SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934

FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 2001

COMMISSION FILE NUMBER 1-13293

SUNSOURCE INC.

(Exact name of registrant as specified in its charter)

DELAWARE	23-2874736
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
3000 ONE LOGAN SQUARE PHILADELPHIA, PENNSYLVANIA	19103
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: (215) 282-1290

SECURITIES REGISTERED PURSUANT TO SECTION 12(b) OF THE ACT:

Title of Class	Name of Each Exchange on Which Registered
11.6% Junior Subordinated Debentures	
Preferred Securities Guaranty	
Preferred Share Purchase Rights	

SECURITIES REGISTERED PURSUANT TO SECTION 12(g) OF THE ACT: None

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

YES X NO

On November 14, 2001, there were 7,135,124 Common Shares outstanding.

SUNSOURCE INC.

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<TABLE>
<CAPTION>

SUNSOURCE INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(dollars in thousands)

	SUCCESSOR	PREDECESSOR	
ASSETS	SEPTEMBER 30, 2001 (UNAUDITED)	DECEMBER 31, 2000	SEPTEMBER 30, 2000 (UNAUDITED)
Current assets:			
Cash and cash equivalents	$ 19,679	$ 2,811	$ 3,736
Restricted cash	--	10,955	--
Marketable securities	7,313	--	--
Accounts receivable, net	35,578	46,912	56,513
Inventories	49,758	78,658	78,403
Deferred income taxes	11,594	14,483	9,964
Net assets held for sale and liquidation	407	1,767	3,387
Income taxes receivable	--	27	12,532
Other current assets	6,142	6,167	3,231
Total current assets	130,471	161,780	167,766
Property and equipment, net	55,716	58,314	59,331

Goodwill and other intangibles	129,471	77,949	79,761
Deferred income taxes	22,472	15,118	3,791
Other investments	20,000	1,030	232
Deferred financing fees	5,896	5,835	4,431
Other assets	3,462	2,115	9,228
Cash surrender value of life insurance policies	--	--	12,551
Total assets	$ 367,488	$ 322,141	$ 337,091
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current liabilities:			
Accounts payable	$ 20,416	$ 39,785	$ 44,171
Current portion of senior term loans	3,500	375	5,000
Current portion of capitalized lease obligations	170	915	933
Current portion of unsecured subordinated notes	--	2,677	2,400
Notes payable	--	624	--
Dividends / distributions payable	1,019	1,019	1,019
Deferred income tax liability	260	594	--
Accrued expenses:			
Salaries and wages	2,512	4,307	4,799
Income and other taxes	5,354	6,605	4,789
Deferred compensation	2,187	4,543	--
Accrued liabilities on discontinued operations	1,413	2,407	2,837
Other accrued expenses	16,456	20,977	18,857
Total current liabilities	53,287	84,828	84,805
Long term unsecured subordinated notes	40,000	40,960	11,562
Long term senior term loans	51,500	2,125	10,774
Bank revolving credit	35,113	55,111	73,027
Long term capitalized lease obligations	214	627	777
Deferred compensation	6,126	7,868	12,764
Deferred income tax liability	3,846	1,629	--
Other non-current liabilities	1,303	1,541	1,619
Total liabilities	191,389	194,689	195,328
Guaranteed preferred beneficial interests in the Company's junior subordinated debentures	102,072	114,848	114,936
Commitments and contingencies			
Stockholders' equity:			
Preferred stock, $.01 par, 1,000,000 shares authorized, none outstanding	--	--	--
Preferred stock Series B, $.01 par, 275,000 shares			

authorized, none outstanding	--	--	--
Common stock, $.01 par, 20,000,000 shares authorized, 7,135,124 issued and outstanding at September 30, 2001, 7,352,137 issued and 6,873,037 outstanding at December 31, 2000 and 7,344,778 issued and 6,865,678 outstanding at September 30, 2000	71	74	73
Additional paid-in capital	73,956	22,808	21,881
Retained earnings (accumulated deficit)	--	(617)	17,293
Unearned compensation	--	(428)	(472)
Accumulated other comprehensive income	--	(528)	(3,243)
Treasury stock, at cost	--	(8,705)	(8,705)
Total stockholders' equity	74,027	12,604	26,827
Total liabilities and stockholders' equity	$ 367,488	$ 322,141	$ 337,091

SEE ACCOMPANYING NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

SUNSOURCE INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS (Unaudited)
FOR THE THREE MONTHS ENDED,
(dollars in thousands)

	SEPTEMBER 30, 2001	SEPTEMBER 30, 2000
	Predecessor	
Net sales	$ 114,767	$ 116,111
Cost of sales	65,551	68,758
Gross profit	49,216	47,353
Operating expenses:		
Selling, general and administrative expenses	38,302	38,884
Depreciation	3,505	2,893
Amortization	989	1,006
Total operating expenses	42,796	42,783
Other income (expenses)	(105)	14
Income from operations	6,315	4,584
Interest expense, net	2,921	2,959
Distributions on guaranteed preferred beneficial interests	3,058	3,058
Equity in earnings of affiliate (Note 3)	118	525
Income (loss) before provision for income taxes	454	(908)
Income tax benefit	(634)	(438)
Income (loss) from continuing operations	1,088	(470)

Discontinued operations (Note 1)		
Income from operations of discontinued segments, net of income taxes of $10	--	10
Loss on disposal of discontinued segments, net of income tax benefit of $262	--	(488)
Loss from discontinued operations	--	(478)
Net income (loss)	$ 1,088	$ (948)

</TABLE>

SEE ACCOMPANYING NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

SUNSOURCE INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS (Unaudited)
FOR THE NINE MONTHS ENDED,
(dollars in thousands)

<TABLE>
<CAPTION>

	SEPTEMBER 30, 2001	SEPTEMBER 30, 2000
<S>	<C>	<C>
Predecessor		
Net sales	$ 341,307	$ 360,117
Cost of sales	197,743	215,117
Gross profit	143,564	145,000
Operating expenses:		
Selling, general and administrative expenses	113,443	123,770
Depreciation	9,593	6,481
Amortization	2,895	2,378
Total operating expenses	125,931	132,629
Other income (expenses)	(398)	346
Income from operations	17,235	12,717
Interest expense, net	9,222	8,416
Distributions on guaranteed preferred beneficial interests	9,174	9,174
Gain (loss) on divestitures (Note 3)	--	49,115
Equity in earnings of affiliate (Note 3)	1,063	1,479
Income (loss) before provision for income taxes	(98)	45,721
Provision for income taxes	1,229	5,085
Income (loss) from continuing operations	(1,327)	40,636
Discontinued operations (Note 1)		
Income from operations of discontinued segments, net of income taxes of $85	--	85
Gain on disposal of discontinued segments, net of income tax benefit of $7,191	--	1,869
Income from discontinued operations	--	1,954

Net income (loss)	$ (1,327)	$ 42,590

</TABLE>

SEE ACCOMPANYING NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

SUNSOURCE INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)
FOR THE THREE MONTHS ENDED,
(dollars in thousands)

