business of the Swiss branch of the Bank with which the contractual relationship exists. The Bank also reserves the right to take legal action against the client before any other competent court.

Art. 15 Bank customer secrecy

All agents, employees and representatives of the Bank are obliged by law to treat the business transactions of the client with confidentiality. The client releases the Bank from its obligation to secrecy in so far as this is necessary to safe-guard the legitimate interests of the Bank:

- in the case of legal proceedings against the Bank initiated by the client
- to secure claims of the Bank and enable it to make use of securities of the client or third parties
- to collect claims by the Bank against the client

- in the case of client accusations against the Bank in public or to the authorities in Switzerland or abroad
- to the extent the terms applying to transactions in foreign securities or rights demand disclosure.

All legal obligations imposed upon the Bank to disclose information are expressly reserved.

Art. 16 Amendments to the General Conditions

The Bank reserves the right to amend the General Conditions at any time. The client will be notified in writing or by other suitable means.

Safe Custody Regulations

General Provisions

Art. 1 Validity

These Safe Custody Regulations shall apply, in addition to the General Conditions of the Bank, to all assets and other objects of value (hereinafter called "Safe Custody Assets") accepted by the Bank for safe custody.
These Regulations shall be supplementary to any special contractual agreements or special regulations for special safe custody accounts.

Art. 2 Acceptance of Safe Custody Assets

The Bank will accept

a) securities for safe custody and administration, as a rule in **open safekeeping accounts**

b) precious metals for safe custody, as a rule in **open safekeeping accounts**

c) money market and capital market investments not issued in the form of securities for entry and administration in **open safekeeping accounts**

d) documents of title or documents evidencing entitlements for safe custody, as a rule in **open safekeeping accounts**

e) valuables and other appropriate objects for safe custody, as a rule in **sealed safe deposit arrangements.**

Separate regulations shall apply to sealed safe deposit arrangements.
The Bank may refuse to accept Safe Custody Assets without stating any reasons.

Art. 3 Verification of Safe Custody Assets

The Bank may verify Safe Custody Assets delivered to the Bank by the depositor or by third parties for the account of the depositor for authenticity and blocking or freezing notifications, without thereby assuming any liability for such verification. In particular, the Bank shall be obliged to undertake administrative acts only after such verification is completed. Accordingly, the Bank shall not be obliged during the verification period to execute any sales orders or other transactions in which the assets must be released to a third party against payment.

The Bank shall undertake the verification of the Safe Custody Assets in accordance with the resources and documents at its disposal. Foreign Safe Custody Assets may be given to the depository or another suitable agent in the relevant country for verification.

Art. 4 Book-entry securities with a similar function as securities

Certificated Securities and book-entry securities with a similar function for which no physical certificates are issued shall be treated the same. The rules on commission (art. 425 et seq. Swiss Code of Obligations) shall apply to the relationship between the depositor and the Bank.

Art. 5 Duty of due Care of the Bank

The Bank shall exercise the same degree of due care in safeguarding the Safe Custody Assets as if such assets were the property of the Bank.

Art. 6 Delivery and disposal of the Safe Custody Assets

The depositor may at any time, subject to notice periods and provisions of the law as well as pledges, charges, liens, rights of retention or set-off and other similar entitlements of the Bank, demand that the Safe Custody Assets be delivered to him or put at his disposal. The usual time to effect delivery in the market concerned must be observed.
The Safe Custody Assets shall be transported or dispatched for the account and at the risk of the depositor. If no instructions are received from the depositor, the Bank may insure and declare the value of the Safe Custody Assets at its own discretion.

Art. 7 Remuneration of the Bank

The remuneration of the Bank shall be calculated according to the fee tariff in force at the time. The Bank reserves the right to change the fee tariff at any time. Changes shall be notified to the depositor in an appropriate manner.

