
UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 8-K

**CURRENT REPORT
PURSUANT TO SECTION 13 OR 15(D) OF THE
SECURITIES EXCHANGE ACT OF 1934**

Date of Report (Date of earliest event reported): January 11, 2005

SMITH & WESSON HOLDING CORPORATION

(Exact Name of Registrant as Specified in its Charter)

NEVADA

(State or Other
Jurisdiction of Incorporation)

001-31552

(Commission File
Number)

87-0543688

(IRS Employer
Identification No.)

**2100 ROOSEVELT AVENUE
SPRINGFIELD, MASSACHUSETTS 01104**

(Address of principal executive offices) (Zip Code)

Registrant's Telephone Number, Including Area Code: (800) 331-0852

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

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
 - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
 - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
 - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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Item 1.01. Entry into a Material Definitive Agreement.

As described in Item 2.03, Smith & Wesson Holding Corporation (the “Company”) entered into various material definitive agreements relating to a credit facility, dated January 11, 2005. The disclosure provided in Item 2.03 of this Form 8-K is hereby incorporated by reference into this Item 1.01.

Item 2.03. Creation of a Direct Financial Obligation or an Obligation under an Off-Balance Sheet Arrangement of a Registrant.

CREDIT FACILITY

Pursuant to that certain Loan and Security Agreement, dated January 11, 2005 (the “Loan Agreement”), the Company, as Guarantor, and Smith & Wesson Corp., a wholly owned subsidiary of the Company, as Borrower, entered into a \$40 million credit facility consisting of four loans (each a “Loan” and together, the “Credit Facility”), with Banknorth, N.A., as Lender. Capitalized terms not otherwise defined herein will have the meanings set forth in the Loan Agreement. The Loan Agreement is attached hereto as Exhibit 10.43.

The Credit Facility includes the following:

(1) A revolving line of credit of up to a maximum amount of the lesser of (a) \$17 million; or (b) (i) 85% of the net amount of Borrower’s Eligible Receivables; (ii) plus the lesser of \$6 million or 70% of Eligible Raw Materials Inventory; plus (iii) 60% of Eligible Finished Goods Inventory; and (iv) 40% of Eligible Finished Parts Inventory, which will be available until September 30, 2007 for working capital needs. The revolving line of credit bears interest at a variable rate equal to prime or LIBOR plus 250 basis points (the 250 basis point LIBOR spread may be reduced if the Borrower and the Company taken as a whole meet certain targets with respect to their maximum leverage). The revolving line of credit note is attached hereto as Exhibit 10.44.

(2) A seven-year, \$12.1 million term loan for refinancing the \$25.1 million outstanding loan due Tomkins Corporation (the “Tomkins Obligation”) and the \$14.2 million remaining on a previous loan from the Lender. The term loan bears interest at a rate of 6.23% per annum (the “Commercial Term Loan”). The promissory note for the Commercial Term Loan is attached hereto as Exhibit 10.45.

(3) A ten-year, \$5.9 million term loan for refinancing the Tomkins Obligation and existing indebtedness owed to the Lender, bearing interest at a rate of 6.85% per annum (the “Commercial Real Estate Term Loan”). The promissory note for the Commercial Real Estate Term Loan is attached hereto as Exhibit 10.46.

(4) A \$5 million credit arrangement for capital expenditures, which will bear interest at a variable rate until April 30, 2006 equal to either prime or LIBOR plus 250 basis points (the 250 basis point LIBOR spread may be reduced if the Borrower and the Company taken as a whole meet certain targets with respect to their maximum leverage), and then either a variable rate equal to LIBOR plus 250 basis points (the 250 basis point LIBOR spread may be reduced if the Borrower and the Company taken as a whole meet certain targets with respect to

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their maximum leverage), or a fixed rate equal to the Federal Home Loan Bank of Boston Rate as of April 30, 2006 plus 200 basis points, in each case with the applicable rate selected by the Company (the "Equipment Line of Credit Loan"). The aggregate availability of the Equipment Line of Credit Loan will cease on April 30, 2006, at which time any unpaid outstanding principal balance and interest will become due and payable in monthly installments over a period of seven years. The note for the Equipment Line of Credit Loan is attached hereto as Exhibit 10.47.

SECURITY

As security for the Credit Facility, the Lender has a first priority lien on all of the personal property and real estate assets of the Company, other than intangible assets constituting intellectual property (including, without limitation, the "Smith & Wesson" trade name). In addition, the Company has guaranteed the Borrower's payment and performance of the Credit Facility pursuant to a Guaranty. Two mortgage and security agreements and the Guaranty are attached hereto as Exhibits 10.48, 10.49, and 10.50, respectively.

PREPAYMENT

The Borrower may prepay in whole or in part any of the Loans that have interest rates determined by reference to the prime rate, with interest accrued to the date of the prepayment on the amount prepaid, without any penalty or premium. Loans with a fixed rate of interest determined by reference to the LIBOR interest rate may be prepaid provided that the Borrower reimburses the Lender for any costs associated with (i) the Borrower making payments on dates other than those specified in the Loan Agreement, or (ii) Borrower's borrowing or converting a LIBOR Loan on a date other than the borrowing or conversion dates specified in the Loan Agreement.

If any of the Commercial Term Loan, Commercial Real Estate Loan, or the Equipment Line of Credit (where a fixed rate of interest is applicable) are prepaid, the Borrower must pay a prepayment penalty equal to the greater of 2% of the principal balance being prepaid or the Yield Maintenance Fee.

Notwithstanding anything to the contrary stated above, any Loan may be prepaid in whole or in part from Acquisition Financing as described in the Loan Agreement or excess cash flow from the Borrower's business operations.

COVENANTS

The Credit Facility contains customary covenants for transactions of this type. The Borrower also covenants to conduct all of its banking business with the Lender. The financial covenants include the following:

(1) Covenants that the Borrower's and Company's ratio of Total Liabilities to Tangible Net Worth, on a consolidated basis, will not exceed a maximum leverage of: 3.50:1.00 for the fiscal year ending April 30, 2005, and each quarter thereafter through January 31, 2006; 3.00:1.00 for each quarter beginning April 30, 2006 through January 31, 2007; and 2.00:1.00 for each quarter beginning April 30, 2007, until each Loan has been fully paid;

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(2) Covenants that the Borrower and Company on a consolidated basis will maintain minimum earnings before interest, taxes, depreciation and amortization of \$12.0 million for the fiscal year ending April 30, 2005, and each quarter thereafter through January 31, 2006; \$13.0 million for each quarter beginning April 30, 2006, until each Loan has been fully paid;

(3) Covenants relating to minimum debt service coverage; and

(4) Covenants relating to maximum capital expenditures.

EVENTS OF DEFAULT

The Credit Facility contains customary events of default, including cross defaults under the Loans and to other obligations. Upon the occurrence of an event of default, the outstanding obligations under the Credit Facility may be accelerated and become due and payable immediately.

RELATIONSHIP WITH LENDER

The Lender or its affiliates provide the Company and the Borrower with commercial banking and financing services, and insurance brokerage services.

Item 9.01. Financial Statements and Exhibits.

(a) *Financial Statements of Business Acquired.*

Not applicable.

(b) *Pro Forma Financial Information.*

Not applicable.

(c) *Exhibits.*

| <u>Exhibit Number</u> | <u>Description</u> |
|---------------------------|--------------------|
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| 10.43 | Loan and Security Agreement, dated January 11, 2005, by and between the Registrant, Smith & Wesson Corp., and Banknorth, N.A. |
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| 10.44 | Revolving Line of Credit Note, dated January 11, 2005 |
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| 10.45 | Commercial Term Promissory Note, dated January 11, 2005 |
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| 10.46 | Commercial Real Estate Term Promissory Note, dated January 11, 2005 |
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| 10.47 | Equipment Line of Credit Note, dated January 11, 2005 |
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- 10.48 Mortgage and Security Agreement, dated January 11, 2005, by the Registrant in favor of Banknorth, N.A.
- 10.49 Mortgage and Security Agreement, dated January 11, 2005, by the Registrant in favor of Banknorth, N.A.
- 10.50 Guaranty, dated January 11, 2005, by the Registrant in favor of Banknorth, N.A.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Date: January 18, 2005

SMITH & WESSON HOLDING CORPORATION

By: /s/ John A. Kelly
John A. Kelly
Chief Financial Officer and Treasurer

EXHIBIT INDEX

Exhibit
Number

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- 10.49 Mortgage and Security Agreement, dated January 11, 2005, by the Registrant in favor of Banknorth, N.A.
- 10.50 Guaranty, dated January 11, 2005, by the Registrant in favor of Banknorth, N.A.

LOAN AND SECURITY AGREEMENT

AGREEMENT made as of this 11th day of January, 2005, by and between Smith & Wesson Corp., a Delaware corporation having a chief executive principal place of business at 2100 Roosevelt Avenue, Springfield, Massachusetts, (hereinafter referred to as the "Borrower"), Smith & Wesson Holding Corporation, a Nevada corporation with a usual place of business at 2100 Roosevelt Avenue, Springfield, Massachusetts (the "Guarantor") and Banknorth, N.A., a national banking association organized under the laws of the United States of America, having a usual place of business at 1441 Main Street, Springfield, Massachusetts (hereinafter referred to as the "Lender").

1.00 DEFINITIONS AND ACCOUNTING TERMS

As used in this Agreement, the following terms have the following meanings (terms defined in the singular to have the same meaning when used in the plural and vice versa):

"Advance" means an Advance by Lender to Borrower in accordance with the terms and conditions of the Notes, this Agreement, the Mortgage or any other Loan Documents.

"Affiliate" means any person controlling, controlled by, or under common control with Borrower. For purposes of this definition "Control" means the possession, directly or indirectly of the power to direct or cause direction of the management and policies of the Borrower, whether through ownership of common or preferred stock or other equity interests, by contract or otherwise. Without limiting the generality of the foregoing, each of the following shall be an Affiliate: Any officer, director, employee or other agent of Borrower, any shareholder or subsidiary of Borrower and any other Person with whom for which Borrower has common shareholders, officers and directors.

"Agreement" means this Loan and Security Agreement as amended, supplemented, or modified from time to time.

"Available Amount" means (a) up to an aggregate outstanding principal amount not to exceed the lesser of: (i) Seventeen Million and 00/100 Dollars (\$17,000,000) (the "Maximum Amount of Revolving Line of Credit Loans") or (ii) the sum of (x) an amount equal to eighty-five percent (85%) of the net amount of the Eligible Receivables; plus the lesser of Six Million and 00/100 Dollars (\$6,000,000.00) or (y) seventy percent (70%) of Eligible Raw Materials Inventory; plus sixty percent (60%) of Eligible Finished Goods Inventory; and (z) forty percent (40%) of Eligible Finished Parts Inventory; (b) Twelve Million One Hundred Four Thousand and 00/100 Dollar (\$12,104,000) Commercial Term Loan; (c) Five Million Eight Hundred Ninety Six Thousand and 00/100 Dollar (\$5,896,000) Commercial Real Estate Term Loan; and (d) Five Million and 00/100 Dollar (\$5,000,000) Equipment Line of Credit. Notwithstanding the foregoing, the Available Amount of the Revolving Line of Credit Loan shall be reduced by the sum of the Lender's exposure of (1) foreign exchange transactions, (2) ACH, and (3) outstanding Letters of Credit issued on behalf of the Borrower from time-to-time.

"Blocked Account" shall have the meaning set forth in Section 4.03.

"Borrowing Base Certificate", means a borrowing base certificate having substantially the same form and substance as the certificate attached hereto as Exhibit "A".

"Borrower's Loan Account" with respect to the Revolving Line of Credit means:

A. Insofar as the Borrower may request and the Lender may be willing, in the Lender's reasonable discretion, to make such loans to the Borrower, pursuant to the Revolving Line of Credit, the Lender shall enter such loans as debits in the Borrower's Loan Account. The Lender shall also record as a debit to the Borrower's Loan Account, in accordance with customary accounting practice, all other obligations, debts, charges, expenses, and other items properly chargeable to the Borrower; and shall credit all payments made by the Borrower on account of indebtedness evidenced by the

Borrower's Loan Account and other appropriate debits and credits. The principal balance of the Borrower's Loan Account shall reflect the amount of the Borrower's indebtedness to the Lender from time-to-time by reason of loans and other appropriate charges hereunder. At least once each month the Lender shall render a statement of account for the Borrower's Loan Account which statement shall be considered correct and accepted by the Borrower and conclusively and judicially binding upon the Borrower, unless the subject of written objection received by Lender within thirty (30) days from its mailing to Borrower.

B. The Borrower agrees that the debit balance of the Borrower's Loan Account shall at no time exceed the Available Amount and that if at any time such excess does arise, the Borrower shall pledge, assign, and transfer to the Lender additional Collateral or shall pay cash to the Lender to be credited to the Borrower's Loan Account, in such amount as may be necessary to eliminate such excess.

C. However, nothing herein shall be construed to restrict the Lender, in its sole and exclusive discretion, from making Advances in excess of the stated Available Amount or waiving other requirements herein, without executing any additional promissory note, Loan and Security Agreement, or other evidence of debt, and its so doing at any time, or times, shall not waive its rights to insist upon strict compliance with the terms thereof at any other time.

"Business Day" means any day other than a Saturday, Sunday, or other day on which commercial banks in Massachusetts are authorized or required to close under the laws of the Commonwealth of Massachusetts.

"Code" means the Internal Revenue Code of 1986, as amended from time-to-time and the regulations and published interpretations thereof.

"Collateral" means any and all personal property or chose in action, of the Borrower and in which the Lender now has, by this Agreement acquires or hereafter acquires, a security interest as more fully described in Section 11.00 of this Agreement.

"Commercial Real Estate Term Loan" shall have the meaning assigned to such term in Section 7.01.

"Commercial Real Estate Term Promissory Note" shall have the meaning assigned to such term in Section 7.03.

"Commercial Term Loan" shall have the meaning assigned to such term in Section 6.01.

"Commercial Term Promissory Note" shall have the meaning assigned to such term in Section 6.03.

"Covenant Compliance Certificate" shall have the meaning assigned to such term in Section 13.09A.

"Debt" means, as applied to any Person, as of any date of determination (without duplication):

- (a) all obligations of such Person for borrowed money (whether or not represented by bonds, debentures, notes, drafts or other similar instruments) or evidenced by bonds, debentures, notes, drafts or similar instruments;
- (b) all obligations of such Person for all, or any part of, the deferred purchase price of property or services, or for the cost of property constructed or of improvements thereon, including trade accounts payable incurred, in respect of property purchased, in the ordinary course of business, which are overdue or which are being contested in good faith by appropriate proceedings and are required to be classified on such Person's balance sheet, in accordance with GAAP, as debt;
- (c) all obligations secured by any Lien on or payable out of the proceeds of production from property owned or held by such Person even though such Person has not assumed or become liable for the payment of such obligation;

- (d) all capital lease obligations of such Person;
- (e) all obligations of such Person, contingent or otherwise, in respect of any letter of credit facilities, bankers' acceptance facilities or other similar credit facilities other than any such obligation which relate to an underlying obligation which otherwise constitutes Debt of such Person hereunder or a current account payable of such Person incurred in the ordinary course of business;
- (f) all obligations of such Person upon which interest payments are customarily made; and
- (g) all guaranties by such Person of or with respect to obligations of the character referred to in the foregoing clauses (a) through (f) of another Person;

provided, however, that in determining the Debt of any Person, (i) all liabilities for which such Person is jointly and severally liable with one or more other Persons (including, without limitation, all liabilities of any partnership or joint venture of which such Person is a general partner or co-venturer) shall be included at the full amount thereof without regard to any right such Person may have against any such other Persons for contribution or indemnity, and (ii) no effect shall be given to deposits, trust arrangements or similar arrangements which, in accordance with GAAP, extinguish Debt for which such Person remains legally liable.

“Default” means any of the events specified in Section 18.00, whether or not any requirement for the giving of notice, the lapse of time, or both, or any other condition, has been satisfied.

“Default Rate” means with respect to any and all of the principal due to Lender, to the extent that any principal amount not paid when due (at maturity, by acceleration or otherwise) shall bear interest thereafter until paid in full, payable on demand, at a rate per annum equal to the aggregate of the interest rate currently in effect on such Loan, as determined herein, plus five percent (5.00%).

“Designated Collateral Impairment Events” has the meaning set forth in Section 4.02 hereof.

“Eligible Finished Goods Inventory” means finished goods Inventory which Lender, in its reasonable judgment deems Eligible Finished Goods Inventory, based on such considerations as Lender may from time-to-time deem appropriate. Without limiting the generality of the foregoing, no Inventory shall be Eligible Finished Goods Inventory unless, in Lender's reasonable judgment, such Inventory (i) consists of finished goods, in a good, new and salable condition which are not obsolete or unmerchantable, and are not comprised of packaging, materials or supplies, reels, skids, spools, tin pots, scrap or tolling inventory, perishable tooling or inventory held at outside processors, and are not slow-moving or held on consignment; (ii) meets all standards imposed by any governmental agency or authority; (iii) conforms in all respects to the warranties and representations set forth herein; (iv) is at all times subject to Lender's duly perfected, first priority security interest; and (v) is situated at a location in compliance with Section 12.01 hereof.

“Eligible Finished Parts Inventory” means finished parts Inventory which Lender, in its reasonable judgment deems Eligible Finished Parts Inventory, based on such considerations as Lender may from time-to-time deem appropriate. Without limiting the generality of the foregoing, no Inventory shall be Eligible Finished Parts Inventory unless, in Lender's reasonable judgment, such Inventory (i) consists of finished parts, in a good, new and salable condition which are not obsolete or unmerchantable, and are not comprised of packaging, materials or supplies, reels, skids, spools, tin pots, scrap or tolling inventory, perishable tooling or inventory held at outside processors, and are not slow-moving or held on consignment; (ii) meets all standards imposed by any governmental agency or authority; (iii) conforms in all respects to the warranties and representations set forth herein; (iv) is at all times subject to Lender's duly perfected, first priority security interest; and (v) is situated at a location in compliance with Section 12.01 hereof.

“Eligible Raw Materials Inventory” means raw materials Inventory which Lender, in its reasonable judgment deems Eligible Raw Materials Inventory, based on such considerations as Lender may from time-to-time deem appropriate. Without limiting the generality of the foregoing, no Inventory shall be Eligible Raw Materials Inventory unless, in Lender’s reasonable judgment, such Inventory (i) consists of raw materials or work-in-process, in a good, new and salable condition which are not obsolete or unmerchantable, and are not comprised of packaging, materials or supplies, reels, skids, spools, tin pots, scrap or tolling inventory, perishable tooling or inventory held at outside processors, and are not slow-moving or held on consignment; (ii) meets all standards imposed by any governmental agency or authority; (iii) conforms in all respects to the warranties and representations set forth herein; (iv) is at all times subject to Lender’s duly perfected, first priority security interest; and (v) is situated at a location in compliance with Section 12.01 hereof.

“Eligible Receivables” means Receivables which Lender, in its reasonable judgment shall deem eligible based on such considerations as Lender may from time-to-time deem appropriate. Without limiting the foregoing, a Receivable shall not be deemed to be an Eligible Receivable if (i) the account debtor has failed to pay the receivable within a period of ninety (90) days after due date; (ii) the account debtor has failed to pay more than thirty percent (30%) of all outstanding receivables owed by it to Borrower within ninety (90) days after due date; (iii) the account debtor is an Affiliate of Borrower; (iv) the goods relating thereto are placed on consignment, guaranteed sale, “bill and hold” or other terms pursuant to which payment by the account debtor may be conditional, including, without limitation, loaner receivables; (v) the account debtor is not located in the United States or Canada, unless the receivable is supported by a letter of credit in form and substance satisfactory to Lender; (vi) the account debtor is the United States or any department, agency or instrumentality thereof or any state, city or municipality of the United States, unless Borrower has complied with all applicable federal, state and other Assignment of Claims Act and Lender holds a perfected security interest in such Receivable ; (vii) Borrower is or may become liable to the account debtor for goods sold or services rendered by the account debtor to Borrower, or for tolling inventory held by Borrower and owned by such account debtor (up to the amount of such liability); (viii) with respect to Receivables as to which the total obligations of such account debtor to Borrower exceed fifteen percent (15%) of Eligible Receivables; (ix) the account debtor disputes liability or makes any claim with respect thereto (up to the amount of such liability or claim), or is subject to any insolvency or bankruptcy proceeding, or becomes insolvent, fails or goes out of a material portion of its business; (x) the amount thereof consists of late charges or finance charges; (xi) the invoice constitutes a progress billing on a project not yet completed, except that the final billing at such time as the matter has been completed and delivered to the customer may be deemed an Eligible Receivable; (xii) credit balances over ninety (90) days past issue date (with the result that the total amount of Receivables which shall be considered ineligible as a result of the operation of clause (i) hereof shall be determined without giving effect to any credit balances included in the “over ninety (90) days”); (xiii) sales for cash or on other terms requiring cash on delivery (C.O.D.); (xiv) the face amount thereof exceeds Ten Thousand and 00/100 Dollars (\$10,000.00), unless accompanied by evidence of shipment of goods relating thereto satisfactory to Lender in its sole discretion; (xv) unapplied cash receipts; or (xvi) invoices with respect to amounts owed for spool/or pallet deposits.

“Environmental Law” means any past, present or future Federal, state, local or foreign statutory or common law, or any regulation, ordinance, code, plan, order, permit, grant, franchise, concession, restriction or agreement issued, entered, promulgated or approved thereunder, relating to (a) the environment, human health or safety, including, without limitation, emissions, discharges, releases or threatened releases of oil and/or Hazardous Substances into the environment (including, without limitation, air, surface water, groundwater or land), or (b) the manufacture, generation, refining, processing, distribution, use, sale, treatment, receipt, storage, disposal, transport, arranging for transport, or handling of Hazardous Substances.

“Environmental Permits” means collectively, any and all permits, consents, licenses, approvals and registrations of any nature at any time required pursuant to or in order to comply with any Environmental Law.

“Equipment Line of Credit Loan” shall have the meaning assigned to such term in Section 8.00.

“Equipment Line of Credit Note” shall have the meaning assigned to such term in Section 8.01.

“ERISA” means the Employment Retirement Income Security Act of 1974, as amended from time-to-time, and the regulations and published interpretations thereof.

“Eurocurrency Reserve Requirement” means, for any LIBOR Loan for any Interest Period therefor, the daily average of the stated maximum rate (expressed as a decimal) at which reserves (including any marginal, supplemental, or emergency reserves), if any, are required to be maintained during such Interest Period under Regulation D by the Lender against “Eurocurrency Liabilities” (as such term is used in Regulation D) but without benefit or credit of proration, exemptions, or offsets that might otherwise be available to the Lender from time-to-time under Regulation D. Without limiting the effect of the foregoing, the Eurocurrency Reserve Requirement shall reflect any other reserves required to be maintained by the Lender against (a) any category of liabilities that includes deposits by reference to which the LIBOR Interest Rate for LIBOR Loans is to be determined; or (b) any category of extension of credit or other assets that includes LIBOR Loans.

“Event of Default” means any of the events specified in Section 18.00, provided that any requirement (if any) for the giving of notice, the lapse of time, or both, or any other condition, has been satisfied.

“Following Business Day Convention” means the convention for adjusting any relevant date that would otherwise fall on a day that is not a Business Day so that the date will be the first following day that is a Business Day.

“GAAP” means generally accepted accounting principles consistently applied, in accordance with financial reporting standards from time-to-time in effect among nationally recognized certified public accounting firms in the United States.

“Guarantor” means Smith & Wesson Holding Corporation, a Nevada corporation, with a usual place of business at 2100 Roosevelt Avenue, Springfield, Massachusetts.

“Hazardous Substances” means collectively, contaminants; pollutants; toxic or hazardous chemicals, substances, materials, wastes and constituents; petroleum products; polychlorinated biphenyls; medical wastes; infectious wastes; oil; asbestos; paint containing lead; and urea formaldehyde.

“Impositions” means with respect to Borrower relating to the Mortgaged Premises, all taxes of every kind and nature, all charges, filing, registration and recording fees, excises and sewer rents, charges for water, for setting or repairing meters and for all other utilities serving the Mortgaged Premises, and assessments, levies, inspection and license fees and all other charges imposed or assessed against the Mortgaged Premises or any portion thereof, including the income derived from the Mortgaged Premises or imposed upon Lender by virtue of its interest in, or measured by amounts payable under the Note, this Agreement, the Mortgage or any other Loan Document and any stamp or other taxes which might be required to be paid with respect to the Loan Documents, any of which might, if unpaid, result in a lien on the Mortgaged Premises or any portion thereof, regardless of whom assessed.

“Incipient Default” means any event or condition which, with the giving of notice or the lapse of time, or both, would become an Event of Default.

“Insolvency” of the Borrower or any other person means that there shall have occurred with respect to that person one or more of the following events: dissolution, termination of existence, insolvency, business failure, appointment of a custodian, interim trustee, or trustee, of any part of the property of the Borrower, assignment or trust mortgage for the benefit of creditors by, or the voluntary or involuntary filing of a petition in bankruptcy or the commencement of any proceedings under any bankruptcy or insolvency laws, or any laws relating to the relief of debts, readjustment of indebtedness, reorganization, composition or extension, by or against Borrower.

“Intangible Assets” means as of any date of determination, the aggregate book value of all assets of the following character appearing in a balance sheet of the Borrower prepared in accordance with GAAP as at such date: goodwill, franchises, trademarks, trade names, licenses, permits, copyrights, organization expense, and all other assets which under GAAP are deemed intangible.

“Interest Period” means (i) with respect to any LIBOR Loan, the period commencing on the date such loan is made and ending, as the Borrower may select, pursuant to Section 2.02, on the corresponding day which is one (1) month, two (2) months or three (3) months thereafter, except that each such Interest Period that commences on the last Business Day of a calendar month (or on any day for which there is no numerically corresponding day in the appropriate subsequent calendar month) shall end on the last Business Day of the appropriate subsequent calendar month; provided that all of the foregoing provisions relating to Interest Periods are subject to the following:

- (a) no Interest Period may extend beyond the Termination Date, in the case of a Revolving Line of Credit Loan without prior written approval of the Lender;
- (b) if an Interest Period would end on a day that is not a Business Day, such Interest Period shall be extended to the next Business Day unless such Business Day would fall in the next calendar month, in which event such Interest Period shall end on the immediately preceding Business Day.

“Inventory” means all of Borrower’s now owned and hereafter acquired goods, merchandise and other personal property, wherever located, to be furnished under any contract of service, or held for sale or lease, all raw materials, work-in-process, finished parts, finished goods (as the case may be and duplicative) and materials and supplies of any kind, nature or description which are or might be used or consumed in Borrower’s business or used in connection with the manufacture, packing, shipping, advertising, selling or finishing of such goods, merchandise and other personal property, and all documents of title or other documents representing them. Inventory shall not include any goods, merchandise or other personal property which may be in the possession of Borrower which is not owned by Borrower.

“Lender” as used in this Agreement shall include the stated Lender herein and, except as the context may indicate a contrary intent, any successor in interest of the Lender.

“Lending Office” means the Lender’s office at 1441 Main Street, Springfield, Massachusetts 01103.

“Liabilities” of any Person shall mean and include all obligations of such Person which in accordance with GAAP shall be classified on a balance sheet of such Person as liabilities of such Person, and in any event shall include all (i) obligations of such Person for borrowed money or which has been incurred in connection with the acquisition of property or assets, (ii) obligations secured by any Lien or other charge upon property or assets owned by such Person, even though such Person has not assumed or become liable for the payment of such obligations, (iii) obligations created or arising under any conditional sale or other title retention agreement with respect to property acquired by such Person, notwithstanding the fact that the rights and remedies of the seller, lender, or lessor under such agreement in the event of default are limited to repossession or sale of property, (iv) obligations under guaranties, and (v) obligations under any capitalized lease.

“LIBOR Interest Rate” means, for each LIBOR Loan, the rate per annum (rounded upward, if necessary, to the nearest 1/16 of 1%) determined by the Lender to be equal to the quotient of (a) the London Interbank Offered Rate for such LIBOR Loan for such Interest Period divided by (b) one minus the Eurocurrency Reserve Requirement, if any, for such Interest Period.

“LIBOR Loan” means any Loan when and to the extent that the interest rate therefor is determined by reference to the LIBOR Interest Rate.

“Lien” means any mortgage, deed of trust, pledge, security interest, hypothecation, assignment, deposit arrangement, encumbrance, lien (statutory or other), or preference, priority, or other security agreement or preferential arrangement, charge, or encumbrance of any kind or nature whatsoever (including, without limitation, any conditional sale or other title retention agreement, any financing lease having substantially the same economic effect as any of the foregoing, and the filing of any financing statement under the Uniform Commercial Code or comparable law of any jurisdiction to evidence any of the foregoing).

“Loan(s)” means (i) a LIBOR or Prime Rate Revolving Line of Credit Loan or Loans; (ii) Commercial Term Loan; (iii) Commercial Real Estate Term Loan; and (iv) Equipment Line of Credit Loan.

“Loan Documents” means this Agreement, any Note or other documents related to the transactions discussed in this Agreement.

“London Interbank Offered Rate” means the rate for deposits in U.S. Dollars for a period equal to one (1) month, two (2) months or three (3) months (as the case may be) as such rate appears on Telerate Page 3750 as of 11:00 a.m. London time, on the day that is two (2) business days prior to the adjustment date. If such rate does not appear on Telerate Page 3750, the rate for that adjustment date will be the arithmetic mean of the rates quoted by major banks in London, selected by Banknorth, N.A., for a period equal to one (1) month, two (2) months or three (3) months, as the case may be, as of 11:00 a.m. London time, on the day that is two (2) business days prior to the adjustment date.

“Long Term Lease” means any lease of property (real, personal or mixed), other than a capital lease, having a term (including terms of renewal or extension at the option of the lessee, whether or not such option has been exercised) expiring more than one year after the commencement of the initial term.

“Mortgage” means a certain Mortgage and Security Agreement between the Lender and Borrower in which the Mortgaged Premises are mortgaged to Lender.

“Mortgaged Premises” means the parcels of land with improvements thereon located at 2100 Roosevelt Avenue, Springfield, Massachusetts 01104 (the “Roosevelt Premises”); 299 Page Boulevard, Springfield, Massachusetts 01104 (the “Page Premises”); and 19 Aviation Drive, Houlton, Maine 04730 (the “Aviation Premises”).

“Multiemployer Plan” means a Plan described in Section 4001(a)(3) of ERISA.

“Net Cash Available for Debt Service” shall be defined as earnings before taxes, plus depreciation and amortization expense, plus interest expense, plus extraordinary expenses, less all unfinanced capital expenditures (including capital leases), less income taxes actually paid, less dividends, less extraordinary income.

“Note” means: (i) the Revolving Line of Credit Note; (ii) the Commercial Term Promissory Note; (iii) the Commercial Real Estate Term Promissory Note; and (iv) the Equipment Line of Credit Note (collectively, the “Note” or “Notes”).

“Obligation” and “Obligations” shall mean any and all liabilities and obligations of the Borrower to the Lender of every kind and description, direct or indirect, absolute or contingent, primary or secondary, due or to become due, now existing or hereafter arising, regardless of how they arise or by what agreement or instrument they may be evidenced or whether evidenced by any agreement or instrument, and includes a LIBOR or Prime Rate Revolving Line of Credit Loan or Loans; (ii) Commercial Term Loan; (iii) Commercial Real Estate Term Loan; and (iv) Equipment Line of Credit Loan; (v) obligations to perform acts and refrain from taking action, as well as obligations to pay money, (vi) reimbursement obligations of the Borrower, pursuant to any documentation executed in conjunction with or related to the issuance by the Lender of any letters of credit; (vii) guaranty obligations; and/or (viii) all obligations arising under any SWAP Agreement.

“PBGC” means the Pension Benefit Guaranty Corporation or any entity succeeding to any or all of its functions under ERISA.

“Permitted Encumbrance” means any of the liens, claims, assessments, encumbrances, and rights of others encumbering title to the Mortgaged Premises which are set forth on Exhibit “B”.

“Person” means an individual, partnership, corporation, liability company, business trust, joint stock company, trust, unincorporated association, joint venture, governmental authority, or other entity of whatever nature.

“Prime Rate” means that rate established and announced as such, from time-to-time by the Wall Street Journal as the Prime Rate.

“Prime Loan” means any Loan when and to the extent that the interest rate therefore is determined by reference to the Prime Rate.

“Prohibited Transaction” means any transaction set forth in Section 406 of ERISA or Section 4975 of the Code.

“Receivables” means all of Borrower’s now owned and hereafter acquired accounts as defined under Article 9 of the Uniform Commercial Code in effect from time-to-time in the Commonwealth of Massachusetts (whether or not earned by performance), proceeds of any letters of credit naming Borrower as beneficiary, contract rights, chattel paper, instruments, documents and all other forms of obligations at any time owing to Borrower, all guaranties and other security therefore, whether secured or unsecured, all merchandise returned to or repossessed by Borrower and all rights of stoppage in transit and all other rights or remedies of an unpaid vendor, lienor or secured party.

“Regulation D” means Regulation D of the Board of Governors of the Federal Reserve System as amended or supplemented from time-to-time.

“Rentals” shall mean and include all fixed rents (including as such all payments which the lessee is obligated to make to the lessor on termination of the lease or surrender the property) payable by the Borrower, as lessee or sublessee under lease of real or personal property, but shall be exclusive of any amounts required to be paid by the Borrower (whether or not designated as rents or additional rents) on account of maintenance, repairs, insurance, taxes and similar charges. Fixed rents under any so-called “percentage lease” shall be computed solely on the basis of the minimum rents, if any, required to be paid by the lessee regardless of sales volume or gross revenues.

“Reportable Event” means any of the events set forth in Section 4043 of ERISA.

“Revolving Line of Credit Loan(s)” or “Revolving Credit Loan(s)” shall have the meaning assigned to such terms in Section 2.01.

“Revolving Line of Credit Note” shall have the meaning assigned to such term in Section 2.05.

“Tangible Net Worth” means as of any date of determination, the net value of the Borrower’s stockholder’s equity, as defined according to GAAP less the book value as of such date of Intangible Assets.

“Telerate Page 3750” means the display designated as “Page 3750” on the Dow Jones Telerate Service (or such other page as may replace Page 3750 on that service or such other service as may be nominated by the British Bankers’ Association as the information vendor for the purpose of displaying British Bankers’ Association Interest Settlement Rates for U.S. Dollar Deposits).

“Termination Date” means September 30, 2007, but if the Revolving Line of Credit Loan is extended or renewed, the Termination Date shall be September 30th next following the date of extension or renewal unless otherwise determined by the Lender.

“Total Debt Service” shall be defined as the total of interest payments of indebtedness due and principal repayments of long-term debt, including any capital leases.

“Total Liabilities” means as of any date of determination, the total of all Liabilities of the Borrower which would be properly classified as liabilities, whether current or long-term, in accordance with GAAP.