<TABLE>
<CAPTION>

	SUCCESSOR	PREDECESSOR	
		SEPTEMBER 30,	SEPTEMBER 30,
	(AT INCEPTION)	2001	2000
<S>	<C>	<C>	<C>
Cash flows from operating activities:			
Net income (loss)	$ --	$ 1,088	$ (948)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Depreciation and amortization	--	4,494	3,899
Loss from discontinued segments before taxes	--	--	730
Equity in earnings of affiliate	--	(118)	(525)
Deferred income tax benefit	--	(144)	--
Changes in current operating items:			
Decrease (increase) in accounts receivable	--	(2,430)	6,211
Decrease in inventories	--	691	269
Increase in income taxes receivable	--	--	(648)
Decrese (increase) in other current assets	--	515	(478)
Increase (decrease) in accounts payable	--	(2,046)	1,545
Increase (decrease) in other accrued liabilities	--	(1,490)	64
Other items, net	--	636	842
Net cash provided by operating activities	--	1,196	10,961
Cash flows from investing activities:			
Proceeds from sale/liquidation of discontinued operations	--	173	--
Proceeds from sale of division, net of cash (Note 3)	17,136	--	--
Costs associated with sale/liquidation of discontinued operations	--	(267)	(373)
Proceeds from sale of property and equipment	--	93	95
Increase in net assets held for sale	--	(100)	(66)
Capital expenditures & contruction in process	--	(4,400)	(2,786)

Merger transaction fees	--	(3,112)	--
Other, net	--	(1,945)	(133)
Net cash provided by (used for) investing activities	17,136	(9,558)	(3,263)
Cash flows from financing activities:			
Borrowings under new credit agreements	100,113	--	--
Borrowings (repayments) under credit agreements, net	(85,194)	13,109	(3,873)
Repayment of long term debt	(2,250)	(125)	(1,726)
Repayment of subordinated notes	(8,803)	--	--
Repayments under other credit facilities, net	--	(212)	(127)
Principal payments under capitalized lease obligations	--	(226)	(238)
Repayment of note issued for purchase of treasury stock	(1,261)	--	--
Prepayment penalty	(1,675)	--	--
Financing fees	(4,447)	--	--
Net cash provided by (used for) financing activities	(3,517)	12,546	(5,964)
Net increase in cash and cash equivalents	13,619	4,184	1,734
Cash and cash equivalents at beginning of period	6,060	1,876	2,002
Cash and cash equivalents at end of period	$ 19,679	$ 6,060	$ 3,736

SEE ACCOMPANYING NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

SUNSOURCE INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)
FOR THE NINE MONTHS ENDED,
(dollars in thousands)

	Successor		Predecessor
		September 30,	September 30,
	(at inception)	2001	

2000			
<S>	<C>	<C>	<C>
Cash flows from operating activities:			
Net income (loss)	$ --	$ (1,327)	$ 42,590
Adjustments to reconcile net income (loss) to net cash provided by (used for) operating activities:			
Depreciation and amortization	--	12,488	8,859
Loss from discontinued segments before taxes	--	--	5,152
Gain on contribution from subsidiaries	--	--	(49,115)
Equity in earnings of affiliate	--	(1,063)	(1,479)
Deferred income tax provision	--	1,044	--
Changes in current operating items:			
Increase in accounts receivable	--	(13,792)	(1,146)
Decrease in inventories	--	1,228	5,535
Decrease (increase) in income taxes receivable	--	27	(874)
Decrease (increase) in other current assets	--	(356)	1,808
Decrease in accounts payable	--	(185)	(480)
Decrease in other accrued liabilities	--	(4,881)	(4,952)
Other items, net	--	2,013	(74)
Net cash provided by (used for) operating activities	--	(4,804)	5,824
Cash flows from investing activities:			
Proceeds from sale of subsidiary, net of cash (Note 3)	17,136	--	--
Proceeds from contribution of subsidiaries	--	--	105,000
Costs associated with contribution of subsidiaries	--	--	(655)
Proceeds from sale/liquidation of discontinued operation	--	1,623	31,446
Costs associated with sale/liquidation of discontinued operations	--	(1,214)	(1,500)
Payment for acquired business	--	--	(87,000)
Proceeds from sale of property and equipment	--	718	1,219
Increase in net assets held for sale	--	(43)	(1,272)
Capital expenditures & contruction in process	--	(12,179)	(6,268)
Merger transaction fees	--	(3,112)	--
Other, net	--	(3,462)	(513)
Net cash provided by (used for) investing activities	17,136	(17,669)	40,457
Cash flows from financing activities:			
Borrowings under new credit agreements	100,113	--	--
Borrowings (repayments) under credit agreements, net	(85,194)	30,083	(29,764)
Repayment of long term debt	(2,250)	(250)	(5,726)
Repayment of subordinated notes	(8,803)	(2,785)	(9,600)
Repayments under other credit facilities, net	--	(624)	

(376)			
Principal payments under capitalized lease obligations	--	(707)	
(722)			
Repayment of note issued for purchase of treasury stock	(1,261)	--	
--			
Prepayment penalty	(1,675)	--	
--			
Financing fees	(4,447)	5	
(1,632)			
	---	---	-

Net cash provided by (used for) financing activities	(3,517)	25,722	
(47,820)			
	---	---	-

Net increase (decrease) in cash and cash equivalents	13,619	3,249	
(1,539)			
Cash and cash equivalents at beginning of period	6,060	2,811	
5,275			
	---	---	-

Cash and cash equivalents at end of period	$ 19,679	$ 6,060	$
3,736			
	=========	=========	
=========			

</TABLE>

SEE ACCOMPANYING NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

SUNSOURCE INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY (Unaudited)
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2001,
(dollars in thousands)

<TABLE>
<CAPTION>

	Common Stock	Additional Paid-in Capital	Accumulated Deficit	Unearned Compensation	
	---	---	---	---	---
<S>	<C>	<C>	<C>	<C>	
Beginning balance at December 31, 2000 - Predecessor	$74	$22,808	$(617)	$(428)	
Net loss			(1,327)		
Issuance of 16,807 shares of common stock to certain non-employee directors		58			
Issuance of 366,804 shares of common stock in exchange for warrants and stock options	3	(3)			
Amortization of stock option discount				55	
Amortization of vested portion of restricted stock				75	
Purchase of 121,524 shares of common stock for treasury					
Cancellation of 600,624 shares of common stock in treasury		(9,966)			

Ending balance at September 30, 2001 - Predecessor	77	12,897	(1,944)	(298)
Close predecessor's stockholders' equity at merger date	(77)	(12,897)	1,944	298
Issuance of 7,135,124 shares of common stock to shareholders	71	73,956		
Ending balance - September 30, 2001 - Successor	$71	$73,956	$ --	$ --

</TABLE>

<TABLE>
<CAPTION>

	Accumulated Other Comprehensive Income (1)	Treasury Stock	Total Stockholders' Equity
<S>	<C>	<C>	<C>
Beginning balance at December 31, 2000 - Predecessor	$(528)	$(8,705)	$12,604
Net loss			(1,327)
Issuance of 16,807 shares of common stock to certain non-employee directors			58
Issuance of 366,804 shares of common stock in exchange for warrants and stock options			--
Amortization of stock option discount			55
Amortization of vested portion of restricted stock			75
Purchase of 121,524 shares of common stock for treasury		(1,261)	(1,261)
Cancellation of 600,624 shares of common stock in treasury		9,966	--
Ending balance at September 30, 2001 - Predecessor	(528)	--	10,204
Close predecessor's stockholders' equity at merger date	528		(10,204)
Issuance of 7,135,124 shares of common stock to shareholders			74,027
Ending balance - September 30, 2001 - Successor	$ --	$ --	$74,027

</TABLE>

(1) Cumulative foreign translation adjustment represents the only item of other comprehensive income.