Art. 8 Duration of the Agreement

The Agreement shall generally be for an indefinite period. The legal relationships established by these Regulations shall not lapse upon the death, incapacity or bankruptcy of the depositor.

Art. 9 Amendments to the Safe Custody Regulations

The Bank may amend the Safe Custody Regulations at any time. Amendments shall be notified to the depositor in writing or another appropriate manner.

Special Provisions for Open Safekeeping Accounts

Art. 10 Form of safekeeping

The Bank is explicitly authorised to deposit Safe Custody Assets with third parties in its own name but for the account and at the risk of the depositor. Unless instructed to the contrary, the Bank is also authorised to hold the Safe Custody Assets in collective deposit according to their type or to deposit them with a central collective depository. Depositors

shall have a right of co-ownership based on the ratio of Safe Custody Assets deposited by them to all Safe Custody Assets in the collective depository, provided that the collective depository is in Switzerland. This does not include Safe Custody Assets which, because of their form or for other reasons, have to be kept separately in safe custody.
Safe Custody Assets held abroad shall be subject to the laws and customs of the place of deposit. If the applicable law of the foreign country renders it difficult or impossible for the Bank to return assets deposited abroad or to transfer the proceeds from the sale of such assets, then the Bank shall only be obliged to procure for the depositor a claim for the return of property or payment of the sums involved, provided that such a claim exists and is assignable.
Safe Custody Assets in registered form may be registered in the name of the depositor. The depositor hereby accepts the disclosure of its name to the third party depository. Alternatively the Bank may register the assets in its own name or in the name of a third party, in either case for the account and at the risk of the depositor, especially if it is not customary or possible to register the assets in the name of the depositor.

Safe Custody Assets redeemable by drawings may also be held according to their type in collective safe custody; drawn lots shall be allocated amongst the depositors by the Bank, using a method which guarantees all depositors the same chance of inclusion in the sub-drawing as under the main drawing.

Art. 11 Administration

The Bank shall, without specific instructions from the depositor, attend to the usual administrative matters such as the collection of dividends and interest, repayments of principal, monitoring of drawings, redemptions and maturities, conversions and subscription rights, etc. and shall also normally require depositors to take the measures incumbent on them pursuant to par. 2 of this article. In this regard the Bank shall rely on the customary information media available to it but does not assume any responsibility therefore. The Bank shall notify the depositor on the deposit statement or by other means if it is unable to administer individual assets in the usual manner. The administrative actions in respect of registered shares without coupons shall be carried out only if the address for delivery of dividends and subscription rights is that of the Bank.

Unless otherwise agreed, it shall be the responsibility of the depositor to take all other measures to obtain and preserve the rights accruing on the Safe Custody Assets, in particular to issue instructions for the handling of conversions, the exercise, purchase or sale of subscription rights and the exercise of conversion rights. If instructions from the depositor are not received in time, the Bank shall be authorised, but not obliged, to act at its discretion (including to debit the customer’s account, for example when exercising subscription rights).

Art. 12 Postponed printing of certificates

If it is intended to postpone the issuance of certificates for the duration of the deposit for safe custody with the Bank, the Bank shall be explicitly authorised to

a) cause the respective certificates to be cancelled upon their delivery into the safekeeping account
b) carry out the usual administrative actions for the account of the depositor during the safe custody and give the issuer the necessary instructions and obtain the necessary information, and
c) demand the physical issuance of the certificates on behalf of the depositor upon their delivery out of the safekeeping account.

Art. 13 Fiduciary Acceptance of Safe Custody Assets

If it is not customary or possible for title to the Safe Custody Assets to be vested in the depositor, the Bank may purchase the Safe Custody Assets or cause them to be purchased in its own name or in the name of a third party and to exercise the rights arising thereunder or cause them to be exercised, at all times for the account and at the risk of the depositor.