“Yield Maintenance Fee” means the resulting sum computed by subtracting the Federal Home Loan Bank Rate with a Maturity Date closest to the remaining term of the Note being prepaid from the applicable interest rate in effect at the time of prepayment, including, without limitation, the Default Rate. If the result is zero or a negative number, there shall be no Yield Maintenance Fee due and payable. If the result is a positive number, then the resulting percentage shall be multiplied by the amount of the principal balance being prepaid. The resulting amount shall be divided by 360 and multiplied by the number of days remaining in the term of the Note being prepaid. Said amount shall be reduced to present value, calculated by using the above-stated interest rate and the number of days remaining in the term of the applicable Note. The resulting amount shall be the Yield Maintenance Fee due to the Lender upon prepayment of a Note requiring the payment of a Yield Maintenance Fee.

1.01 ACCOUNTING TERMS

All accounting terms not specifically defined herein shall be construed in accordance with GAAP consistent with those applied in the preparation of the financial statements and all financial data submitted pursuant to this Agreement shall be prepared in accordance with such principles.

2.00 THE REVOLVING LINE OF CREDIT

2.01 REVOLVING LINE OF CREDIT FACILITY (the “Revolving Line of Credit”)

To a maximum amount of Seventeen Million and 00/100 Dollars (\$17,000,000) a committed Revolving Line of Credit (the “Revolving Line of Credit Loan”) will be made available, subject to the Available Amount, repayable in accordance with the terms hereof, with Loans made from time-to-time during the period from the date of this Agreement up to, but not including, the date when demand is made for repayment of the Revolving Line of Credit on or after the occurrence of an Event of Default or the Termination Date, if earlier. Loans may be in any amount within the limits of the Available Amount and within such limits, the Borrower may borrow and repay pursuant to Section 10.02, and re-borrow under this Section 2.01 on such terms and conditions as are contained herein, provided, however, at a time prior to the first request for borrowing under the Revolving Line of Credit, and at monthly intervals thereafter within thirty (30) days of month end, Borrower shall submit a Borrowing Base Certificate to Lender.

Request for borrowings thereafter may be made from time-to-time by Borrower in the manner set forth immediately herein to the Available Amount in the previously tendered Borrowing Base Certificate. At such time as the full amount of such availability is borrowed, no further borrowings shall be requested without the filing of a subsequent Borrowing Base Certificate.

Each Loan shall be made and maintained at the Lender’s Lending Office for such Loan. The Borrower shall pay interest to the Lender, which shall be calculated daily and payable monthly, in arrears, on the outstanding and unpaid principal amount of the Revolving Line of Credit Loans made under this Agreement during the preceding month at a rate per annum as follows:

A. For a Prime Loan at a rate equal to Prime Rate; or

B. For a LIBOR Loan at a rate equal to the adjusted LIBOR Interest Rate, plus two and one-half percent (2.50%) based upon the Interest Period selected by the Borrower and confirmed in writing to the Borrower following Borrower’s request for a LIBOR Loan or a conversion to a LIBOR Loan, as set forth in Section 2.02 below. Notwithstanding the forgoing, the LIBOR Interest Rate for a LIBOR Loan shall be reduced to LIBOR, plus two and one-quarter percent (2.25%) when Maximum Leverage is less than or equal to 2.00:1.00 and shall be further reduced to LIBOR, plus two percent (2.00%) at such time when Maximum Leverage is equal to or less than 1.25:1.00.

2.02 NOTICE AND MANNER OF BORROWING

The Borrower shall give the Lender written, telefax or telegraphic notice (effective upon receipt) of any Revolving Line of Credit Loans under this Agreement, on the Business Day of each Prime Loan, or at least two (2) Business Days before each LIBOR Loan, specifying in each case: (1) the date of such Loan; (2) the amount of such Loan;

(3) the type of such Loan; and (4) in the case of a LIBOR Loan, the duration of the Interest Period applicable thereto. Not later than 3:00 p.m. (EST) on the date of such Loan and upon fulfillment of the applicable conditions set forth in Section 10.08.1 – 10.08.22, the Lender will make such Loan available to the Borrower in immediately available funds by crediting the amount thereof to the Borrower's Loan Account with the Lender.

All notices given under this Section 2.02 shall be irrevocable and shall be given not later than 2:00 p.m. (EST) on the day which is not less than the number of Business Days specified above for such notice.

2.03 CONVERSION AND RENEWALS

The Borrower may elect from time-to-time to convert all, or a part of, one type of Revolving Line of Credit Loan into another type of Revolving Line of Credit Loan permitted under the Revolving Line of Credit facility, or to renew all or part of a Revolving Line of Credit Loan by giving the Lender notice at least one (1) Business Day before the conversion into a Prime Loan and at least two (2) Business Days before the conversion into or renewal of a LIBOR Loan; specifying in each case (1) the renewal or conversion date; (2) the amount of the Loan to be converted or renewed; (3) in the case of conversions, a specification that the Loan is to be converted from a Prime Loan to a LIBOR Loan or vice versa, as the case may be; and (4) in the case of renewals of, or a conversion into LIBOR Loans, the duration of the Interest Period applicable thereto; provided that:

- (a) the minimum principal amount of each Loan outstanding after a renewal or conversion shall be Two Hundred Fifty Thousand and 00/100 Dollars (\$250,000.00) or one Hundred Thousand and 00/100 Dollars (\$100,000.00) multiples there above in the case of LIBOR Loans; and
- (b) LIBOR Loans can be converted only as of the last day of the Interest Period for such Loan. All notices given under this Section 2.03 shall be irrevocable and shall be given not later than 2:00 p.m. (EST) on the day which is not less than the number of Business Days specified above for such notice.

If the Borrower shall fail to give the Lender the notice as specified above for the renewal or conversion of a LIBOR Loan prior to the end of the Interest Period with respect thereto, such LIBOR Loan shall automatically be converted into a Prime Loan on the last day of the Interest Period for such Loan.

2.04 CALCULATION AND PAYMENT OF INTEREST

Any change in the interest rate based on the Prime Rate resulting from a change in the Prime Rate shall be effective as of the opening of business on the day on which such change in the Prime Rate becomes effective.

Interest on each Prime Loan shall be calculated on the basis of a year of 360 days for the actual number of days elapsed for any payment period. Interest on each LIBOR Loan shall be calculated on the basis of a year of 360 days for the actual number of days elapsed for the Interest Period.

Interest on the Revolving Line of Credit Loan shall be paid in immediately available funds at the Principal Office of the Lender. Interest shall be calculated daily and payable monthly in accordance with the terms of the Note, in arrears on the average daily unpaid principal sum during the preceding month.

2.05 THE REVOLVING LINE OF CREDIT NOTE

All Revolving Line of Credit Loans made by the Lender under this Agreement shall be evidenced by, and repaid with interest in accordance with, a single Revolving Line of Credit Note of the Borrower payable in accordance with the terms of this Agreement and in substantially the form of Exhibit "C", duly completed, dated the date of this Agreement, and payable to the Lender, such Note to represent the obligation of the Borrower to repay the Revolving Line of Credit Loans. The Lender is hereby authorized by the Borrower to endorse on the schedule attached to the Note the amount and type of each Revolving Line of Credit Loan and each renewal, conversion, and payment of principal amount received by

the Lender for the account of the applicable Lending Office on account of the Revolving Line of Credit Loans, which endorsement shall, in the absence of error, be conclusive as to the outstanding balance of the Revolving Line of Credit Loans made by the Lender; provided, however, that the failure to make such notation with respect to any Revolving Line of Credit Loan or renewal, conversion, or payment shall not limit or otherwise affect the obligations of the Borrower under this Agreement or the Revolving Line of Credit Note.

2.06 BORROWER PROMISES TO PAY

The Borrower promises to pay to the Lender, or order, in accordance with the terms of this Agreement:

A. The current amount of the debit balance of the Borrower's Loan Account.

B. Interest on the Loans at the rates and charges described in Sections 2.01, computed monthly on the average daily unpaid principal balance of all of Borrower's Loan Account.

C. Any and all reasonable charges, and expenses of every kind or description paid or incurred by the Lender under or with respect to Loans hereunder or any Collateral therefor or the collection of or realization upon the same including reasonable costs of collection, attorneys' fees, expenses of litigation and otherwise. The Borrower hereby authorizes the Lender to charge interest, charges, and other expenses and fees provided for in this Agreement to any deposit account of the Borrower, with the Lender, or to the Borrower's Loan Account.

2.07 USE OF PROCEEDS

The proceeds of the Revolving Line of Credit may be used by the Borrower only for to support working capital, letters of credit, foreign exchange, cash management exposure and deposits for equipment purchases.

The Borrower will not, directly or indirectly, use any part of such proceeds for the purpose of purchasing or carrying any margin stock within the meaning of Regulation U of the Board of Governors of the Federal Reserve System or to extend credit to any Person for the purpose of purchasing or carrying any such margin stock, or for any purpose which violates, or is inconsistent with, Regulation X of such Board of Governors.

2.08 UNUSED BALANCE FEE

The Borrower shall pay Lender an unused balance fee equal to one-quarter percent (.25%) of the average unused balance of the Revolving Line of Credit during the preceding quarter. Such fee shall be charged quarterly and paid upon billing.

2.09 LETTER OF CREDIT FEE

The Borrower agrees to pay Lender, an annual fee for all monies borrowed to support standby letters of credit equal to three-quarters percent (.75%) of the aggregate monies borrowed. Such fee shall be charged annually and payable upon billing.

3.00 COLLATERAL REPORTING; INVENTORY

3.01 INVOICES

Borrower will not re-date any invoice or sale from the original date thereof or make sales on extended terms beyond those customary in Borrower's Inventory, or otherwise extend or modify the term of any Receivable, except as otherwise provided in Section 5.02. If Borrower becomes aware of any matter affecting any Receivable, in excess of One Hundred Thousand and 00/100 Dollars (\$100,000.00), including information affecting the credit of the account debtor, Borrower will promptly notify Lender in writing.

3.02 INSTRUMENTS

In the event that any Receivable is or becomes evidenced by a promissory note, trade acceptance or other instrument for the payment of money, Borrower will immediately deliver such instrument to Lender appropriately endorsed to Lender and, regardless of the form of any presentment, demand, notice of dishonor, protest, and notice of protest with respect thereto, Borrower will remain liable thereon until such instrument is paid in full. Upon receipt by Lender of payment in respect of any instrument which has been delivered to Lender, the proceeds of such instrument or instruments shall be applied to reduction of the outstanding Obligations.

3.03 PHYSICAL INVENTORY

Borrower shall conduct a physical count of the Inventory at such intervals as Lender reasonably requests and promptly supply Lender with a copy of such accounts accompanied by a report of the value (calculated on the lower of cost or market basis) of the Inventory and such additional information with respect to the Inventory as Lender may reasonably request from time-to-time. The foregoing notwithstanding, at such time as Borrower has implemented a perpetual Inventory accounting system acceptable to and approved by Lender, Lender and Borrower shall reevaluate the frequency with which physical Inventory must be conducted by Borrower; provided, however, that any agreement changing the frequency with which physical inventories are to be conducted shall be without restriction upon Lender's right to require Borrower to perform physical inventories more frequently upon the subsequent occurrence of any Event of Default, Incipient Default or if at any time Lender shall reasonably be concerned with the accuracy, integrity, or other proper operation of Borrower's perpetual Inventory accounting system.

3.04 RETURNS

For so long as no Event of Default has occurred and is continuing, if any account debtor returns any Inventory to Borrower in the ordinary course of its business, Borrower shall promptly determine the reason for such return and promptly issue a credit memorandum to the account debtor (sending a copy to Lender of all such credit memorandum in excess of Fifty Thousand and 00/100 Dollars (\$50,000.00)) in the appropriate amount. In the event any attempted return occurs after and during the continuance of the occurrence of an Event of Default, but only as to those Events of Default with respect to which Lender has given written notice to Borrower, Borrower shall (i) hold the return Inventory in trust for Lender; (ii) segregate all returned Inventory in trust for Lender; (iii) segregate all returned Inventory from all of its other property; (iv) conspicuously label the returned Inventory as Lender's property; and (v) immediately notify Lender of the return of any Inventory, specifying the reason for such return, the location and condition of the returned Inventory, and on Lender's request deliver such returned Inventory to Lender. Borrower shall not consign any Inventory.

4.00 PRINCIPAL PAYMENTS; PROCEEDS OF COLLATERAL

4.01 PRINCIPAL PAYMENTS

That portion of the Obligations consisting of principal payable on account of the Revolving Line of Credit Loans shall be payable by Borrower to Lender immediately upon the earliest of (i) the receipt by Lender or Borrower of any proceeds of any of the Collateral from the sale or disposition of the Collateral (not otherwise permitted by this Agreement or any of the other Loan Documents) to the extent of said proceeds; (ii) the occurrence of an Event of Default in consequence of which Lender elects to accelerate the maturity and payment of such Revolving Line of Credit Loan; or (iii) any termination of this Agreement; provided, however, that any over advance shall be payable on demand. Upon any acceleration of the maturity of the Loans or upon the earlier termination of the Revolving Line of Credit Loan, the full amount of any and all Loans shall simultaneously be due and payable in full.

4.02 COLLECTIONS

Until the occurrence of an Event of Default, Borrower may make collection of all Receivables. Upon the occurrence of an Event of Default (subject to grace and cure periods) Borrower shall collect all Receivables for Lender and shall receive all payments as trustee of Lender and immediately deliver all payments to Lender in their original form as set forth below, duly endorsed in blank unless otherwise notified to the contrary by Lender. Lender or its designee may, in the circumstances described below, notify account debtors that the Receivables have been assigned to Lender and of Lender's security interest therein. Lender may only give the foregoing notification to account debtors at any time when there exists and Event of Default or Incipient Default, or absent the existence of an Event of Default or Incipient Default, if in Lender's good faith judgment, based upon credible evidence, Lender believes that (a) the proceeds of Lender's Collateral resulting from the sale or other disposition (not otherwise permitted by this Agreement or any of the Loan Documents) are being diverted from it, or (b) the Borrower's properties or assets are otherwise being misappropriated (the foregoing events being referred to herein as "Designated Collateral Impairment Events"). After the occurrence of and Event of Default or any Designated Collateral Impairment Event, Lender may collect the Receivables directly if elected by Lender, and charge the collection costs and expenses to Borrower's Loan Account. Borrower agrees that, in computing the charges under this Agreement, all items of payment shall be deemed applied by Lender on account of the Obligations one (1) Business Day after receipt by Lender of good funds which have been finally credited to Lender's account. Lender is not, however, required to credit Borrower's Loan Account for any amount of any item of payment which is unsatisfactory to Lender in its reasonable discretion and Lender may charge Borrower's Loan Account for the amount of any item of payment which is returned to Lender unpaid. In the event that Lender determines not to credit Borrower's Loan Account for any item which is unsatisfactory to Lender, Lender shall give prompt notice thereof to Borrower, designating the reason such item was determined to be unsatisfactory, and shall reasonably cooperate with Borrower in obtaining a replacement satisfactory item or otherwise correcting the reason such item was unsatisfactory.

4.03 ESTABLISHMENT OF A BLOCKED ACCOUNT

Upon the occurrence of an Event of Default, all proceeds of Collateral shall, at the direction of Lender, be deposited by Borrower into a lock box account, or such other "Blocked Account" as Lender may require (the "Blocked Account") with Lender. All funds deposited in the Blocked Account shall immediately become the sole property of Lender.

4.04 PAYMENTS WITHOUT DEDUCTION

Borrower shall pay principal, interest and all other amounts payable hereunder, or under any related agreement, without any deduction whatsoever, including, but not limited to, any deduction for any set off or counterclaim.

4.05 COLLECTION DAYS UPON REPAYMENT

In the event Borrower repays the Obligations in full, at any time hereafter, such payment in full will be credited (conditioned upon final collection) to Borrower's Loan Account, one (1) Business Day after Lender's receipt thereof.

5.00 RECEIVABLES

5.01 ELIGIBILITY

Borrower represents and warrants that each Receivable covers and will cover a bona fide sale or lease and delivery by it of goods or the rendition by it of services in the ordinary course of its business, and will be for a liquidated amount and Lender's security interest will not be subject to any offset, deduction, counterclaim, rights of return or cancellation, lien or other condition. If any representation of warranty is breached as to any Receivable, or any Receivable ceases to be an Eligible Receivable for any reason other than payment thereof, than Lender may, in addition to its other rights hereunder, designate any and all Receivables owing by that account debtor as not Eligible Receivables; provided, that Lender shall in any such event retain its security interest in all Receivables, whether or not Eligible Receivables, until the Obligations have been fully satisfied and Lender's obligation to provide Loans hereunder is terminated.

5.02 DISPUTES

Borrower shall notify Lender promptly of all disputes and claims in excess of One Hundred Thousand and 00/100 Dollars (\$100,000.00) and settle or adjust such disputes or claims at no expense to Lender, but no discount, credit or allowance shall be granted any account debtor and no returns of merchandise shall be accepted by Borrower without Lender's consent, except for discounts, credits and allowances made or given in the ordinary course of Borrower's business or where such amount is less than One Hundred Thousand and 00/100 Dollars (\$100,000.00). Lender may, at any time after the occurrence of an Event of Default as to which Event of Default Lender has given written notice to Borrower, settle or adjust disputes and claims directly with account debtors for amounts and upon terms which Lender considers advisable in its reasonable credit judgment and, in all cases, Lender will credit Borrower's Loan Account with only the net amounts received by Lender and payment of any Receivables.

6.00 THE COMMERCIAL TERM LOAN FACILITY

6.01 THE COMMERCIAL TERM LOAN

A Twelve Million One Hundred Four Thousand and 00/100 Dollars (\$12,104,000) Commercial Term Loan (the "Commercial Term Loan") will be made available to the Borrower. The Commercial Term Loan shall be repaid over a seven (7) year amortization schedule with fixed monthly principal and interest payments.

6.02 CALCULATION AND PAYMENT OF INTEREST

The Borrower shall pay interest to the Lender, on the outstanding and unpaid principal amount of the Loan made under this Agreement at a rate per annum equal to six and twenty-three one hundredth percent (6.23%).

Interest on the Commercial Term Loan shall be calculated on the basis of a year of 360 days for the actual number of days elapsed for any payment period.

6.03 THE TERM LOAN PROMISSORY NOTE

The Commercial Term Loan made by the Lender under this Agreement shall be evidenced by, and repaid with interest in accordance with a Commercial Term Promissory Note substantially in the form of Exhibit "D".

6.04 USE OF PROCEEDS

The Term Loan shall be used only to refinance certain indebtedness due the Lender and to fully pay outstanding indebtedness due Tomkins Corporation.

7.00 THE COMMERCIAL REAL ESTATE TERM LOAN FACILITY

7.01 THE COMMERCIAL REAL ESTATE TERM LOAN

A Five Million Eight Hundred Ninety Six Thousand and 00/100 Dollar (\$5,896,000) Commercial Real Estate Loan (the "Commercial Real Estate Term Loan") will be made available to the Borrower. The Commercial Real Estate Loan shall be repaid over a twenty (20) year amortization schedule with a ten (10) year maturity, fixed monthly principal and interest payments.

7.02 CALCULATION AND PAYMENT OF INTEREST

The Borrower shall pay interest to the Lender, on the outstanding and unpaid principal amount of the Loan made under this Agreement at a rate per annum equal to six and eighty-five one hundredths percent (6.85%).

Interest on the Commercial Real Estate Term Loan shall be calculated on the basis of a year of 360 days for the actual number of days elapsed for any payment period.

7.03 THE COMMERCIAL REAL ESTATE TERM LOAN PROMISSORY NOTE

The Commercial Real Estate Loan made by the Lender under this Agreement shall be evidenced by, and repaid with interest in accordance with a Commercial Real Estate Term Promissory Note substantially in the form of Exhibit "E".

7.04 USE OF PROCEEDS

The Commercial Real Estate Loan shall be used only to refinance certain indebtedness due the Lender and to fully pay outstanding indebtedness due Tomkins Corporation.

8.00 THE EQUIPMENT LINE OF CREDIT FACILITY ("EQUIPMENT LINE OF CREDIT")

8.01 THE EQUIPMENT LINE OF CREDIT AGREEMENT

Lender agrees to make available on or after May 1, 2005, an Equipment Line of Credit referred to as the "Equipment Loans" or "Equipment Line of Credit Loan" to Borrower to a maximum aggregate principal sum of Five Million and 00/100 Dollars (\$5,000,000) until April 30, 2006, in accordance with an Equipment Line of Credit Note annexed hereto as Exhibit "F". Advances shall only be made if, in the reasonable opinion of the Lender, there has been no material adverse change in the Borrower's financial condition and no Event of Default has occurred and is continuing under this Agreement. No Equipment Loan shall exceed eighty percent (80%) of the cost of any equipment being financed in connection herewith. Loans subject to the Available Amount, shall be repayable in accordance with the terms hereof, with Loans made from time-to-time during the period from the date of this Agreement, up to, but not including, the date of the earlier of (i) the date when demand is made for repayment of the Equipment Line of Credit on or after the occurrence of an Event of Default or (ii) the Conversion Date. Loans may be in any amount within the limits of the Available Amount and within such limits, the Borrower may borrow and repay pursuant to Section 10.02 and re-borrow under this Section 8.01 on such terms and conditions as are contained herein.

The Borrower shall pay interest to Lender, which shall be calculated daily and payable monthly, in arrears on the outstanding and unpaid principal amount of the Equipment Line of Credit Loan made under this Agreement during the preceding month prior to the Conversion Date at a rate per annum as follows:

A. For a Prime Loan at a rate equal to Prime Rate; or

B. For LIBOR Loan at a rate equal to the adjusted LIBOR Interest Rate, plus two and one-half percent (2.50%) based upon the Interest Period selected by the Borrower and confirmed in writing to the Borrower following Borrower's request for a LIBOR Loan or a conversion to a LIBOR Loan, as set forth in Section 8.05, below. Notwithstanding the forgoing, the LIBOR Interest Rate for a LIBOR Loan shall be reduced to LIBOR, plus two and one-quarter percent (2.25%) when Maximum Leverage is less than or equal to 2.00:1.00 and shall be further reduced to LIBOR, plus two percent (2.00%) at such time when Maximum Leverage is equal to or less than 1.25:1.00.

All Equipment Loans shall be secured, inter alia, by first purchase money security interest(s) in the specific items of personal property to be purchased by Borrower from time-to-time, as well as the security interest granted in Section 11.00, 11.01 and 11.02 herein, which said purchases are to be the subject of prior presentment to Lender for approval in each instance, utilizing the Collateral Rider form annexed hereto as Exhibit "G".

At such time as Lender approves each Collateral Rider and each Equipment Loan is made to Borrower; Lender then shall receive, inter alia, a first purchase money security interest in and to said Collateral as security for payment and performance of the Obligations.

The aggregate availability of all Equipment Loans shall cease on April 30, 2006 (the "Conversion Date") at which time the (then) unpaid outstanding principal balance shall convert and be repaid over and up to the seven (7) year amortization schedule, as more fully described in the Equipment Line of Credit Note.

Borrower shall, in each instance in which a Collateral Rider is presented to Lender for approval, have evidence of ability to receive good and marketable title(s) in and to said Collateral from seller thereof, and availability of title(s) or Certificate(s) of Origin (if applicable), for tender to Lender at the time the loan is granted; all satisfactory to Lender in its sole, but reasonable discretion in each instance.

8.02 ELIGIBILITY FOR BORROWING UNDER THE EQUIPMENT LINE

At all times, it will be within the continuing, reasonable discretion of the Lender whether to make, or continue to make further Equipment Loans of any amount under this Agreement, without the requirement of any prior notice to Borrower, and even if the said Available Amount has not (then) been loaned at the time of any such request.

Nothing herein shall be construed to restrict the Lender, in its sole and exclusive discretion, from making Loans in excess of the stated Available Amount, or waiving other requirements upon Collateral herein, without executing any additional notes, security agreement(s) and its so doing in any instance, shall not waive its rights to insist upon strict compliance with the terms hereof at any other time, and to further rely upon all Collateral secured to it for satisfaction of all Equipment Loans, without exception.

8.03 REPAYMENT OF PRINCIPAL AND INTEREST, RATES AND CHARGES

The next day following the Conversion Date, principal and interest shall be payable monthly, based upon an up to a seven (7) year amortization schedule pursuant to the Equipment Term Note to be executed by the Borrower.

8.04 NOTICE AND MANNER OF BORROWING

The Borrower shall give the Lender written, telefax or telegraphic notice (effective upon receipt) of any Equipment Loans under this Agreement, on the Business Day of each Prime Loan, or at least two (2) Business Days before each LIBOR Loan, specifying in each case: (1) the date of such Loan; (2) the amount of such Loan; (3) the type of such Loan; and (4) in the case of a LIBOR Loan, the duration of the Interest Period applicable thereto. Not later than 3:00 p.m. (EST) on the date of such Loan and upon fulfillment of the applicable conditions set forth in Section 10.08.01 – 10.08.22, the Lender will make such Loan available to the Borrower in immediately available funds by crediting the amount thereof to the Borrower's Loan Account with the Lender.

All notices given under this Section 8.04 shall be irrevocable and shall be given not later than 2:00 p.m. (EST) on the day which is not less than the number of Business Days specified above for such notice.

8.05 CONVERSION AND RENEWALS

Prior to the Conversion Date, the Borrower may elect from time-to-time to convert all, or a part of, one type of Equipment Loan into another type of Loan permitted under the Revolving Line of Credit facility, or to renew all or part of an Equipment Loan by giving the Lender notice at least one (1) Business Day before the conversion into a Prime Loan and at least two (2) Business Days before the conversion into or renewal of a LIBOR Loan; specifying in each case (1) the renewal or conversion date; (2) the amount of the Loan to be converted or renewed; (3) in the case of conversions, a specification that the Loan is to be converted from a Prime Loan to a LIBOR Loan or vice versa, as the case may be; and (4) in the case of renewals of, or a conversion into LIBOR Loans, the duration of the Interest Period applicable thereto; provided that:

- (a) the minimum principal amount of each Loan outstanding after a renewal or conversion shall be Two Hundred Fifty Thousand and 00/100 Dollars (\$250,000.00) or one Hundred

Thousand and 00/100 Dollars (\$100,000.00) multiples there above in the case of LIBOR Loans; and

- (b) LIBOR Loans can be converted only as of the last day of the Interest Period for such Loan. All notices given under this Section 8.05 shall be irrevocable and shall be given not later than 2:00 p.m. (EST) on the day which is not less than the number of Business Days specified above for such notice.

If the Borrower shall fail to give the Lender the notice as specified above for the renewal or conversion of a LIBOR Loan prior to the end of the Interest Period with respect thereto, such LIBOR Loan shall automatically be converted into a Prime Loan on the last day of the Interest Period for such Loan.

8.06 INSPECTIONS

The Lender, upon reasonable notice to the Borrower, and at the sole expense of Borrower may, from time-to-time require Borrower to provide access to its books and records and to inspect all Collateral, or undertake such additional or alternative actions as it deems appropriate in connection with the maintenance of any Loan contemplated hereby. Borrower shall, at all times, provide its full, prompt, and unlimited assistance to the Lender upon each such request, time being of the essence.

9.00 THE GUARANTOR

9.01 GUARANTOR'S AGREEMENT

Payment and performance of Borrower's Obligations shall be unconditionally guaranteed by the Guarantor, all as more fully described in Exhibit "H" attached hereto and incorporated by reference.

10.00 GENERALLY

As to all Loan(s) made pursuant to this Agreement:

10.01 CROSS DEFAULT

A default beyond any applicable notice, grace or cure period, of any of the terms and conditions of any Obligation of the Borrower to the Lender (including, without limitation any reimbursement obligations arising out of any Letter(s) of Credit which the Lender may later issue on behalf of the Borrower) or any document or instrument evidencing such an obligation shall constitute a default of the Notes, this Agreement, and any other Obligations of the Borrower to the Lender whether evidenced by notes or otherwise.

10.02 METHOD OF PAYMENT

All payments and prepayments of principal and all payments of interest, fees and other amounts payable hereunder shall be made by the Borrower to the Lender at its Lending Office OR SUCH OTHER PLACE AS THE LENDER MAY FROM TIME-TO-TIME SPECIFY IN WRITING in immediately available UNITED STATES DOLLARS [LAWFUL CURRENCY OF THE UNITED STATES OF AMERICA], on or before 11:00 a.m. (Boston, Massachusetts time) on the due date thereof, WITHOUT COUNTERCLAIM OR SETOFF AND FREE AND CLEAR OF, AND WITHOUT ANY DEDUCTION OR WITHHOLDING FOR, ANY TAXES OR OTHER PAYMENTS. The Borrower hereby authorizes the Lender, if and to the extent payment is not made when due under this Agreement or under any Note, to charge from time-to-time against any account of the Borrower with the Lender any amount so due. Whenever any payment to be made under this Agreement or under any Note shall be stated to be due on a day other than a Business Day, such payment shall be made on the next succeeding Business Day, and such extension of time shall in such case be included in the computation of the payment of interest except, in the case of a LIBOR Loan, if the result of such extension would be to extend such payment into another calendar month, such payment shall be made on the immediately preceding Business Day.

10.03 PREPAYMENT

The Borrower may, with respect to any Prime Loan only, upon at least one (1) Business Day's notice to the Lender, prepay any Note in whole or in part, with accrued interest to the date of such prepayment on the amount prepaid without any penalty or premium. LIBOR Loans where a fixed rate of interest has been selected may not be prepaid without Borrower incurring and paying the Lender, pursuant to the Funding Loss Indemnification, as provided in Section 10.11. If the Commercial Real Estate Term Promissory, Commercial Term Promissory Note or the Equipment Line of Credit Note (where a fixed rate of interest is applicable) are otherwise prepaid, there shall be a prepayment penalty, equal to the greater of two percent (2.00%) of the principal balance being prepaid or the Yield Maintenance Fee. Notwithstanding anything to the contrary contained herein, there shall be no prepayment penalty if any Note is prepaid in whole or in part from excess cash flow from the Borrower's business operations.

Notwithstanding anything to the contrary contained in the above prepayment clause, the Lender agrees that in the event that (i) the Borrower seeks to consummate an acquisition whereby Borrower shall be the surviving entity (the "Acquisition"), (ii) and Lender declines to finance such Acquisition and does not agree to match a bona fide commitment from another lender (the "Third Party Lender") which agrees to finance such Acquisition (the "Acquisition Financing"), that in the event that such Third Party Lender consummates such Acquisition Financing, the forgoing prepayment penalty shall not apply if the Lender is fully paid off in connection with such Acquisition Financing; provided, however, any outstanding LIBOR Loans shall still be subject to funding loss indemnification if they are paid on or before the required LIBOR payment date.

10.04 LATE PAYMENT

Any payment on the Loans received more than ten (10) days after its due date shall be subject to an additional charge of six percent (6.00%) of the amount due.

10.05 [INTENTIONALLY DELETED]

10.06 ADDITIONAL PAYMENTS

If after the date of this Agreement the Lender determines that (i) the adoption of or change in any law, rule, regulation or guideline regarding capital requirements for banks or bank holding companies, or any change in the interpretation or application thereof by any governmental authority charged with the administration thereof, or (ii) compliance by the Lender or any parent bank holding company with any guideline, request or directive of any such entity regarding capital adequacy (whether or not having the force of law), has the effect of reducing the return on the Lender's or such holding company's capital as a consequence of the Lender's agreement to make Loans hereunder to a level below that which the Lender or such holding company could have achieved but for such adoption, change or compliance (taking into consideration the Lender's or such holding company's then existing policies with respect to capital adequacy and assuming the full utilization of such entity's capital) by any amount deemed by the Lender to be material, or (iii) as a result from any change after the date of this Agreement in United States, Federal, State, Municipal or Foreign Laws or Regulations (including Regulation D), or the adoption or making after the date of any interpretations, directives or requirements applying to a class of banks, including the Lender of or under any United States, Federal, State, Municipal or Foreign Laws or Regulations (whether or not having the force of law) by any court or governmental or monetary authority charged with the interpretation or administration thereof which changes the basis of taxation of any amounts payable to the Lender under this Agreement, including, without limitation, the LIBOR or Prime Rate Revolving Line of Credit Loan or Loans, Commercial Term Loan, Commercial Real Estate Term Loan and Equipment Line of Credit Loan, other than taxes imposed on the overall net income of the bank for any of such loans by the jurisdiction where the Lending Office of the Lender is located), then the Lender shall notify the Borrower thereof. The Borrower agrees to pay to the Lender the amount of such reduction in the return on capital as and when such reduction is determined, upon presentation by the Lender of a statement in the amount and setting forth the Lender's calculation thereof, which statement shall be deemed true and correct absent manifest error. In determining such amount, the Lender may use reasonable averaging and attribution methods.

10.07 TENURE OF THE LOAN AND SECURITY AGREEMENT

This Agreement shall become effective upon the execution by the parties hereto. When so executed, this Agreement shall be binding on, and inure to, the benefit of the respective successors and permitted assigns of the Borrower (if authorized by the Lender, in writing, in the Lender's reasonable discretion), and of the Lender, and shall continue in full force and effect and unchanged except by agreement in writing between the Borrower and the Lender until terminated as hereinafter provided.

Termination of the Revolving Line of Credit under any circumstances, shall not terminate any of the Borrower's obligations hereunder or affect any of the Lender's rights or remedies, under this Agreement, or otherwise, with respect to any obligations or with respect to any of the Borrower's Collateral or other surety, or Collateral security provided to Lender by any of them, it being understood and agreed that all rights, remedies, and privileges granted to the Lender pursuant to this Agreement, the Notes, or any other document and instrument, shall continue in full force and effect until payment in full of all Obligations.

10.08 CONDITIONS PRECEDENT

The obligation of the Lender to make a LIBOR or Prime Rate Revolving Line of Credit Loan or Loans, the Commercial Term Loan, the Commercial Real Estate Term Loan and any Equipment Line of Credit Loan shall be subject to the condition precedent that the Lender shall have received on or before the day of such transaction each of the following, in form and substance satisfactory to the Lender and its counsel in their reasonable discretion:

10.08.1 EXECUTION OF NOTES

The applicable Note duly executed by the Borrower.

10.08.2 EVIDENCE OF BORROWER'S AUTHORITY AND INCUMBENCY OF REPRESENTATIVES.

Certified (as of the date of this Agreement) copies of all corporate action taken by the Borrower, including resolutions of its Board of Directors, authorizing the execution, delivery, and performance of the Loan Documents to which it is a party and each other document to be delivered pursuant to this Agreement together with a certificate (dated as of the date of this Agreement) of the Secretary of the Borrower certifying the names and true signatures of the officers of the Borrower authorized to sign the Loan Documents to which it is a party and the other documents to be delivered by the Borrower under this Agreement.

10.08.3 EVIDENCE OF GUARANTOR'S AUTHORITY AND INCUMBENCY OF REPRESENTATIVES.

Certified (as of the date of this Agreement) copies of all corporate action taken by the Guarantor, including resolutions of its Board of Directors, authorizing the execution, delivery, and performance of the Loan Documents to which it is a party and each other document to be delivered pursuant to this Agreement together with a certificate (dated as of the date of this Agreement) of the Secretary of the Guarantor certifying the names and true signatures of the officers of the Guarantor authorized to sign the Loan Documents to which it is a party and the other documents to be delivered by the Guarantor under this Agreement.

10.08.4 OPINION

A favorable opinion of counsel for the Borrower and Guarantor, dated the date of the Loan, in such form as is acceptable to the Lender and as to such other matters as the Lender may reasonably request.