SEE ACCOMPANYING NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

SUNSOURCE INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(DOLLARS IN THOUSANDS)

1. BASIS OF PRESENTATION:

On September 26, 2001, SunSource Inc. (the "Company" or "SunSource") was acquired by Allied Capital Corporation ("Allied Capital"). Pursuant to the terms and conditions of an Agreement and Plan of Merger dated as of June 18, 2001, certain members of management and other stockholders continued as stockholders of the Company after the merger. The total transaction value was $74,027, consisting of the cash purchase price paid for the outstanding common stock of the Company aggregating $71,494 and management's common shares valued at $2,533. The Company survived the merger as an independently managed, privately held portfolio company of Allied Capital. The Company's Consolidated Balance Sheets and its related Statements of Operations, Cash flows and Changes in Stockholders' equity for the periods presented as of and prior to September 30, 2001 are referenced herein as the predecessor financial statements (the "Predecessor"or "Predecessor Financial Statements"). The Company's Consolidated Balance Sheet as of September 30, 2001 and its related Statement of Operation, Cash Flow and Changes in Stockholders' Equity for the period presented at inception of the Merger Transaction are referenced herein as the successor financial statements(the "Successor"or "Sucessor Financial Statements"). The Successor Financial Statements include the effects of the Company's debt refinancing and sale of an operating subsidiary completed subsequent to the Merger Transaction (see allocation of the purchase price below and reference Notes 3 and 4 for information related to these events). The Company's final two business days of operation in September 2001 are immaterial for separate presentation. Accordingly, the Successor presentation is limited to the debt refinancing and sale of an operating subsidiary.

The accompanying Predecessor Financial Statements include the consolidated accounts of the Company and its wholly-owned subsidiaries, principally The Hillman Group, Inc. (the "Hillman Group" or "Hillman"), and SunSource Technology Services Company, L.L.C. ("Technology Services" or "STS"), and includes an investment trust, SunSource Capital Trust (the "Trust"). The accompanying Successor Financial Statements at inception of the Merger Transaction consist of the consolidated accounts of the Company and its wholly-owned subsidiaries including primarily the Hillman Group and the Trust. The Company also has an investment in an affiliate, G-C Sun Holdings, L.P., operating as Kar Products. All significant intercompany balances and transactions have been eliminated.

The accompanying Successor Financial Statements reflect the allocation of the aggregate purchase price of $74,027 to the assets and liabilities of SunSource based on fair values at the date of the merger in accordance with Accounting Principles Board Opinion #16, Accounting for Business Combinations for transactions initiated prior to June 30, 2001. The following table reconciles the fair value of the acquired assets and assumed liabilities to the total purchase price:

<TABLE>
<S>

	<C>	<C>
Accounts Receivable	$ 60,704	
Inventory	77,430	
Property and equipment	59,321	
Goodwill	108,060	
Intangible assets	12,924	
Other current assets	31,322	
Other non-current assets	41,899	
Total assets acquired		$ 391,660
Less:		
Liabilities assumed	215,561	
Guaranteed preferred beneficial interests in the Company's junior subordinated debentures	102,072	
Total Assumed Liabilities		317,633
Total Purchase Price		$ 74,027

</TABLE>

1. BASIS OF PRESENTATION, CONTINUED

The total liabilities include transaction related costs aggregating $4,723 which were associated with Allied Capital's purchase of the Company and assumed by the Company in accordance with push down accounting.

The following unaudited pro forma consolidated net sales and net loss for the nine months ended September 30, 2001 and the year ended December 31, 2000, assume that the acquisition of SunSource, its subsequent refinancing and the acquisitions and dispostions described in Note 3 were consummated on January 1,

(DOLLARS IN THOUSANDS)

2000:

<TABLE>
<CAPTION>

	Y-T-D 2001	2000
<S>	<C>	<C>
Net Sales	$188,746	$238,338
Net Loss	$ (1,041)	$ (6,434)

</TABLE>

The accompanying consolidated financial statements and related notes are unaudited; however, in management's opinion all adjustments (consisting of normal recurring accruals) considered necessary for the fair presentation of financial position, operations and cash flows for the periods shown have been reflected. Results for the interim period are not necessarily indicative of those to be expected for the full year.

Certain information in note disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles has been condensed or omitted pursuant to the rules and regulations of the Securities and Exchange Commission for quarterly reports on Form 10-Q requirements although the Company believes that disclosures are adequate to make the information presented not misleading. These financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in the Company's report on Form 10-K for the year ended December 31, 2000; Form 10-Q for the quarter ended June 30, 2001; the proxy statement dated August 28, 2001 related to the Merger Transaction; Form 8-K, Report of Unscheduled Material Events, filed on June 21, 2001; Form 8-K, Report of Change in Control of Registrant filed on October 10, 2001; and Form 8-K, Report of Disposition of Assets filed on October 15, 2001.

DISCONTINUED OPERATIONS:

In December 1999, the Company's Board of Directors approved management's plan to dispose of the glass business, Harding Glass, Inc. ("Harding"). In December 2000, the Company's Board of Directors also approved management's plan to liquidate the Company's Integrated Supply - Mexico business (the "Mexican segment"). Accordingly, Harding and the Mexican business segments have been accounted for as discontinued operations with their respective results of operations segregated from results of the Company's ongoing businesses including restatement of the prior periods presented. On April 13, 2000, the Company consummated the sale of Harding. The liquidation of the Mexican Segment was substantially completed as of June 30, 2001. See Note 3, Contribution of Subsidiaries/Acquisitions/Divestitures.