Art. 14 Credits and debits

Amounts (principal, income, fees, expenses, etc.) shall be credited or debited to the account pursuant to the booking instructions as agreed, unless instructed otherwise by the depositor. Such amounts shall be converted into the currency of the relevant account if necessary.
Changes to the account instructions must be received by the Bank at least 5 bank business days before the transaction falls due.

Art. 15 Statements

The Bank shall provide the depositor with a statement of the Safe Custody Assets in the safekeeping account, as a rule at the end of the year. The statement may also include other assets which are not subject to the Safe Custody Regulations. Safekeeping account valuations shall be based on non-binding prices and market values taken from the usual bank sources of information. The Bank shall not assume any liability for the accuracy of these valuations or for further information relating to the posted assets.

SCHAUBLIN SA
MINUTES OF THE BOARD OF DIRECTORS' MEETING OF
DECEMBER 8, 2003

A meeting of the members of the Board of Directors of Schaublin SA, a Swiss corporation (the "Company"), was held on December 8, 2003, at the office of Raaflaub Attorneys-at-Law, located at Stadelhoferstrasse 42, CH-8001 Zurich.

The meeting was called by Michael Gostomski for the purpose of obtaining credit facilities with Credit Suisse. The notice was duly given to the entire board, consisting of:

Michael Gostomski
Carl-Ludwig Raaflaub
Ulrich Spiess
Michael J. Hartnett
Silvia Yurekli-Zbomik

The following directors were present, comprising a quorum of the board:

Michael Gostomski
Carl-Ludwig Raaflaub
Silvia Yurekli-Zbomik

The President of the Board, Michael Gostomski, appointed Silvia Yurekli-Zbomik to act as secretary.

The following resolution was adopted by an unanimous vote of the present directors:

WHEREAS, the Board of Directors has previously determined that it will be in the best interest of the Company to enter into a Credit Agreement with Credit Suisse; and

WHEREAS, pursuant to the Credit Agreement 99.4% (1366) shares of the present and future share capital of the Company must be pledged by Schaublin Holding to Credit Suisse.

NOW, THEREFORE, it is: .

RESOLVED, that the Company shall acknowledge that 1366 shares of the Company (the "Pledged Shares") have been pledged to Credit Suisse and that such Pledged Shares have been endorsed in favor of the bearer and deposited with Credit Suisse; and

RESOLVED, that the Company shall accept without any restriction any inscription of a shareholder on the Pledged Shares as designated by Credit Suisse, and shall register such shareholders as the record owner of the Pledged Shares in the share register of the Company.

There being no further business to transact, the meeting was adjourned.

December 8, 2003

/s/ Michael Gostomski
Michael Gostomski
President

December 8, 2003

/s/ Silvia Yurekli-Zbomik
Silvia Yurekli-Zbomik
Secretary

CREDIT SUISSE

CREDIT SUISSE

Bleicherweg 72 Direct Line 01 - 333 52 30
P.O. Box 100 Telefax 01 - 333 67 76
8070 Zurich Email daniel.gutmann@credit-suisse.com

Daniel Gutmann
Structured Finance
BAFR

Roller Bearing Company of America, Inc.
60 Roundhill Road
Fairfield, CT 06824
USA

Attn: Michael S. Gostomski

KOPIE

December 3, 2003

Credit Agreement - Clarification

Gentlemen

You have asked for a clarification of the intent of Section 7.5 (b) of the proposed Credit Agreement between Schaublin SA and Credit Suisse. Section 7.5 (b) reads, in its entirety, as follows:

> *The Borrower undertakes for itself and its subsidiaries for the whole duration of these Facilities not to provide any credit or similar financial support to their shareholders or any related parties to them, as well as not to enter into any obligation or provide any financial or other support which is not in due course of business. All other transactions in normal course of business shall be done on an arm's length basis, including transactions between the Borrower and its ultimate parent company in the USA and the latter affiliated companies.*

The question has arisen as to whether it is the intent of this provision to prohibit Schaublin SA and its subsidiaries from making advances or loans to their parent corporations or related entities. This letter will confirm our statement to you that Schaublin SA and its subsidiaries have the ability to make such loans and advances, to make intercompany transfers, sales, etc. without restriction so long as such transactions occur in the due course of business of Schaublin SA or such subsidiaries.