10.08.5 OFFICER'S CERTIFICATE, ETC.

The following statements shall be true and the Lender shall have received a certificate signed by a duly authorized officer of the Borrower dated the date of the Loan stating that:

- a) The representations and warranties contained in Section 12.00 of this Agreement are correct on and as of the date of the Loan as though made on and as of such date; and
- b) No Incipient Default or Event of Default has occurred and is continuing, or would result from the making of the Loan.

10.08.6 FLOOD CERTIFICATES

Lender shall have received and approved Flood Certificates concerning the Mortgaged Premises.

10.08.7 APPRAISALS

Appraisals of the machinery and equipment of Borrower, satisfactory to the Lender in scope and as to the values reported therein.

10.08.8 SOLVENCY CERTIFICATE

Lender shall have received an executed Solvency Certificate as more fully described in Exhibit "I".

10.08.9 TITLE INSURANCE

A mortgagee's policy of title insurance issued on the 1970 ALTA form by a nationally recognized title company, approved by Lender, in the aggregate face amount of Five Million Eight Hundred Ninety Six Thousand and 00/100 Dollars (\$5,896,000), together with such reinsurance and direct access agreements as Lender may request, guarantying as of the date of closing, the mortgage to be a valid first and prior lien on Borrower's ownership interest in the Mortgaged Premises (including any easements appurtenant thereto), subject only to Permitted Encumbrances. The title policy shall contain such endorsements as Lender may require.

10.08.10 SURVEY

A survey of the Mortgaged Premises, the building and other improvements, certified to the Lender and the title company by a surveyor satisfactory to the Lender, which survey shall contain the minimum detail for land surveys as most recently adopted by ALTA/ASCM, and which survey shall comply with Lender's survey requirements and shall contain Lender's standard form certification. Said survey shall show no state of facts or conditions objectionable to Lender.

10.08.11 HAZARD INSURANCE

Insurance policies acceptable to Lender which name Lender as mortgagee, loss payee and additional insured with coverages acceptable to Lender or Evidence of Insurance evidencing same.

10.08.12 UCC AND TAX LIEN SEARCHES

Uniform Commercial Code and tax lien searches made in the Commonwealth of Massachusetts, the City of Springfield, Massachusetts, the State of Delaware and the State of Maine, showing no filings relative to any Collateral other than those made pursuant to this Agreement, and no federal or state tax liens against Borrower or any Guarantor.

10.08.13 CORPORATE DOCUMENTATION

Certified copies of the Borrower's Articles of Incorporation, By-Laws, Certificates of Good Standing from the Secretary of State's Office and Department of Revenue Office and original Corporate Resolutions, Certificates of Incumbency with specimen signatures.

10.08.14 APPRAISAL

An independent appraisal of the Mortgaged Premises in compliance with FIRREA standards from a state certified appraiser engaged by Lender which indicates the fair market value of the Mortgaged Premises and is satisfactory to Lender in all respects.

10.08.15 ENVIRONMENTAL ASSESSMENT

An environmental site assessment with respect to the Mortgaged Premises prepared by an environmental consultant satisfactory to Lender showing no matters unsatisfactory to Lender, a letter from the consultant preparing the environmental site assessment stating that the Lender is authorized to rely on the information contained therein and evidence satisfactory to the Lender of said environmental consultants errors and omissions insurance coverage.

10.08.16 [INTENTIONALLY DELETED]

10.08.17 [INTENTIONALLY DELETED]

10.08.18 ZONING

Evidence satisfactory to Lender as to zoning compliance of the Mortgaged Premises.

10.08.19 [INTENTIONALLY DELETED]

10.08.20 PERFECTION CERTIFICATE

A perfection certificate completed with respect to the Borrower and which is satisfactory to Lender in all respects. A copy of such perfection certificate is annexed hereto as Exhibit "J".

10.08.21 OPERATING AND FINANCIAL STATEMENTS

Current financial statements satisfactory to Lender for Borrower and any Guarantor, together with operating and cash flow statements for the Mortgaged Premises.

10.08.22 OTHER ITEMS

Such other approvals, opinions, certificates, documents and/or instruments as Lender may require in its reasonable discretion.

10.09 POWER OF ATTORNEY

Borrower appoints Lender and its designees as Borrower's attorney, with the power after the occurrence of any Event of Default or of any Designated Collateral Impairment Event, to endorse Borrower's name on any checks, notes, acceptances, money orders or other forms of payment or security that come into Lender's possession; to sign Borrower's name on any invoice or bill of lading relating to any Receivable, on drafts against customers, on assignments of receivables, on notices of assignment, financing statements and other public records, and on verifications of accounts sent to account debtors; to send requests for verification of Receivables to customers or account debtors; to sign Borrower's name on notices to customers or account debtors, to notify account debtors that the Receivables have been assigned to

Lender and of Lender's security interest therein, and to notify the post office authorities to change the address for delivery of Borrower's mail to an address designated by Lender and to open and dispose of all mail addressed to Borrower; and to do all other things Lender deems necessary and desirable to carry out the terms of this Agreement. Borrower hereby ratifies and approves all acts of such attorney. Neither Lender nor any of its designees will be liable for any acts or omissions nor for any error of judgment or mistake of fact or law acting as Borrower's attorney, unless caused by Lender's or its designees gross negligence or willful misconduct. This power, being coupled with an interest, is irrevocable until the Obligations have been fully satisfied and Lender's obligation to provide Loans hereunder shall have terminated.

10.10 FEDERAL RESERVE BANK

Notwithstanding anything to the contrary contained herein, Lender may at any time pledge or assign all or any portion of Lender's rights under this Agreement and the other Loan Documents to a Federal Reserve bank; provided, however, that no such pledge or assignment shall release the Lender from Lender's obligations hereunder or any other Loan Documents.

10.11 FUNDING LOSS INDEMNIFICATION

The Borrower shall pay to the Lender, upon the request of the Lender, such amount or amounts as shall be sufficient (in the reasonable opinion of the Lender) to compensate it for any loss, cost, or expense (including the then present value of any lost interest earnings as a result of any re-deployment of prepaid funds) incurred as a result of:

- (1) Any payment of a LIBOR Loan on a date other than a scheduled principal payment day or the last day of the Interest Period for such Loan including, but not limited to, acceleration of the Loans by the Lender pursuant to Section 19.00; or
- (2) Any failure by the Borrower to borrow or convert, as the case may be, a LIBOR Loan on the date for borrowing or conversion, as the case may be, specified in the relevant notice provision under Sections 2.02 and 2.03 or 8.04 and 8.05; or

10.12 ILLEGALITY

Notwithstanding any other provision in this Agreement, if the Lender determines that any applicable law, rule, or regulation, or any change therein, or any change in the interpretation or administration thereof by any governmental authority, central bank, or comparable agency charged with the interpretation or administration thereof, or compliance by the Lender (or its Lending Office) with any request or directive (whether or not having the force of law) of any such authority, central bank, or comparable agency, shall make it unlawful or impossible for the Lender (or its Lending Office) to maintain its commitment, then upon notice to the Borrower by Lender, the rate of interest being charged to Borrower shall convert and float at the Prime Rate.

10.13 DISASTER

Notwithstanding anything to the contrary contained herein, if the Lender determines (which determination shall be conclusive) that:

- (1) Quotations of interest rates for the relevant deposits referred to in the definition of LIBOR as the case may be, are not being provided in the relevant amounts or for the relative maturities for purposes of determining the rate of interest on a LIBOR Loan as provided in this Agreement; or
- (2) the relevant rates of interest referred to in the definition of LIBOR, upon the basis of which the rate of interest for any such type of loan is to be determined do not accurately cover the cost to the Lender of making or maintaining such type of loan; then the Lender shall forthwith give notice thereof to the Borrower, whereupon the rate of interest being charged to Borrower shall convert and float at the Prime Rate.

10.14 SWAP

Borrower may enter into a SWAP agreement or other similar agreement or arrangement with Lender or its affiliates with respect to any or all LIBOR Loans (any such agreement or arrangement shall be in form and substance reasonably satisfactory to Lender) in order to hedge or minimize risk with respect to the fluctuation of interest rates (the "SWAP Agreement"). The SWAP Agreement shall be for a stipulated term, and shall, at all times, be in a notional amount sufficient to cover all principal amounts outstanding from time to time under the respective Loan. If the SWAP Agreement shall expire and leave any principal of the Loan uncovered thereby, or if for any other reason any principal portion of the Loan shall be uncovered by the SWAP Agreement, such uncovered amount shall be immediately due and payable. Interest rate SWAP's are subject to a make whole provision in the event of a prepayment. In the event that interest rates have moved downward, the Borrower will be responsible to the Lender for such payment.

11.00 SECURITY INTEREST

Borrower, for valuable consideration received, hereby pledges, assigns, transfers and grants to Lender, a continuing lien and security interest in all of Borrower's tangible and intangible personal property and chose-in-action, including, without limitation, all materials, equipment, goods, inventory, accounts, including health care insurance receivables, accounts receivable, contracts rights, chattel paper, general intangibles, including payment intangibles and amounts owed by other than customers regardless of whether or not they constitute proceeds of other Collateral; all chose-in-action, cash, cash deposits, securities, documents, rebates, documents of title, instruments, deposit accounts, debts, refunds, letter of credit rights, supporting obligations, new and used motor vehicles, policies and certificates of insurance, obligations and liabilities in whatever form owing from any person, corporation or other legal entity, including all replacements and substitutions therefore or accessions thereto; all books, records, evidence of title, good will, and all papers relating to the operation of the Borrower's business; all federal, state and local tax refunds and/or abatements and any loss forward and carry back tax refunds; computer programs; all fixtures, leases, any and all equipment leases, rentals and other sums payable thereunder, other chattel paper, purchase option payments, lessor's interest in leased equipment and insurance proceeds; licenses or interests in real estate; all liens, guarantees, investment property, including without limitation, securities, stocks, bonds, warrants, options, rights, remedies and privileges pertaining to all of the foregoing. Also including, without limitation, all equipment or inventory described in Collateral Riders, so-called, executed by Borrower from time-to-time and incorporated by reference herein as restated together with products and proceeds thereof and all accessions and additions thereto and all replacements and substitutions therefore, and all proceeds of credit, fire, casualty, or other insurance upon said property, or any of the above which are acquired with any cash proceeds, or other collateral, (all hereinafter called the "Collateral"). The term "proceeds" shall include, without limitation, all types or classifications of non-cash proceeds acquired with cash proceeds. Notwithstanding anything in this Agreement or the other Loan Documents to the contrary, the Collateral described in this Agreement or in the other Loan Documents shall not include: (a) any intangible which constitutes intellectual property of the Borrower (including, without limitation, the "Smith & Wesson" trade name and any trade secrets, know-how, licenses, trade names, logos, registrations, patents, patent applications, copyrights, copyright applications, trademarks or trademark applications); or (b) any licenses leases or other contracts to the extent that the granting of a security interest therein would constitute a breach thereof or is prohibited thereby and such prohibition is not ineffective under Sections 9-406(d), 9-407, 9-408 or 9-409 of the Uniform Commercial Code; provided, further (x) all accounts arising under such licenses, leases or other contracts shall be included in the definition of Collateral and shall constitute Collateral and (y) the Collateral shall include all payments and other property received or Receivable in connection with any sale or other disposition of such licenses, leases or other contracts.

11.01 The security interest granted hereby is to secure payment and performance of all Obligations from Borrower to Lender, together with all interest, and all reasonable fees, charges and expenses including expenses of the Lender's counsel in the maintaining, foreclosing and selling of any of the Collateral.

11.02 IT IS THE TRUE, CLEAR, AND EXPRESS INTENTION OF THE Borrower that the continuing grant of this security interest remain as security for payment and performance of all Obligations, whether now existing, or which may hereinafter be incurred by future advances, or otherwise; and whether, or not, such obligation is related to the

transaction described in this Agreement, by class, or kind, or whether or not contemplated by the parties at the time of the granting of this security interest. The notice of the continuing grant of this security interest therefore shall not be required to be stated on the face of any document representing any such obligation, nor otherwise identified it as being secured hereby.

12.00 REPRESENTATIONS AND WARRANTIES, GENERALLY

Borrower also represents, warrants and agrees that:

12.01 CHIEF EXECUTIVE OFFICE

It has no chief executive office, or principal place of business, or principal mailing address, other than that shown above and that Borrower also keeps its records concerning accounts, contract rights and other property, as well as all Collateral, at said location, unless otherwise specified in Exhibit "K", attached to this Agreement. Borrower will immediately notify Lender in writing of any change in the location of any place of business or intention to change the location of any Collateral or the establishment of any new chief executive office, principal place of business, or location of inventory, or office where its aforesaid records are kept.

12.02 GOOD STANDING

Borrower is duly organized and existing in good standing under the laws of the State of Delaware and is duly qualified to do business under the laws of each state where the nature of the business done or property owned requires such qualification, except where the failure to be so qualified could not reasonably be expected to have a material adverse effect on the Borrower.

12.03 CORPORATE AUTHORITY

Borrower's delivery and performance hereof are within Borrower's corporate powers, have been duly authorized by vote of the Board of Directors, and are not in contravention of the terms of, and will not result in any event of default under Borrower's Articles of Organization, by-laws, or other incorporation papers, or of any material indenture, promissory note, agreement or undertaking to which Borrower is a party or by which it is bound or affected. All of Borrower's issued and outstanding capital stock has been properly issued and all Borrower's books and records, in particular its minute books, by-laws, and books of account, are accurate and up-to-date and will be so maintained.

12.04 PERFECTION

Borrower agrees that any failure of perfection or other bar to lawful enforcement of said security agreements, liens, pledges of assets of any kind or nature, wholly or in part, shall not constitute an impairment of said Collateral by the Lender and the undersigned specifically agrees that any such happening shall not cause, or give rise to, a waiver, or other defense by it, upon its Obligations hereunder or upon all obligations incurred by it upon any guaranty, pledge, endorsement, or other agreement executed by it in connection with this financial transaction, which shall remain at all times due and owing, in their original tenor.

12.05 LEGALLY ENFORCEABLE AGREEMENT

This Agreement is, and each of the other Loan Documents when delivered under this Agreement will be, legal, valid, and binding obligations of the Borrower in accordance with their respective terms, except to the extent that such enforcement may be limited by applicable bankruptcy, insolvency, and other similar laws affecting creditors' rights generally.

12.06 FINANCIAL STATEMENTS

The balance sheet of the Borrower and the related statements of income and retained earnings and cash flow of the Borrower for the fiscal year then ended, and the accompanying footnotes, together with any interim financial statements of the Borrower, copies of which have been furnished to the Lender, are complete and correct and fairly present the financial condition of the Borrower, in all material respects, as at such dates and the results of the operations of the Borrower for the periods covered by such statements, all in accordance with GAAP consistently applied (subject to year-end adjustments in the case of the interim financial statements), and there has been no material adverse change in the condition (financial or otherwise), business, or operations of the Borrower since the presentation to the Lender of the most recently dated financial statements, nor are there any liabilities of the Borrower, fixed or contingent, which are material but are not reflected in such financial statements or in the notes thereto, other than liabilities arising in the ordinary course of business. No information, exhibit or report furnished by the Borrower to the Lender in connection with the negotiation of this Agreement contained any material misstatement of fact or omitted to state a material fact or any fact necessary to make the statement contained therein not materially misleading.

12.07 PRO FORMAS The consolidated and consolidating pro forma financial statements of the Borrower as of the date of this Agreement being delivered herewith to the Lender are (and all financial statements hereafter delivered pursuant to this Agreement) will be complete and accurate, fairly presenting the financial condition of the Borrower in all material respects as of the date thereof and for the periods covered thereby, all being prepared in accordance with GAAP consistently applied throughout the relevant periods. Borrower has no liability, contingent or otherwise, not disclosed in the aforesaid financial statements or in any notes thereto that could materially adversely affect the financial condition of the Borrower. The Borrower has delivered to the Lender projected balance sheets and statements of income for each of the fiscal years ending April 30, 2005 through April 30, 2007. The projected financial statements referred to in the preceding sentence (including the material assumptions and adjustments made in their preparation) were reasonable when made and continue to be reasonable, subject to the reasonable uncertainty in any projections. The following representations are true at the date hereof and shall be true at the date of each Advance, in each case since the date of the most recently delivered financial statements: (i) there has been no material adverse change in the business, assets or condition, financial or otherwise of the Borrower; (ii) neither the business, condition or operations of the Borrower nor any of its respective properties or assets had materially adversely affected as the result of any legislative or regulatory change, any revocation or change in any franchise, license or right to do business, or any other event or occurrence, whether or not insured against; (iii) Borrower has experienced no material controversy or problem with its employees or with any labor organizations; and (iv) Borrower has not entered into any material transaction not disclosed to Lender other than in the ordinary course of business.

12.08 LABOR DISPUTES AND ACTS OF GOD

Neither the business nor the properties of the Borrower are affected by any fire, explosion, accident, strike, lockout or other labor dispute, drought, storm, hail, earthquake, embargo, act of God or of the public enemy, or other casualty (whether or not covered by insurance), materially and adversely affecting such business or properties or the operation of the Borrower.

12.09 OTHER AGREEMENTS

The Borrower is not a party to any indenture, loan or credit agreement, or to any lease or other agreement or instrument, or subject to any charter or corporate restriction which could have a material adverse effect on the business, properties, assets, operations, or conditions, financial or otherwise, of the Borrower, or the ability of the Borrower to carry out its obligations under the Loan Documents to which it is a party. The Borrower is not in default in any material respect in the performance, observance, or fulfillment of any of the obligations, covenants, or conditions contained in any agreement or instrument material to its business to which it is a party. Notwithstanding the foregoing, the Lender acknowledges that it is aware of the issues with respect to the HUD settlement described in the excerpt from the Form 10-K of the Guarantor, which is attached hereto as Schedule 12.09.

12.10 LITIGATION

There is no pending or threatened action or proceeding against or affecting the Borrower before any court, governmental agency, or arbitrator, which may, in any one case or in the aggregate, materially adversely affect the financial condition, operations, properties, or business of the Borrower or the ability of the Borrower to perform its obligations under the Loan Documents to which it is a party. Notwithstanding the foregoing, the Lender acknowledges that it is aware of the SEC investigation and lawsuits referred to in the Forms 10-K and 10-Q of the Guarantor, including without limitation, those referenced to the excerpts of the Forms 10-K and 10-Q, which are attached hereto as Schedule 12.10.

12.11 NO JUDGMENTS

The Borrower has satisfied all judgments, and the Borrower is not in default with respect to any judgment, writ, injunction, decree, rule or regulation of any court, arbitrator, or Federal, state, municipal, or other governmental authority, commission, board, bureau, agency, or instrumentality, domestic or foreign.

12.12 ERISA

The Borrower is to the best of its knowledge in compliance in all material respects with all applicable provisions of ERISA. Neither a Reportable Event nor a Prohibited Transaction has occurred and is continuing with respect to any Plan; no notice of intent to terminate a Plan has been filed, nor has any Plan been terminated; no circumstances exist which constitute grounds entitling the PBGC to institute proceedings to terminate, or appoint a trustee to administer, a Plan, nor has the PBGC instituted any such proceedings; neither the Borrower nor any Commonly Controlled Entity has completely or partially withdrawn from a Multiemployer Plan; the Borrower and each Commonly Controlled Entity have met their minimum funding requirements under ERISA with respect to all of their Plans and the present value of all vested benefits under each Plan does not exceed the fair market value of all Plan assets allocable to such benefits, as determined on the most recent valuation date of the Plan and in accordance with the provisions of ERISA; and neither the Borrower nor any Commonly Controlled Entity has incurred any liability to the PBGC under ERISA.

12.13 OPERATION OF BUSINESS

The Borrower possesses all licenses, permits (including Environmental Permits), franchises, patents, copyrights, trademarks, and trade names, or rights thereto, to conduct its businesses substantially as now conducted and as presently proposed to be conducted, and the Borrower is not in violation of any valid rights of others with respect to any of the foregoing.

12.14 TAXES

The Borrower has filed all tax returns (Federal, state, and local) required to be filed and has paid all taxes, assessments, and governmental charges and levies thereon to be due, including interest and penalties unless such taxes are being contested in good faith by appropriate action with adequate reserves established on Borrower's financial statements.

12.15 DEBT

Set forth in the financial statements referred to in this Agreement, to the extent required by GAAP, is a complete and correct list of all credit agreements, indentures, purchase agreements, guaranties, capital leases, and other investments, agreements, and arrangements presently in effect providing for or relating to extensions of credit (including agreements and arrangements for the issuance of letters of credit or for acceptance financing) in respect of which the Borrower is in any manner directly or contingently obligated; and the maximum principal or face amounts of the credit in question, which are outstanding and which can be outstanding, are correctly stated, and all Liens of any nature given or agreed to be given as security therefor are correctly described or indicated in such financial statements. Exhibit "L" correctly lists all secured and unsecured Debt of the Borrower outstanding as of the date of this Agreement, and shows,

as to each item of Debt listed thereon, the obligor and obligee, the aggregate principal amount outstanding on the date hereof.

12.16 ENVIRONMENT

The Borrower has duly complied with, and their businesses, operations, assets, equipment, property, leaseholds, or other facilities are in compliance with, the provisions of all Environmental Laws. The Borrower has been issued and will maintain all required Federal, state, and local permits, licenses, certificates, and approvals relating to (1) air emissions; (2) discharges to surface water or groundwater; (3) noise emissions; (4) solid or liquid waste disposal; (5) the use, generation, storage, transportation, or disposal of Hazardous Substances (intended hereby and hereafter to include any and all such materials listed in any Federal, state, or local law, code or ordinance, and all rules and regulations promulgated thereunder as hazardous or potentially hazardous); or (6) other environmental, health, or safety matters. The Borrower has not received notice of, nor knows of, or suspects, facts which might constitute any violations of any Environmental Laws with respect to its businesses, operations, assets, equipment, property, leaseholds, or other facilities. Except in accordance with a valid governmental permit, license, certificate, or approval, to the best of Borrower's knowledge there has been no emission, spill, release, or discharge into or upon (1) the air; (2) soils, or any improvements located thereon; (3) surface water or groundwater; or (4) the sewer, septic system or waste treatment, storage or disposal system servicing the Mortgaged Premises, of any Hazardous Substances at or from the Mortgaged Premises; and accordingly the Mortgaged Premises of the Borrower is to the best of Borrower's knowledge free of all such Hazardous Substances. There has been no complaint, order, directive, claim, citation, or notice by any governmental authority or any person or entity with respect to (1) air emissions; (2) spills releases or discharges to soils or improvements located thereon, surface water, groundwater or the sewer, septic system or waste treatment, storage or disposal systems servicing the Mortgaged Premises; (3) noise emissions; (4) solid or liquid waste disposal; (5) the use, generation, storage, transportation, or disposal of Hazardous Substances; or (6) other environmental, health, or safety matters affecting the Borrower or its business, operations, assets, equipment, property, leaseholds, or other facilities. The Borrower has no indebtedness, obligation, or liability, absolute or contingent, matured or not matured, with respect to the storage, treatment, cleanup, or disposal of any Hazardous Substances (including without limitation any such indebtedness, obligation, or liability with respect to any current regulation, law, or statute regarding such storage, treatment, cleanup, or disposal). Notwithstanding the foregoing or anything in the other Loan Documents, the Lender acknowledges that it is aware of the environmental issues with respect to the Springfield, Massachusetts property as described in the excerpt from the Form 10-K of the Guarantor attached hereto as Schedule 12.16.

12.17 TITLE TO PROPERTIES; LEASES

The Borrower has good and marketable title in fee simple (or its equivalent under applicable law) to its respective properties and good title to the other properties and assets it purports to own, including those reflected in the most recent audited balance sheet provided to the Lender (other than properties and assets disposed of in the ordinary course of business). The Borrower enjoys peaceful and undisturbed possession under all leases of all personal and all real property under which they operate, and all such leases are valid and subsisting and in full force and effect and the Borrower is not in default in any material respect in the performance or observance of its obligations under any provisions thereof. Exhibit "M" includes a general description of all presently existing Long Term Leases and capital leases under which the Borrower is a lessee.

12.18 INTELLECTUAL PROPERTY

Borrower owns or has a valid right to use all patents, copyrights, trademarks, licenses, trade names or franchises that are material and necessary to conduct its business and the conduct of its business as now operated does not conflict with valid patents, copyrights, trademarks, licenses, trade names or franchises of others in any manner that could materially adversely affect in any manner the business or assets or condition, financial or otherwise, of Borrower.

12.19 EXECUTIVE AGREEMENTS

None of the executive officers of the Borrower is subject to any agreement in favor of anyone, other than Borrower or the Guarantor, which limits or restricts that person's right to engage in the type of business activity

conducted or proposed to be conducted by such Borrower or to use therein any property or confidential information or which grants to anyone other than the Borrower or the Guarantor any rights in any inventions or other ideas susceptible to legal protection developed or conceived by any such officer.

12.20 FOREIGN ASSET CONTROL REGULATIONS

Neither the execution of this Agreement nor the use of the proceeds thereof violates the Trading With the Enemy Act of 1917, as amended, nor any of the Foreign Assets Control Regulations promulgated thereunder or under the International Emergency Economic Powers Act or the U.N. Participation Act of 1945.

12.21 INVESTMENT COMPANY ACT OF 1940

It is not an "investment company" within the meaning of, or is exempt from, the provisions of the Investment Company Act of 1940, as amended.

13.00 FURTHER AGREEMENTS OF BORROWER

13.01 INSURANCE

Borrower agrees at all times to keep all of its property, insured by financially sound and reputable insurers satisfactory to the Lender, against loss or damage by fire, water, theft, explosion or other hazards insured against by extended coverage. With respect to the Collateral, Lender shall be listed as additional insured, with loss payable to it, and after an Event of Default, hereby irrevocably appointing Lender as attorney for Borrower in obtaining, adjusting, settling and canceling such insurance and endorsing any payments or other drafts, with respect to the Collateral only. All insurance policies with respect to the Collateral shall be non-cancelable with not less than thirty (30) days written notice to Lender. Original certificates of insurance shall be tendered directly to the Lender upon issuance by insurer, at such times as Lender requests.

13.02 INSPECTION

The Borrower shall at all reasonable times and with reasonable notice (unless an Event of Default has occurred hereunder, after which no prior notice must be provided), and from time-to-time, allow the Lender, by or through any of its officers, agents, attorneys, or accountants, to physically inspect all Collateral, inspect, copy or make extracts from Borrower's books and records; all at Borrower's expense.

13.03 NO SALE OF COLLATERAL

Excluding (i) sales of inventory in the ordinary course of business, (ii) dispositions of obsolete assets, and (iii) the disposition of ineligible accounts receivable without recourse in connection with the compromise of collection thereof, Borrower, during the tenure of this Agreement will not sell, assign, or dispose of any Collateral to any other party. Borrower, during the tenure of this Agreement, will not create or permit to be created any lien, encumbrance or security interest of any kind on any Collateral other than Permitted Liens (as defined in Section 13.32), and if any such lien or encumbrance is created or permitted, Borrower will effect a discharge of same within ten (10) days thereafter.

13.04 COMPLIANCE WITH LAW

Borrower will comply with all laws and regulations of the United States or of any state or states thereof or of any political subdivision thereof, or of any governmental authority which may be applicable to it or to its business.

13.05 MERGER OR ACQUISITION

Borrower will not wind up, liquidate, or dissolve itself, reorganize, merger or consolidate with, or into, or convey, sell, assign, transfer, lease, or otherwise dispose of (whether in one transaction or a series of transactions) all or

substantially all of its assets (whether now owned or hereafter acquired) to any Person or acquire all or substantially all of the assets or the business of any Person or permit any subsidiary to do so without (i) providing notice of such event to Lender within thirty (30) days of such occurrence, together with financial information necessary for Lender to evaluate the capital structure and debt service ability of Borrower after giving effect to such occurrence, and (ii) obtaining Lender's written consent which will not be unreasonably withheld or delayed, provided that after giving effect to such transaction, Borrower will be in compliance with all of the financial covenants contained in this Agreement and no Event of Default has occurred and is continuing.

13.06 NO SUBSTITUTION

This Agreement may but need not be supplemented by separate assignments and pledges and, if such assignments and pledges are given, the rights and security interests given thereby shall be in addition to and not in limitation of the rights and security interests given by this Agreement. This Agreement shall not act to terminate, cancel, revoke, nor otherwise cause a novation, estoppel, or waiver of any or all prior security interests granted by Borrower to Lender in and to any collateral contemplated by these presents, or other, wholly or in part, and without exception; and any and all such security interests shall continue to remain properly perfected by Borrower to Lender in their terms and without interruption.

13.07 PROTECTION OF COLLATERAL

Borrower will maintain all Collateral in a condition which is comparable to that which exists on the date hereof, and make any necessary repairs thereto, or replacements thereof; ordinary wear and tear and obsolescence excepted.

Borrower will at the request of Lender, promptly furnish Lender the receipted bills for all payments required by this Agreement. At its option, but without liability so to do, Lender may discharge taxes, assessments, liens or security interests or other encumbrances not otherwise permitted by this Agreement or any of the other Loan Documents, at any time levied or placed on the Collateral, may pay for insurance on the Collateral and may pay for the maintenance and preservation of the Collateral (if such payments are not made by Borrower within the time period required under this Agreement). Borrower agrees to reimburse Lender on demand for such payments made by Lender, or any reasonable expenses including attorneys' fees incurred by Lender pursuant to the foregoing authorization, and upon failure of Borrower so to reimburse Lender, any such sums paid or advanced by Lender shall be deemed secured by the Collateral and constitute part of the Loans.

13.08 COMPLIANCE WITH ERISA

The Borrower will not:

- (A) engage in any Prohibited Transaction or commit any other breach of its fiduciary responsibility under Part 4 of Title I of ERISA, which could subject the Borrower or any Borrower Group Member to any material liability under Section 406, 409, 502(i) or 502(d) of ERISA or Section 4975 of the Code, or under any agreement or other instrument pursuant to which the Borrower or such Borrower Group Member could be required to indemnify any Person against any such liability or which could otherwise have a Material Adverse Effect on the Borrower or any Plan; or
- (B) fail to make any contribution required to be made by it to any Plan or Multiemployer Plan or permit to exist with respect to any Plan any "accumulated funding deficiency" (as such term is defined in Section 412 of the Code or Section 302 of ERISA), whether or not waived; or
- (C) (i) commence proceedings to terminate any Plan, other than in a "standard termination" within the meaning of Section 4041 of ERISA, or (ii) permit to exist any proceedings instituted by the PBGC to terminate or to have a trustee appointed to administer any Plan, or (iii) withdraw from any Multiemployer Plan in a manner which could result in the imposition of a withdrawal liability under Part 1 of Subtitle E of Title IV of ERISA.

13.09 FINANCIAL STATEMENTS

The Borrower and Guarantor will deliver, at its sole expense, to the Lender, the following:

A. Within one hundred twenty (120) days after the close of each fiscal year, their consolidated financial statements, audited by certified public accountants servicing the Borrower and Guarantor, and satisfactory to the Lender, along with the accountant's management letter and a Covenant Compliance Certificate, a copy of which is annexed hereto as Exhibit "N".

B. Within forty-five (45) days after the close of each fiscal quarter, Borrower and Guarantor will provide to Lender, its internally prepared financial statements, including, without limitation, income statement, balance sheet, statement of cash flow prepared according to GAAP consistently applied, together with a Covenant Compliance Certificate.

C. On or before the end of the first quarter ending July 31st in each fiscal year, management prepared updated annual projections for each fiscal year ending April 30th.

D. The Borrower shall furnish to the Lender, monthly management prepared accounts receivable agings, accounts payable agings and borrowing base certificates within thirty (30) days of each month end.

E. From time-to-time, such additional information regarding the financial condition or business of the Borrower as the Lender may reasonably request.

All, or any portion of the financial information provided to the Lender by the undersigned from time-to-time may be provided intact, or synopsized and thereafter transmitted to other banking or financial institutions or other parties requesting credit information as to the undersigned as is customarily provided by the Lender.

13.10 FINANCING STATEMENTS

Prior to any Loan being made from Lender to Borrower, the Borrower hereby agrees to execute, deliver, and pay the cost of filing any financing statement, or other notices appropriate under applicable law, in respect of any security interest created pursuant to this Agreement or at any other time which may at any time be required by the Lender. The Borrower authorizes the Lender to file any and all financing statements on behalf of the Borrower describing the Collateral, as well as any agricultural liens or other statutory liens held by Lender. In the event that any re-recording or re-filing thereof (or the filing of any statements of continuation or assignment of any financing statement) is required to protect and preserve such lien or security interest, the Borrower shall, at its cost and expense, cause the same to be re-recorded and/or re-filed at the time and in the manner requested by the Lender. The Borrower hereby irrevocably designates the Lender, its agents, representatives and designees as agents and attorneys-in-fact for the Borrower to sign such financing statements, or other instruments in connection herewith, on behalf of the Borrower and file the same, as required.

13.11 TAXES AND IMPOSITIONS

(A) Borrower shall (i) pay and discharge all Impositions prior to delinquency, and (ii) if requested by Lender, provide Lender validated receipts or such other evidence satisfactory to Lender showing the payment of such Impositions within thirty (30) days after the same would have otherwise become delinquent. Borrower's obligation to pay the Impositions pursuant to this Agreement shall include, to the extent permitted by applicable law, taxes resulting from future changes in law which impose upon Lender an obligation to pay any property taxes or other Impositions. Should Borrower default any payment of any Impositions, Lender may (but shall not be obligated to) pay such Impositions or any portion thereof and Borrower shall reimburse Lender on demand for all such Advances.

(B) Borrower shall not be required to pay, discharge or remove any Imposition so long as Borrower contests in good faith such Impositions or the validity, applicability or amount thereof by an appropriate legal proceeding which operates to prevent the collection of such amounts and the sale of the Mortgaged Premises, or any portion thereof; provided, however, that prior to the date on which such Imposition would otherwise have become delinquent, Borrower shall have (i) given Lender prior written notice of such contest and (ii) deposited with Lender, and shall deposit such additional amounts as are necessary to keep on deposit at all times, in an amount equal to at least one hundred ten percent (110%) of the total of (A) the balance of such Imposition then remaining unpaid, and (B) all interest, penalties, costs and charges accrued or accumulated thereon. Any such contest shall be prosecuted with due diligence, and Borrower shall promptly pay the amount of such Imposition as finally determined, together with all interest and penalties payable in connection therewith. Lender shall have full power and authority to apply any amount deposited with Lender pursuant to this clause to the payment of any unpaid Imposition to prevent the sale or forfeiture of the Mortgaged Premises or any portion thereof for non-payment thereof. Lender shall have no liability, however, for failure to so apply any amount deposited. Any surplus retained by Lender after payment of the Imposition for which a deposit was made, shall be repaid to Borrower unless an Event of Default shall have occurred, in which case said surplus may be retained by Lender to be applied to the obligations in the sole discretion of the Lender. Notwithstanding any provisions of this clause to the contrary, Borrower shall pay any Imposition which it might otherwise be entitled to contest if, in the sole and absolute discretion of Lender, the Mortgaged Premises, or any portion thereof or any Collateral, is in jeopardy or in danger of being forfeited or foreclosed. If Borrower refuses to pay any such Imposition, Lender may (but shall not be obligated to) make such payment and Borrower shall reimburse Lender on demand for all such Advances.