1. BASIS OF PRESENTATION, CONTINUED:

DISCONTINUED OPERATIONS, CONTINUED:

Following is summary financial information for the Company's discontinued Harding and Mexican operations:

<TABLE>
<CAPTION>

	Three Months Ended 9/30/00	Nine Months Ended 9/30/00
<S>	<C>	<C>
NET SALES:		
Harding	$ --	$ 27,966
Mexican segment	3,861	11,742
Consolidated net sales	$ 3,861	$ 39,708
INCOME FROM DISCONTINUED OPERATIONS:		
Before income taxes		

Harding	$ --	$ --
Mexican segment	20	170
Total income from discontinued operations before income taxes	$ 20	$ 170
Income tax expense:		
Harding		
Mexican segment	(10)	(85)
Total income tax expense	$ (10)	$ (85)
Net income from discontinued operations:	$ --	$ --
Harding	10	85
Mexican segment		
Total net income from discontinued operations	$ 10	$ 85
GAIN (LOSS) ON DISPOSAL:		
Harding	$ (750)	$ (5,322)
Mexican segment	--	--
Total loss on disposal	$ (750)	$ (5,322)
Income tax benefit on disposal:		
Harding	$ 262	$ 7,191
Mexican segment	--	--
Total tax benefit on disposal	$ 262	$ 7,191
Total gain (loss) on disposal from discontinued operations	$ (488)	$ 1,869
TOTAL INCOME (LOSS) FROM DISCONTINUED OPERATIONS:		
HARDING	$ (488)	$ 1,869
MEXICAN SEGMENT	10	85
TOTAL INCOME (LOSS) FROM DISCONTINUED OPERATIONS	$ (478)	$ 1,954

</TABLE>

1. BASIS OF PRESENTATION, CONTINUED:

DISCONTINUED OPERATIONS, CONTINUED:

No additional loss on disposal of the discontinued segments has been recorded during the three and nine months ended September 30, 2001.

As of September 30, 2001, the Company had net assets held for sale of the discontinued operations of $407 consisting of receivables, prepaid assets, and property and equipment, and accrued liabilities of $1,413, which consists primarily of severance and other termination-related liabilities.

INVENTORIES

Inventories consisting predominantly of finished goods are valued at the lower of cost or market, cost being determined principally on the first-in, first-out method.

2. RECENT ACCOUNTING PRONOUNCEMENTS:

In June 1998, the Financial Accounting Standards Board ("the FASB") issued Statement of Financial Accounting Standards ("SFAS") 133, "Accounting for Derivative Instruments and Hedging Activities." SFAS 133 established accounting and reporting standards for derivative financial instruments and hedging activities, and requires the Company to recognize all derivatives as either assets or liabilities on the balance sheet and measure them at fair value. Gains

and losses resulting from changes in fair value are accounted for depending on the use of the derivative and whether it is designated and qualifies for hedge accounting. In June 1999, the FASB issued SFAS 137, which deferred the implementation of SFAS 133. The Company adopted SFAS 133 during the first quarter of 2001. The adoption of SFAS 133 has not had a material impact on the Company's financial position and results of operations because the Company generally does not engage in derivative transactions.

In July 2001, the FASB issued SFAS No. 141, "Business Combinations" ("FAS 141") and SFAS No. 142, "Goodwill and Other Intangible Assets" ("FAS 142"). FAS 141 requires that all business combinations be accounted for under the purchase method, and the use of the pooling-of-interests method is prohibited for business combi-nations initiated after June 30, 2001. FAS 141 also establishes criteria for the separate recognition of intangible assets acquired in a business combination. FAS 142 requires that goodwill no longer be amortized to earnings, but instead be subject to periodic testing for impairment. FAS 142 is effective for fiscal years beginning after December 15, 2001, with earlier application permitted only in specified circumstances. Management is currently evaluating the expected impact of FAS 141 and FAS 142.

At the end of June 2001, the FASB issued FASB Statement No. 143, Accounting for Asset Retirement Obligations. FAS 143 requires that obligations associated with the retirement of a tangible long-lived asset be recorded as a liability when those obligations are incurred, with the amount of the liability initially measured at fair value. FAS 143 will be effective for financial statements for fiscal years beginning after June 15, 2002. Management is currently evaluating the expected impact of FAS 143.

FAS 144 supersedes FAS 121, accounting for the Impairment of Long-Lived assets and for Long-Lived Assets to be Disposed OF, and the accounting and reporting provisions of APB 30, Reporting the Results of Operations, Reporting the Effects of Disposal of a

2. RECENT ACCOUNTING PRONOUNCEMENTS, CONTINUED:

Segment of a Business and Extraordinary, Unusual and Infrequently Occurring Events and Transactions, for the disposal of a segment of a business. FAS 144 was necessary to resolve significant implementation issues related to SFAS 121. Although the proposed statement supercedes FAS No. 121, it retains the fundamental measurement provisions for assets that are to be disposed of by sale. Additionally, FAS 144 retains the basic provisions of APB 30 for the presentation of discontinued operations in the income statement but broadens that presentation to include a component of an entity, rather than a segment of a business. The provisions of FAS 144 are effective for financial statements issued for fiscal years beginning after December 15, 2001 and interim periods within those fiscal years. Management is currently evaluating the expected impact of FAS 144.

3. CONTRIBUTION OF SUBSIDIARIES/ACQUISITIONS/DIVESTITURES:

On September 28, 2001 the Company sold substantially all of the assets of its Technology Services subsidiary. The sales price aggregated $25,546 in cash and preferred stock, subject to post-closing adjustments, plus the assumption of certain liabilities by the buyer. The sale of assets resulted in no gain or loss on the sale transaction because the assets and liabilities of Technology Services were recorded at fair value in conjunction with the Merger Transaction. As of September 30, 2001, the Company's consolidated balance sheet includes $5,000 in other investments related to the Company's investment in the preferred stock of the buyer of the Technology Services business. The cash proceeds from the sale will be distributed to Allied Capital and certain members of management, who are the remaining shareholders of the Company.

In December 2000, the Board approved a plan to liquidate the Mexican segment which provided comprehensive inventory management services of maintenance, repair and operating materials to large manufacturing plants in Mexico. The Company recorded a pre-tax loss on liquidation of approximately $4,572 representing non-cash charges for accumulated translation losses, the write-down of inventories and other assets, and other liquidation-related costs. The liquidation process was substantially completed as of June 30, 2001.

On November 3, 2000, the Company's Hillman Group purchased inventory and other assets of the Sharon-Philstone division of Pawtucket Fasteners, L.P. of Rhode Island. Hillman assumed the sales and servicing of the Sharon-Philstone division, distributors of fasteners to the retail hardware marketplace with annual sales of approximately $14,000 for the twelve-month period prior to acquisition. The purchase price was $5,460 for inventory and other assets including certain post-closing adjustments.

On April 13, 2000, the Company sold substantially all of the assets of Harding for a cash purchase price of $30,592 plus the assumption by the buyer of certain liabilities aggregating $12,693, subject to certain post-closing adjustments.

On April 7, 2000, the Company's Hillman Group acquired Axxess Technologies, Inc. ("Axxess" or "Axxess Technologies"), a Tempe, Arizona manufacturer of key

3. CONTRIBUTION OF SUBSIDIARIES/ACQUISITIONS/DIVESTITURES, CON'T.:

duplication and identification systems. The transaction was structured as a purchase of 100% of the stock of the privately held company and repayment of outstanding Axxess debt in exchange for $87,000 in cash and $23,000 in subordinated notes. In connection with the sale of Harding on April 13, 2000, the Company repaid $9,600 of these subordinated notes leaving a balance of $13,400 comprised as follows: 1) a $2,400 15% note which was repaid on April 7, 2001 and 2) an $11,000 note which was paid on September 28, 2001 at a discount as part of the Company's debt refinancing arrangement. The aggregate consideration for the transaction was $111,537, including transaction costs of $1,537, plus the assumption of certain liabilities aggregating $14,018. The Hillman Group recorded goodwill and other intangible assets of $48,259 related to this acquisition. Axxess' sales aggregated $19,364 for the three months ended March 31, 2000, and its results of operations are included in the results of the Hillman Group from the date of acquisition.