Sincerely,

CREDIT SUISSE

/s/Daniel Gutmann	/s/ Ralf Hippenmeyer
Daniel Gutmann	Ralf Hippenmeyer
Director	Vice-President

CREDIT SUISSE

AMENDMENT

No 1

to

CREDIT AGREEMENT

Between

Schaublin S.A.
Delémont

(hereinafter referred to as the «Borrower» or «Schaublin»)

and

CREDIT SUISSE

(hereinafter referred to as the «Bank»)

Dated 8, November 2004

Whereas the Borrower has requested the Bank for various amendments to the original credit agreement, dated December 8, 2003, and

Whereas the Bank is prepared to approve the amendment requests as stated below under the corresponding clauses of the credit agreement. All terms and conditions not specifically mentioned in this amendment agreement will remain in place as agreed in the Credit Agreement between Credit Suisse and Schaublin SA, dated December 8, 2003.

The Borrower and the Bank agree on the following amendments:

1.2 Amounts and Commitments

The Bank has agreed to make available to the Borrower under the Facility B an amount not to exceed CHF 4'000'000,- (Swiss Francs four million and o/oo; previously Swiss Francs two million and o/oo).

3.3 Margin

The applicable interest margin on Advances drawn under Facility A and B depends on the Debt Capacity Ratio.

The «Debt Capacity Ratio» is defined as senior bank debt divided by earnings before interests, taxes, depreciation and amortization («EBITDA») and is calculated on a consolidated basis, i.e. for Schaublin and all its subsidiaries. In the context of «Debt Capacity Ratio» the Senior Bank Debt is being defined as the amount due to the Bank as of the end of the measuring period, after giving effect to the principal payment due on such date.

Until receipt of the consolidated accounts of Schaublin as of March 31, 2005, the applicable interest margin shall be 2.00%. Thereafter, the applicable interest Margin shall be adjusted for all drawings on an annual basis as of July 1 of the respective year, based upon the annual consolidated accounts of Schaublin, according to the following pricing grid:

Debt Capacity Ratio:	**Margin:**
>2.75x	4.50%
>2.50x and ≤ 2.75x	2.50%
>2.25x and ≤ 2.50x	2.25%
>1.75x and ≤ 2.25x	2.00%
>1.25x and ≤ 1.75x	1.75%
>1.00x and ≤ 1.25x	1.50%
≤ 1.00x	1.25%

7.3 Specific Undertakings

The specific undertakings requested are amended as follows:

Schaublin agrees that until all of its and its subsidiaries' liabilities under the Credit Agreement have been discharged and no commitment is outstanding:

(a) it will remit annual audited accounts of Schaublin, including a covenant compliance certificate pursuant to Clause 7.3.(d) hereafter, within 120 days after the end of each financial year;

(b) it will remit annual audited accounts of Schaublin Holding within 120 days after the end of each financial year;

(c) it will remit semi-annual consolidated financial key figures of Schaublin SA and its subsidiaries, including a covenant compliance certificate pursuant to Clause 7.3.(d) hereafter, within 90 days after the end of each financial semester. These consolidated financial key figures shall contain at least (1) revenues, (2) order backlog, (3) EBITDA, (4) total debt, and (5) all other relevant figures to calculate the financial covenants;

(d) it will remit on a semi-annual basis a covenant compliance certificate, as defined hereafter in Annex C, showing a detailed calculation of each financial covenant and signed by the Chief Financial Officer of Schaublin;

(e) it will remit annual audited accounts of all its subsidiaries 120 days after the end of each financial year;

(f) it will remit annual consolidated budgets of Schaublin and its subsidiaries and a restated three-year business plan with key financial projections within 30 days after their completion, but no later than April 30 of each year;

(g) it represents and warrants that it has no knowledge of any past, present or future fact related to the environment, health and safety, which could materially affect it and/or any of its subsidiaries in a negative way.