13.12 MAINTENANCE OF RECORDS

Keep adequate records and books of account, in which complete entries will be made in accordance with GAAP consistently applied, reflecting all financial transactions of the Borrower.

13.13 MAINTENANCE OF PROPERTIES

Maintain, preserve and keep, its properties which are used or useful in the conduct of its business (whether owned in fee or a leasehold interest) in good repair and working order (ordinary wear and tear and obsolescence excepted) and from time-to-time will make all necessary repairs, replacements, renewals and additions so that at all times the efficiency thereof shall be maintained. Borrower agrees that it will maintain and repair the Collateral and the Mortgaged Premises and keep all of the same in good and serviceable condition and in at least as good condition and repair as same were on the date hereof or in such better condition and repair as same may have been put thereafter (ordinary wear and tear and obsolescence excepted). Borrower will not waste or destroy or suffer the waste or destruction of the Collateral or the Mortgaged Premises or any part thereof. Borrower will not use any of the Collateral or the Mortgaged Premises in violation of any insurance thereon. In the event of damage to or destruction of all or any part of the Collateral or the Mortgaged Premises from any cause, the Borrower shall repair, replace, restore and reconstruct the Collateral and the Mortgaged Premises to the extent necessary to restore each portion of same to its condition immediately prior to such damage or destruction and this obligation shall not be limited by the amount of any insurance proceeds available.

13.14 CONDUCT OF BUSINESS

Except as otherwise permitted herein, continue to engage in an efficient and economical manner, in a business of the same general type as conducted by it on the date of this Agreement; and Borrower will not, without the prior written consent of the Lender, directly or indirectly enter into any other lines of business, businesses or ventures.

13.15 COMPLIANCE WITH LAWS

Promptly pay and discharge all lawful taxes, assessments and governmental charges or levies imposed upon the Borrower, or upon, or in respect of, all or any part of the property or business of the Borrower, all trade accounts payable in accordance with usual and customary business terms, and all claims for work, labor or materials, which if unpaid might become a lien or charge upon any property of the Borrower; provided the Borrower shall not be required to pay any such tax, assessment, charge, levy, account payable or claim if (i) the validity, applicability or amount thereof is being

contested in good faith by appropriate actions or proceedings which will prevent the forfeiture or sale of any property of the Borrower or any material interference with the use thereof by the Borrower, and (ii) the Borrower shall set aside on its books, reserves deemed by it to be adequate with respect thereto. The Borrower will promptly comply with all laws, ordinances or governmental rules and regulations to which it is subject, including without limitation, the Occupational Safety and Health Act of 1970, ERISA, the Americans with Disabilities Act and all Environmental Laws in all applicable jurisdictions, the violation of which would materially and adversely affect the properties, business, prospects, profits or condition of the Borrower or would result in any lien or charge upon any property of the Borrower.

13.16 ENVIRONMENT

Notify the Lender immediately of any notice of a hazardous discharge or environmental complaint received from any governmental agency or any other party; notify the Lender immediately of any hazardous discharge from or affecting its Mortgaged Premises; immediately contain and remove the same, in compliance with all applicable laws; promptly pay any fine or penalty assessed in connection therewith, except such assessments as are being contested in good faith, against which adequate reserves have been established; upon receipt of such notification, permit the Lender to inspect the Mortgaged Premises, and to inspect all books, correspondence, and records pertaining thereto; and at the Lender's request, and at the Borrower's expense, provide a report of a qualified environmental engineer, satisfactory in scope, form, and content to the Lender, and such other and further assurances reasonably satisfactory to the Lender that the condition has been corrected.

13.17 PAYMENT OF LOANS

The Borrower will duly and punctually pay the principal of, and interest on the Loans in accordance with the terms of the Loans and this Agreement.

13.18 PRINCIPAL DEPOSITORY

The Borrower further agrees that it shall conduct all of its banking business with the Lender, including, without limitation, retaining the Lender as its principal depository savings accounts, checking accounts, general demand depository accounts, and such other accounts as are utilized by the Borrower from time-to-time.

13.19 CHANGE IN MANAGEMENT

The Borrower represents and warrants that there shall be no change in its present senior management until all Obligations are fully paid and while any availability remains under the Revolving Line of Credit, without prior written notice to the Lender.

13.20 NO GUARANTEES

Borrower will not assume, guaranty, endorse or otherwise become directly or contingently liable, or permit any of its subsidiaries to assume, guaranty, endorse, or otherwise become directly or contingently liable (including, without limitation, liable by way of agreement, contingent or otherwise, to purchase, to provide funds for payment, to supply funds to or otherwise invest in any debtor or otherwise to assure any creditor against loss) in connection with any Debt of any other Person, except (i) guaranties by endorsement or similar transaction in the ordinary course of business and (ii) liability of the Borrower to the Lender under this Agreement.

13.21 CORPORATE LOANS

The Borrower agrees that it shall neither make any loans nor investments in other corporations and business entities or to any other Persons until all Obligations are fully paid and while any availability remains under the Revolving Line of Credit.

13.22 ADVERSE TRANSACTIONS

The Borrower shall not enter into any transaction which materially and adversely affects the Collateral or their ability to repay the Obligations in full as and when due.

13.23 REPURCHASE

The Borrower shall not make a sale to any customer on a bill-and-hold guaranteed sale, sale and return, sale on approval, consignment or any other repurchase or return basis.

13.24 NAME

The Borrower shall not use any corporate or fictitious name other than its corporate name as set forth in its Articles of Organization on the date hereof, or any trade name or fictitious name certified or registered in favor of Borrower, all of which names shall be set forth on page 1 of this Agreement.

13.25 PREPAYMENT

The Borrower shall not prepay any Debt other than the Obligations, except in the ordinary course of business and to the extent that it does not have a material adverse effect on the financial condition of the Borrower.

13.26 AFFILIATE TRANSACTIONS

On or after an Event of Default, the Borrower shall not, sell, transfer, distribute or pay any money or property to any Affiliate or invest in (by capital contribution or otherwise) or purchase or repurchase any stock or debt, or any property, of any Affiliate, or become liable on any guaranty of the indebtedness, dividends or other obligation of any Affiliate.

13.27 NO LIENS

Except for Permitted Encumbrances, the Mortgaged Premises shall be kept free and clear of all liens, security interests and encumbrances of every nature or description (whether for taxes or assessments, or charges for labor, materials, supplies or services or any other thing). Other than the Permitted Encumbrances, Borrower will not cause or permit any instrument or document affecting the Mortgaged Premises to be recorded without Lender's prior written consent thereto.

13.28 NO DEBT

Until all Obligations have been fully paid, the Borrower shall not create, incur, assume or suffer to exist any Debt, except (i) Debt of the Borrower pursuant to this Loan Agreement, (ii) Debt that is subordinated to the Obligations arising under this Agreement and unsecured (excluding intellectual property, which does not constitute Collateral), (iii) capital leases and purchase money indebtedness, and (iv) accounts payable to trade creditors for goods or services which are not more than thirty (30) days from the billing date and current operating liabilities (other than for borrowed money) which are not more than thirty (30) days past due, in each case in this clause (iv) incurred in the ordinary course of business, as presently conducted and paid within the specified time, unless contested in good faith and by appropriate proceedings.

13.29 LENDER'S EXPENSES

Borrower shall pay, on demand by Lender, all reasonable expenses, charges, costs and fees in connection with the negotiation, documentation and closing of the Loan, including all registration and recording fees, insurance consultant fees, if any, environmental consultant fees, costs of appraisals, costs of engineering reports, fees and disbursements of all counsel (both local and special) of Lender, escrow fees, cost of surveys, fees and expenses of Lender's consultant or

others employed by Lender to inspect the Collateral from time to time, and reasonable out-of-pocket travel expenses incurred by Lender and Lender's agents and employees in connection with the Loan. At closing, Lender may pay directly from the proceeds of the Loan each of the foregoing expenses.

13.30 AUDIT AND INSPECTION BY LENDER

Lender shall have the right, and Borrower shall permit and shall cooperate with Lender in arranging for, at any reasonable time and from time to time, Lender and its representatives to review and audit all books, records and financial statements. Borrower shall make or cause its applicable Affiliates to make all such books of account and records available for such examination at the office where the same are regularly maintained. Lender shall have the right to copy, duplicate and make abstracts from such books and records as Lender may require. Borrower shall pay Lender's costs and expenses incurred in connection with no more than one (1) such audit per year, unless there has occurred an Event of Default in which case Borrower shall pay the costs and expenses of all such audits conducted by Lender. Borrower acknowledges and agrees that (A) all of such audits, inspections and reports shall be made for the sole benefit of Lender, and not for the benefit of Borrower or any third party, and neither Lender nor Lender's auditors or inspectors or any of Lender's representatives, agents or contractors assumes any responsibility or liability (except to Lender) by reason of such audits, inspections or reports, (B) Borrower will not rely upon any of such audits, inspections or reports for any purpose whatsoever, and (C) the performance of such audits, inspections or reports will not constitute a waiver of any of the provisions of this Agreement or any other Loan Document or any of the obligations of Borrower hereunder or thereunder. Borrower further acknowledges and agrees that neither Lender nor Lender's inspector, representatives, agents or contractors shall be deemed to be in any way responsible for any matters related to design or construction of any improvements.

13.31 APPRAISAL

At any time during the term of the Commercial Real Estate Term Loan, Borrower shall cooperate with Lender and use reasonable efforts to assist Lender in obtaining an appraisal of the Mortgaged Premises. Such cooperation and assistance from Borrower shall include but not be limited to the obligation to provide Lender or Lender's appraiser with the following: (i) reasonable access to the Mortgaged Premises, (ii) a current certified rent roll for the Mortgaged Premises in form and substance satisfactory to Lender, including current asking rents and a history of change in asking rents and historical vacancy for the past three years, (iii) current and budgeted income and expense statements for the prior three years, (iv) a site plan and survey of Mortgaged Premises and the related improvements, (v) the building plans and specifications, including typical elevation and floor plans, (vi) a photocopy of the transfer documents conveying the beneficial interest in the Mortgaged Premises to Borrower, together with the legal description of the Mortgaged Premises, (vii) the current and prior year real estate tax bills, (viii) a detailed list of past and scheduled capital improvements and the costs thereof, (ix) a summary of the then current ownership entity, (x) all environmental reports and other applicable information relating to the Mortgaged Premises and the related improvements, and (xi) copies of all recent appraisals/Mortgaged Premises description information or brochures, including descriptions of amenities and services relating to the Mortgaged Premises and the related improvements. The appraiser performing any such appraisal shall be engaged by Lender, and Borrower shall be responsible for any fees payable to said appraiser in connection with an appraisal of the Mortgaged Premises; provided, however, so long as no Event of Default exists, Borrower shall not be required to pay for more than one appraisal every year.

13.32 NON PLEDGE

Borrower will not create, assume or suffer to exist or permit any of its subsidiaries to create, incur, assume or suffer to exist any Lien upon or with respect to any of its property or assets now owned or hereinafter acquired, except that the foregoing restrictions shall not apply to: (i) Liens for taxes, assessments or governmental charges or levies on property of Borrower or any of its subsidiaries if the same shall not at the time be delinquent or thereafter can be paid without interest or penalty; (ii) carriers, warehouseman's and mechanic's liens and other similar Liens, arising in the ordinary course of business for sums not yet due or which are being contested in good faith and by appropriate proceedings which serve as a matter of law to stay the enforcement thereof and as to which adequate reserves had been made; (iii) pledges or deposits under workman's compensation laws, unemployment insurance, social security, retirement

benefits or similar legislation; (iv) liens related to capital leases or purchase money indebtedness permitted hereby; and (v) Liens in favor of the Lender (collectively the "Permitted Liens").

14.00 REPRESENTATIONS REMADE

Borrower warrants and covenants that the foregoing representations and warranties will be true and shall be deemed remade as of the date of the closing and as of the date of each other Advance. All representations and warranties made herein or in any other Loan Documents or in any certificate or other document delivered to Lender by or on behalf of Borrower pursuant to or in connection with this Agreement or any other Loan Document shall be deemed to have been relied upon by Lender, notwithstanding any investigation heretofore or hereafter made by, or on behalf of Lender. All such representations and warranties shall survive the making of the Loans and any or all of the Advances contemplated hereby and shall continue in full force and effect until such time as the Loans have been paid in full.

15.00 FINANCIAL COVENANTS

The Borrower further agrees that from the date of this Agreement until all Obligations are fully paid and while any availability remains under the Revolving Line of Credit, that it will maintain the following financial ratios, the default of which shall constitute an Event of Default of this Agreement. All financial covenants will be measured based upon the consolidated financial statements of the Borrower and Guarantor.

A. Maximum Leverage. For fiscal ending April 30, 2005, and each quarter thereafter, the ratio of Total Liabilities to Tangible Net Worth (such ratio being defined as "Maximum Leverage"), shall not exceed the following:

| <u>Test Period</u> | <u>Requirement</u> |
|--------------------|---------------------------------------|
| April 30, 2005 | 3.50:1.00 |
| July 31, 2005 | 3.50:1.00 |
| October 31, 2005 | 3.50:1.00 |
| January 31, 2006 | 3.50:1.00 |
| April 30, 2006 | 3.00:1.00 |
| July 31, 2006 | 3.00:1.00 |
| October 31, 2006 | 3.00:1.00 |
| January 31, 2007 | 3.00:1.00 |
| April 30, 2007 | 2.00:1.00 and each quarter thereafter |

B. Minimum EBITDA. For fiscal year ending April 30, 2005 and each quarter thereafter (measured on a rolling four quarter basis), a minimum earnings before interest, taxes, depreciation and amortization shall be as follows:

| Test Period | Requirement |
|------------------|--|
| April 30, 2005 | \$12,000,000 |
| July 31, 2005 | \$12,000,000 |
| October 31, 2005 | \$12,000,000 |
| January 31, 2006 | \$12,000,000 |
| April 30, 2006 | \$13,000,000 |
| July 31, 2006 | \$13,000,000 |
| October 31, 2006 | \$13,000,000 |
| January 31, 2007 | \$13,000,000 |
| April 30, 2007 | \$13,000,000 and each quarter thereafter |

C. Minimum Debt Service Coverage. For fiscal year ending April 30, 2005, and each quarter thereafter, the ratio of (i) Net Cash Available for Debt Service to (ii) Total Debt Service will be equal to or greater than 1.25:1.00. This covenant will be tested quarterly on a rolling four-quarter basis. Notwithstanding the foregoing, (x) for the fiscal year ending April 30, 2005 and the quarter ending July 31, 2005, unfinanced capital expenditures will be excluded from the foregoing definition and (y) for the second quarter ending October 31, 2005 only, the ratio of (i) Net Cash Available for Debt Service to (ii) Total Debt Service will be equal to or greater than 1.10:1.00.

D. Maximum Capital Expenditures. Borrower shall make no capital expenditures in excess of the following amounts during the following fiscal years:

| Fiscal Year End | Amount |
|-----------------|---------------|
| April 30, 2005 | \$ 10,000,000 |
| April 30, 2006 | \$ 14,000,000 |
| April 30, 2007 | \$ 14,000,000 |

16.00 BORROWER'S RIGHTS IN COLLATERAL UNTIL DEFAULT

Except where the Lender chooses to perfect its security interest by possession, in addition to the filing of a financing statement, in the absence of any Event of Default hereunder, Borrower shall have the right, in the regular course of business, to possess and manage the Collateral, and in the ordinary course of business; provided, however, said right shall not include the right to transfer Collateral in total or partial satisfaction of any Debt.

17.00 CONTROL

Borrower will cooperate with Lender, and execute agreements required by Lender, in obtaining control with respect to Collateral consisting of:

- (i) deposit accounts;
- (ii) investment property;
- (iii) letter of credit rights; and
- (iv) electronic and chattel paper.

The Borrower grants Lender a limited power of attorney to enter into the control agreements on behalf of the Borrower to effectuate the forgoing.

Borrower will not create any chattel paper without placing a legend on the chattel paper acceptable to Lender, indicating that Lender has a security interest in the chattel paper.

18.00 DEFAULT

Borrower shall be in default under this Agreement upon the happening of any of the following events or conditions (which shall individually and/or collectively be referenced as an “Event of Default”) without notice or demand:

18.01 Failure to observe or perform any of its agreements, warranties or representations in this Agreement, including, without limitation, financial covenants, or in any other Loan Document and to the extent such non-monetary (which term excludes without limitation, payment and/or financial covenants) failure is curable, Borrower has not cured such non-monetary failure within thirty (30) days after written notice from Lender to Borrower with respect to a non-monetary failure provided, however, if such failure cannot reasonably be cured within such thirty (30) days, then Borrower shall have up to ninety (90) days after written notice from Lender as long as Borrower is diligently pursuing such cure within such ninety (90) day period.

18.02 Material loss or theft, substantial damage or destruction, unauthorized sale to or encumbrance of any material amount of the Collateral in excess of reasonably expected recoveries under insurance policies, or the making of any levy, seizure or attachment thereof or thereon;

18.03 Failure of Borrower to pay within ten (10) days of when due any amount payable by it to the Lender under any of its Obligations to the Lender when and as the same shall become due, whether upon demand, at maturity, by acceleration, or otherwise.

18.04 Insolvency as defined in this Agreement, or the recording or existence of any lien for unpaid taxes that are not being contested as permitted by this Agreement.

18.05 Default in any material agreement or undertaking to which the Borrower is a party or by which Borrower is bound or affected; whether in connection with this financial transaction or other, and such default has not been cured within any applicable notice, grace or cure period.

18.06 NOTWITHSTANDING ANYTHING TO THE CONTRARY CONTAINED HEREIN, BORROWER HAS NO RIGHT TO CURE ANY MONETARY DEFAULT FOR ANY AMOUNTS DUE AND PAYABLE TO LENDER UNDER ANY OF THE LOAN DOCUMENTS. The term “Monetary Default” shall mean without limitation, payment, financial covenant or any other term, condition or covenant contained in this Agreement whereby Borrower is required to pay money.

18.07 The making by the Borrower of any material misrepresentation to the Lender for the purpose of obtaining credit or an extension of credit.

19.00 LENDER'S RIGHTS

Upon and during the continuance of any Event of Default, Lender may:

19.01 Notify account debtors at Borrower's expense, that the Collateral has been assigned to Lender and that payments shall be made directly to Lender and upon request of Lender, Borrower will so notify such account debtor that their accounts must be paid to Lender. This right may be exercised by the Lender at any time, on or after the occurrence of an Event of Default. Borrower will immediately upon receipt of all checks, drafts, cash and other remittances deliver the same in kind to the Lender. Lender shall have full power to collect, compromise, endorse, sell or otherwise deal with the Collateral or proceeds thereof in its own name or in the name of Borrower and Borrower hereby, for consideration paid, irrevocably appoints the Lender its attorney-in-fact for this purpose.

19.02 Without notice to Borrower, enter and take possession of all equipment, Inventory, and other Collateral and the premises on which they are now or hereafter located, including without limitation, breaking the close and changing and replacing locks as may be required without the same being considered as a trespass, as Borrower hereby expressly provides authority for the same. The Lender, at its sole discretion, may operate and use Borrower's equipment, complete work in process and sell inventory without being liable to the Borrower on account of any losses, damage or depreciation that may occur as a result thereof so long as Lender shall act reasonably and in good faith and may lease or license the Collateral to third persons or entities for such purposes; and in any event, Lender may at its option and without notice to Borrower, except as specifically herein provided, sell, lease, assign and deliver, the whole or any part of the Collateral, or any substitute therefor, or any addition thereto, at public or private sale, for cash, upon credit, or for future delivery, at such prices and upon such terms as Lender deems advisable, including without limitation the right to sell or lease in conjunction with other property, real or personal, and allocate the sale proceeds or leases among the items of property sold without the necessity of the Collateral being present at any such sale, or in view of prospective purchasers thereof. Lender shall give Borrower timely notice by hand delivery to Borrower or by United States mail, postage prepaid (in which event notice shall be deemed to have been given when so deposited in the mail), at the address specified herein, of the time and place of any public or private sale or other disposition unless the Collateral is perishable, threatens to decline speedily in value, or is the type customarily sold in a recognized market. Upon such sale, Lender may become the purchaser of the whole or any part of the Collateral sold, discharged from all claims and free from any right of redemption. In case of any such sale by Lender of all or any of said Collateral on credit, or for future delivery, such property so sold may be retained by Lender until the selling price is paid by the purchaser. The Lender shall incur no liability in case of the failure of the purchaser to take up and pay for the Collateral so sold. In case of any such failure, the said Collateral may be again, from time-to-time, sold.

19.03 Continue to occupy and use all premises which the Borrower now occupies or may hereafter have or occupy, to the extent Borrower could legally do so, and may use all trademarks, service marks, trade names, trade styles, logos, goodwill, trade secrets, franchises, licenses and patents which the Borrower now has or may hereafter acquire, including the following rights:

- (i) the rights in said marks, name, styles, logos and goodwill acquired by the common law of the United States or of any state thereof or under the law of any foreign nation, organization, or subdivision thereof;
- (ii) the rights acquired by registrations of said marks, names, styles, and logos under the statute of any foreign country, or the United States, or any state or subdivision thereof;
- (iii) the rights acquired in each and every form of said mark, name, style and logo as used by the Borrower notwithstanding that less than all of such forms would be registered and notwithstanding the form of said mark, name and style;

- (iv) the right to use or license any party to the use of all or any of said marks, names, styles, logos and goodwill in connection with the sale of goods and/or the rendering of services in the conduct of services advertising, promotion and the like anywhere in the world;
- (v) the right to use said marks, names, styles, logos and goodwill either in connection with or entirely independent from the Collateral;
- (vi) the right to assign, transfer and convey a partial interest or the entire interest in any one or more of said marks, names, styles or logos;
- (vii) the right to seek registration, foreign or domestic, of any of said marks, names, styles or logos which was not registered as of the date hereof or registered subsequently;
- (viii) the right to prosecute pending trademark applications for foreign or domestic registration (federal or state) of any of said marks, names, styles or logos.

Notwithstanding the foregoing, the Lender acknowledges and agrees that: (a) the Lender has no security interest in any intangibles which constitutes intellectual property of the Borrower (including, without limitation, the "Smith & Wesson" trade name and any trade secrets, know-how, licenses, trade names, logos, registrations, patents, patent applications copyrights, copyright applications, trademarks or trademark applications (collectively the "Intangibles")); and (b) the Lender will exercise the rights set forth in 19.03 in a manner that will not be inconsistent with any security interest granted to any other party in such intellectual property assets; provided, however, Lender shall be free to use the "Smith & Wesson" trade name and other Intangibles in connection with the sale of Collateral in the event of foreclosure and/or the exercise of Lender's cumulative rights and remedies.

19.04 Act as attorney-in-fact for Borrower for the purposes herein described, and Borrower does hereby make, constitute and appoint any officer or agent of Lender as Borrower's true and lawful attorney-in-fact, with full power: to endorse the name of Borrower or any of Borrower's officers or agents upon any assignments, notes, checks, drafts, money orders, or other instruments of payment or Collateral that may come into possession of Lender for purposes of such recovery of accounts receivable monies; to sign and endorse the name of Borrower or any of Borrower's officers or agents upon any negotiable instrument, invoice, freight or express bill, bill of lading, storage or warehouse receipts, drafts, assignments, verifications and notices in connection with accounts, and any instruments or documents relating thereto or to Borrower's rights therein; to give notice to the United States Post Office to effect changes of address so that mail addressed to the Borrower may be permanently delivered directly to the Lender for purposes of accepting same, and obtaining access to contents, in order to take possession of such accounts receivable monies, and all other collateral, with full power to do any and all things necessary to be done in and about the premises as fully and effectually as Borrower might or could do; and Borrower does hereby ratify all that Lender shall lawfully do, or cause to be done by virtue hereof.

19.05 Make all Obligations immediately due and payable, without presentment, demand, protest, hearing or notice of any kind and exercise the remedies of a Lender afforded by the Uniform Commercial Code and other applicable law or by the terms of any agreement between Borrower and Lender.

19.06 In the case of any sale or disposition of the Collateral, or the realization of funds therefrom, the proceeds thereof shall first be applied to the payment of the expenses of re-taking, maintaining, and foreclosure of Collateral, and costs, fees and expenses of such sale, commissions, reasonable attorney's fees and all charges paid or incurred by Lender pertaining to said sale, including any taxes or other charges imposed by law upon the Collateral and/or the owning, holding or transferring thereof; secondly, to pay, satisfy, and discharge the Obligations secured hereby pro rata in accordance with the unpaid amount thereof; and thirdly, to pay the surplus, if any, to Borrower, provided that the time of any application of the proceeds shall be at the sole and absolute discretion of the Lender. To the extent such proceeds do not satisfy the foregoing items, Borrower hereby promises and agrees to pay the deficiency.

19.07 The Lender and the holders of the Obligations may take or release other security, may release any party primarily or secondarily liable for any of the Obligations, may grant extensions, renewals or indulgences with respect to the Obligations, or may apply to the Obligations the proceeds of the Collateral or any amount received on account of the Collateral by the exercise of any right permitted hereunder, without resorting or regard to other security or sources of reimbursement.

19.08 Require the Borrower to assemble the Collateral in a single location at a place to be designated by Lender and make the Collateral at all times secure and available to the Lender.

19.09 The Lender shall hereby also be granted a security interest in, and right of set off against any balance on any deposit, deposit account, agency, reserve, holdback, or other account maintained by, or on behalf of, the Borrower with the Lender and the Lender shall have the right to apply the proceeds of such foreclosure or set off against such items of Borrower' Obligations as Lender may select.

19.10 All rights and remedies of Lender whether provided for herein or in other agreements, instruments, or documents, or conferred by law, are cumulative and not alternative and may be enforced successively.

19.11 The parties agree that in the event that a determination of Adequate Protection of Lender is required under Section 362 or 363 of the Bankruptcy Reform Act of 1978 (the "Bankruptcy Code"), its successor, or Bankruptcy Rules in connection therewith, that:

A. The bargain of the parties at the time of lien creation hereunder in order to provide the Lender with adequate protection to induce it to make the loan(s), included stated ratios herein.

B. That in the event of any proceeding under the Bankruptcy Code, that the said ratio of the value (as determined by the Lender in its sole discretion) Collateral secured to Lender to the amount of the Obligation ("Collateral-To-Obligation Ratio"), must be increased by an additional One Hundred Ten Percent (110%), in order to continue to provide minimum levels of Adequate Protection to Lender due to the reduced expectation for present and future prospects of lien enforcement resulting from the existence of proceedings under the Bankruptcy Code. This agreed minimum increase in said ratio shall not act to bar Lender from presenting evidence that even such increase is insufficient and leaves the Lender without Adequate Protection, based upon the deteriorating nature or kind of Collateral, wholly or in part, in any instance.

C. That the parties agree that the costs of liquidating and collecting of Collateral, as well as the potential for rapid Collateral deterioration if Borrower is, at any time, subject to the Bankruptcy Code, all require that the original Collateral-To-Obligation Ratio be increased, as aforesaid, as a requirement of minimum Adequate Protection, in addition to such other additional Adequate Protection as may be required by the Lender.

D. The parties agree that these covenants shall be conclusive evidence in any proceeding to determine minimum Adequate Protection under the Bankruptcy Code, as to the intention and agreement of the parties at both this time, and at all times hereinafter, until the Obligations to the Lender, are paid in full.

E. That these agreements may be submitted to the Court in any such proceeding, by the Lender, in its sole and exclusive discretion, as conclusive evidence as to the agreement of the parties at the time of such hearing, concerning minimum Adequate Protection to be provided to the Lender at the time of presentment. PROVIDED, HOWEVER, that such submission shall not constitute a waiver of any default or breach hereunder, or of any other agreement by the Borrower to the Lender, but shall remain only as evidence for the limited purposes stated herein.

F. PROVIDED, FURTHER that at all times the Lender reserves, and does not waive Borrower's obligation to provide Adequate Protection prior to the Borrower's use of "cash collateral" as defined in Section 363 of the Bankruptcy Code.

19.12 The Lender has no obligation to attempt to satisfy the Obligations by collecting from any other Person liable for them and Lender may release, modify or waive any Collateral provided by any other Person to secure any of the Obligations, all without affecting Lender's rights against Borrower. Borrower waives any right it may have to require Lender to pursue any third Person for any of the Obligations.

19.13 Lender may comply with any applicable state or federal law requirements in connection with a disposition of the Collateral and compliance will not be considered adversely to affect the commercial reasonableness of any sale of the Collateral.

19.14 Lender may sell the Collateral without giving any warranties as to the Collateral. The Lender may specifically disclaim any warranties of title or the like. This procedure will not be considered adversely to affect, the commercial reasonableness of the sale of the Collateral.

19.15 If Lender sells any of the Collateral upon credit, Borrower will be credited only with payments actually made by the purchaser, received by Lender and applied to the indebtedness of the purchaser. In the event that purchaser fails to pay for the Collateral, Lender may resell the Collateral and Borrower shall be credited with the proceeds of the sale.

19.16 In the event Lender purchases any of the Collateral being sold, Lender may pay for the Collateral by crediting some or all of the Obligations of the Borrower.

19.17 Lender has no obligation to marshal any assets in favor of Borrower or in payment of any of the Obligations or any other obligations owed to Lender by Borrower or any other person.

20.00 BORROWER'S ACKNOWLEDGMENTS

20.01 Borrower acknowledges that Lender has not, by the terms hereof, acted to intrude into any of its management decisions, or prerogatives, nor has it entered into control or management of Borrower's affairs. Any reference herein to limitation on action(s) or conduct on the part of the Borrower represents only undertakings, or forbearance(s) necessary to preserve the management, cash flow, and asset and financial status quo promised by the Borrower upon which the loan(s) were originally contemplated, and which the Lender relied as a condition-precedent thereto, and which are necessary to the protection of Lender, in its sole status as secured lender, and not otherwise.

20.02 The Borrower acknowledges and represents that it is a sophisticated borrower and has experience in financial matters generally and in Borrower obligations, specifically. Borrower acknowledges that it has been represented by counsel, and that a draft of this Agreement has been available for review and negotiation. Therefore, Borrower hereby agrees that all Lender's rights were the result of negotiations between the Lender and the Borrower and were induced in a material respect by the benefits granted to the Borrower hereunder.

21.00 BORROWER'S OBLIGATION TO PAY EXPENSES OF LENDER

Excluding expenses in connection with the preparation of this Agreement, related loan documents and the closing, the Borrower agrees to pay all reasonable expenses, including counsel fees and other expenses which may be paid or incurred by Lender for itself or as agent for any other Lender, in connection with the subject matter of this Agreement, the Obligations, the Collateral or any rights or interest therein in the Event of a Default hereunder, including without limiting the generality of the foregoing, the enforcement of any security interest granted hereby, and representation in any litigation including any bankruptcy or insolvency proceedings. All such expenses may be added to

the principal amount of any indebtedness owed by the Borrower to Lender and shall constitute part of the Obligations secured hereby.

22.00 TENURE

Borrower's liability under this Agreement shall commence with the date hereof and continue in full force and effect and be binding upon Borrower, and until all Loans whether now in existence, or created hereinafter, shall have been fully paid and satisfied, and until so paid and satisfied, Lender shall be entitled to retain the security interest granted hereby in all Collateral. At any time, either party may advise the other that no further loans or advances are to be made, but such notice shall in no way cause any and all Obligations of the Borrower to Lender to be waived.

23.00 NO WAIVERS BY THE LENDER

No delay or omission on the part of Lender in exercising any rights shall operate as a waiver of such right or any other right. Waiver on any one occasion shall not be construed as a bar to or waiver of any right or remedy on any future occasion. All of Lender's rights and remedies, whether evidenced hereby or by any other agreement, instrument, or paper, shall be cumulative and may be exercised singularly or concurrently.

24.00 AMENDMENT

This Agreement constitutes the entire agreement between the parties. The Agreement or any part thereof cannot be changed, waived, or amended, except by an instrument in writing, signed by both the Lender and Borrower herein.

25.00 RIGHTS AND LIABILITIES OF ASSIGNS

Borrower shall not be permitted to assign this Agreement, unless expressly authorized by the Lender, in writing. Lender may assign its interests under this Agreement. The assignment of this Agreement shall bind all persons to become bound as a borrower to this Agreement. In the event Lender may assign its rights and interest under this Agreement, the Borrower shall render performance under this Agreement to the assignee. Borrower waives and will not assert against any assignee, any claims, defenses or set-off, which Borrower could assert against Lender except defenses which cannot be waived.

26.00 CONSTRUCTION

This Agreement shall be deemed to have been entered into in the Commonwealth of Massachusetts, and the laws of the Commonwealth of Massachusetts shall govern the construction of this Agreement and the rights and duties of the parties hereto. It is agreed and understood that, as this form of agreement may be used by persons of either sex, and for one or more corporations, and also where there are several parties, in such cases, the masculine and plural, as herein used, shall be instead of and shall stand for, the feminine or neuter gender or the single number, as the context may require. Any ambiguity, contradiction, or inconsistency between this Agreement and any other documents relied upon by Lender shall, at all times, be resolved in the sole and exclusive discretion of Lender.

27.00 NOTICE

Any notice required or permitted hereunder shall be in writing, and shall be duly given to any party or if mailed first class, postage prepaid, certified mail, return receipt requested, to the Borrower at the address set forth on page 1 hereof, to the Lender at its principal banking house, or to such other address as may be specified by notice in writing to the other parties by the party changing such address.

28.00 CONSENT TO JURISDICTION

THE BORROWER AND GUARANTOR HEREBY IRREVOCABLY AND UNCONDITIONALLY (A) SUBMITS TO PERSONAL JURISDICTION IN THE COMMONWEALTH OF MASSACHUSETTS OVER ANY

SUIT, ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT OR ANY OF THE OTHER LOAN DOCUMENTS, AND (B) WAIVES ANY AND ALL PERSONAL RIGHTS UNDER THE LAWS OF ANY STATE (I) TO THE RIGHT, IF ANY, TO TRIAL BY JURY, (II) TO OBJECT TO JURISDICTION WITHIN THE COMMONWEALTH OF MASSACHUSETTS OR VENUE IN ANY PARTICULAR FORUM WITHIN THE COMMONWEALTH OF MASSACHUSETTS, AND (III) TO THE RIGHT, IF ANY, TO CLAIM OR RECOVER ANY SPECIAL, EXEMPLARY, PUNITIVE OR CONSEQUENTIAL DAMAGES OR ANY DAMAGES OTHER THAN ACTUAL DAMAGES. THE BORROWER AGREES THAT, IN ADDITION TO ANY METHODS OF SERVICE OF PROCESS PROVIDED FOR UNDER APPLICABLE LAW, ALL SERVICE OF PROCESS IN ANY SUCH SUIT, ACTION OR PROCEEDING MAY BE MADE BY CERTIFIED OR REGISTERED MAIL, RETURN RECEIPT REQUESTED DIRECTED TO THE BORROWER AT THE ADDRESS SET FORTH ON PAGE ONE HEREOF, AND SERVICE SO MADE SHALL BE COMPLETE FIVE (5) DAYS AFTER THE SAME SHALL BE SO MAILED. NOTHING CONTAINED HEREIN, HOWEVER, SHALL PREVENT THE LENDER FROM BRINGING ANY SUIT, ACTION OR PROCEEDING OR EXERCISING ANY RIGHTS AGAINST ANY COLLATERAL AND AGAINST THE BORROWER, AND AGAINST ANY PROPERTY OF THE BORROWER, IN ANY OTHER STATE. INITIATING SUCH SUIT, ACTION OR PROCEEDING OR TAKING SUCH ACTION IN ANY STATE SHALL IN NO EVENT CONSTITUTE A WAIVER OF THE AGREEMENT CONTAINED HEREIN THAT THE LAWS OF THE COMMONWEALTH OF MASSACHUSETTS SHALL GOVERN THE RIGHTS AND OBLIGATIONS OF THE BORROWER AND THE LENDER HEREUNDER OR THE SUBMISSION HEREIN BY THE BORROWER TO PERSONAL JURISDICTION WITHIN THE COMMONWEALTH OF MASSACHUSETTS.