On March 2, 2000, the Company contributed the interests in its Kar Products, Inc. and A & H Bolt & Nut Company Limited operations (collectively, "Kar" or the "Kar Products" business) to a newly-formed partnership affiliated with Glencoe Capital, L.L.C. ("Glencoe"). Glencoe contributed cash equity to the new partnership, G-C Sun Holdings, L.P. ("G-C"). The Company received $105,000 in cash proceeds from the transaction through repayment of assumed debt by G-C and retained a minority ownership in G-C. Affiliates of Glencoe hold a controlling interest in G-C. SunSource recorded a pre-tax gain on the transaction of approximately $49,115 in the first quarter of 2000. Sales from Kar aggregated $22,122 from January 1, 2000 to March 2, 2000.

On October 4, 2000, the Company's Kar Products affiliate through the partnership formed with Glencoe Capital acquired all of the outstanding stock of Brampton Fastener Co. Limited, d/b/a Brafasco, based in Toronto, Canada. G-C purchased the outstanding stock of Brafasco for cash and notes. Brafasco is a supplier of maintenance and repair products serving primarily industrial customers. Brafasco had sales of $28,534 ($CDN) for the year ended December 31, 2000. As a result of this transaction, the Company holds a 44% ownership in the Kar Products affiliate.

The Company accounts for its investment in the partnership under the equity method. Prior to the Merger Transaction, the Company had an investment in G-C of $2,207. As of September 30, 2001, the Company's consolidated balance sheet includes $15,000 in other investments which represents the Company's investment in G-C at fair value at the date of merger.

4. LINES OF CREDIT AND LONG-TERM DEBT:

On September 28, 2001, the Company, through its Hillman subsidiary, refinanced its $115,000 bank revolving credit and $21,500 term loan with $105,000 in senior secured credit facilities (the "Refinancing") consisting of $50,000 revolving credit (the "Revolver"), a $20,000 term loan (the "Term Loan A"), and a $35,000 term loan (the "Term Loan B"). The new credit agreement has a five-year term for the Revolver and Term Loan A and a seven-year term for the Term Loan B (the "Credit Agreement"). The Hillman Group is the borrower (the "Borrower") under the Credit Agreement. The Credit Agreement provides borrowings at interest rates based on the London Interbank Offered Rates (the "LIBOR") plus a margin of between 3.25% and 3.75% (the "LIBOR Margin"), or prime (the "Base Rate") plus a margin of between 2.0% and 2.5% (the "Base Rate Margin"). In accordance with the Credit Agreement, letter of credit commitment fees are based on the average daily face amount of each outstanding letter of credit multiplied by three and one quarter percent (3.25%) per annum.

4. LINES OF CREDIT AND LONG-TERM DEBT, CONTINUED:

As of September 30, 2001, the Company had $8,709 available under the Revolver. The Company had $90,497 of outstanding debt at September 30, 2001, consisting of revolver borrowings of $35,113, outstanding term loans of $55,000 (Term Loan A of $20,000 and Term Loan B of $35,000) and capital lease obligations of $384.

The Credit Agreement, among other provisions, contains financial covenants requiring the maintenance of specific coverage ratios and levels of financial position, restricts the incurrence of additional debt, and the sale of assets, and permits acquisitions with the consent of the lenders. If the Company sells a significant amount of assets as defined in the Credit Agreement, it must make a repayment in an amount equal to the net proceeds of such sale. Such repayments shall be applied to the Term Loans and at any time after the Term Loans have been prepaid in full, such repayments shall then be applied to reduce the outstanding principal balance of the Revolver.

Accounts payable includes $6,963 representing checks issued and outstanding as of September 30, 2001, for which funds would have been drawn against the Company's revolving credit facility if they had been presented on that date.

On April 7, 2000, in connection with the acquisition of Axxess, the Company issued a $12,000 unsecured subordinated note. In connection with the sale of Harding on April 13, 2000, the Company repaid $9,600 of this unsecured subordinated note and the balance of $2,400 was repaid on April 6, 2001 along with accrued interest of $385.

On December 28, 2000, the Company issued $30,000 of unsecured subordinated notes to Allied Capital which was amended on September 28, 2001 to increase the existing subordinated debenture to $40,000 maturing on September 29, 2009 (the "Amended Subordinated Debt Issuance"). The additional $10,000 in cash proceeds generated from the Amended Subordinated Debt Issuance was used in part to repay an unsecured subordinated note held by Allied Capital in the amount of $8,803 in conjunction with the Refinancing. Interest on the Amended Subordinated Debt Issuance is at a fixed rate of 18.0% per annum, with cash interest payments required on a quarterly basis at a fixed rate of 13.5% commencing November 15, 2001. The outstanding principal balance of the Amended Subordinated Debt Issuance shall be increased on a quarterly basis at the remaining 4.5% fixed rate (the "PIK Amount"). All of the PIK Amounts are due on the fifth anniversary of the Amended Subordinated Debt Issuance.

5. CONTINGENCIES:

On February 27, 1996, a lawsuit was filed against the Company by the buyer of its Dorman Products division for alleged misrepresentation of certain facts by the Company upon which the buyer allegedly based its offer to purchase Dorman. The complaint seeks damages of approximately $21,000.

5. CONTINGENCIES, CONTINUED:

Certain other legal proceedings are pending which are either in the ordinary course of business or incidental to the Company's business. Those legal proceedings incidental to the business of the Company are generally not covered by insurance or other indemnity.

In the opinion of management, the ultimate resolution of the pending litigation matters will not have a material effect on the consolidated financial position, operations or cash flows of the Company.

6. STOCKHOLDERS' EQUITY:

COMMON SHARES ISSUED TO CERTAIN NON-EMPLOYEE DIRECTORS

Under the Company's Stock Compensation Plan for Non-Employee Directors, certain non-employee directors were issued 16,807 common shares in the first nine months of 2001, which resulted in a compensation charge of $58.

STOCK OPTIONS

As of September 25, 2001, the Company had 1,120,000 stock options outstanding under the 1998 SunSource Inc. Equity Compensation Plan (the "Existing Plan"). On September 26, 2001, in conjunction with the Merger Transaction, 131,500 of these options were converted to common shares and 545,500 options were cancelled. The balance of the outstanding options will remain in effect pursuant to the same terms and conditions of the Existing Plan except that these roll-over options aggregating 443,000 became fully vested in connection with the Merger

Transaction.

In conjunction with the Merger Transaction, the Company has reserved 1,337,316 stock options for issuance under the SunSource Inc. 2001 Stock Incentive Plan (the "New Plan"). Under the New Plan, the stock options are intended to vest over four years with 25% of the options vesting on each anniversary of the merger through the end of year four.