SIGNED on behalf of each of the parties:

Delémont, 8, November 2004

The Bank:

CREDIT SUISSE /s/ Claude Saucy /s/ Philippe Gay-Crosier

Claude Saucy Philippe Gay-Crosier

The Borrower:

Schaublin S.A. /s/ Michael S. Gostomski

Third Party:

Schaublin Holding SA /s/ Michael S. Gostomski

Minimum Net Worth

Consolidated Share Capital	
+ Consolidated Reserves	
+ Consolidated Retained Earnings	
+ Subordinated shareholder loans	
Net Worth	
Covenant Minimum	

Maximum Debt Capacity Ratio

Consolidated Senior Bank Debt "A"	
Consolidated EBITDA (as determined in i) above) "B"	
Maximum Debt Capacity Ratio ("A" divided by "B")	
Covenant Maximum	

Minimum Inventory Turnover Rate

Cost of Goods sold "A"	
Inventory "B"	
Minimum Inventory Turnover Rate ("A" divided by "B")	
Covenant Minimum	1.00x

Schaublin SA

(Name, Title)

ANNEX C

COMPLIANCE CERTIFICATE

The undersigned officer of Schaublin SA hereby certifies that he is the Chief Financial Officer of Schaublin SA, and that as such he is authorized to execute this compliance certificate required to be furnished pursuant to the Credit Agreement, dated December 8, 2003, and to the Amendment No 1, dated November 08, 2004, and further certifies that:

Attached hereto is a copy of the Borrower's consolidated semi-annual statements for the period ending [ ], which contains the consolidated balance sheet and the related consolidated statements of income and cash flows of Schaublin and all of its subsidiaries, setting forth in each case in comparable form the figures for the previous year (collectively the "Financial Statements").

The Financial Statements are complete and correct in all material respects and were prepared in reasonable detail and in accordance with the Generally Accepted Accounting Principles (FER or International Financial Reporting Standards – IFRS) applied consistently throughout the periods reflected therein.

The undersigned has no knowledge of any Default or Event of Default.

The following calculations as of [ ] support the statement made in paragraph 3 above with respect to the Credit Agreement.

Minimum Interest Coverage Ratio

Total Interest Expenses	
- Total Interest Income	
Total Net Interest Expenses "B"	
Consolidated Net Income	
+ Taxes	
+ Total Net Interest Expenses "B"	
./. Extraordinary Non-operating Items	
EBIT	
+ Amortization of Goodwill	
+ Depreciation	
EBITDA "A"	
Minimum Interest Coverage Ratio ("A" divided by "B")	
Covenant Minimum	7.50x

Exhibit 21.2

Subsidiaries of the Registrant

Roller Bearing Company of America, Inc.

RBC Precision Products - Plymouth, Inc.

Industrial Tectonics Bearings Corporation

RBC Linear Precision Products, Inc.

RBC Precision Products - Bremen, Inc.

RBC Nice Bearings, Inc.

Tyson Bearing Company, Inc.

RBC Oklahoma, Inc.

RBC Aircraft Products, Inc.

RBC De Mexico S DE RL DE CV

Schaublin Holding SA

Schaublin SA

J. Bovagnet SA

RBC France SAS

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Exhibit 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the reference to our firm under the captions "Summary Financial Data", "Selected Consolidated Historical Financial Data" and "Experts" and to the use of our report dated July 2, 2004, in the Registration Statement (Form S-1) and related Prospectus of RBC Bearings Incorporated (formerly Roller Bearing Holding Company, Inc.) dated May 11, 2005.

/s/ Ernst & Young LLP

Stamford, Connecticut
May 5, 2005

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