EXECUTED UNDER SEAL this 11th day of January, 2005, by the parties set forth below, or by their duly authorized officers.

BORROWER:

SMITH & WESSON CORP.

/s/ Peter Marcil

Witness

BY: /s/ John A. Kelly

Its duly authorized (seal)

GUARANTOR:

SMITH & WESSON HOLDING CORPORATION

/s/ Peter Marcil

Witness

BY: /s/ John A. Kelly

LENDER:

BANKNORTH, N.A.

/s/ Peter W. Shrair

Witness

BY: /s/ Maria P. Goncalves

Its duly authorized (seal)

REVOLVING LINE-OF-CREDIT
MAXIMUM \$17,000,000

REVOLVING LINE OF CREDIT NOTE

AFTER DATE, FOR VALUE RECEIVED, Smith & Wesson Corp., a Delaware corporation, having a principal place of business at 2100 Roosevelt Avenue, Springfield, Massachusetts (the "Borrower"), promises to pay to the order, of Banknorth, N.A., a national banking association ("Lender"), having a usual place of business at 1441 Main Street, Springfield, Massachusetts, or order, the maximum principal sum of Seventeen Million and 00/100 Dollars (\$17,000,000) or so much thereof as may be Advanced (each Advance shall be referred to as an "Advance" and all such Advances shall collectively be referred to as the "Advances"), pursuant to a Loan and Security Agreement of even date herewith (the "Loan Agreement") and incorporated by reference herein and between Borrower, Guarantor and Lender. Capitalized terms not defined herein shall have the meanings given in the Loan Agreement. The principal outstanding shall be repaid, together with interest thereon in arrears, calculated daily and payable monthly, commencing thirty (30) days from the date hereof and thereafter on the same day of each succeeding month, on the outstanding and unpaid principal amount of the Revolving Line of Credit Loans during the preceding month at a rate per annum equal to:

A. Lender's Prime Rate; or

B. LIBOR Interest Rate, plus two and one half percent (2.50%) based on the Interest Period selected by the Borrower and confirmed in writing to the Borrower following Borrower's request for a LIBOR Loan or a conversion to a LIBOR Loan as set forth in the Loan Agreement. Notwithstanding the forgoing, the LIBOR Interest Rate for a LIBOR Loan shall be reduced to LIBOR, plus two and one-quarter percent (2.25%) when Maximum Leverage is less than or equal to 2.00:1.00 and shall be further reduced to LIBOR, plus two percent (2.00%) at such time when Maximum Leverage is equal to or less than 1.25:1.00.

Subject to the terms and conditions contained in the Loan Agreement, this Revolving Line of Credit Note shall be repaid in accordance with the terms of the Loan Agreement. This Note is the Note referred to in, and is subject to, and entitled to, the benefits of the Loan Agreement.

However, nothing herein shall be construed to restrict the Lender, in its sole and exclusive discretion, from making advances in excess of the stated maximum dollar amount, without requirement of execution of additional promissory note(s), or otherwise modifying this Note, and its so doing at any time, or times, shall not waive its rights to insist upon strict compliance with the terms of this Note, or any other instruments executed in connection with this financial transaction, at any other time, and to further rely upon all collateral secured to it for satisfaction of all obligations of the Borrower to the Lender, without exception.

Borrower agrees that the Lender may, at its reasonable discretion, make Loan Advances to the Borrower upon written, authority of any person authorized so to act on behalf of the Borrower; may deliver loan proceeds by direct deposit to any demand deposit account of the Borrower with the Lender, or otherwise, as so directed; and that all such loans and advances as evidenced solely by the Lender's books, ledgers and records shall presumptively represent binding obligations of the Borrower hereunder.

Borrower does hereby irrevocably grant to the Lender, full power and authority, at its discretion, to debit any deposit account of the Borrower with the Lender for the amount of any monthly interest owing on Borrower's Loan Account; for the amount of any principal reduction, or for any repayment of obligations due upon Borrower's Loan Account which the Lender may require, all without prior notice, or demand upon the Borrower.

Any payments received by Lender with respect to this Note shall be applied first to any costs, charges, or expenses (including attorney's fees) due Lender from the Borrower, second to any unpaid interest hereunder, and third to the unpaid principal sum owing under this Note.

The Borrower acknowledges that this Note is an obligation which is payable immediately upon the occurrence of an Event of Default as more fully described in the Loan Agreement.

Lender shall have the unrestricted right at any time or from time to time, and without Borrower consents, to sell, assign, endorse, or transfer all or any portion of its rights and obligations hereunder to one or more Lenders or other entities (each an "Assignee"), and Borrower agrees that it shall execute, or cause to be executed such documents necessary to effect the foregoing. In addition, at the request of Lender and any such Assignee, Borrower shall issue one or more new promissory notes, as applicable, to any such Assignee and, if Lender has retained any of its rights and obligations hereunder following such assignment, to Lender, which new promissory notes shall be issued in replacement of, but not in discharge of, the liability evidenced by the note held by Lender prior to such assignment and shall reflect the amount of the respective commitments and loans held by such Assignee and Lender after giving effect to such assignment. Upon the execution and delivery of appropriate assignment documentation in connection with such assignment, and the payment by Assignee of the purchase price agreed to by Lender and such Assignee, such Assignee shall be a party to this Agreement and shall have all of the rights and obligations of Lender hereunder (and under any and all other guaranties, documents, instruments and agreements executed in connection herewith) to the extent that such rights and obligations have been assigned by Lender pursuant to the assignment documentation between Lender and Assignee, and Lender shall be released from its obligation hereunder and thereunder to a corresponding extent.

Lender shall have the unrestricted right at any time and from time to time, and without the consent of or notice to Borrower to grant to one or more institutions or other persons (each a "Participant") participating interests in Lender's obligations to lend hereunder and/or any or all of the loans held by Lender hereunder. In the event of any such grant by Lender of a participating interest to a Participant, whether or not upon notice to Borrower, Lender shall remain responsible for the

performance of its obligations hereunder and Borrower shall continue to deal solely and directly with Lender in connection with Lender's rights and obligations hereunder. Lender shall furnish any information concerning Borrower in their possession from time to time to any prospective assignees and Participants, provided that Lender shall require any such prospective assignee or Participant to maintain the confidentiality of such information.

Upon receipt of an affidavit of an officer of Lender as to the loss, theft, destruction or mutilation of the Note or any other security document(s) which is not of public record and, in the case of any such loss, theft, destruction or mutilation, upon surrender and cancellation of such Note or other document(s), the Borrower will issue, in lieu thereof, a replacement Note or other document(s) in the same principal amount thereof and otherwise of like tenor.

Lender may at any time pledge, endorse, assign, or transfer all or any portion of its rights under the Loan Documents including any portion of the Note to any of the twelve (12) Federal Reserve Banks organized under Section 4 of the Federal Reserve Act, 12 U.S.C. Section 341. No such pledge or enforcement thereof shall release Lender from its obligations under any of the Loan Documents.

If any payment required hereunder is more than ten (10) days overdue, (in addition to the interest accruing hereunder) a late charge of six percent (6%) of the overdue payment shall be charged to the Borrower and be immediately due and payable to Lender. Any payment having a due date falling upon a Saturday, Sunday, or legal holiday shall be due and payable on the next business day for which Lender is open for business, and interest shall continue to accrue during any such period.

If any payment received by Lender with respect to this Note shall be deemed by a court of competent jurisdiction to have been a voidable preference or fraudulent conveyance under federal or state law, or otherwise due any party other than Lender, then the obligation for which the payment was made shall not be discharged by the payment and shall survive as an obligation due hereunder, notwithstanding the Lender's return to the Borrower or any other party of the original of this Note or other instrument evidencing the obligation for which payment was made.

Interest hereunder shall be computed on the basis of actual days elapsed and a 360-day year. Upon and during the continuance of an Event of Default, interest upon the total unpaid principal hereunder shall thereafter, at Lender's option, without notice to Borrower and until payment in full of all obligations hereunder, accrue at the Default Rate.

It is not intended under this Note to charge interest at a rate exceeding the maximum rate of interest permitted to be charged under applicable law, but if interest exceeding said maximum rate should be paid hereunder, the excess shall, at Lender's option, be (a) deemed a voluntary prepayment of principal not subject to the prepayment premium (if any) set forth herein or (b) refunded to the Borrower.

The following described property, in addition to all other collateral now or hereafter provided

by the Borrower to Lender, shall secure this Note and all other present or future obligations of the Borrower to Lender: First security interest in all personal property and chose-in-action (except as described in Section 11.00 of the Loan Agreement), as well as real estate mortgages on property located at 2100 Roosevelt Avenue, Springfield, Massachusetts; 299 Page Boulevard, Springfield, Massachusetts; and 19 Aviation Drive, Houlton, Maine.

As additional collateral for the payment and performance of this Note and all other obligations, whether now existing or hereafter arising, of the Borrower to Lender, Lender shall at all times have and is hereby granted a security interest in and right of offset against all cash, deposit balances and/or accounts, instruments, securities, or other property of the Borrower, and of any endorser or guarantor hereof, now or hereafter in the possession of Lender, whether for safekeeping or otherwise. This right of offset shall permit Lender at any time, after the occurrence of an Event of Default as defined in the Loan Agreement and while such Event of Default is continuing, and without notice to the Borrower or any endorser or guarantor hereof, to transfer such funds or property as may be deemed by Lender to be appropriate so as to reduce or satisfy any obligation of the Borrower to the Lender.

The Borrower (a) waives presentment, demand, notice, protest, and delay in connection with the delivery, acceptance, performance, collection, and enforcement of this Note, and (b) assents to any extension, renewal, modification, or other indulgence permitted by Lender with respect to this Note, including, without limitation, any release, substitution, or addition of co-makers, endorsers, or guarantors of this Note and any release, substitution, or addition of collateral securing this Note or any other obligations of the Borrower, or any such endorsers or guarantors, to Lender, and (c) authorize Lender, in its sole and exclusive discretion and without notice to the Borrower, or any endorser or guarantor hereof, to complete this Note if delivered incomplete in any respect.

No indulgence, delay, or omission by Lender in exercising or enforcing any of its rights or remedies hereunder shall operate as a waiver of any such rights or remedies or of the right to exercise them at any later time. No waiver of any default hereunder shall operate as a waiver of any other default hereunder or as a continuing waiver. The Lender's acceptance of any payment hereunder, following any default, shall not constitute a waiver of such default or of any of the Lender's rights or remedies hereunder (including charging interest at the Default Rate), unless waived in writing by Lender.

All of the Lender's rights and remedies hereunder and under any other Loan Documents, or instruments, shall be cumulative and may be exercised singularly or concurrently, at the Lender's sole and exclusive discretion.

The Borrower agrees to pay on demand all costs and expenses, including, but not limited to, reasonable attorney's fees, incurred by Lender in connection with the protection and/or enforcement of any of Lender's rights or remedies hereunder, whether or not any suit has been instituted by Lender.

The word "Lender" where used herein shall mean the named payee, its successors, assigns,

affiliates, and endorsees (and/or the holder of this Note if, at any time, it is made payable to bearer), all of whom this Note shall inure to their benefit as holders in due course.

From time-to-time, said Prime Rate may change, whereupon the interest rate charged hereunder may change, effective the date of such change without requirement of prior notice thereof to the Borrower.

The word "Borrower" where used herein includes any and all makers and co-makers hereof, and their respective successors, assigns, and representatives, all of whom, along with each endorser and guarantor of this Note, and their respective heirs, successors, assigns, and representatives, shall be jointly and severally liable hereunder.

The use of masculine or neuter genders hereunder shall be deemed to include the feminine, and the use of the singular or the plural herein shall be deemed to include the other, as the context may require.

The Borrower represents that the proceeds of this Note will not be used for personal, family, or household purposes and that this loan is strictly a commercial transaction.

This Note shall be governed by the laws of the Commonwealth of Massachusetts, and the Borrower, and each endorser and guarantor hereof, submit to the jurisdiction of its courts with respect to all claims concerning this Note or any collateral securing it.

ALL PARTIES TO THIS NOTE, INCLUDING LENDER, AND AS A NEGOTIATED PART OF THIS TRANSACTION, HEREBY EXPRESSLY WAIVE ALL RIGHTS TO TRIAL BY JURY, AS TO ALL ISSUES, INCLUDING ANY COUNTERCLAIMS, WITHOUT EXCEPTION, IN ANY ACTION OR PROCEEDING RELATING, DIRECTLY OR INDIRECTLY, TO THIS NOTE AND/OR OTHER INSTRUMENTS OR LOAN DOCUMENTS (IF ANY) EXECUTED IN CONNECTION HEREWITH.

This Note constitutes a final written expression of all of its terms and is a complete and exclusive statement of those terms. Any modification or waiver of any of these terms must be in writing signed by the party against whom the modification or waiver is to be enforced.

Signed as a sealed instrument this 11th day of January, 2005.

SMITH & WESSON CORP.

/s/ Peter Marcil
Witness

BY: /s/ John A. Kelly
Its duly authorized (seal)

COMMERCIAL TERM PROMISSORY NOTE

\$ 12,104,000.00

January 11, 2005

FOR VALUE RECEIVED, Smith & Wesson Corp., a Delaware corporation, having a principal place of business at 2100 Roosevelt Avenue, Springfield, Massachusetts (the "Borrower"), promises to pay to the order, of Banknorth, N.A., a national banking association ("Lender"), having a usual place of business at 1441 Main Street, Springfield, Massachusetts, or at such other place as Lender may designate in writing, the principal sum of Twelve Million One Hundred Four Thousand and 00/100 Dollars (\$12,104,000.00) plus interest from the date hereof, all as hereinafter set forth.

INTEREST

Interest from the date hereof upon the unpaid principal balance from time to time outstanding shall accrue at a fixed rate of six and twenty-three one hundredths percent (6.23%) per annum. Interest shall be calculated on the basis of actual days elapsed and a 360-day year.

REPAYMENT

Principal and interest due Lender hereunder shall be repaid as follows:

A. Commencing one (1) month from the date hereof and thereafter on the same day of each succeeding month for a period of eighty four (84) months (and based upon an amortization period of seven (7) years), equal monthly payments of principal and interest in the amount of One Hundred Seventy Eight Thousand Six Hundred Seventy and 83/100 Dollars (\$178,670.83; and

B. Any remaining unpaid principal, and all accrued interest thereon, shall be due and payable IN FULL seven (7) years from the date hereof;

This Note is entered into pursuant to a Loan and Security Agreement of even date herewith (the "Loan Agreement"). Capitalized terms not defined herein shall have the meanings given in the Loan Agreement. Subject to the terms and conditions contained in the Loan Agreement, this Note shall be repaid in accordance with the terms and conditions of the Loan Agreement. Any payments received by Lender with respect to this Note prior to demand, acceleration or maturity shall be applied first to any costs, expenses or charges due Lender from Borrower, second to any unpaid accrued interest hereunder, and third to the unpaid principal hereunder. Any payments received after demand, acceleration or maturity shall be applied in such a manner as Lender shall determine.

If any payment required hereunder is more than ten (10) days past due, (in addition to interest accruing hereunder) a late charge of six (6%) percent of the overdue payment shall be charged to Borrower and be immediately due and payable to Lender. Any payment having a due date falling

upon a Saturday, Sunday, or legal holiday shall be due and payable on the next business day for which Lender is open for business, and interest shall continue to accrue during the extended period.

If any payment received by Lender with respect to this Note shall be deemed by a court of competent jurisdiction to have been a voidable preference or fraudulent conveyance under federal or state law, or otherwise due any party other than Lender, then the obligation for which the payment was made shall not be discharged by the payment and shall survive as an obligation due hereunder, notwithstanding Lender's return to Borrower or any other party of the original of this Note or other instrument evidencing the obligation for which payment was made.

The following described property from Borrower, in addition to all other collateral now or hereafter provided by Borrower, or by any guarantor or endorser hereof, to Lender, shall secure this Note and all other present and future obligations of Borrower to Lender: First security interest in all personal property and chose-in-action (except as described in Section 11.00 of the Loan Agreement), as well as real estate mortgages on property located at 2100 Roosevelt Avenue, Springfield, Massachusetts; 299 Page Boulevard, Springfield, Massachusetts; and 19 Aviation Drive, Houlton, Maine.

Any and all deposits or other sums at any time credited by, or due to Borrower or any endorser or guarantor hereof from, Lender or any of its banking or lending affiliates or any loan participant under any loan arrangement between Lender and Borrower, and any cash, instruments, securities or other property of Borrower, and of any endorser or guarantor hereof, now or hereafter in the possession of Lender, or any of its banking or lending affiliates or any loan participant under any loan arrangement between Lender and Borrower, whether for safekeeping or otherwise, shall at all times constitute security (and hereby remain subject to a pledge and grant of a security interest by Borrower and/or any guarantor or endorser hereof) for the payment of this Note and all other obligations, whether now existing or hereafter arising, of Borrower to Lender and may be applied or set off against such Note or other obligations at any time, whether or not then due.

This Note shall be in default, and all unpaid principal, interest, and other amounts due hereunder, shall, at Lender's option, be immediately due and payable, without prior notice, protest, or demand, upon the occurrence of any one or more of the Events of Default as specified in the Loan Agreement. Default upon this Note shall also operate as a default upon all other Obligations of Borrower to Lender.

Upon and during the continuance of an Event of Default hereunder, interest upon the principal balance hereof, and to the extent permitted by law, on any accrued but unpaid interest hereon, shall, at Lender's option, accrue at the Default Rate.

Borrower, and each endorser and guarantor hereof, hereby waives presentment, demand, notice and protest and also waives any delay on the part of the holder hereof. Each also assents to (i) any extension, or other indulgence (including, without limitation, any release or substitution of collateral or of any direct or indirect obligor) permitted by Lender with respect to this Note and/or any collateral given to secure this Note and (ii) any extension or other indulgence, as described

above, with respect to any other obligation or any collateral given to secure such other obligation of Borrower or any endorser or guarantor to Lender. A discharge or release of any party directly or indirectly liable hereon shall not discharge or otherwise affect the liability of any other party directly or indirectly liable hereon.

No indulgence, delay, or omission by Lender in exercising or enforcing any of its rights or remedies hereunder shall operate as a waiver thereof on that occasion nor on any other occasion. No waiver of any default hereunder shall operate as a waiver of any other default hereunder, nor as a continuing waiver. No waiver of a default or of any other right or remedy hereunder, nor any modification of any provision of this Note, shall be enforceable unless it is in writing signed by the party against whom the waiver or modification is to be enforced. All of Lender's rights and remedies hereunder and under any other related loan documents shall be cumulative and may be exercised singularly or concurrently, at Lender's sole and exclusive discretion.

It is not intended under this Note to charge interest at a rate exceeding the maximum rate of interest permitted to be charged under applicable law, but if interest exceeding said maximum rate should be paid hereunder, the excess shall, at Lender's option, be (a) deemed a voluntary prepayment of principal not subject to the prepayment premium (if any) set forth herein or (b) refunded to Borrower.

Borrower, and each endorser and guarantor hereof, jointly and severally agree to pay on demand all costs and expenses, including, but not limited to, reasonable attorneys' fees, incurred by Lender in connection with the protection and/or enforcement of any of Lender's rights or remedies against Borrower or any such endorser or guarantor (whether or not any suit has been instituted by or against Lender).

This Note shall be binding upon Borrower and each endorser and guarantor hereof and upon their respective heirs, successors, and representatives, and shall inure to the benefit of Lender and its successors, endorsees and assigns.

The liabilities of the Borrower (and each co-maker, if any), and any endorser or guarantor hereof, are joint and several. Each reference in this Note to the Borrower, any endorser and any guarantor, is to such maker, co-maker (if any), endorser and guarantor, individually, as well as collectively. No party obligated on account of this Note may seek contribution from any other party also obligated unless and until all obligations to Lender of the party to whom contribution is sought have been satisfied in full. Each reference to Lender herein is to the named payee hereto or any subsequent holder hereof, and their respective successors, endorsees and assigns.

Borrower represents to Lender that the proceeds of this Note will not be used for personal, family or household purposes and that this loan is strictly a commercial transaction.

BORROWER, AND EACH ENDORSER AND GUARANTOR HEREOF, HEREBY EXPRESSLY WAIVE ALL RIGHTS TO A TRIAL BY JURY WITH RESPECT TO ANY ACTION OR CLAIM ARISING OUT OF ANY DISPUTE RELATING, DIRECTLY OR

INDIRECTLY, TO THIS NOTE AND/OR OTHER LOAN DOCUMENTS (IF ANY) EXECUTED IN CONNECTION HEREWITH AND ALSO SUBMIT TO THE JURISDICTION OF THE COURTS OF THE COMMONWEALTH OF MASSACHUSETTS (AND THE FEDERAL COURTS SITUATED THEREIN) WITH RESPECT TO ALL CLAIMS CONCERNING THIS NOTE AND/OR ANY COLLATERAL SECURING THEIR RESPECTIVE LIABILITIES TO LENDER.

This Note shall be governed by the laws of the Commonwealth of Massachusetts, without regard to its principles of conflicts of laws, and shall take effect as a sealed instrument.

Signed under seal as of the day and year first above written.

SMITH & WESSON CORP.

/s/ Peter Marcil

Witness

BY: /s/ John A. Kelly

Its duly authorized

COMMERCIAL REAL ESTATE TERM PROMISSORY NOTE

\$ 5,896,000.00

January 11, 2005

FOR VALUE RECEIVED, Smith & Wesson Corp., a Delaware corporation having a principal place of business at 2100 Roosevelt Avenue, Springfield, Massachusetts (the "Borrower"), promises to pay to the order, of Banknorth, N.A., a national banking association ("Lender"), having a usual place of business at 1441 Main Street, Springfield, Massachusetts, or at such other place as Lender may designate in writing, the principal sum of Five Million Eight Hundred Ninety Six Thousand and 00/100 Dollars (\$5,896,000.00) plus interest from the date hereof, all as hereinafter set forth.

INTEREST

Interest from the date hereof upon the unpaid principal balance from time to time outstanding shall accrue at a fixed rate of six and eighty-five one hundredths percent (6.85%) per annum. Interest shall be calculated on the basis of actual days elapsed and a 360-day year.

REPAYMENT

Principal and interest due Lender hereunder shall be repaid as follows:

A. Commencing one (1) month from the date hereof and thereafter on the same day of each succeeding month for a period of one hundred twenty (120) months (and based upon an amortization period of twenty (20) years), equal monthly payments of principal and interest in the amount of Forty Five Thousand Five Hundred Twenty Five and 13/100 Dollars (\$45,525.13); and

B. Any remaining unpaid principal, and all accrued interest thereon, shall be due and payable IN FULL ten (10) years from the date hereof;

This Note is entered into pursuant to a Loan and Security Agreement of even date herewith (the "Loan Agreement"). Capitalized terms not defined herein shall have the meanings given in the Loan Agreement. Subject to the terms and conditions contained in the Loan Agreement, this Note shall be repaid in accordance with the terms and conditions of the Loan Agreement. Any payments received by Lender with respect to this Note prior to demand, acceleration or maturity shall be applied first to any costs, expenses or charges due Lender from Borrower, second to any unpaid accrued interest hereunder, and third to the unpaid principal hereunder. Any payments received after demand, acceleration or maturity shall be applied in such a manner as Lender shall determine.

If any payment required hereunder is more than ten (10) days past due, (in addition to interest accruing hereunder) a late charge of six (6%) percent of the overdue payment shall be charged to

Borrower and be immediately due and payable to Lender. Any payment having a due date falling upon a Saturday, Sunday, or legal holiday shall be due and payable on the next business day for which Lender is open for business, and interest shall continue to accrue during the extended period.

If any payment received by Lender with respect to this Note shall be deemed by a court of competent jurisdiction to have been a voidable preference or fraudulent conveyance under federal or state law, or otherwise due any party other than Lender, then the obligation for which the payment was made shall not be discharged by the payment and shall survive as an obligation due hereunder, notwithstanding Lender's return to Borrower or any other party of the original of this Note or other instrument evidencing the obligation for which payment was made.

The following described property from Borrower, in addition to all other collateral now or hereafter provided by Borrower, or by any guarantor or endorser hereof, to Lender, shall secure this Note and all other present and future obligations of Borrower to Lender: First security interest in all personal property and chose-in-action (except as described in Section 11.00 of the Loan Agreement), as well as real estate mortgages on property located at 2100 Roosevelt Avenue, Springfield, Massachusetts; 299 Page Boulevard, Springfield, Massachusetts; and 19 Aviation Drive, Houlton, Maine.

Any and all deposits or other sums at any time credited by, or due to Borrower or any endorser or guarantor hereof from, Lender or any of its banking or lending affiliates or any loan participant under any loan arrangement between Lender and Borrower, and any cash, instruments, securities or other property of Borrower, and of any endorser or guarantor hereof, now or hereafter in the possession of Lender, or any of its banking or lending affiliates or any loan participant under any loan arrangement between Lender and Borrower, whether for safekeeping or otherwise, shall at all times constitute security (and hereby remain subject to a pledge and grant of a security interest by Borrower and/or any guarantor or endorser hereof) for the payment of this Note and all other obligations, whether now existing or hereafter arising, of Borrower to Lender and may be applied or set off against such Note or other obligations at any time, whether or not then due.

This Note shall be in Default, and all unpaid principal, interest, and other amounts due hereunder, shall, at Lender's option, be immediately due and payable, without prior notice, protest, or demand, upon the occurrence of any one or more of the Events of Default as specified in the Loan Agreement. Default upon this Note shall also operate as a default upon all other Obligations of Borrower to Lender.

Upon and during the continuance of an Event of Default hereunder, interest upon the principal balance hereof, and to the extent permitted by law, on any accrued but unpaid interest hereon, shall, at Lender's option, accrue at the Default Rate.

Borrower, and each endorser and guarantor hereof, hereby waives presentment, demand, notice and protest and also waives any delay on the part of the holder hereof. Each also assents to (i) any extension, or other indulgence (including, without limitation, any release or substitution of collateral or of any direct or indirect obligor) permitted by Lender with respect to this Note and/or

any collateral given to secure this Note and (ii) any extension or other indulgence, as described above, with respect to any other obligation or any collateral given to secure such other obligation of Borrower or any endorser or guarantor to Lender. A discharge or release of any party directly or indirectly liable hereon shall not discharge or otherwise affect the liability of any other party directly or indirectly liable hereon.

No indulgence, delay, or omission by Lender in exercising or enforcing any of its rights or remedies hereunder shall operate as a waiver thereof on that occasion nor on any other occasion. No waiver of any default hereunder shall operate as a waiver of any other default hereunder, nor as a continuing waiver. No waiver of a default or of any other right or remedy hereunder, nor any modification of any provision of this Note, shall be enforceable unless it is in writing signed by the party against whom the waiver or modification is to be enforced. All of Lender's rights and remedies hereunder and under any other related loan documents shall be cumulative and may be exercised singularly or concurrently, at Lender's sole and exclusive discretion.

It is not intended under this Note to charge interest at a rate exceeding the maximum rate of interest permitted to be charged under applicable law, but if interest exceeding said maximum rate should be paid hereunder, the excess shall, at Lender's option, be (a) deemed a voluntary prepayment of principal not subject to the prepayment premium (if any) set forth herein or (b) refunded to Borrower.

Borrower, and each endorser and guarantor hereof, jointly and severally agree to pay on demand all costs and expenses, including, but not limited to, reasonable attorneys' fees, incurred by Lender in connection with the protection and/or enforcement of any of Lender's rights or remedies against Borrower or any such endorser or guarantor (whether or not any suit has been instituted by or against Lender).

This Note shall be binding upon Borrower and each endorser and guarantor hereof and upon their respective heirs, successors, and representatives, and shall inure to the benefit of Lender and its successors, endorsees and assigns.

The liabilities of the Borrower (and each co-maker, if any), and any endorser or guarantor hereof, are joint and several. Each reference in this Note to the Borrower, any endorser and any guarantor, is to such maker, co-maker (if any), endorser and guarantor, individually, as well as collectively. No party obligated on account of this Note may seek contribution from any other party also obligated unless and until all obligations to Lender of the party to whom contribution is sought have been satisfied in full. Each reference to Lender herein is to the named payee hereto or any subsequent holder hereof, and their respective successors, endorsees and assigns.

Borrower represents to Lender that the proceeds of this Note will not be used for personal, family or household purposes and that this loan is strictly a commercial transaction.

BORROWER, AND EACH ENDORSER AND GUARANTOR HEREOF, HEREBY

EXPRESSLY WAIVE ALL RIGHTS TO A TRIAL BY JURY WITH RESPECT TO ANY ACTION OR CLAIM ARISING OUT OF ANY DISPUTE RELATING, DIRECTLY OR INDIRECTLY, TO THIS NOTE AND/OR OTHER LOAN DOCUMENTS (IF ANY) EXECUTED IN CONNECTION HERewith AND ALSO SUBMIT TO THE JURISDICTION OF THE COURTS OF THE COMMONWEALTH OF MASSACHUSETTS (AND THE FEDERAL COURTS SITUATED THEREIN) WITH RESPECT TO ALL CLAIMS CONCERNING THIS NOTE AND/OR ANY COLLATERAL SECURING THEIR RESPECTIVE LIABILITIES TO LENDER.

This Note shall be governed by the laws of the Commonwealth of Massachusetts, without regard to its principles of conflicts of laws, and shall take effect as a sealed instrument.

Signed under seal as of the day and year first above written.

SMITH & WESSON CORP.

/s/ Peter Marcil
Witness

BY: /s/ John A. Kelly
Its duly authorized

EQUIPMENT LINE OF CREDIT NOTE

\$5,000,000.00

January 11, 2005
Springfield, Massachusetts

FOR VALUE RECEIVED, the undersigned, Smith & Wesson Corp., a Delaware corporation having a principal place of business at 2100 Roosevelt Avenue, Springfield, Massachusetts (the "Borrower"), promises to pay to the order, of Banknorth, N.A., a national banking association ("Lender"), having a usual place of business at 1441 Main Street, Springfield, Massachusetts, , the principal sum of Five Million and 00/100 Dollars (\$5,000,000.00) or the (then) current balance of Borrower's Loan Account upon Equipment Loans made on or after the date hereof, as reflected on the books, records and ledgers of the Lender, as well as all other obligations of the Borrower which may at any time be due the Lender (if such balances or obligations are other than Five Million and 00/100 Dollars (\$5,000,000.00), together with interest thereon prior to the Conversion Date at the rate hereinafter provided which shall be due and payable upon the outstanding principal balance, in accordance with a certain Loan and Security Agreement dated January 11, 2005 (the "Loan Agreement"). Prior to the Conversion Date, interest shall be payable in arrears. It shall be calculated daily and payable monthly, commencing thirty (30) days from the date hereof and thereafter on the same day of each succeeding month, on the outstanding and unpaid principal amount of Equipment Loans during the preceding month at a rate per annum equal to:

A. For a Prime Loan equal to Prime Rate; or

B. For LIBOR Loan at a rate equal to the adjusted LIBOR Interest Rate, plus two and one-half percent (2.50%) based upon the Interest Period selected by the Borrower and confirmed in writing to the Borrower following Borrower's request for a LIBOR Loan or a conversion to a LIBOR Loan. Notwithstanding the forgoing, the LIBOR Interest Rate for a LIBOR Loan shall be reduced to LIBOR, plus two and one-quarter percent (2.25%) when Maximum Leverage is less than or equal to 2.00:1.00 and shall be further reduced to LIBOR, plus two percent (2.00%) at such time when Maximum Leverage is equal to or less than 1.25:1.00.

Prior to the Conversion Date, principal sums Advanced under this Note may be repaid and re-borrowed in accordance with the terms of the Loan Agreement. No Advance under this Note shall be made after the Conversion Date.

Subject to the terms and conditions contained in the Loan Agreement, this Equipment Line of Credit Note shall be repaid in accordance with the terms of the Loan Agreement. This Note is the Equipment Note referred to in, and is subject to, and entitled to, the benefits of the Loan Agreement between Borrower and Lender. The terms used herein which are defined in the Loan Agreement shall have their defined meanings when used herein.

Principal amounts Advanced under this Note (the "Equipment Loan") shall convert to a principal amortizing loan on April 30, 2006 or such earlier date as Lender and Borrower mutually agree on (the earlier being referred to as the "Conversion Date"). Upon the Conversion Date, at the Borrower's written election, the (then) outstanding principal balance shall accrue interest in accordance with the following schedule:

A. A variable rate of interest equal to the Lender's one (1) month LIBOR rate, plus two hundred fifty (250) basis points. Notwithstanding the forgoing, the LIBOR Interest Rate for a LIBOR Loan shall be reduced to LIBOR, plus two and one-quarter percent (2.25%) when Maximum Leverage is less than or equal to 2.00:1.00 and shall be further reduced to LIBOR, plus two percent (2.00%) at such time when Maximum Leverage is equal to or less than 1.25:1.00.

B. A fixed rate of interest equal the Federal Home Loan Bank of Boston Rate in effect on the Conversion Date for the corresponding term of this Loan, plus two percent (2.00%) per annum.

Following the Conversion Date the (then) outstanding principal balance of the Loan, together with interest thereon shall be repaid as follows:

If interest is accruing pursuant to Choice A with respect to LIBOR:

Commencing one (1) month from the Conversion Date and thereafter on the same day of each succeeding month for a period of up to eighty-four (84) months and based on an amortization period of up to seven (7) years, equal monthly payments of principal, plus accrued interest in such amount as are necessary to fully amortize the (then) unpaid principal hereunder at the (then) applicable rate of interest herein over the remaining amortization period of this Note.

If interest is accruing pursuant to Choice B with Fixed Rate:

Commencing one (1) month from the date of the Conversion Date and thereafter on the same day of each succeeding month for a period of up to eighty-four (84) months and based on a amortization period of up to seven (7) years, equal monthly payments of principal and interest in such amounts as are necessary to fully amortize the (then) unpaid principal hereunder at the (then) applicable rate of interest herein over the remaining amortization period of this Note.

All Equipment Loans shall be secured by a first purchase money security in specific items of personal property being purchased by Borrower from time-to-time, as well as Lender's security interest

granted in the Loan Agreement.

Any payment received more than ten (10) days after its due date shall be subject to an additional charge of six percent (6%) of the amount due.

This Note and all Equipment Loans made hereunder shall be in default, and all unpaid principal, interest, and other amounts due, shall, at Lender's option, be immediately due and payable, without prior notice, protest, or demand, upon the occurrence of any one or more of the Events of Default as specified in the Loan Agreement. Default upon this Note shall also operate as a default upon all other Obligations of Borrower to Lender.