SUNSOURCE INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED
(DOLLARS IN THOUSANDS)

7. SEGMENT INFORMATION - PREDECESSOR:

Through September 30, 2001, the Company has two reportable segments which are the Hillman Group and Technology Services. The two segments are disaggregated based on the products and services provided, markets served, marketing strategies and delivery methods. The Company measures segment profitability and allocates corporate resources based on each segment's Earnings Before Interest, Taxes, Depreciation and Amortization ("EBITDA") which is defined as income from operations before depreciation and amortization. The Company also measures the segments on performance of their tangible asset base.

Following is a tabulation of segment information for the three and nine months ended September 30, 2001 and 2000. Corporate information is included to reconcile segment data to the consolidated financial statements.

<TABLE>
<CAPTION>

	FOR THE THREE MONTHS ENDED,		FOR THE NINE MONTHS ENDED,	
	SEPT 30, 2001	SEPT 30, 2000	SEPT 30, 2001	SEPT 30, 2000
<S>	<C>	<C>	<C>	<C>
NET SALES				
Hillman Group	$ 66,355	$ 60,756	$ 188,746	$ 158,516
Technology Services	48,412	55,355	152,561	178,431
Consolidated net sales - business segments	$ 114,767	$ 116,111	$ 341,307	$ 336,947
Expediter Segment	--	--	--	22,122
Integrated Supply-terminated contract	--	--	--	1,048
Consolidated net sales	$ 114,767	$ 116,111	$ 341,307	$ 360,117
EBITDA				
Hillman Group	$ 13,265	$ 11,767	$ 35,007	$ 25,529
Technology Services	(927)	(1,438)	(1,205)	(1,421)
EBITDA - business segments	$ 12,338	$ 10,329	$ 33,802	$ 24,108
RECONCILIATION OF SEGMENT PROFIT TO INCOME (LOSS) BEFORE INCOME TAXES				
EBITDA - business segments	$ 12,338	$ 10,329	$ 33,802	$ 24,108
Equity in earnings of affiliate	118	525	1,063	1,479
Corporate expenses	(1,529)	(1,846)	(4,079)	(5,355)
EBITDA from contributed subsidiaries, sold business, and terminated contracts	--	--	--	

2,823				
--	---------	---------	---------	-------
Consolidated EBITDA	10,927	9,008	30,786	
23,055				
Depreciation	(3,505)	(2,893)	(9,593)	
(6,481)				
Amortization	(989)	(1,006)	(2,895)	
(2,378)				
Interest expense, net	(2,921)	(2,959)	(9,222)	
(8,416)				
Distributions on guaranteed preferred beneficial interests	(3,058)	(3,058)	(9,174)	
Gain on contribution of subsidiaries	--	--	--	
49,115				
--	---------	---------	---------	-------
Income(loss) before income taxes	$ 454	$ (908)	$ (98)	$ 45,721
=========	=========	=========	=========	

</TABLE>

Following is a supplemental table of segment tangible assets for ongoing operations as of September 30, 2001, and December 31, 2000.

<TABLE>
<CAPTION>

	9/30/01	12/31/00	$ INC(DEC)	% INC(DEC)
<S>	<C>	<C>	<C>	<C>
Hillman Group	$147,243	$128,198	$ 19,045	14.9%
Technology Services	--	62,132	(62,132)	(100.0%)
Total	$147,243	$190,330	$ 15,196	22.6%

</TABLE>

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

The following discussion provides information which management believes is relevant to an assessment and understanding of the Company's operations and financial condition. This discussion should be read in conjunction with the consolidated financial statements and notes thereto appearing elsewhere herein.

GENERAL

On September 26, 2001, SunSource Inc. (the "Company" or "SunSource") was acquired by Allied Capital Corporation ("Allied Capital"). Pursuant to the terms and conditions of an Agreement and Plan of Merger dated as of June 18, 2001, certain members of management and other stockholders continued as stockholders of the Company after the merger. The total transaction value was approximately $74.0 million, consisting of the cash purchase price paid for the outstanding common stock of the Company aggregating approximately $71.5 million and management's common shares valued at approximately $2.5 million. The Company survived the merger as an independently managed, privately held portfolio company of Allied Capital. The Company's operations for the periods presented prior to September 30, 2001 are referenced herein as the predecessor operations (the "Predecessor" or "Predecessor Operations"). The Company's operations for the period presented at inception of the Merger Transaction are referenced herein as the successor operations (the "Successor" or "Successor Operations") and include the effects of the Company's debt refinancing and sale of an operating subsidiary completed subsequent to the Merger Transaction (see Financing Arrangements and Acquisitions/Divestitures below). The Company's final two business days of operation in September 2001 are immaterial for separate presentation and have been reflected in the Predecessor Operations.

SunSource is one of the largest providers of value-added services and products to retail markets in North America. The Company is organized as a single business segment which is The Hillman Group, Inc.(the "Hillman Group" or "Hillman"). Also, the Company has a minority investment in an affiliate, G-C Sun Holdings, L.P., operating as Kar Products.

The Hillman Group provides merchandising services and products, such as, fasteners and related hardware items, key duplication equipment, keys and related accessories and identification equipment and items to retail outlets, primarily hardware stores, home centers and mass merchants. Kar Products offers personalized inventory management systems of maintenance, repair and operations

("MRO") products to industrial manufacturing customers and maintenance and repair facilities.

FINANCING ARRANGEMENTS

On September 28, 2001, the Company through its Hillman Group subsidiary refinanced its $115 million bank revolving credit and $21.5 million term loan with $105 million in senior secured credit facilities (the "Refinancing"). The new senior debt arrangement has a $50 million revolving credit line and a $20 million term loan that expires on September 27, 2006 and a $35 million term loan that expires on September 27, 2008.

On December 28, 2000, the Company issued $30 million of unsecured subordinated notes which was amended on September 28, 2001 to increase the existing subordinated debenture to $40 million (the "Amended Subordinated Debt Issuance"). The majority of the cash proceeds generated from the Amended Subordinated Debt Issuance were used to repay at a discount the unsecured subordinated note issued in connection with the acquisition of Axxess on April 7, 2000 (the "Axxess Subordinated Note Repayment").

ACQUISITIONS/DIVESTITURES

On September 28, 2001 the Company sold substantially all of the assets of its Technology Services business. The sales price aggregated $25.5 million in cash and preferred stock, subject to post-closing adjustments, plus the assumption of certain liabilities by the buyer.

In December 2000, the Board approved a plan to liquidate the Mexican segment which provided comprehensive inventory management services of MRO materials to large manufacturing plants in Mexico. The Company recorded a pre-tax loss on liquidation of approximately $4.6 million representing non-cash charges for accumulated translation losses, the write-down of inventories and other assets, and other liquidation-related costs. The liquidation process was substantially completed as of June 30, 2001. No additional loss on disposal was recorded for the three and nine months ended September 30, 2001.

On November 3, 2000, the Company's Hillman Group purchased inventory and other assets of the Sharon-Philstone division of Pawtucket Fasteners, L.P. of Rhode Island. Hillman assumed the sales and servicing of the Sharon-Philstone division, distributors of fasteners to the retail hardware marketplace with annual sales of approximately $14 million for the twelve months ended prior to the acquisition. The purchase price was $5.5 million for inventory and other assets including certain post-closing adjustments.

In December 1999, the Board of Directors approved a plan to dispose of the Company's Harding business. Since December 1999, Harding has been accounted for as a discontinued operation and, accordingly, its results of operations were segregated from results of the Company's ongoing businesses including restatement of prior periods presented. Through December 31, 2000, the Company had recorded a loss on the discontinued Harding segment of $22.0 million in the aggregate, net of tax benefits. No additional loss on disposal has been recorded for the three and nine months ended September 30, 2001.

On April 13, 2000, the Company completed the sale of its Harding Glass, Inc. ("Harding") subsidiary to VVP America. The Company sold substantially all of the assets of Harding for a cash purchase price of $30.6 million plus the assumption by the buyer of certain liabilities aggregating $12.7 million, subject to certain post-closing adjustments. Proceeds from the sale of Harding were used to repay the Company's outstanding debt. Harding sales aggregated $28.0 million from January 1, 2000 through April 12, 2000.

On April 7, 2000, the Company acquired Axxess Technologies, Inc. ("Axxess") a Tempe, Arizona manufacturer of key duplication and identification systems. The transaction was structured as a purchase of 100% of the stock of the privately held company and repayment of outstanding Axxess debt in exchange for $87 million in cash and $23 million in subordinated notes. Axxess sales aggregated $19.4 million for the three months ended March 31, 2000. Axxess results of operations are included in the results of Hillman from the date of acquisition.

On March 2, 2000, the Company contributed the interests in its Kar Products, Inc. and A & H Bolt & Nut Company Limited operations (collectively, the Kar business), to a newly-formed partnership affiliated with Glencoe Capital, L.L.C. ("Glencoe"). Glencoe assumed debt by G-C and retained a minority ownership in G-C. Affiliates of Glencoe hold a controlling interest in G-C. SunSource

recorded a pre-tax gain on the transaction of approximately $49.1 million in the first quarter of 2000. SunSource accounts for its investment in the partnership under the equity method.

On October 4, 2000, SunSource's Kar Products affiliate, through the partnership formed with Glencoe Capital, acquired all of the outstanding stock of Brampton Fastener Co. Limited, d/b/a Brafasco, a supplier of maintenance and repair products to industrial customers based in Toronto, Canada. Brafasco had sales of $28.5 million ($CDN) for the year ended December 31, 2000. As a result of this transaction, the Company holds a 44% ownership in the Kar Products affiliate.

RESULTS OF OPERATIONS - PREDECESSOR

SEGMENT SALES AND PROFITABILITY FROM ONGOING OPERATIONS FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2001 AND 2000

<TABLE>
<CAPTION>

	FOR THE THREE MONTHS ENDED,			
	SEPTEMBER 30, 2001		SEPTEMBER 30, 2000	
SALES	AMOUNT	% OF TOTAL	AMOUNT	% OF TOTAL
<S>	<C>	<C>	<C>	<C>
Hillman Group (a)	$ 66,355	57.8%	$ 60,756	52.3%
Technology Services	48,412	42.2%	55,355	47.7%
Consolidated net sales - ongoing operations	114,767	100.0%	116,111	100.0%
Expediter Segment (b)	--		--	
Integrated Supply - terminated contract (c)	--		--	
Consolidated Net Sales	$114,767		$116,111	

</TABLE>

<TABLE>
<CAPTION>

	FOR THE NINE MONTHS ENDED,			
	SEPTEMBER 30, 2001		SEPTEMBER 30, 2000	
SALES	AMOUNT	% OF TOTAL	AMOUNT	% OF TOTAL
<S>	<C>	<C>	<C>	<C>
Hillman Group (a)	$188,746	55.3%	$158,516	47.0%
Technology Services	152,561	44.7%	178,431	53.0%
Consolidated net sales - ongoing operations	341,307	100.0%	336,947	100.0%
Expediter Segment (b)	--		22,122	
Integrated Supply - terminated contract (c)	--		1,048	
Consolidated Net Sales	$341,307		$360,117	

</TABLE>

<TABLE>
<CAPTION>

		% OF		% OF
GROSS PROFIT		SALES		SALES
<S>	<C>	<C>	<C>	<C>
Hillman Group (a)	$ 37,383	56.3%	$ 34,391	56.6%
Technology Services	11,833	24.4%	12,962	23.4%
Consolidated gross profit - ongoing operations	49,216	42.9%	47,353	40.8%
Expediter Segment (b)	--		--	

Consolidated Gross Profit	$ 49,216		$ 47,353	
EBITDA FROM ONGOING OPERATIONS (e)				
Hillman Group (a)	$ 13,265	20.0%	$ 11,767	19.4%
Technology Services	(927)	(1.9%)	(1,438)	(2.6%)
Equity in Earnings of Expediter Segment (d)	118		525	
Corporate expenses	(1,529)	(1.3%)	(1,846)	(1.6%)
Consolidated EBITDA - ongoing operations	10,927	9.5%	9,008	7.8%
Expediter Segment (b)	--		--	
Consolidated EBITDA	$ 10,927		$ 9,00	

<TABLE>
<CAPTION>

GROSS PROFIT		% OF SALES		% OF SALES
<S>	<C>	<C>	<C>	<C>
Hillman Group (a)	$ 106,541	56.4%	$ 87,852	55.4%
Technology Services	37,023	24.3%	42,096	23.6%
Consolidated gross profit - ongoing operations	143,564	42.1%	129,948	38.6%
Expediter Segment (b)	--		15,052	
Consolidated Gross Profit	$ 143,564		$ 145,000	
EBITDA FROM ONGOING OPERATIONS (e)				
Hillman Group (a)	35,007	18.5%	$ 25,529	16.1%
Technology Services	(1,205)	(0.8%)	(1,421)	(0.8%)
Equity in Earnings of Expediter Segment (d)	1,063		1,479	
Corporate expenses	(4,079)	(1.2%)	(5,355)	(1.6%)
Consolidated EBITDA - ongoing operations	30,786	9.0%	20,232	6.0%
Expediter Segment (b)	--		2,823	
Consolidated EBITDA	$ 30,786		$ 23,055	

</TABLE>

(a) Includes sales, gross profit and EBITDA from Axxess Technologies, Inc. since its date of acquisition on April 7, 2000.

(b) Represents sales, gross profit and EBITDA from the Company's Kar Products, Inc. and A & H Bolt & Nut Company Limited business (collectively, the "Expediter Segment") which was contributed on March 2, 2000 to a newly formed partnership affiliated with Glencoe Capital L.L.C.

(c) Represents sales from an Integrated Supply contract that was terminated in 2000. A loss from termination of this contract was recorded in the fourth quarter of 1999.

(d) Represents Equity in Earnings from the contributed Expediter Segment.

(e) "EBITDA" (earnings before interest, taxes, depreciation and amortization) is defined as income (loss) from ongoing operations before depreciation and amortization.