Upon and during the continuance of an Event of Default (whether or not Lender has accelerated payment of the Equipment Line of Credit or any other Obligation hereunder), or after maturity or after judgment has been rendered on the Equipment Line of Credit or any other Obligations hereunder, Borrower's right to select pricing options shall cease and the unpaid principal of all Advances shall, at the option of Lender, bear interest at the Default Rate.

Nothing herein shall be construed to restrict the Lender, in its sole discretion, from making Advances in excess of the face amount of this Note, without requirement of execution of additional notes, or otherwise modifying this instrument, and its so doing at any time or times, shall not result in a waiver of its rights to insist upon strict compliance with the terms of this Note, or any document or instrument granting security to the Lender or other instruments executed in connection with this financial transaction, at any other time.

Borrower agrees that the Lender shall make Loan Advances to the Borrower upon written or verbal authority of Borrower and deliver loan proceeds by direct deposit to any demand deposit account of the Borrower with the Lender, or otherwise, as so directed; and that all such Loans and Advances as evidenced solely by the Lender's books, ledgers and records shall represent binding obligations of the Borrower hereunder.

Borrower with respect to this Note and/or the obligation represented by this Note, waives presentment, demand, notice, protest and all other demands or notices in connection with the delivery, acceptance, or endorsement of this Note. With respect to liabilities, the Borrower assents to any extension or postponement of the time of payment or any other indulgence to the addition or release of any party or person primarily or secondarily liable, to the acceptance of partial payments thereon and the settlement thereof, all in such manner and at such time or times as the Lender may elect in its sole and exclusive discretion, and generally waives all suretyship defenses and defenses in the nature thereof. No delay or omission on the part of the Lender in exercising any right shall operate as a waiver of such right or any other right. A waiver on any one occasion shall not be construed as a bar to or waiver of any right on any future occasion. All rights and remedies of the Lender, whether evidenced hereby or by any other instrument or papers, shall be cumulative and may be exercised singularly or concurrently.

The undersigned will pay all reasonable costs and expenses of collection, after an Event of Default, including reasonable attorneys' fees, incurred or paid by the holder in enforcing this Note or the obligations

hereby evidenced, to the extent permitted by law.

No delay or omission of the holder in exercising any right or remedy hereunder shall constitute a waiver of any such right or remedy. Acceptance by the holder of any payment after acceleration shall not be deemed a waiver of such acceleration. A waiver on one occasion shall not operate as a bar to or waiver of any such right or remedy on any future occasion.

The holder need not enter payments of principal or interest upon this Note but may maintain a record thereof on a separate ledger maintained by the holder.

The word "holder" as used in this Note shall mean the payee or endorsee of this Note who is in possession of it or the bearer if this Note is at the time payable to bearer. The word "Borrower" as used in this Note shall mean the Borrower and all successors or assigns.

In the event any payment of principal or interest received upon this obligation and paid by the Borrower, or any guarantor, surety, co-maker or endorser, shall be deemed by final order of a court of competent jurisdiction to have been a voidable preference or fraudulent conveyance under the bankruptcy or insolvency laws of the United States, or any state, or otherwise due to any party other than the Lender, then in any such event, the obligation of said Borrower, or any guarantor, surety, co-maker or endorser shall, jointly and severally, survive as an obligation due hereunder and shall not be discharged or satisfied by said payment or payments, notwithstanding return by the Lender to said parties of the original hereof, or any guaranty, endorsement, or the like.

The Borrower expressly warrants that the proceeds of the loan shall be used solely for business purposes and that this transaction is not a consumer transaction subject to M.G.L. c. 140D, Regulation Z of the Board of Governors of the Federal Reserve System, or other "consumer protection" statutes, regulations, or restrictions, without exception. Borrower is not engaged in the business of purchasing or selling margin stock (as defined in Regulation U of the Board of Governors of the Federal Reserve System) or extending credit to others for the purpose of purchasing or carrying margin stock, and no part of the proceeds of any borrowing hereunder will be used to purchase or carry any margin stock or for any other purpose which would violate any of the margin regulations of said Board of Governors.

Borrower hereby grants to Lender, a continuing lien, security interest and right of setoff as security for all liabilities and obligations to Lender, whether now existing or hereafter arising, upon and against all deposits, credits, collateral and property, now or hereafter in the possession, custody, safekeeping or control of Lender or any entity under the control of FleetBoston Financial Corporation and its successors and assigns or in transit to any of them. At any time, without demand or notice (any such notice being expressly waived by Borrower), Lender may setoff the same or any part thereof and apply the same to any liability or obligation of Borrower even though unmatured and regardless of the adequacy of any other collateral securing the Loan. ANY AND ALL RIGHTS TO REQUIRE LENDER TO EXERCISE ITS RIGHTS OR REMEDIES WITH RESPECT TO ANY OTHER COLLATERAL WHICH SECURES THE LOAN, PRIOR TO EXERCISING ITS RIGHT OF SETOFF WITH RESPECT TO SUCH DEPOSITS, CREDITS OR OTHER PROPERTY OF BORROWER, ARE HEREBY KNOWINGLY, VOLUNTARILY AND IRREVOCABLY WAIVED.

Lender shall have the unrestricted right at any time and from time to time, and without the consent of or notice to Borrower, to grant to one or more banks or other financial institutions (each, a "Participant") participating interests in Lender's obligation to lend hereunder and/or any or all of the loans held by Lender hereunder. In the event of any such grant by Lender of a participating interest to a Participant, whether or not upon notice to Borrower, Lender shall remain responsible for the performance of its obligations hereunder and Borrower shall continue to deal solely and directly with Lender in connection with Lender's rights and obligations hereunder. Bank may furnish any information concerning Borrower in its possession from time to time to prospective Participants, provided that Lender shall require any such prospective Participant to agree in writing to maintain the confidentiality of such information.

This Note and the rights and obligations of the parties hereunder shall be construed and interpreted in accordance with the laws of the Commonwealth of Massachusetts (the "Governing State") (excluding the laws applicable to conflicts or choice of law).

Upon receipt of an affidavit of an officer of Lender as to the loss, theft, destruction or mutilation of the Note or any other security document which is not of public record, and, in the case of any such loss, theft, destruction or mutilation, upon cancellation of such Note or other security document, Borrower will issue, in lieu thereof, a replacement note or other security document in the same principal amount thereof and otherwise of like tenor.

This Note shall be governed by laws of The Commonwealth of Massachusetts provided that, as to the maximum rate of interest which may be charged or collected, if the laws applicable to the Lender permit it to charge or collect a higher rate than the laws of The Commonwealth of Massachusetts, then such laws applicable to the Lender shall apply to the Lender under this Note.

THE BORROWER AND THE LENDER HEREBY WAIVE TRIAL BY JURY IN ANY ACTION, PROCEEDING, CLAIM OR COUNTERCLAIM, WHETHER IN CONTRACT OR TORT, AT LAW OR IN EQUITY, ARISING OUT OF OR IN ANY WAY RELATES TO THIS NOTE OR ANY OTHER LOAN DOCUMENT. NO OFFICER OF THE LENDER HAS AUTHORITY TO WAIVE, CONDITION, OR MODIFY THIS PROVISION.

This Note shall take effect as an instrument under seal.

SMITH & WESSON CORP.

/s/ Peter Marcil

Witness

BY: /s/ John A. Kelly

Its duly authorized

After Recording Return To:
Peter W. Shrair
Cooley, Shrair P.C.
1380 Main Street
Springfield, MA 01103

MORTGAGE AND SECURITY AGREEMENT

This Mortgage and Security Agreement (collectively this "Mortgage") is made and entered into as of this 11th day of January, 2005, by Smith & Wesson Corp., a Delaware corporation, having a principal place of business at 2100 Roosevelt Avenue, Springfield, Massachusetts (the "Mortgagor"), in favor of Banknorth, N.A., a national banking association having an office located at 1441 Main Street, Springfield, Massachusetts ("Mortgagee").

I. Grant of Mortgage and Security Interest

1.01 For good and valuable consideration, and in order to secure the prompt and complete payment and performance of various promissory Notes by Mortgagor in favor of Mortgagee of even date hereto in the amounts of Seventeen Million and 00/100 Dollars (\$17,000,000.00), Twelve Million One Hundred Four Thousand and 00/100 Dollars (\$12,104,000.00), Five Million Eight Hundred Ninety Six Thousand and 00/100 Dollars (\$5,896,000.00) and Five Million and 00/100 Dollars (\$5,000,000.00), (b) all terms, covenants and agreements contained in this Mortgage, and (c) any and all debts, liabilities and obligations of Mortgagor to Mortgagee of every kind, nature and description, whether now existing or hereafter arising, absolute or contingent, direct or indirect, (collectively the "Obligations"), Mortgagor does hereby grant to Mortgagee, with **MORTGAGE COVENANTS**, the land, with all buildings and improvements now or hereafter thereon, located at 2100 Roosevelt Avenue, Springfield, Massachusetts and 299 Page Boulevard, Springfield, Massachusetts, as more particularly described on Exhibits "A" and "B", respectively, annexed hereto, and with all easements, covenants, agreements and rights which are appurtenant to or benefit such land, and also including any item of Related Personal Property (as hereinafter defined) constituting a fixture under the Uniform Commercial Code as enacted in the Commonwealth of Massachusetts, (collectively the "Real Property"), and pledges and assigns to Mortgagee, and grants to Mortgagee a security interest in, all right, title and interest of Mortgagor in and to all tangible and intangible personal property (whether now existing or hereafter acquired or arising, and wherever located) upon, concerning or in any way relating to the Real Property, including, without limitation, (i) all fixtures, machinery, equipment, furniture, inventory, building supplies, appliances and other personal property, including, but not limited to, furnaces, ranges, heaters, plumbing goods, gas and electric fixtures, screens, screen doors, mantels, shades, storm doors and windows, awnings, oil burners and tanks, gas or electric refrigerators and refrigerating systems, ventilating and air conditioning apparatus and equipment, doorbell and alarm systems, sprinkler and fire extinguishing systems, portable or sectional buildings, and all other fixtures and equipment of whatever kind or nature now or hereafter located in or on the Real Property, or used or intended to be used in

connection with the use, operation, construction or enjoyment of the Real Property, all of which shall be deemed fixtures and a part of the Real Property as between the parties hereto and all persons claiming by, through or under them, (ii) all leases, contracts or agreements relating to the lease, rental, hire or use by Mortgagor of any of the aforementioned personal property, (iii) all leases, tenancies, occupancies and license arrangements pertaining to the Real Property or any portion thereof, and all guaranties and security relating thereto, (iv) all rents, issues, profits and other benefits from the Real Property, any of the personal property described herein, and any of the leases, tenancies, occupancies, license arrangements and rental agreements relating thereto, (v) all contracts, agreements, accounts, chattel paper, general intangibles, licenses, rights, permits and approvals, privileges, warranties and representations relating to the ownership, use, operation, management, construction, repair or service of any of the Real Property or personal property described herein, (vi) any and all agreements to sell the Real Property or any portion thereof, (vii) all funds held by Mortgagee as tax or insurance escrow payments or for other purposes, (viii) all insurance policies and all proceeds or unearned insurance premiums relating thereto, (ix) all claims, awards, damages or proceeds resulting from any condemnation or other taking of, or for any damage to, any of the Real Property or personal property described herein, (x) all claims to rebates, refunds or abatements of any property taxes relating to any of the Real Property or personal property described herein, (xi) all construction contracts, subcontracts, architectural agreements, labor, material and payment bonds, guaranties and warranties, and plans and specifications relating to the construction of improvements upon the Real Property, and (xii) all proceeds, products, substitutions and accessions to any of the foregoing, (collectively the "Related Personal Property"). The Real Property and Related Personal Property shall hereinafter collectively be referred to as the "Collateral". Notwithstanding anything in this Mortgage to the contrary, the Collateral shall not include: (a) intangible assets, which constitute intellectual property of the Mortgagor (including, without limitation, the "Smith & Wesson") trade name and any trade secrets, know-how, licenses, trade names, logos, registrations, patents, patent applications, copyrights, copyright applications, trademarks or trademark applications); or (b) any licenses, leases or other contracts to the extent that the granting of a security interest therein would constitute a breach thereof or is prohibited thereby and such prohibition is not ineffective under Sections 9-406(d), 9-407, 9-408 or 9-409 of the Uniform Commercial Code; provided, further (x) all accounts arising under such licenses, leases or other contracts shall be included in the definition of Collateral and shall constitute the Collateral and (y) the Collateral shall include all payments and other property received or receivable in connection with any sale or other disposition of such licenses, leases or other contracts.

1.02 It is expressly intended by Mortgagor that this Mortgage shall at all times secure all of the Obligations, whether now existing or hereafter incurred by future advance or otherwise, whether or not any of the Obligations are related to the present transaction pertaining to this Mortgage or contemplated by Mortgagor or Mortgagee at the time of this Mortgage, and whether or not this Mortgage is referenced within any document evidencing any of such Obligations. To the extent any of the Obligations shall be that of less than all parties constituting the Mortgagor herein, any such co-mortgagor not liable for any of such Obligations hereby expressly hypothecates his/her/its ownership interest in the Collateral to the extent of all Obligations. It is also intended that the lien of this Mortgage shall at all times take priority over any other lien hereafter granted by Mortgagor upon any of the Collateral, whether or not the Obligations secured hereby are incurred

prior to or after the grant of such junior lien.

II. Representations, Warranties and Covenants

Mortgagor hereby further covenants, warrants and agrees with Mortgagee as follows:

2.01 Mortgagor shall pay when due, and fully and promptly perform all of the provisions, agreements and covenants of, the Obligations.

2.02 Mortgagor is, and shall hereafter remain, the owner of the Collateral free and clear of all liens and encumbrances, except for the mortgage and security interest created hereby and liens for real estate taxes and municipal betterments not yet due and payable. Mortgagor has the full right, power, and authority to execute and deliver this Mortgage or other liens permitted under the Loan and Security Agreement, of even date herewith, executed by Mortgagor, Smith & Wesson Holding Corporation, a Nevada corporation and Mortgagee (the "Loan Agreement"). Mortgagor shall defend the Collateral and Mortgagee forever against all claims and demands of all persons and indemnify Mortgagee against any losses or expenses resulting from such claims and demands.

2.03 Mortgagor shall pay when due all taxes, charges for water, sewer and other municipal services, and assessments, now or hereafter assessed or imposed against any of the Collateral, any interest therein, or any obligations secured thereby, except to the extent that such charges or taxes are being contested as permitted by the Loan Agreement. Mortgagor shall deliver to Mortgagee, upon request, evidence of such payments.

2.04 At Mortgagee's request, following the occurrence of an Event of Default, Mortgagor shall pay monthly, in addition to any other payment due upon the Obligations, an amount equal to 1/12th of the estimated yearly taxes, assessments and other charges which may be levied against the Collateral. Such funds shall be held by Mortgagee, without obligation to pay interest thereon and free of liens and claims of all other creditors of Mortgagor, to pay such taxes, assessments and charges when due, but only to the extent of such funds actually held by Mortgagee. Such funds shall not be, nor deemed to be, trust funds but may at any time be commingled with the general funds of Mortgagee. Such funds are pledged as additional security for the Obligations and may at any time be applied, at Mortgagee's option and without notice to Mortgagor, to the payment of the Obligations. If at any time the funds held by Mortgagee hereunder shall be less than the amount deemed necessary by Mortgagee to pay such taxes, assessments and charges when due, Mortgagor shall pay to Mortgagee, within five (5) days after notice from Mortgagee to Mortgagor requesting payment thereof, any amount necessary to make up the deficiency.

2.05 Mortgagor, at its own expense, shall keep the Collateral, other than intangible property, insured at all times against fire and all other casualties and contingencies as Mortgagee shall require, and by such insurance companies, in such amounts, in such form and substance, and with such coverages, endorsements, deductibles and expiration dates as are acceptable to Mortgagee, in its sole and exclusive discretion. Mortgagor shall deposit all such policies and/or certificates evidencing such coverages with Mortgagee on the binding thereof and shall deliver, at least thirty

(30) days before the expiration, new policies and certificates for any coverage about to expire. All such insurance policies shall be first payable in case of loss to Mortgagee pursuant to standard mortgagee and loss payee clauses in favor of Mortgagee and shall provide that such policies shall not be cancelled or amended without at least thirty (30) days prior written notice to Mortgagee. In the event of any loss or damage to any of the Collateral, Mortgagor shall immediately notify Mortgagee and the insurer in writing. Mortgagor irrevocably authorizes and empowers Mortgagee as attorney in fact for Mortgagor, at Mortgagee's option and sole discretion, to settle and adjust any claim under such insurance policies, to appear and prosecute any action arising therefrom, and to collect and receive all proceeds thereof. Mortgagor further authorizes Mortgagee, at Mortgagee's option, to apply such proceeds to the Obligations or to make such proceeds available, upon such terms and conditions as Mortgagee shall determine, for the repair, restoration or replacement of Collateral. Mortgagor also authorizes and empowers Mortgagee, at Mortgagee's option, following any Event of Default (as hereinafter defined) under this Mortgage, to cancel or transfer any insurance policy and/or to retain unearned premiums for application to the Obligations.

Notwithstanding any contrary provision contained in this section, if an insured loss or casualty to the Collateral shall occur, the Mortgagee, unless an Event of Default shall have occurred and is continuing and/or the cost of repair or restoration of the Collateral is in excess of fifty percent (50%) of the then outstanding principal balance of the Note, shall advance the proceeds of insurance (in installments upon application for the restoration of the Premises provided, however, the Mortgagee shall have no such obligation unless (a) the proceeds of insurance which are in the possession of the Mortgagee are adequate to complete such restoration or if not, then the Mortgagor has deposited with the Mortgagee sufficient cash with which to complete such restoration; (b) to the extent of any loss or casualty in excess of Fifty Thousand and 00/100 Dollars (\$50,000.00), the Mortgagee has been furnished with a certificate of an architect acceptable to the Mortgagee certifying that such restoration can be completed with the funds (including insurance proceeds and/or cash of the Mortgagor) and can be completed in accordance with zoning and building code requirements; (c) such restoration can be completed within the lesser of (i) eight (8) months of the receipt of the initial insurance proceeds or (ii) a period of time that ends not later than one hundred (120) days before the maturity date of the Note; and (d) a copy of a building permit, if required, has been furnished to Mortgagee.

If, as set forth above, the Mortgagee makes said proceeds available to reimburse Mortgagor or the cost of the rebuilding or restoration of the Premises, such proceeds shall be made available in such manner and under such conditions as the Mortgagee may require. The Premises shall be so restored or rebuilt so as to be of at least equal value and substantially the same character as prior to such damage or destruction.

2.06 Mortgagor shall (a) not commit or permit any waste of the Collateral, (b) keep the Collateral in good operating order and condition at all times, ordinary wear and tear excepted, (c) restore or repair promptly, fully, and in a good workmanlike manner the Collateral after any damage or loss thereto, (d) comply at all times with all laws, ordinances, regulations, requirements and

restrictions applicable to the Collateral, and (e) not remove any of the Related Personal Property or demolish or materially alter any improvements to the Real Property, except for dispositions of the Related Personal Property permitted by the Loan Agreement. Mortgagee may, at Mortgagor's sole expense, make or cause to be made reasonable entries upon the Real Property for inspections of the Collateral during normal business hours or at any other time when necessary to protect and preserve any of the Collateral.

2.07 **[INTENTIONALLY DELETED]**

2.08 Mortgagor shall maintain at all times true and complete books and records reflecting the results of the operation of the Collateral and copies of all written contracts, leases and other instruments affecting the Collateral. All books and records, contracts, leases and other instruments shall be subject to examination and copying by Mortgagee at any reasonable time by Mortgagee and at Mortgagor's sole expense.

2.09 That, except as agreed to in writing by Mortgagee, the legal or beneficial ownership of the Real Property or any part thereof or interest therein will not at any time become vested in a person or entity other than Mortgagor. The foregoing shall include, without limitation, the sale, transfer, assignment or other conveyance of the Real Property, the sale, transfer or conveyance (whether voluntary or by operation of law) of legal, partnership, stock or beneficial interest in and/or of Mortgagor, or the granting or suffering of any liens, encumbrances, or security interests, except this Mortgage, without, in each instance, prior written approval of Mortgagee. If the legal or beneficial ownership of the Real Property or any part thereof or any interest therein does become vested in a person or entity other than Mortgagor, Mortgagee may, without notice to Mortgagor, deal with such successor(s) in interest with reference to this Mortgage and the Obligations secured hereby, and in the same manner as with Mortgagor, without in any way vitiating or discharging Mortgagor's liability hereunder or under the Obligations secured hereby.

2.10 Mortgagor will from time to time do all such things and execute such documents as Mortgagee may reasonably request in order to carry into effect the provisions and intent of this Mortgage and to protect, perfect and maintain Mortgagee's interest in and to the Collateral.

2.11 Mortgagor is not in default under any term or condition of any lease or tenancy upon the Real Property and shall at all times perform all obligations of Mortgagor under any and all such leases or tenancies, with all such leases and tenancies, and all rents and profits relating thereto, remaining assigned hereby to Mortgagee as additional security for the Obligations. Mortgagor will not, without Mortgagee's prior written consent, which consent shall not be unreasonably withheld or delayed (i) accept any prepayment of any rent or other amount due upon any lease or tenancy, except for the current month's rent, (ii) modify, in any material respect, any provision of, or cancel or terminate, any lease or tenancy, or (iii) enter into any lease or tenancy. Upon Mortgagee's request, Mortgagor shall take all action necessary to obtain agreements (in form and substance satisfactory to Mortgagee) from each tenant subordinating such lease or tenancy to the lien of this Mortgage.

2.12 If any of the Collateral shall be damaged or taken through condemnation, or any

conveyance in lieu thereof, Mortgagor authorizes Mortgagee, at Mortgagee's option, as irrevocable attorney in fact for Mortgagor, to commence, appear in and/or prosecute, in Mortgagor's or Mortgagee's name, any action or proceeding leading to such condemnation or other taking of the Collateral and to settle or compromise any claim in connection thereto. The proceeds of any award or claim for damages in connection with such condemnation or any other taking, or for conveyances in lieu of condemnation, are hereby assigned and shall be paid to Mortgagee to be applied, after deduction of Mortgagee's costs and expenses incurred in collecting such amounts, at Mortgagee's option, to the payment of the Obligations, whether or not then due, and/or to the restoration or repair of the Collateral, with the balance, if any, to Mortgagor.

2.13 If Mortgagor shall fail to perform any of the covenants or agreements contained in this Mortgage, Mortgagee may (in addition to any other right or remedy available to Mortgagee hereunder or otherwise) from time to time, and at Mortgagee's option and without obligation to do so, disburse such amounts and take such action as Mortgagee may deem necessary to effectuate compliance with Mortgagor's covenants and agreements herein, including, but not limited to, paying any taxes or insurance premiums, the payment of which is then due, satisfying any liens or encumbrances on any of the Collateral, or entering upon the Real Property to make repairs or complete improvements. All amounts so expended or incurred by Mortgagee shall be included in the Obligations of Mortgagor to Mortgagee, shall be payable upon demand, and shall accrue interest at the highest rate applicable to any of the Obligations.

III. Events of Default

3.01 The term "Event of Default" as used in this Mortgage shall mean any one or more of the following conditions or events: (a) the failure of Mortgagor to pay when due any of the Obligations and such failure is not cured within any applicable notice, grace or cure period; (b) the failure of Mortgagor to perform any term, covenant or agreement contained in this Mortgage, and, to the extent such non-monetary (which term excludes, without limitation, payment and/or financial covenants) failure is curable, Mortgagor has not cured such failure within thirty (30) days after written notice from Mortgagee to Mortgagor with respect to a non-monetary failure; provided, however, if such failure cannot reasonably be cured within such thirty (30) days, then Mortgagor shall have up to ninety (90) days after written notice from Mortgagee as long as Mortgagor is diligently pursuing such cure within such ninety (90) day period; (c) any representation or warranty of Mortgagor contained in this Mortgage shall prove to have been false or incorrect in any material respect when made; (d) the Collateral shall be, or any portion thereof, damaged by fire or other casualty wherein the estimated loss is in excess of Five Hundred Thousand and 00/100 Dollars (\$500,000.00) and not adequately covered by insurance; (e) the Collateral, or any portion thereof, shall be damaged or taken through condemnation or conveyance in lieu thereof, wherein the estimated loss is in excess of Five Hundred Thousand and 00/100 Dollars (\$500,000.00) and not adequately covered by insurance (f) the granting of any trust mortgage upon any assets of Mortgagor, the occurrence of any assignment for the benefit of Mortgagor's creditors, or the appointment of a custodian, trustee or receiver with respect to any assets of Mortgagor (not otherwise permitted by the Loan Agreement), or the filing of any petition by or against Mortgagor under the Bankruptcy Reform Act of 1978 (as amended) or any other federal or state law by which Mortgagor is or may be relieved

from its debts unless, in the case of an involuntary receivership, bankruptcy filing, receivership or trusteeship has been dismissed within sixty (60) days of the filing of same; (g) the failure of Mortgagor to perform any term, covenant or agreement contained in, or the occurrence of a default or event of default under, any other material mortgage or any material note, the Loan Agreement, guaranty or other agreement or obligation (whether now existing or hereafter arising, and whether related or unrelated to this Mortgage or any of the Obligations) by Mortgagor in favor of Mortgagee, and such default has not been cured within any applicable notice, grace or cure period; (h) the failure of Mortgagor to perform any term, covenant or agreement contained in, or occurrence of a default or event of default under, any other material permitted mortgage and/or material security agreement (and/or any of the obligations secured thereby) encumbering any of the Collateral, and such default has not been cured within any applicable notice, grace or cure period; or (i) the breach of the Statutory Condition herein contained.

IV. Rights And Remedies Upon Default

4.01 Upon the occurrence of an Event of Default, any and all Obligations shall, at Mortgagee's option, become immediately due and payable without notice or demand, and Mortgagee, with or without taking possession of the Collateral, may (a) collect all rents, payments in the nature of rents, or account receivables relating to the Collateral; (b) sell, lease or otherwise dispose of any or all of the Collateral in its then condition or following such preparation or processing as Mortgagee deems advisable; (c) without assuming the obligations of Mortgagor thereunder, exercise the rights of Mortgagor under any contract, lease, permit, license or other beneficial right pertaining to any of the Collateral; (d) either directly, by agent, or by appointment of receiver, and with or without bringing any action or proceeding, maintain, repair and/or preserve the Collateral, construct the improvements thereon, or otherwise make alterations thereto, and/or manage, lease or operate the Collateral on such terms as Mortgagee in its sole discretion deems proper and appropriate; (e) exercise the Statutory Power of Sale; (f) foreclose any and all rights of Mortgagor in and to any of the Collateral; (g) proceed by a suit or suits at law or in equity or by other appropriate proceedings or remedy to collect the Obligations; (h) require Mortgagor to assemble any or all of the Related Personal Property and make it available to Mortgagee, at Mortgagor's sole risk and expense, in a place or places determined by Mortgagee; (i) take possession of any or all of the Collateral; and/or (j) exercise any other right or remedy of a mortgagee or secured party under the laws of the Commonwealth of Massachusetts.

4.02 This Mortgage is upon the STATUTORY CONDITION, upon the breach of which Mortgagee shall have, in addition to all other rights and remedies hereunder, the STATUTORY POWER OF SALE.

4.03 All rights and remedies of Mortgagee hereunder shall be cumulative and not exclusive of any other rights and remedies available to Mortgagee at law or in equity. No indulgence, delay or omission by Mortgagee in exercising or enforcing any of its rights or remedies hereunder shall operate as a waiver thereof on that occasion nor on any other occasion. No waiver of any Event of Default hereunder shall operate as a waiver of any other Event of Default hereunder, nor as a continuing waiver.

4.04 Any sale or other disposition of the Related Personal Property may be at public or private sale and upon such terms and in such manner as Mortgagee deems advisable. Mortgagee may conduct such sale or other disposition of the Related Personal Property upon the Real Property, in which event Mortgagee shall not be liable for any rent or charge for such use of the Real Property. Mortgagee may sell any of the Related Personal Property as part of the Real Property, or any portion or unit thereof, at the foreclosure sale or sales conducted pursuant hereto. Mortgagor waives any right to require marshalling of any of its assets in connection with any disposition conducted pursuant hereto. In the event all or part of the Related Personal Property is included at any real estate foreclosure sale conducted pursuant hereto, the single total price for the Collateral, or for such part thereof as is sold, may be accepted by Mortgagee with no obligation to distinguish between the application of proceeds amongst the real or personal property comprising the Collateral. The obligation of Mortgagor to pay such amounts shall be included in the Obligations and shall accrue interest at the highest rate applicable to any of the Obligations.

4.05 In the event Mortgagee, in the exercise of the Statutory Power of Sale contained herein, elects to sell the Collateral in parts or parcels, said sales may be held from time to time, and the power shall not be exhausted until all of the Collateral not previously sold shall have been sold and the Obligations paid in full.

4.06 Mortgagor hereby irrevocably constitutes and appoints Mortgagee, as Mortgagors true and lawful attorney in fact, to take, after the occurrence of an Event of Default, any action with respect to the Collateral to preserve, protect and/or realize upon Mortgagee's interest therein, all at the sole risk, cost and expense of Mortgagor, and for the sole benefit of Mortgagee. Mortgagee shall not be obligated to exercise such power, but if Mortgagee so elects to exercise it, Mortgagee shall not be accountable for more than it actually receives as a result of such exercise of power and shall not be responsible to Mortgagor, except for Mortgagee's willful misconduct, gross negligence or actual bad faith. All powers conferred upon Mortgagee by this Mortgage, being coupled with an interest, shall be irrevocable until terminated by written instrument executed by Mortgagee.

V. Environmental Representations

5.00 Mortgagor, to the best of its knowledge and belief, hereby represents, covenants and warrants to Mortgagee and its successors and assigns, as follows:

(a) The location and construction, occupancy, operation and use of all improvements now and hereafter attached to or placed, erected, constructed or developed as a portion of the Premises (the "Improvements") do not and will not violate any applicable laws, statute, ordinance, rule, regulation, policy, order or determination of any federal, state, local or other governmental authority ("Governmental Authority") or any board of fire underwriters (or other body exercising similar functions), or any restrictive covenant or deed restriction affecting any portion of the Premises, including without limitation, any applicable zoning ordinances and building codes, flood disaster laws and health and environmental laws, rules and regulations (hereinafter collectively called the "Applicable Laws").

(b) Without in any way limiting the generality of (i) above, neither the Premises nor the Mortgagor are the subject of any pending or, to the best of Mortgagor's knowledge, threatened investigation or inquiry by any Governmental Authority, or are subject to any remedial obligations under any Applicable Laws pertaining to health or the environment ("Applicable Environmental Laws"), including, without limitation, the Comprehensive Environmental Response, Compensation, and Liability Act of 1980, as amended ("CERCLA"), the Resource Conservation and Recovery Act of 1987, as amended ("RCRA"), and the Toxic Substances Control Act, The Clean Air Act, and The Clean Water Act, the Massachusetts Oil and Hazardous Materials Release Prevention Act (M.G.L. c. 21E) as from time-to-time amended and any other applicable state laws, and this representation and warranty would continue to be true and correct following disclosure to any applicable Governmental Authority of all relevant facts, conditions and circumstances pertaining to the Premises and/or the Mortgagor.

(c) Mortgagor is not required to obtain any permits, license or authorizations to construct, occupy, operate or use any portion of the Premises by reason of any Applicable Environmental Laws, or if any such permits, licenses or authorizations are required by any Applicable Environmental Laws, such permits, licenses or authorizations have, as of the date hereof, been obtained.

(d) Mortgagor has taken all steps necessary to determine and has determined that no hazardous substances, solid wastes, or other substances known or suspected to pose a threat to health or the environment including, without limitation, oil and all other materials and substances constituting hazardous substances under any Applicable Environmental Laws ("Hazards") have been disposed of or otherwise released on or to the Premises, exist on or within any portion of the Premises, or have been transported to or from the Premises, except in compliance with all Applicable Environmental Laws. No prior use, either by Mortgagor or the prior owners of the Premises, has occurred which violates any Applicable Environmental Laws. The use which Mortgagor makes and intends to make of the Premises will not result in the disposal or release of any hazardous substance, solid waste or Hazards on, in or to the Premises, or the transportation of hazardous substances, solid waste or Hazards to or from the Premises, except in compliance with all Applicable Environmental Laws. The terms "hazardous substance" and release shall each have the meanings specified in CERCLA, including, without limitation, petroleum products and petroleum wastes of any kind, and the terms "solid waste" and "disposal" (or "disposed") shall each have the meanings specified in RCRA; provided, however, that in the event either that CERCLA or RCRA is amended so as to broaden the meaning of any term defined thereby, such broader meaning shall apply subsequent to the effective date of such amendment; and provided further that, to the extent that the laws of the state or states where the Premises is located establish a meaning for "hazard substance", "release", "solid waste" or "disposal" which is broader than that specified in either CERCLA or RCRA, such broader definition shall apply.

(e) To the best of Mortgagor's knowledge and belief, there are no on-site or off-site locations where hazardous substances, including such substances as asbestos and Polychlorinated Biphenyls, solid wastes, or Hazards from the Premises, have been stored, treated, recycled, or

disposed of, except to the extent that such storage, treatment, recycling, or disposal has been accomplished in compliance with all Applicable Environmental Laws.

(f) To the best of Mortgagor's knowledge and belief, there has been no litigation brought or threatened nor any settlement reached by or with any parties alleging the presence, disposal, release or threatened release, of any hazardous substance, solid wastes or Hazards from the use or operation of the Premises of the transportation, in violation of Applicable Environmental Laws, of hazardous substances, solid wastes or Hazards to or from the Premises.

(g) To the best of Mortgagor's knowledge and belief after diligent investigation and inquiry, the Premises is not on any federal or state "superfund" list, and not on EPA's Comprehensive Response, Compensation & Liability System ("CERCLIS") list or on any state environmental agency list of sites under consideration for CERCLIS, nor subject to any environmentally related liens.

(h) Neither Mortgagor nor, to the best of Mortgagor's knowledge and belief, any tenant of any portion of the Premises, has received any notice from any Governmental Authority with respect to any violation of any Applicable Laws.

(i) Mortgagor shall not cause any violation of any Applicable Environmental Laws, nor permit any tenant of any portion of the Premises to cause such a violation, nor permit any environmental liens to be placed on any portion of the Premises.

All of the foregoing representations and warranties shall be continuing and shall be true and correct for the period from the date hereof through and as of the date of the final payment of all indebtedness owed by Mortgagor to Mortgagee and the final performance of all obligations under all instruments evidencing, governing, securing or relating to such indebtedness, with the same force and effect as if made each day throughout such period, and all of such representations and warranties shall survive such payment and performance.

5.01 Mortgagor shall conduct and complete all investigations, studies, sampling, and testing and all remedial, removal, and other actions necessary to clean up and remove hazardous substances, solid wastes or Hazards on, in, from or affecting any portion of the Premises (i) in accordance with all Applicable Laws, (ii) to the satisfaction of Mortgagee, and (iii) in accordance with the orders and directives of all Governmental Authorities. Mortgagor shall (i) give notice to Mortgagee immediately upon (A) Mortgagor's receipt of any notice from any Governmental Authority of a violation of any Applicable Laws or acquiring knowledge of the receipt of any such notice by any tenant of any portion of the Premises and (B) acquiring knowledge of the presence of any hazardous substances, solid wastes or Hazards on the Premises in a condition that is resulting or could reasonably be expected to result in any adverse environmental impact with a full description thereof; (ii) promptly comply with all Applicable Environmental Laws requiring the notice, removal, treatment, or disposal of such hazardous substances, solid wastes or Hazards and provide Mortgagee with satisfactory evidence of such compliance; and (iii) provide Mortgagee, within thirty (30) days after demand by Mortgagee, with a bond, letter of credit, or similar financial assurance evidencing to

Mortgagee's satisfaction that sufficient funds are available to pay the cost of removing, treating, and disposing of such hazardous substances, solid wastes or Hazards and discharging any assessments that may be established on the Premises as a result thereof.

5.02 If Mortgagee shall ever have reason to believe that there are hazardous substances, solid wastes or Hazards affecting any of the Premises, Mortgagee (by its officers, employees and agents) at any time and from time to time, either prior to or after the occurrence of an Event of Default under this Mortgage, may contract for the services of persons (the "Site Reviewers") to perform environmental site assessments ("Site Assessments") on the Premises for the purpose of determining whether there exists on the Premises any environmental condition that could result in any liability, cost or expense to the owner, occupier, or operator of such Premises arising under any Applicable Environmental Laws. The Site Assessments may be performed at any time or times, upon reasonable notice, and under reasonable conditions established by Mortgagor that do not impede the performance of the Site Assessments. The Site Reviewers are hereby authorized to enter upon the Premises for such purposes. The Site Reviewers are further authorized to perform both above and below the ground testing for environmental damage or the presence of hazardous substances, solid wastes and Hazards on the Premises and such other tests on the Premises as may be necessary to conduct the Site Assessments in the reasonable opinion of the Site Reviewers. Mortgagor will supply to the Site Reviewers such historical and operational information regarding the Premises as may be reasonably requested by the Site Reviewers to facilitate the Site Assessment and will make available for meetings with the Site Reviewers appropriate personnel having knowledge of such matters. On request, Mortgagee shall make the results of such Site Assessments fully available to Mortgagor, which (prior to an Event of Default under this Mortgage) may, at its election, participate under reasonable procedures in the direction of such Site Assessments and the description of tasks of the Site Reviewers. The cost of performing such Site Assessments shall be paid by Mortgagor upon demand of Mortgagee.

5.03 Without limiting the generality of any other provisions of this Mortgage, Mortgagor hereby DEFENDS, INDEMNIFIES AND HOLDS HARMLESS Mortgagee, its employees, agents, shareholders, officers, directors, and assigns, or any person who acquires title at a foreclosure sale, or deed in lieu of such proceeding (collectively, the "Indemnified Parties"), from and against any claims, demands, obligations, penalties, fines, suits, liabilities, settlements, damages, losses, costs or expenses (including, without limitation, reasonable attorneys' and consultants' fees and expenses, expert witness fees, investigation and laboratory fees and expenses, cleanup costs, and court costs and other litigation expenses) of whatever kind or nature, known or unknown, contingent or otherwise, arising out of or in any way related to (i) the presence, disposal, release, threatened release, removal or production of any hazardous substances, solid wastes or Hazards which are on, in, from or affecting any portion of the Real Property, (ii) the transportation, in violation of Applicable Environmental Laws of hazardous substances, solid wastes or Hazards to or from the Real Property; (iii) any personal injury (including wrongful death) or Real Property damage (real or personal arising out of or related to such hazardous substances, solid wastes or Hazards; (iv) any lawsuit brought or threatened, settlement reached, or order by Governmental Authority relating to such hazardous substances, solid wastes or Hazards on the Real Property, and/or (v) any violation of any Applicable Laws, or demands of Governmental Authorities, or violation of any policies or

requirements of Mortgagee, which are based upon or in any way related to such hazardous substances, solid wastes or Hazards on the Real Property, regardless of whether or not any of the conditions described under any of the foregoing subsections (i) through (v), inclusive, was or is caused by or within the control of Mortgagor. Mortgagor agrees, upon notice and request by an Indemnified Party, to contest and defend any demand, claim, suit, proceeding or action with respect to which Mortgagor has hereinabove indemnified and held the Indemnified Parties harmless and to bear all costs and expenses of such contest and defense. Mortgagor further agrees to reimburse any Indemnified Party upon demand for any costs or expenses (including, without limitation, reasonable attorneys' and consultants' fees and expenses, expert witness fees, investigation and laboratory fees and expenses, cleanup costs and court costs and other litigation expenses) incurred by any Indemnified Party in connection with any matters with respect to which Mortgagor has hereinabove indemnified and held the Indemnified parties harmless. The provisions of this paragraph shall be in addition to any other obligations and liabilities Mortgagor may have to Mortgagee at common law, in equity or under documentation executed in connection with the Loan, and shall survive the closing, funding and payment in full of the Loan, as well as any foreclosure of the Loan or granting of any deed in lieu of foreclosure and the recordation of any release of the lien of this Mortgage.

5.04 Mortgagee shall have the right, but not the obligation, without in any way limiting the Mortgagee's other rights and remedies under this Mortgage, to enter onto the Premises or to take such other actions as it deems necessary or advisable to clean up, remove, resolve, or minimize the impact of, or otherwise deal with, any hazardous substances, solid wastes or Hazards on or affecting the Premises following receipt of any notice from any person or entity asserting the existence of any hazardous substances, solid wastes or Hazards pertaining to the Premises or any part thereof that, if true, could result in an order, notice, suit, imposition of a lien on the Premises, or other action or that, in Mortgagee's sole opinion, could jeopardize Mortgagee's security under this Mortgage. All reasonable costs and expenses paid or incurred by Mortgagee in the exercise of any such rights shall be secured by the Mortgage and shall be payable by Mortgagor upon demand.

5.05 Mortgagor acknowledges that Mortgagee has and will rely upon the representations, covenants, warranties and agreements set forth herein in closing and funding the Loan and the making of the foregoing representations, warranties and covenants is an essential condition but for which Mortgagee would not close or fund the Loan. The representations, covenants, warranties and agreements herein contained shall be binding upon Mortgagor, its successors, assigns and legal representatives and shall inure to the benefit of Mortgagee, its successors, assigns and legal representatives.

VI. Notice

6.00 All notices required or permitted hereunder shall be in writing and shall be deemed given when personally delivered or deposited in the United States mail and, if delivered by mail, shall be mailed by registered or certified mail, return receipt requested, which is pre-paid and addressed as follows: If to Mortgagee, to the address hereinabove stated as Mortgagee's address or such other address as Mortgagee shall designate to Mortgagor in writing for the receipt of notice pursuant hereto, and if to Mortgagor, to either the address hereinabove stated as Mortgagor's address,

to the Real Property or any portion thereof, or to such other address as Mortgagor shall designate to Mortgagee in writing for the receipt of notice pursuant hereto.

VII. Miscellaneous

7.00 In the event Mortgagor is more than one person or entity, all of such parties constituting Mortgagor shall be jointly and severally liable hereunder, and each reference in this Mortgage to Mortgagor shall mean each of such co-mortgagors, individually, as well as collectively.

7.01 The proceeds of any collection, sale or disposition of the Collateral or of any other payments received hereunder, shall be applied to the Obligations in such order and manner as Mortgagee shall determine in its sole discretion, any statute, custom or usage to the contrary notwithstanding. Mortgagor shall remain liable to Mortgagee for any deficiency remaining following such application.

7.02 This Mortgage and all other instruments executed in connection herewith incorporate all discussions and negotiations between Mortgagor and Mortgagee concerning the matters included herein and in such other instruments. No such discussions or negotiations shall limit, modify or otherwise affect provisions hereof. No modification, amendment or waiver of any provision hereof, or of any provision of any other agreement between Mortgagor and Mortgagee, shall be effective unless executed in writing by the party to be charged with such modification, amendment, or waiver.

7.03 Mortgagor shall pay on demand all reasonable costs and expenses (including, without limitation, reasonable attorneys' fees) incurred by Mortgagor in connection with the preparation, execution and delivery of this Mortgage and of any other documents and agreements by Mortgagor in favor of Mortgagee, and all costs and expenses (including, without limitation, reasonable attorneys' fees) which Mortgagee may hereafter incur in connection with the collection of the Obligations or the protection or enforcement of any of Mortgagee's rights and remedies against Mortgagor, any Collateral, or any guarantor or endorser of the Obligations. All amounts so incurred by Mortgagee shall be included in the Obligations of Mortgagor to Mortgagee, shall be payable upon demand, and shall accrue interest at the highest rate applicable to any of the Obligations.

7.04 Mortgagor shall, within ten (10) days of written request from Mortgagee, furnish Mortgagee with a written statement, duly acknowledged, setting forth the amount of the Obligations, any right of set off, counterclaim or other defense which may exist or be claimed by Mortgagor against the Obligations.

7.05 Mortgagee shall not be liable for any loss sustained by Mortgagor resulting from any action, omission, or failure to act by Mortgagee with respect to the exercise or enforcement of its rights under this Mortgage or its relationship with Mortgagor unless such loss is caused by the willful misconduct, gross negligence or actual bad faith of Mortgagee. This Mortgage and Mortgagee's exercise of its rights hereunder shall not operate to place any responsibility upon Mortgagee for the control, care, management or repair of the Collateral, nor shall it operate to place any responsibility upon Mortgagee to perform the obligations of Mortgagor under any lease, license, or contract, or to

make Mortgagee responsible or liable for any waste committed on the Collateral, any damages or defective condition to the Collateral, or any negligence in the management, upkeep, repair or control of the Collateral.

7.06 Mortgagor shall indemnify, defend and hold harmless Mortgagee of and from any and all claims or liabilities (except for claims or liabilities arising from Mortgagee's willful misconduct, gross negligence or actual bad faith) asserted against and/or incurred by Mortgagee in connection with the Obligations, this Mortgage, the Collateral, or any part thereof, or the exercise by Mortgagee of any of its rights or remedies hereunder.

7.07 Mortgagee may, at any time and from time-to-time, without notice to, and without the consent of, any other person or entity (except for Mortgagor in the case of a modification of the terms of the Obligation or this Mortgage), (1) extend or accelerate the time of payment of the indebtedness secured hereby, (2) agree to modify the terms of the Obligation or this Mortgage, including increasing payments of interest and/or principal, (3) release any person liable for the payment of the Obligation secured hereby or for the performance of any other obligation of Mortgagor to Mortgagee, (4) release all or part of the security held for the Obligation secured hereby, or (5) exercise or refrain from exercising or waive any right Mortgagee may have.

Mortgagee shall have such rights and may exercise them without affecting the lien or priority of this Mortgage upon the Collateral or any part thereof, and without affecting the liability of any guarantor, endorser, co-maker and/or surety, notwithstanding the fact that the guarantors, sureties, co-makers, endorsers, junior mortgages, judgments, other claims and/or other encumbrances may be impaired, prejudiced, or otherwise adversely affected thereby.

7.08 MORTGAGOR HEREBY EXPRESSLY WAIVES ALL RIGHTS TO A JURY TRIAL WITH RESPECT TO ANY ACTION OR CLAIM ARISING OUT OF ANY DISPUTE RELATING, DIRECTLY OR INDIRECTLY, TO THE OBLIGATIONS, THIS MORTGAGE AND/OR THE COLLATERAL.

7.09 This Mortgage shall be binding upon Mortgagor and Mortgagor's successors and assigns and shall enure to the benefit of Mortgagee and Mortgagee's successors and assigns.

7.10 Any determination that any provision of this Mortgage or any application thereof is invalid, illegal or unenforceable in any respect in any instance shall not affect the validity, legality and enforceability of such provision in any other instance, nor the validity, legality or enforceability of any other provision of this Mortgage.

7.11 This Mortgage shall be governed by the laws of the Commonwealth of Massachusetts and shall take effect as a sealed instrument.

7.12 In the event of any conflict between the terms of this Mortgage and the terms of the Loan Agreement, the terms of the Loan Agreement will prevail.

IN WITNESS WHEREOF, Mortgagor has executed this Mortgage and Security Agreement under seal as of the day and year first above written.

SMITH & WESSON CORP.

/s/ Peter Marcil
Witness

By: /s/ John A. Kelly
Its duly authorized

COMMONWEALTH OF MASSACHUSETTS
COUNTY OF HAMPDEN

On this 11th day of January, 2005, before me, the undersigned notary public, personally appeared John Kelly, as Treasurer for Smith & Wesson Corp., a Delaware corporation and proved to me through satisfactory evidence of identification, which was a Mass. driver's license bearing the photographic image of the person's face and signature, to be the person whose name is signed on the preceding or attached document, and acknowledged to me that he/she signed it voluntarily for its stated purpose.

Peter Shrair
Notary Public

My commission expires: 12/13/07

MORTGAGE AND SECURITY AGREEMENT

KNOW ALL MEN BY THESE PRESENTS, that Smith & Wesson Corp., a Delaware corporation, having a principal place of business at 2100 Roosevelt Avenue, Springfield, Massachusetts (the "Grantor" or "Debtor"), in consideration of various promissory notes by Grantor in favor of Grantee of even date hereto in the amounts of Seventeen Million and 00/100 Dollars (\$17,000,000.00), Twelve Million One Hundred Four Thousand and 00/100 Dollars (\$12,104,000.00), Five Million Eight Hundred Ninety Six Thousand and 00/100 Dollars (\$5,896,000.00) and Five Million and 00/100 Dollars (\$5,000,000.00) (collectively the "Notes") and other valuable consideration paid by Banknorth, N.A., a national banking association, with a place of business at 1441 Main Street, Springfield, Massachusetts (the "Grantee" or "Secured Party"), the receipt whereof is hereby acknowledged, does hereby give, grant, bargain, sell, and convey (to the extent comprising personal property) unto Grantee, and its successors and assigns forever, and grant Secured Party, and its successors and assigns forever a security interest in, to secure the Obligations as defined below, the following:

Premises situated at or near 19 Aviation Drive, in the Town/City of Holten, County of Aroostook, State of Maine, more particularly described in Schedule A attached hereto with all buildings and improvements now or hereafter situated thereon and all privileges, easements and rights appurtenant thereto (the "Real Property"), and all property described in Schedule B attached hereto (the "Collateral"). Notwithstanding anything in this Mortgage to the contrary, the Collateral shall not include: (a) any intangible assets which constitutes intellectual property of the Grantor (including, without limitation, the "Smith & Wesson" trade name and any trade secrets, know-how, licenses, trade names, logos, registrations, lists, patents, patent applications, copyrights, copyright applications, trademarks or trademark applications); or (b) any licenses, leases or other contracts to the extent that the granting of a security interest therein would constitute a breach thereof or is prohibited thereby and such prohibition is not ineffective under Sections 9-406(d), 9-407, 9-408 or 9-409 of the Uniform Commercial Code; provided, further (x) all accounts arising under such licenses, leases or other contracts shall be included in the definition of Collateral and shall constitute Collateral and (y) the Collateral shall include all payments and other property received or receivable in connection with any sale or other disposition of such licenses, leases or other contracts.

The Real Property and such of the Collateral as is tangible personal property constituting fixtures are hereinafter referred to collectively as the "Premises." This Mortgage and Security Agreement as it may be affected by any amendments, subordinations, partial releases or supplemental mortgages hereafter executed by or accepted by Grantee is hereinafter collectively referred to as the "Mortgage."

TO HAVE AND TO HOLD all the aforegranted and bargained Premises and Collateral (hereinafter sometimes referred to collectively as the "Security"), to Grantee, its successors and assigns, to its and their use and behoove forever: PROVIDED NEVERTHELESS, that if Grantor pays to Grantee and fully performs all of the Obligations, in accordance with all the terms and conditions of this Mortgage and the Loan Documents, then this Mortgage, shall be void, but otherwise shall remain in full force.

The term "Obligations" shall mean any and all liabilities, obligations, and indebtedness of Grantor to Grantee presently existing or hereafter arising, and whether evidenced by a writing or not and including, without limitation, obligations to pay principal, interest, costs, fees, or other charges, under the Notes or otherwise; all obligations of Grantor to Grantee, if any, as guarantor, endorser, accommodation party or surety for the obligations of any Principal Debtor (described below), to Grantee, and any and all other obligations of performance or forbearance, all as required or regulated by applicable Loan Documents. The term "Loan Documents" shall mean this Mortgage and any other instrument, document or agreement evidencing, securing, or governing the Obligations, whether now existing or hereafter arising, including without limitation, the documents listed below, as each such document may be amended, extended, renewed or replaced by a written instrument executed by the applicable parties, including without limitation:

The Obligations as defined in the Loan and Security Agreement between Grantor, Smith & Wesson Holdings Corporation, a Nevada corporation and Grantee, of even date herewith (the "Loan Agreement") and all Notes referenced therein.

The term Loan Documents shall also include, without limitation, any promissory note, line of credit agreement, guaranty, letter of credit reimbursement agreement or other document, executed by Grantor either on or about the date hereof or in the future which states that it is or is intended to be secured by this Mortgage, including those to be secured as a future obligation pursuant to this Mortgage and Security Agreement.

Grantor covenants and agrees with Grantee as follows:

1. Estate of Grantor; Warranty Covenant. Grantor is lawfully seized of an indefeasible estate in fee simple in the Security, free from encumbrances, except as may specifically be noted herein, or in Schedule A or B attached hereto, or otherwise permitted by the Loan Agreement and Grantor has good right and power, and is duly authorized, to convey the Security to Grantee (and grant Grantee a security interest therein) to hold as aforesaid. Grantor shall and will warrant and defend the Security to Grantee forever against the claims and demands of all persons, except as aforesaid.
2. Payment of Secured Amounts. Grantor shall pay all sums secured hereby when due and shall perform all Obligations as required by the applicable Loan Documents.
3. Payment of Encumbrances on the Security. Grantor shall pay, when due, all taxes and assessments of every type or nature, and any claim, lien or encumbrance which may be or may become prior to this Mortgage, made, placed, levied or assessed against the Security, or any portion thereof, except to the extent such matters are being contested as permitted by the Loan Agreement.
4. Special Representations, Warranties and Covenants of Grantor. Grantor hereby warrants and covenants to the Grantee that:

(a) Grantor's full legal name is Smith & Wesson Corp. and Grantor's principal place of business is at 2100 Roosevelt Avenue, Springfield, Massachusetts. Grantor will not change Grantor's name, the State of Grantor's principal residence, nor Grantor's chief executive office nor any other place of business, nor the location of any Collateral, without at least 30 days' prior written notice to the Grantee.

5. Insurance. Grantor shall keep the Premises insured against loss or damage by fire, the perils against which insurance is afforded by the Extended Coverage Endorsement, and such other risks and perils as Grantee in its discretion may require from time to time, including, without limitation, insurance against flood damage and business interruption. The policy or policies of such insurance shall be in such form, shall contain such terms and provisions, and shall be in such amounts as Grantee may require, shall be issued by a company or companies approved by Grantee, and shall name Grantee as mortgagee with loss payable to Grantee, and shall, at the request of Grantee, provide for payment of the full replacement value of the Premises in lieu of a specified sum, which replacement value insurance shall be in an amount at all times sufficient to keep Grantor from becoming a co-insurer, which may be evidenced by any agreed amount or similar affirmative statement from any insurer. Such policy or policies of insurance shall be delivered to Grantee by Grantor. Grantor shall also maintain comprehensive general public liability insurance for personal injury and property damage, with contractual liability endorsement, in such amounts as Grantee may reasonably require from time to time; Grantor shall deliver the policies providing such public liability insurance for personal injury and property damage to the Grantee to be held by the Grantee, except that certificates of insurance addressed to the Grantee, satisfactory in form and content to Grantee, evidencing such public liability insurance for personal injury and property damage may be delivered to the Grantee in lieu of the policies therefor, provided that a copy of the underlying policy is also delivered to the Grantee; the policies for such public liability, personal injury and property damage insurance shall name Grantee as an additional insured and shall be carried with such companies and shall contain such other terms and conditions as shall be satisfactory to Grantee, including an obligation upon any such insurer to notify Grantee of any cancellation of any such insurance coverage in advance thereof. Any and all amounts received by Grantee as payee under any of such policies may be applied by Grantee to the indebtedness secured hereby in such manner as Grantee may, in its sole discretion, elect, or, at the option of Grantee, the entire amount so received or any part thereof may be released to Grantor. Upon foreclosure of this Mortgage or other acquisition of the Premises or any part thereof by Grantee, such policies naming Grantee as payee shall become the absolute property of Grantee, but receipt of any insurance proceeds and any disposition of the same by Grantee shall not constitute a waiver of any rights of Grantee, statutory or otherwise, and specifically shall not constitute a waiver of the right of foreclosure by Grantee in the event of default or failure of performance by Grantor of any covenant or agreement contained herein or in any note secured hereby.

Notwithstanding any contrary provision contained in this section, if an insured loss or casualty to the Collateral shall occur, the Grantee, unless an Event of Default shall have occurred and is continuing and/or the cost of repair or restoration of the Collateral is in excess of fifty percent (50%) of the then outstanding principal balance of the Note, shall

advance the proceeds of insurance (in installments upon application for the restoration of the Premises provided, however, the Grantee shall have no such obligation unless (a) the proceeds of insurance which are in the possession of the Grantee are adequate to complete such restoration or if not, then the Grantor has deposited with the Grantee sufficient cash with which to complete such restoration; (b) to the extent of any loss or casualty in excess of Fifty Thousand and 00/100 Dollars (\$50,000.00), the Grantee has been furnished with a certificate of an architect acceptable to the Grantee certifying that such restoration can be completed with the funds (including insurance proceeds and/or cash of the Grantor) and can be completed in accordance with zoning and building code requirements; (c) such restoration can be completed within the lesser of (i) eight (8) months of the receipt of the initial insurance proceeds or (ii) a period of time that ends not later than one hundred (120) days before the maturity date of the Note; and (d) a copy of a building permit, if required, has been furnished to Grantee.

6. Condition and Use of Premises. Grantor (i) shall neither remove, demolish nor alter the design or structural character of any building or structure now or hereafter erected upon the Premises, other than such construction approved by Grantee, unless the Grantee shall first consent thereto in writing; (ii) shall maintain the Premises in good condition and repair, ordinary wear and tear excepted; (iii) shall not commit or suffer waste of any Security; (iv) shall comply with all laws, ordinances, regulations, covenants, conditions and restrictions affecting the ownership, use and operation of the Security and shall not commit, suffer, or permit any violation thereof. Nothing contained herein shall obligate Grantee to perform any obligations of Grantor under any such contracts, leases, agreements, permits, licenses, orders or approvals described in Schedule B hereto, all of which the Grantor hereby agrees to perform well and punctually. Grantor agrees to execute and deliver to Grantee specific separate assignments of any property described in Schedule B hereto to Grantee upon terms satisfactory to Grantee, when requested by Grantee. Grantee may demand, sue for and recover payments due to Grantor pursuant to property described in Schedule B hereto, but shall not be required to do so; provided, however, that so long as Grantor is not in default hereunder, the right to receive and retain such rents, issues and profits is reserved to Grantor. To carry out the foregoing, Grantor agrees (1) to execute and deliver to Grantee such conditional assignments of leases and rents applicable to the mortgaged Premises as the Grantee may from time to time request, while this Mortgage and the debt secured hereby are outstanding, which assignments shall be upon terms satisfactory to Grantee, and further (2) not to anticipate or collect any of the rentals or income under any such leases or tenancies more than thirty (30) days in advance of the time the same shall become due, and not to cancel, accept a surrender of, reduce any rentals under, or modify any such leases or tenancies, or consent to an assignment or subletting thereof, in whole or in part, without Grantee's prior written consent, which consent shall not be unreasonably withheld or delayed. Nothing herein shall obligate the Grantee to perform the duties of the Grantor as landlord or lessor under any such leases or tenancies, which duties Grantor hereby covenants and agrees to perform well and punctually. Grantee may apply all such sums or any part of any judgments, awards of damages and settlements described in Schedule B hereto so received on the indebtedness secured hereby in such manner as it elects or, at its option, the entire amount or any part thereof so received may be released. Grantor hereby irrevocably authorizes and appoints Grantee its attorney-in-fact to collect and receive any such judgments, awards and

settlements from the authorities or entities making the same, to appear in any proceeding therefor, to give receipts and acquittances therefor, and to apply the same to payment on account of the Obligations secured hereby, whether then matured or not; such appointment being irrevocable and coupled with an interest, and the Grantor will execute and deliver to the Grantee on demand such assignments and other instruments as the Grantee may require for said purposes and will reimburse the Grantee for its reasonable cost (including reasonable attorneys and paralegal fees and disbursements, including, without limitation, those arising in bankruptcy proceedings (“Legal Expenses”)) in the collection of such judgments and settlements.

7. Grantee’s Right to Pay Certain Expenses. If Grantor fails to defend diligently against, or pay, any claim, lien or encumbrance which is alleged to be prior to this Mortgage, or to defend diligently against, or pay, any tax or assessment or insurance premium when due, or to keep the Premises in repair, or if the Grantor commits or permits waste of any Security, or if there be commenced any action or proceeding affecting this Mortgage or the debt secured hereby, the Security of the title thereto, or pertaining to any other mortgage or lien on the Security or any indebtedness secured thereby, then Grantee, at its option, may pay said claim, lien, encumbrance, tax, assessment or premium, with right of subrogation thereunder, may make such repairs and take such steps as it deems advisable to prevent or cure such waste, and with respect to any such action or proceeding, Grantee may appear in the action or proceeding retain counsel therein at the expense of Grantor, and take such action therein as Grantee deems reasonably advisable, and for any one or more of the above purposes Grantee may advance such sums of money as it deems necessary. Grantee shall have no responsibility with respect to the legality, validity or priority of any such claim, lien, encumbrance, tax, assessment, premium, action or proceeding, or with respect to the amount it deems necessary to be paid in satisfaction thereof, so long as it acts reasonably. Grantor shall pay to Grantee, immediately upon demand therefor, all sums of money advanced or expended by Grantee pursuant to this paragraph, and all reasonable fees and charges (including Legal Expenses) incurred by the Grantee incident to the loan(s) secured by this Mortgage, incident to the continued assurance of the security represented by this Mortgage, or incident to the enforcement of the obligations of the Grantor under this Mortgage, including without limitation all reasonable costs and expenses incurred by Grantee in foreclosure proceedings hereunder in the event that the Grantor obtains redemption after such proceedings have been initiated, together with interest on all such advancements, fees and charges, at the highest rate of interest per annum (including any default interest rate) required by any of the Loan Documents secured hereby; and all such sums advanced, and the interest thereon, shall be secured hereby.

8. Default, Possession, Appointment of a Receiver, and Certain Other Default Remedies. The occurrence of any one or more of the following events shall constitute an “Event of Default” hereunder: (a) the insolvency of the Grantor; or (b) the making of any assignment for the benefit of creditors of the Grantor; or (c) the issuance or filing of any attachment, levy, or other judicial process on or against any of the material assets; or (d) subject to Section 13 below, the appointment of a receiver, trustee or custodian for all or any portion of the property of the Grantor; or (e) subject to Section 13 below, the commencement of any proceedings under any state or federal bankruptcy or insolvency law or under laws for relief

of debtors, by or against the Grantor; or (f) the dissolution, business failure (which term includes, without limitation, the cessation of normal business operations) or termination of existence of the Grantor; or (g) the failure of the Grantor to pay its debts as they mature; or (h) any representation or statement made or furnished to Grantee by or on behalf of Grantor is false or misleading in any material respect; or (i) any default in the payment of any sums due under said Obligations when due, or default by the Grantor in performance of any other Obligations under this Mortgage, and such default has not been cured within any applicable notice, grace or cure period; or (j) default beyond any applicable cure period in the payment, satisfaction or performance by the Grantor of any condition or obligation under any of the Loan Documents or under any documents executed in connection with any other material obligations or liabilities of Grantor to Grantee, and such default has not been cured within any applicable notice, grace or cure period. At any time after an Event of Default has occurred:

a. Grantee is authorized at any time, without notice, in its sole discretion, to enter upon and take possession of the Premises or any part thereof, and to perform any acts Grantee deems necessary or proper to conserve the Security, and whether or not entry is made and possession is taken as aforesaid, to demand, collect and receive all rents, issues and profits thereof, including past due amounts as well as those presently or thereafter accruing. Grantee shall (after payment of all costs and expenses incurred in connection therewith) have the right, to the fullest extent permitted by law, but shall not be obliged, to apply such rents, issues and profits received by it to any amounts secured hereby, in such order as Grantee determines. Grantee shall be liable to account only for such rents, issues and profits actually received by Grantee; and

b. Grantee shall be entitled to have a receiver appointed to enter and take possession of the Premises, collect the rents and profits therefrom and apply the same as the court may direct; and

c. Grantee or the receiver may also take possession of, and for these purposes use, any and all personal property contained in the Premises and used by Grantor in the rental or leasing thereof or any part thereof.

d. Grantee may cure any default for the account of Grantor, and, to the fullest extent permissible under law, Grantee may apply any funds credited by or due from Grantee to Grantor against the same (without any obligation first to enforce any other rights of the Grantee, including, without limitation, any rights under said Obligations or Loan Documents secured hereby or this Mortgage, or any guarantee thereof, and without prejudice to any such rights). Without limiting the generality of the foregoing, Grantor hereby authorizes Grantee to pay all taxes, sewer use fees, water rates and assessments, with interest, costs and charges accrued thereon, which may at any time be a lien upon the Security, or any part thereof; to pay the premiums for any insurance required hereunder; to incur and pay reasonable expenses in protecting its rights hereunder and the security hereby granted; to pay any balance due

under any security agreement on any fixtures and equipment included as a part of the collateral; and the payment of all amounts so incurred shall be secured hereby as fully and effectually as any other Obligation secured hereby and shall bear interest until paid at the highest applicable rate of interest then payable under the terms of any of the Loan Documents secured hereby. To the fullest extent permissible under law, Grantee may apply to any of these purposes or to the repayment of any amounts so paid by Grantee any sums paid on any of the Obligations or this Mortgage by Grantor as interest or otherwise.

e. Grantee shall also have such rights and remedies as may be given to Grantee in said Loan Documents, including but not limited to, the right to enter the mortgaged premises before and after any default by Grantor, make inspections, complete or cause to be completed construction thereon and to make the same tenantable or habitable for human occupancy under requirements of all laws and ordinances and the right to expend the balance of loan proceeds and additional sums, necessary in the judgment of Grantee, in order to complete such construction and make the same tenantable or habitable as aforesaid; all such additional sums so expended, with interest thereon at the highest rate of interest per annum that is required by any of the Loan Documents, shall be fully secured hereby as necessary to protect the security of this Mortgage.

f. Receipt of rents, awards, and any other moneys or evidences thereof, pursuant to any of the other terms or provisions of this Mortgage, and any disposition of the same by Grantee shall not constitute a waiver of the right of foreclosure by Grantee in the event of default or failure of performance by Grantor hereunder, whether such receipt or disposition shall occur before or after the commencement of such foreclosure.

All reasonable expenses (including without limitation receiver's fees, Legal Expenses, costs and agent's compensation) incurred pursuant to the powers contained in this paragraph 8 shall be secured hereby. Grantor agrees that exercise of such powers and disposition of funds pursuant to this paragraph 8 shall not constitute a waiver of any foreclosure once commenced nor preclude the later commencement of foreclosure for breach hereof. The right to enter and take possession of said property, to manage and operate the same, and to collect the rents, issues and profits thereof, whether by a receiver or otherwise, shall be cumulative to any other right or remedy hereunder or afforded by law, and may be exercised concurrently therewith or independent thereof. Grantor agrees that any proceeds of the Security received by Grantee, including but not limited to foreclosure sale proceeds, insurance proceeds and condemnation proceeds may be applied by Grantee, whether or not there is a default hereunder, to any one or more of the Obligations secured hereby, regardless of whether any of such Obligations are matured or unmatured, as the Grantee may, in its sole discretion, determine.

9. Delay in Exercise of Rights. No delay of Grantee in exercising any right or remedy hereunder, or otherwise afforded by law, shall operate as a waiver thereof or preclude the exercise thereof during the continuance of any default hereunder.

10. Grantee's Rights. Without affecting the liability of Grantor or any other person (except any person expressly released in writing by Grantee) for payment of any indebtedness secured hereby or for performance of any obligation contained herein, and without affecting the rights of Grantee with respect to any security not expressly released in writing, Grantee may at any time and from time to time, either before or after the maturity of said note and without notice or consent:

- a. Release any person liable for payment of all or any part of the indebtedness or for performance of any obligation.
- b. Make any agreement extending the time or otherwise altering the terms of payment of all or any part of the indebtedness, or modifying or waiving any obligation, or subordinating, modifying or otherwise dealing with the lien or charge hereof.
- c. Exercise or refrain from exercising or waive any right Grantee may have.
- d. Accept additional security of any kind.
- e. Release or otherwise deal with any property, real or personal, securing the indebtedness, including all or any part of the Security .

11. Primacy of Mortgage Lien. All rights of the Grantee under any agreement hereafter made by Grantor and Grantee pursuant to this Mortgage shall be superior to the rights of the holder of any intervening lien or encumbrance on any Security, to the extent allowed by law.

12. Maintenance; Construction on the Premises. Grantor shall maintain and preserve in good order and repair the parking areas, common areas, passageways and drives, now or hereafter existing on the mortgaged Premises, ordinary wear and tear excepted. No building or other structure shall be erected upon the Premises, nor shall any new building or any addition to an existing building be erected thereon, without the prior written consent of Grantee, which consent shall not be unreasonably withheld or delayed.

13. Bankruptcy and Related Matters. Grantee, at its option, may accelerate the maturity of the indebtedness secured by this Mortgage, and may exercise any one or more default remedies, including foreclosure of this Mortgage (a) in the event any owner of the mortgaged Premises during the period of such ownership shall make an assignment for the benefit of creditors, file a petition in bankruptcy, petition or apply to any tribunal for the appointment of a custodian, receiver or trustee for itself or for any substantial part of its assets, or shall commence any proceeding under any bankruptcy, reorganization, arrangement, readjustment of debt, dissolution or liquidation law or statute of any jurisdiction, whether now or hereafter in effect; or (b) if there shall have been filed any such petition or application, or any such

proceeding shall have been commenced against such owner, in which an order for relief is entered or which remains undismissed for a period of sixty (60) days or more; or (c) if such owner by any act or omission shall indicate its consent to, approval of or acquiescence in any such petition, application or proceeding or order for relief or the appointment of a custodian, receiver or trustee for itself or for any substantial part of any of its properties, or shall suffer any such custodianship, receivership or trusteeship to continue undischarged for a period of sixty (60) days or more.

14. Security Interest; Notice; Remedies. The Grantor further covenants and agrees that this Mortgage shall constitute a security agreement with respect to the Collateral and Grantor hereby grants and conveys to Grantee, its successors and assigns, a security interest therein. This Mortgage shall be effective as a financing statement filed as a fixture filing with respect to all Collateral. Grantor agrees to execute, deliver and bear the expenses of such financing and continuation statements and such other instruments as Grantee may reasonably require to maintain its priority of security in the Collateral from time to time, authorizes the filing of these and any other financing statement reflecting such grant, and ratifies any such filing preceding the execution of this Mortgage. Should an Event of Default occur, then, upon acceleration of the indebtedness secured hereby, the Grantee may, at its discretion, require the Grantor to assemble the Collateral and make it available to the Grantee at a place reasonably convenient to both parties to be designated by the Grantee. The Grantee shall give the Grantor notice, by registered mail, postage prepaid, of the time and place of any public sale of any of the collateral or of the time of any private sale or other intended disposition thereof; which notice is to be sent to the Grantor at least ten (10) days before the time of the sale or other disposition, which provisions for notice the Grantor and Grantee agree are reasonable; provided, however, that nothing herein shall preclude the Grantee from proceeding as to both real and personal property in accordance with Grantee's rights and remedies in respect of the Security. Grantee shall have all of the remedies of a secured party under the Uniform Commercial Code as now in effect in the State of Maine, and such further remedies as may from time to time hereafter be provided in Maine for a secured party. Grantor agrees that all rights of Grantee as to said Security, and as to all appurtenances thereto, may be exercised together or separately, and further agrees that in exercising its power of sale as to said Security, and rights and interests appurtenant thereto, the Grantee may sell the Collateral or any part thereof, either separately from or together with the said Premises, all appurtenances thereto, or any part thereof, all as the Grantee may in its discretion elect. Any failure by Grantee to take necessary steps to preserve rights against any parties with respect to any property in its possession shall not be deemed a failure to exercise reasonable care. It is also agreed that any sale or other disposition of the Collateral permitted hereunder may be made without any warranties by the Grantee, may be made by an auctioneer or by any other means (at Grantee's discretion), and may be made without registration of any securities, and that all such sales or dispositions will be deemed to be commercially reasonable. For purposes of demanding termination of security interests created hereby, the address of Grantee shall be: Banknorth, N.A., 1441 Main Street, Springfield, Massachusetts 01103.

15. Certain Terms of Foreclosure Sale. At any foreclosure sale, any combination, or all, of the Security given to secure the indebtedness secured hereby, may be offered for sale for a

single price, and the proceeds of such sale may be accounted for in one account without distinction between the items of security and without assigning to them any proportion of such proceeds, Grantor hereby waiving the application of any doctrine of marshalling; and, in case the Grantee, in the exercise of the power of sale herein given, elects to sell in parts or parcels, such sales may be held from time to time, and the power shall not be fully executed until all of the Security not previously sold shall have been sold.

16. Statement of Balances and Defenses. Within seven (7) days after a request made in person, or within ten (10) days after a request made by mail, Grantor shall furnish a duly acknowledged written statement to Grantee, setting forth the amount of the debt secured by this Mortgage, and stating either that no offsets or defenses exist against the mortgage debt, or, if such offsets or defenses are alleged to exist, the nature thereof.

17. Grandfathered Uses. If at any time the then existing use or occupancy of the mortgaged Premises shall, pursuant to any zoning or other law, ordinance or regulation, be permitted only so long as such use or occupancy shall continue, that Grantor shall not cause or permit such use or occupancy to be discontinued without the prior written consent of the Grantee.

18. Commitment Letter Binding. Grantor shall well and truly perform, or cause to be performed, in a punctual manner, all the terms, conditions and agreements that are the obligation of Grantor contained in any commitment letter of Grantee to Grantor relating to any of the Obligations.

19. Escrow for Taxes and Insurance. Grantor shall, upon written request therefor by Grantee to Grantor, following the occurrence of an Event of Default, which request maybe withdrawn and remade from time to time at the discretion of Grantee, pay to Grantee on a monthly basis as hereafter set forth a sum equal to the municipal and other governmental real estate taxes, other assessments next due on the real property described in this Mortgage and all premiums next due for fire and other casualty insurance required of Grantor hereunder, less all sums already paid therefor, divided by the number of months to elapse not less than one (1) month prior to the date when said taxes and assessments will become delinquent and when such premiums will become due. Such sums as estimated by Grantee shall be paid with monthly payments of interest due pursuant to the terms of the indebtedness secured by this Mortgage and such sums shall be held at no interest by Grantee to pay said taxes, assessments and premiums before the same become delinquent. Grantor agrees that should there be insufficient funds so deposited with Grantee for said taxes, assessments and premiums when due, it will upon demand by Grantee promptly pay to Grantee amounts necessary to make such payments in full; any surplus funds may be applied toward the payment of the indebtedness secured by this mortgage or credited toward future such taxes, assessments and premiums; if Grantee shall have commenced foreclosure proceedings, the Grantee may apply such funds toward the payment of the mortgage indebtedness without causing thereby a waiver of any rights, statutory or otherwise, and specifically such application shall not constitute a waiver of the right of foreclosure hereunder. Grantor hereby assigns to Grantee all the foregoing sums so held hereunder for such purposes.

20. Leases and Tenancies. Grantor shall submit to the Grantee for Grantee's examination and approval in writing, which approval shall not be unreasonably withheld or delayed prior to the execution, delivery and commencement thereof, all leases, tenancies and occupancies of the Premises and any part thereof; any such leases, tenancies and occupancies, not so approved, shall not be valid; and Grantor at its cost and expense, upon request of Grantee, shall cause any parties in possession of the Premises under any such leases, tenancies and occupancies, not so approved, to vacate and surrender possession and control of the Premises immediately; and Grantor acknowledges that Grantee may from time to time at its option enter upon the mortgaged Premises and take any other action in court or otherwise to cause such parties to vacate the Premises; the costs and expenses of Grantee in so doing shall be paid by Grantor to Grantee on demand thereof and shall be part of the Obligations secured by this Mortgage as costs and expenses incurred to preserve and protect the security; such rights of Grantee shall be in addition to all its other rights as Mortgagee, including the right of foreclosure, for breach by Grantor in the requirements of this paragraph.

21. Sale or Encumbrance of the Premises. It is an additional condition of this Mortgage, for breach of which foreclosure may be claimed, and for breach of which all indebtedness secured hereby may be declared due and payable at once, that, without Grantee's prior written consent, neither the Grantor nor any subsequent owner of the Premises mortgaged hereby shall convey, mortgage, sell, contract to sell or otherwise transfer or encumber the title, ownership, right of possession, or any other interest in the mortgaged Premises, or in any part thereof, nor shall any interest in said Premises pass from Grantor or from any subsequent owner, either voluntarily, involuntarily, by operation of law or otherwise, except as permitted by the Loan Agreement. The conditions of this paragraph shall continue until all indebtedness and obligations secured hereby are satisfied. Permission given or election not to foreclose or accelerate said indebtedness made by Grantee, its successors or assigns, as to any one such event, shall not constitute a waiver of any rights of Grantee, its successors or assigns, as to any subsequent such event, as to which this condition shall remain in full force and effect. The term title as used herein shall mean the estate of the Grantor subject to the lien of this Mortgage. Any change in the legal or equitable title of the Premises or in the beneficial ownership of the Premises, whether or not of record, and whether or not for consideration or sale or other disposition of the stock of, or general partnership interest in, Grantor, if Grantor is a corporation or a partnership, shall be deemed a sale of the Premises and without the prior written consent of Grantee shall constitute a default herein by Grantor.

22. Hazardous Substances.

a. Grantor covenants that it has not discharged, dumped, installed, stored, used, treated, transported, disposed or maintained, and shall neither discharge, dump, install, store, use, treat, transport, dispose or maintain, nor allow, suffer or permit others to discard, dump, install, store, use, treat, transport, dispose or maintain toxic, hazardous, or radioactive substances, materials or wastes, including, without limitation, all of the following: (a) asbestos in any form; (b) urea formaldehyde foam insulation; (c) transformers or other equipment which contain dielectric fluid containing any level of polychlorinated biphenyls; or (d) any other chemical, material or substance which is prohibited, limited, or regulated by any federal, state, county,

regional, local, or other governmental authority or which, even if not so regulated, may or could pose a hazard to the health and safety of the occupants of the Premises or the owners of property adjacent to the Premises (all of which are referred to collectively herein as “Hazardous Substances”), in or on the mortgaged Premises; Grantor further covenants that the Premises do not contain, and Grantor shall not permit the Premises to contain, any Hazardous Substances (except as permitted by applicable law), and that the Premises are not now being used and never have been used for any activities directly or indirectly involving the use, generation, treatment, storage, transportation or disposal of any Hazardous Substances (except as permitted by applicable law), and that neither the Premises nor the Grantor is the subject of any existing, pending or threatened investigation or inquiry by, or of any remedial order or obligation issued by or at the behest of, any governmental authority under any law, rule or regulation pertaining to health or the environment. Grantor shall at all times keep the Premises free from any Hazardous Substances (except as permitted by applicable law). If Grantor fails to take with diligence any action required by Grantee or by any governmental entity with respect to the clean-up of any Hazardous Substances, materials or wastes on the Premises, Grantee, at its option, may enter upon the Premises, retain such experts and consultants at the expense of Grantor and take such action as Grantee deems advisable, and Grantee may advance such sums of money as it deems necessary with respect to the clean-up of any such substances, materials or wastes on the Premises; Grantor shall pay to Grantee immediately and upon demand, all sums of money advanced or expended by Grantee pursuant to this paragraph, together with interest on each such advancement at the highest rate of interest per annum (including any default interest rate) required by any of the Loan Documents secured hereby, and all such sums, and the interest thereon, shall be secured hereby, as sums spent to preserve and protect the Security.

b. The Grantor shall indemnify the Grantee and hold the Grantee harmless from and against all loss, damage, and expense (including, without limitation, attorney fees and costs incurred in the investigation, defense, and settlement of claims) that the Grantee may incur as a result of or in connection with the assertion against the Grantee of any claim relating directly or indirectly, in whole or in part, to the presence of or removal of any Hazardous Substances, or relating to any activity on or off the Premises, whether prior to or during the term of the Loans described in the Loan Agreement, and whether such activity was carried on by the Grantor or any predecessor in title or any employees, agents, contractors, or third parties, if such activity involved Hazardous Substances, in whole or in part, directly or indirectly, or noncompliance with any federal, state, or local laws, regulations, or orders relating thereto.

c. The Grantor shall promptly notify the Grantee in writing of any order or pending or threatened action by any regulatory agency or other governmental body, or any claims made by any third party, relating to Hazardous Substances on or emanating from the Premises, and shall promptly furnish the Grantee with copies of any correspondence and legal pleadings in connection therewith.

d. The Grantee shall have the right, but shall not be obligated, to notify any state, federal or local government authority of information which may come to its attention with respect to Hazardous Substances on or emanating from the Premises and Grantor irrevocably releases Grantee from any claims of loss, damage, liability, expense or injury relating to or arising from, directly or indirectly, any such disclosure, but Grantee does not hereby released Grantor from any claims, loss, damage, expense, injury, or any other matter in connection therewith, all of which claims, loss, damage, expense, injury and other matters of Grantee are hereby expressly reserved and preserved.

e. At any time during the term of the Loans described in the Loan Agreement the Grantee may require the Grantor to provide the Grantee, at the expense of the Grantor, written reports of inspections or audits of the Premises, prepared by a qualified consultant approved by Grantee, certifying as to the presence or absence of Hazardous Substances, or to permit the Grantee to so inspect or audit the Premises at the Grantor's expense, and Grantor hereby grants Grantee, its employees, agents and independent contractors, the right to enter upon the Premises for the purpose of conducting tests, soil borings, the installation of monitoring wells and such other tests as Grantee deems necessary or desirable.

f. The liability of the Grantor to the Grantee under the covenants of this section is not limited by any exculpatory provision in any Loan Document and shall survive any assignment, transfer, discharge or foreclosure of this Mortgage or any transfer of the Premises by deed-in-lieu of foreclosure, and any one or more transfers of the Premises by deed or otherwise, by whomsoever made, it being the intent hereof that Grantee may seek recourse against Grantor hereunder after any number of such transfers or other events.

23. Condominium or Development of Premises. Grantor further covenants and agrees that, without the prior written consent of Grantee herein, no part of the premises herein mortgaged shall be declared, or become the subject of, a condominium under the Maine Condominium Act, as it may be amended or supplemented, or become the subject of any covenants or restrictions, or any planned unit development, or any other type of development that would control or restrict the uses to which the Premises may be put or the scheme or arrangement of its development or the design, location or character of its buildings or improvements, or which would impose obligations or assessments of any type upon any owners or tenants of the Premises, or upon any other parties who may use or enjoy the Premises.

24. Effect of Consents and Waivers. No express or implied consent to, or waiver of, any default of Grantor by Grantee shall be construed as a consent to, or waiver of, any other default. No consent to, or waiver of, any default or any other indulgence, shall be effective unless expressed in writing by Grantee. Grantor agrees for itself, its successors and assigns, that the acceptance, before the expiration of the right of redemption and after the commencement of foreclosure proceedings of this Mortgage, of insurance proceeds, eminent domain awards, rents or anything else of value to be applied on or to the mortgage indebtedness by Grantee or any person or party holding under it shall not constitute a waiver

of such foreclosure, and this agreement by Grantor shall be that agreement referred to in Section 6204 of Title 14 of the Maine Revised Statutes of 1964 as necessary to prevent such waiver of foreclosure. This agreement by Grantor is intended to apply to the acceptance and such application of any such proceeds, awards, rents, and other sums or anything else of value whether the same shall be accepted from, or for the account of, Grantor or from any other source whatsoever by Grantee or by any person or party holding under Grantee at any time or times in the future while any of the Obligations secured hereby shall remain outstanding.

25. Indemnification. The Grantor shall indemnify, defend, and hold the Grantee harmless of and from any claim brought or threatened against the Grantee by the Grantor, by any guarantor or endorser of the indebtedness secured hereby, or by any other person (as well as from attorneys' reasonable fees and expenses in connection therewith) on account of the Security or any Loan Document, including, without limitation, on account of the Grantee's relationship with the Grantor or any other such guarantor or endorser (each of which claims may be defended, compromised, settled, or pursued by the Grantee with counsel of the Grantee's selection, but at the expense of the Grantor), but excluding matters arising as a result of the willful misconduct, gross negligence or bad faith of Grantee. The within indemnification shall survive payment and performance of this Mortgage and any termination, release, or discharge executed by the Grantee in favor of the Grantor.

26. Prior and Junior Liens. If any portion of the Security shall at any time be subject to any mortgage, security interest, lien or encumbrance whether prior to this Mortgage (a "Prior Lien") or junior in priority to this Mortgage (a "Junior Lien") the provisions of this paragraph shall apply. The existence of this paragraph shall not be deemed to imply any consent or approval or agreement by Grantee to allow any Prior Lien or Junior Lien upon any part of the Security, or an exception to the Grantor's covenants under paragraph 1 above or any of the other terms and conditions described in this Mortgage and Security Agreement.

a. Grantor shall perform, or cause to be performed, when due, all obligations of the Grantor in any document relating to or secured by any Prior Lien or any Junior Lien, to perform all statutory or other conditions of said documents, and shall pay or cause to be paid, when due, all indebtedness secured thereby. Grantor hereby agrees that a default in terms of any document relating to or secured by any Prior Lien or any Junior Lien, shall constitute a default under this Mortgage.

b. If an event of default shall have occurred under any document relating to or secured by a Prior Lien, then in addition to any other rights and remedies available to Grantee, Grantee may, but need not, make any payment or perform any act required under any document relating to or secured by a Prior Lien, in any form and manner deemed expedient by Grantee, and may, but need not, make full or partial payments of principal or interest secured by any Prior Lien, and purchase, discharge, compromise or settle the Prior Lien and/or the documents secured thereby, and in the event Grantee shall make any such payments to the holder of the Prior Lien, Grantee shall be subrogated to all of the right, title, interest and privilege which before said payments were vested in the holder of such Prior Lien, as the case may be, and that

upon such payment, this Mortgage shall be, to the extent of payment so made, a valid lien subrogated as aforesaid upon the Security.

c. Notwithstanding any other provisions in this Mortgage, if pursuant to any document relating to a Prior Lien, insurance proceeds in respect of any damage or destruction or any award or payment applicable to a taking by eminent domain is applied against any obligation secured by any Prior Lien, as the case may be, Grantee may forthwith demand payment in full of the Obligations secured hereby due and payable at any time thereafter unless the Premises remaining after such taking or damage or destruction is sufficient in Grantee's sole judgment to adequately secure the payment of the Obligations secured hereby.

d. Grantor shall not enter into any agreement by which the terms or conditions of any document relating to any Prior Lien or any Junior Lien are waived, modified, varied, extended or renewed without the prior written consent of Grantee and, further, Grantor shall not enter into any agreement by which the terms of payment of any indebtedness secured by Prior Lien or Junior Lien are waived, modified, or deferred or delayed or increased or reduced in rate or amount without the prior written consent of Grantee, and if any such action be taken by written agreement or oral understanding, without the prior written consent of Grantee, Grantee, at its option, may consider such event a default under this Mortgage, entitling Grantee to exercise any and all default remedies hereunder or otherwise available to it.

27. Further Documentation. Grantor shall at all times do and perform all acts and things necessary or appropriate (or which Grantee may reasonably deem necessary or appropriate) to effectuate more fully the purposes of this Mortgage and the agreements set forth herein or in any other documents associated with any indebtedness secured hereby, upon request therefor by Grantee. Grantor shall promptly execute and deliver to Grantee on demand any further instruments or documentation which Grantee may reasonably deem necessary or appropriate in order to create, maintain, perfect, ensure the first priority of or otherwise effectuate any of Grantee's security interests, mortgage interests, liens, rights or interests created or to be created in connection with the debt secured hereby, including without limitation such specific assignments of security, mortgages, UCC financing statements, assignments, pledges, and other documents as Grantee shall request. Grantor shall perform any and all steps requested by Grantee to perfect Grantee's security interest in the Collateral, such as placing and maintaining signs, appointing custodians, executing and filing financing or continuation statements in form and substance satisfactory to Grantee, and delivering to Grantee any documents, chattel paper, instruments, drafts, notes, and other forms of obligations owing to Grantor and in which Grantee has a security interest, endorsed to the order of Grantee at Grantee's request. Grantor hereby grants Grantee an irrevocable power of attorney, coupled with an interest, to act for Grantor in order to execute any document or take any action desirable to Grantee, in its discretion, to effect, protect, perfect or preserve Grantee's lien on the Security and any repossession and/or liquidation thereof provided for herein, and any expense borne by Grantee in exercising said power of attorney shall be due on demand from Grantor and secured hereby as provided in Section 7 hereof.

28. Captions. The use of paragraph headings in this document is for purposes of convenience only, and no caption or paragraph heading shall affect in any way the interpretation, meaning or construction of this document.

29. Conflicts with Loan Agreement. In the event of any conflict between the terms of this Mortgage and the terms of the Loan Agreement, the terms of the Loan Agreement will prevail.

Under the terms and provisions of one of more of the Loan Documents which this Mortgage secures and under the terms and provisions of any future or further advances secured hereby, the interest rate payable thereunder may be variable. THE PURPOSE OF THIS PARAGRAPH IS TO PROVIDE RECORD NOTICE OF THE RIGHT OF GRANTEE, ITS SUCCESSORS AND ASSIGNS, TO INCREASE OR DECREASE THE INTEREST RATE ON ANY INDEBTEDNESS SECURED HEREBY WHERE THE TERMS AND PROVISIONS OF SUCH INDEBTEDNESS PROVIDE FOR A VARIABLE INTEREST RATE.

The covenants and agreements herein contained shall bind, and the benefits and advantages thereof shall inure to, the respective heirs, executors, administrators, successors and assigns of the Grantor and Grantee. Wherever used, the singular number shall include the plural, the plural the singular, the use of any gender shall be applicable to all genders. If more than one party executes this Mortgage as a Grantor, then the promises, obligations and liabilities of each such party to Grantee hereunder shall be joint and several promises, obligations and liabilities to Grantee, its successors and assigns. This Mortgage shall be governed in all respects in accordance with the laws of the State of Maine, except its conflict of laws rules.

No determination that any obligation or portion of this Mortgage and Security Agreement is invalid or unenforceable under law shall affect in any way the validity or enforceability of any other obligations or portions hereof.

THIS MORTGAGE is on the STATUTORY CONDITION and upon the further condition of full and seasonable compliance of the Grantor with all of the preceding terms, condition, covenants, and agreements, for any breach of which; (a) the Grantor shall be in default hereunder; (b) the Grantee shall have the right of foreclosure and any and all other rights and remedies given to a Mortgagee and Secured Party under the law of Maine, this Mortgage and Security Agreement and any document it secures; and (c) the Grantee and Grantee's successors and assigns shall also have THE STATUTORY POWER OF SALE pursuant to the applicable provisions of Titles 14 and 33 of the Maine Revised Statutes of 1964, as said Statutes have been and shall be amended, and in connection therewith, Grantor acknowledges that this Mortgage secures a loan or loans for business, commercial, or agricultural purposes. No remedy herein conferred on the Grantee 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. The failure to exercise any right or remedy shall in no event be construed as a waiver or release thereof. Any failure by the Grantee to insist upon strict performance by Grantor of any of the terms or provisions of this

Mortgage shall not be deemed to be a waiver of any terms or provisions of this Mortgage and the Grantee shall have the right thereafter to insist upon strict performance by Grantor of any and all of such terms and provisions.

IN WITNESS WHEREOF, Grantor has executed or has caused this Mortgage and Security Agreement to be executed this ____day of January, 2005.

SMITH & WESSON CORP.

/s/
Witness

By: /s/
Its duly authorized

COMMONWEALTH OF MASSACHUSETTS
COUNTY OF HAMPDEN

On this ____day of January, 2005, before me, the undersigned notary public, personally appeared _____, as _____ for Smith & Wesson Corp., a _____ corporation and proved to me through satisfactory evidence of identification, which was a _____ driver's license bearing the photographic image of the person's face and signature, to be the person whose name is signed on the preceding or attached document, and acknowledged to me that he/she signed it voluntarily for its stated purpose.

/s/

Notary Public
My commission expires: _____

SCHEDULE A

Property Description

SCHEDULE B

All Debtor's right, title and interest in the following:

a. All building materials and supplies and all other tangible personal property intended for use in construction of buildings and other improvements on the Premises, now and hereafter owned by the Grantor and now affixed and to be affixed, or now and hereafter located upon the Premises, together with all of Grantor's right, title and interest under any contracts or agreements relating in any way to the construction of any improvements on the Premises or the marketing and/or sale of any portion of the Premises, including without limitation all construction contracts and subcontracts, design contracts, brokerage listing contracts, and all other contracts and agreements between Grantor and any of Grantor's general contractors, subcontractors, architects, engineers, brokers, consultants, material providers or other parties providing any goods or services in any connection with construction upon all or any portion of the Premises, together with all plans, specifications, drawings, surveys, engineering and all other site reports, studies, assessments and marketing materials related to the Premises, or to any portion thereof, and all governmental permits, licenses, orders and approvals of whatever nature, related in any way to all or any portion of the Premises, whether received by Grantor or applied for and not yet received or not yet applied for, together with all profits, proceeds, payments, sums of money and accounts, including without limitation, earnest money deposits, accounts receivable, contract rights, intangibles, notes, drafts, acceptances, and all other evidences of receivables, and all rights of Grantor now or hereafter acquired or earned by Grantor under contracts for the sale of any interests in any real estate forming all or any portion of the Premises, together with all contracts, agreements, contract rights and general intangibles related thereto now or hereafter acquired by Grantor as aforesaid and all sums unadvanced under this Mortgage and the note(s) it secures, and all sums due in escrow conditioned upon the use of said sums for the completion of construction of buildings and other improvements on the Premises.

b. The following articles of personal property now or hereafter situated on or within the Premises, or used in connection therewith: All plumbing, heating, lighting, refrigerating, ventilating and air conditioning apparatus and equipment, garbage incinerators and receptacles, elevators and elevator machinery, boilers, tanks, motors, sprinkler and fire extinguishing systems, door bell and alarm systems, screens, awnings, screen doors, storm and other detachable windows and doors, mantels, built-in cases, counters, and all other equipment, machinery, furniture and furnishings, fixtures and articles of personal property now or hereafter owned by Grantor and now or hereafter affixed to, place upon or used in connection with the operation of the Premises for any purpose, together with cash proceeds and non-cash proceeds of all of the foregoing, whether or not such property is subject to prior conditional sales agreements, leases, chattel mortgages or other liens.

c. All conditional sales agreements, leases and use agreements of machinery, equipment and other personal property of Grantor now or hereafter situated on or within the Premises, or used in connection therewith, under which Grantor is the purchaser or lessee of, or entitled to use, such items.

d. All leases and tenancies of the Premises and all Grantor's rights and interests as the lessor or landlord under any and all written or oral such leases and tenancies, whether such leases or tenancies now exist or are hereafter created, including rents, profits, revenues, royalties, bonuses, rights and benefits under any and all leases or tenancies now existing or hereafter created of the Premises or any part thereof, with the right to receive and apply the same to said indebtedness.

e. All judgments, awards of damages and settlements hereafter made as a result or in lieu of any taking of the Premises or any interest thereon or part thereof under the power of eminent domain, or for any damage (whether caused by such taking, any casualty or otherwise) to the Premises or the improvements thereon or any part thereof, including any award for change of grade of streets.

f. All additions, accessions, substitutions, replacements and proceeds of the foregoing.

For purposes of this Schedule B only, "Grantor shall mean "Debtor", "Grantee shall mean "Secured Party", and "Premises" shall mean the property described on Schedule A attached hereto.

GUARANTY

This GUARANTY, dated as of January 11, 2005, is given by Smith & Wesson Holding Corporation, a Nevada corporation, with a usual place of business at 2100 Roosevelt Avenue, Springfield, Massachusetts (the "Guarantor") in favor of Banknorth, N.A., a national banking association, located at 1441 Main Street, Springfield, Massachusetts (the "Lender"), to induce Lender to give, in its discretion, time, credit or other banking facilities or accommodations to Smith & Wesson Corp. (the "Borrower"). In consideration of the foregoing, Guarantor agrees as follows:

1. Guaranty of Payment and Performance. Guarantor hereby (jointly and severally with all other guarantors, if any) guarantees to Lender the full and punctual payment when due (whether at maturity, by acceleration or otherwise), and the performance, of all liabilities, agreements and other obligations of Borrower to Lender of every kind, nature and description (whether by way of discount, letters of credit, lease, loan, overdraft or otherwise), whether now existing or hereafter arising, direct or indirect, absolute or contingent, due or to become due, secured or unsecured, and including, without limitation, all costs and expenses incurred by Lender in attempting to collect or enforce any of the foregoing, (collectively the "Obligations"). This Guaranty is an absolute, unconditional and continuing guaranty of the full and punctual payment and performance of the Obligations and not of their collectibility only and is in no way conditioned upon any requirement that Lender first attempt to collect any of the Obligations from Borrower or resort to any security or other means of obtaining their payment. Guarantor agrees that the Obligations will be paid and performed strictly in accordance with their respective terms (as amended from time-to-time) regardless of any law, regulation or order now or hereafter in effect in any jurisdiction affecting any of such terms or the rights of Lender with respect thereto. Should Borrower default in the payment or performance of any of the Obligations, the liabilities and obligations of Guarantor hereunder shall become immediately due and payable to Lender, without demand or notice of any nature, all of which are expressly waived by Guarantor. Payment and performance by Guarantor hereunder may be required by Lender on any number of occasions.

2. Guarantor's Further Agreement to Pay. Guarantor further agrees, as the principal obligor and not as a guarantor only, to pay to Lender, on demand, all reasonable costs and expenses (including, without limitation, court costs and reasonable attorneys' fees) incurred or expended by Lender in connection with the Obligations, this Guaranty and the enforcement thereof, together with interest on all amounts recoverable under this Guaranty, from the time such amounts become due until payment, at the rate per annum equal to the highest rate of interest charged with respect to any of the Obligations.

3. General Waivers. Guarantor waives: (a) notice of acceptance hereof by Lender; (b) presentment, demand and protest with respect to the Obligations and this Guaranty; (c) notice of Obligations incurred or default upon any of the Obligations, and all other notices of any kind; (d) all defenses which may be available by virtue of any statute of limitations, valuation, stay, moratorium law or other similar law now or hereafter in effect; (e) any right to require the marshalling of assets of Borrower; (f) all homestead rights, protections and exemptions; and (g) all suretyship defenses

generally.

4. Lender's Freedom to Act. Lender may, without giving notice to or obtaining the assent of Guarantor and without relieving Guarantor of any liability hereunder, deal with Borrower or any other party now or hereafter liable upon any of the Obligations, in such manner as Lender in its sole discretion deems appropriate, and in this regard, Guarantor agrees that the obligations of Guarantor hereunder shall not be released or discharged, in whole or in part, or otherwise affected by (a) the failure of Lender to assert any claim or demand or to enforce any right or remedy against Borrower, (b) any extensions or renewals of any of the Obligations, (c) any rescissions, waivers, amendments or modifications of any of the terms or provisions of any agreement evidencing, securing or otherwise executed in connection with any of the Obligations, (d) the substitution or release of any party primarily or secondarily liable for any of the Obligations, (e) the adequacy of any rights Lender may have against any collateral or other means of obtaining repayment of the Obligations, (f) the impairment of any collateral securing any of the Obligations, including, without limitation, the failure to perfect or preserve any rights Lender might have in such collateral or the substitution, exchange, surrender, release, loss or destruction of any such collateral, or (g) any other act or omission which might in any manner or to any extent vary the risk of Guarantor or otherwise operate as a release or discharge of Guarantor, all of which may be done without notice to or assent from Guarantor.

5. Unenforceability Of Obligations Against Borrower. If for any reason Borrower has no legal existence or is under no legal obligation to discharge any of the Obligations, or if any of the Obligations have become irrecoverable from Borrower by operation of law or for any other reason, this Guaranty shall nevertheless be binding on Guarantor to the same extent as if Guarantor at all times had been the principal obligor on all such Obligations. In the event that acceleration of the time for payment of any of the Obligations is stayed upon the insolvency, bankruptcy or reorganization of Borrower, or for any other reason, all such amounts otherwise subject to acceleration under the terms of any agreement evidencing, securing or otherwise executed in connection with any of the Obligations shall be immediately due and payable by Guarantor.

6. Subrogation. Guarantor also waives any and all rights of subrogation, reimbursement, indemnity, contribution or the like which Guarantor might at any time have against Borrower as a result of any payment by Guarantor to Lender hereunder; unless Lender otherwise agrees, such waiver by Guarantor shall not be effective to the extent that, by virtue of such waiver, Guarantor's liability to Lender hereunder is rendered invalid, voidable or unenforceable under any applicable federal or state laws dealing with the recovery or avoidance of so called "fraudulent conveyances", or otherwise. Until the payment and performance in full of the Obligations and any and all obligations of Borrower to any affiliate of Lender, Guarantor will not claim any set-off or counterclaim against Borrower in respect of any liability of Guarantor to Borrower, and Guarantor waives any recourse against any collateral which may be held by Lender or any such affiliate.

7. Debt Subordination. The payment of any amounts due with respect to any indebtedness of Borrower now or hereafter held by Guarantor is hereby subordinated to the prior payment in full of the Obligations, and Guarantor agrees that, in the absence of Lender's prior written consent, Guarantor will not demand, accept or sue for any payment upon, or otherwise attempt to

collect, any such indebtedness of Borrower to Guarantor until the Obligations shall have been paid in full. If, notwithstanding the foregoing, Guarantor shall, without Lender's prior written consent, collect, enforce or receive any amounts in respect of such indebtedness, such amounts shall be collected, enforced and received by Guarantor as trustee for Lender and be paid over to Lender on account of the Obligations without affecting in any manner the liability of Guarantor under the other provisions of this Guaranty.

8. Security; Set-Off. Any and all deposits or other sums at any time credited by, or due to Guarantor from, Lender or any of its banking or lending affiliates or any loan participant under any loan arrangement between Lender and Guarantor, and any cash, instruments, securities or any other property of Guarantor, now or hereafter in the possession of Lender, or any of its banking or lending affiliates or any loan participant under any loan arrangement between Lender and Guarantor, whether for safe-keeping or otherwise, shall at all times constitute security (and hereby remain subject to a pledge and grant of security interest by Guarantor) for the payment of this Guaranty and all other obligations, whether now existing or hereafter arising, of Guarantor to Lender and may be applied or set-off against any of such obligations, whether or not then due.

9. Term; Reinstatement. The obligations of Guarantor hereunder shall continue until full payment is made of all of the Obligations and of all obligations and liabilities of Guarantor hereunder. This Guaranty shall continue to be effective or reinstated, notwithstanding any return by Lender to Guarantor of the original of this Guaranty, if at any time any payment made or value received with respect to any of the Obligations or any of the obligations of Guarantor upon this Guaranty is rescinded or must otherwise be returned by Lender upon the insolvency, bankruptcy or reorganization of Borrower or Guarantor, or otherwise, all as though such payment had not been made or such value not received.

10. Governing Law; Successors and Assigns. This Guaranty is intended to take effect as a sealed instrument, shall be governed by, and construed and in accordance with, the laws of the Commonwealth of Massachusetts, shall be binding upon Guarantor and Guarantor's heirs, executors, administrators, successors and assigns, shall inure to the benefit of Lender and Lender's successors and assigns, and shall apply to all Obligations of Borrower and any successor to Borrower, including any successor by operation of law.

11. Amendments and Waivers. No amendment or waiver of any provision of this Guaranty nor consent to any departure by Guarantor therefrom shall be effective unless the same shall be in writing and signed by Lender. No failure on the part of Lender to exercise, and no delay in exercising, any right hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any right hereunder preclude any other or further exercise thereof or the exercise of any other right.

12. CONSENT TO JURISDICTION; JURY WAIVER. GUARANTOR HEREBY EXPRESSLY WAIVES ALL RIGHTS TO A JURY TRIAL WITH RESPECT TO ANY ACTION OR CLAIM ARISING OUT OF ANY DISPUTE RELATING, DIRECTLY OR INDIRECTLY, TO ANY OF THE OBLIGATIONS AND/OR THIS GUARANTY. GUARANTOR HEREBY SUBMITS TO THE JURISDICTION OF THE COURTS OF THE COMMONWEALTH OF

MASSACHUSETTS (AND THE FEDERAL COURTS SITUATED THEREIN) WITH RESPECT TO ALL CLAIMS CONCERNING THIS GUARANTY AND/OR ANY COLLATERAL SECURING GUARANTOR'S LIABILITIES TO LENDER.

13. Miscellaneous. This Guaranty constitutes the entire agreement of Guarantor with respect to the matters set forth herein. The rights and remedies herein provided are cumulative and not exclusive of any remedies provided by law or any other agreement, and this Guaranty shall be in addition to, and not in substitution of, any other guaranty or security for the Obligations. The invalidity or unenforceability of any one or more sections of this Guaranty shall not affect the validity or enforceability of its remaining provisions. Captions are for the ease of reference only and shall not affect the meaning of the relevant provision. The meaning of all defined terms used in this Guaranty shall be equally applicable to the singular and plural forms of the terms defined.

Executed under seal and delivered as of the date first above written.

SMITH & WESSON
HOLDING CORPORATION

/s/ Peter Marcil
Witness

BY: /s/ John A. Kelly
Its duly authorized