THREE MONTHS ENDED SEPTEMBER 30, 2001 AND 2000 - (PREDECESSOR)

Net sales from ongoing operations decreased $1.3 million or 1.2% in the third quarter of 2001 to $114.8 million from $116.1 million in 2000. Sales variances by business segment are as follows:

<TABLE>
<CAPTION>

	SALES INCREASE (DECREASE)	
	AMOUNT	%
	(In thousands)	
<S>	<C>	<C>
Hillman Group	$ 5,599	9.2 %
Technology Services	(6,943)	(12,5)%
Total Company - Ongoing Operations	$(1,344)	(1.2)%

</TABLE>

The Hillman Group's sales increased $5.6 million, or 9.2% in the third quarter of 2001 to $66.4 million from $60.8 million in the third quarter of 2001 primarily as a result of the acquisition of Sharon-Philstone and strong sales from national accounts. Technology Services' sales decreased $6.9 million or 12.5% in the third quarter of 2001 to $48.4 million from $55.3 million in 2000 mainly as a result of soft market conditions experienced by original equipment manufacturers in certain industrial sectors in the third quarter of 2001.

The Company's sales backlog on a consolidated basis from ongoing operations was $51.5 million as of September 30, 2001, compared with $48.6 million at December 31, 2000, representing an increase of 6.0%.

The Company's consolidated gross margin from ongoing operations was 42.9% in the third quarter of 2001 compared with 40.8% in the third quarter of 2000. The Hillman Group's gross margin decreased 0.3% in the comparison period as a result of a shift in sales mix. Technology Services' gross margin of 24.4% in the third quarter of 2001 increased from 23.4% in the third quarter of 2000 primarily as a result of a change in sales mix.

The Company's selling, general and administrative expenses ("S,G&A") from ongoing operations decreased $0.6 million from $38.9 million in the third quarter of 2000 to $38.3 million in the third quarter of 2001. Selling expenses decreased $0.3 million primarily as a result of headcount and travel expense reductions at STS. Warehouse and delivery expenses increased $0.7 million as a result of increased freight and labor costs from new business offset by reduced property taxes at the Hillman Group. General and administrative expenses decreased by $1.0 million primarily as a result of reduced professional fees at Hillman, headcount reductions which occurred in the fourth quarter of 2000 at STS and reduced corporate expenses.

Total S,G&A expenses from ongoing operations on a comparable basis, including Axxess, as a percentage of sales compared with the third quarter of 2000 are as follows:

<TABLE>
<CAPTION>

	THREE MONTHS ENDED SEPT. 30,	
AS OF A % OF SALES	2001	2000
<S>	<C>	<C>
Selling Expenses	17.8%	17.8%
Warehouse and Delivery Expenses	7.8%	7.1%
General and Administrative Expenses	7.8%	8.6%
Total S,G&A Expenses	33.4%	33.5%

</TABLE>

EBITDA from ongoing operations after corporate expenses for the third quarter of 2001 was $10.9 million compared with $9.0 million for the same prior-year period, representing an increase of 21.3%.

The Company's consolidated operating profit margin (EBITDA as a percentage of sales) after corporate expenses increased to 9.5% in the third quarter of 2001

compared with 7.8% in the third quarter of 2000. The Hillman Group's operating profit margin increased to 20.0% in the third quarter comparison period from 19.4% primarily as a result of price increases, operational efficiencies and integration of the Axxess acquisition. STS had a loss of 1.9% in the third quarter compared to an operating loss of 2.6% in the third quarter of 2000. Reduced sales at STS were offset by improved gross margins as a result of a change in sales mix and a reduction in operating expenses.

Depreciation expense increased $0.6 million to $3.5 million in the third quarter of 2001 from $2.9 million in the same quarter of 2000 primarily as a result of an increase in the depreciable fixed asset base in connection with the production of new key duplication machines at the Hillman Group for national accounts.

Amortization expense was comparable in the third quarter comparison period.

Interest expense, net was slightly lower in the third quarter of 2001 from the comparison period primarily as a result of reduced interest payments on capital lease obligations at STS.

The Company pays interest to the Trust on the Junior Subordinated Debentures underlying the Trust Preferred Securities at the rate of 11.6% per annum on their face amount of $105.4 million, or $12.2 million per annum in the aggregate. The Trust distributes an equivalent amount to the holders of the Trust Preferred Securities. For the three months ended September 30, 2001 and 2000, the Company paid $3.1 million in interest on the Junior Subordinated Debentures, equivalent to the amounts distributed by the Trust on the Trust Preferred Securities.

The Company is subject to federal, state and local income taxes on its domestic operations and foreign income taxes on its Canadian operation as accounted for in accordance with Statement of Financial Accounting Standard ("SFAS") 109, "Accounting for Income Taxes." Deferred income taxes represent differences between the financial statement and tax bases of assets and liabilities as classified on the Company's balance sheet. The Company recorded a tax benefit for income taxes of $0.6 million on pre-tax income of $0.5 million in the third quarter of 2001. The Company's third quarter tax benefit includes an adjustment totaling $0.7 million for additional federal and state tax benefits related to the year 2000. Excluding this adjustment, the Company's tax provision would have been approximately $0.1 million or 3.7% of pretax income. The effective rate in the third quarter of 2001 has been reduced due primarily to adjustments to non-deductible items. The Company recorded a provision for income taxes of $0.4 million on a pre-tax loss of $0.9 million in the third quarter of 2000 primarily as a result of non-deductible items related to the acquisition of Axxess.

NINE MONTHS ENDED SEPTEMBER 30, 2001 AND 2000 - (PREDECESSOR)

Net sales from ongoing operations increased $4.4 million or 1.3% in the first nine months of 2001 to $341.3 million from $336.9 million in 2000. Sales variances by business segment are as follows:

<TABLE>
<CAPTION>

	SALES INCREASE (DECREASE)	
	AMOUNT	%
	(In thousands)	
<S>	<C>	<C>
Hillman Group	$ 30,230	19.0 %
Technology Services	(25,870)	(14.5)%
Total Company - Ongoing Operations	$ 4,360	1.3 %

</TABLE>

The Hillman Group's sales increased $30.2 million in the first nine months of 2001 to $188.7 million from $158.5 million in the first nine months of 2000 primarily as a result of the acquisition of Axxess and Sharon Philstone, and strong sales from the national accounts. On a pro forma basis including Axxess, the Hillman Group's sales increased 6.1% in the first nine months of 2001 over the same prior-year period. Technology Services' sales decreased $25.9 million or 14.5% in the first nine months of 2001 to $152.5 million from $178.4 million in the same 2000 period, mainly as a result of soft market conditions experienced by original equipment manufacturers in certain industrial sectors in the first nine months of 2001.

The Company's consolidated gross margin from ongoing operations was 42.1% in the first nine months of 2001 compared with 38.6% in the first nine months of 2000. On a comparable basis, including Axxess, the consolidated gross margin from ongoing operations was 39.6% for the nine months ended September 30, 2000. The Hillman Group's gross margin improved 1.0% in the comparison period as a result of higher margin sales of keys and identification items related to the acquisition of Axxess, price increases for certain fastener products and productivity gains in the various manufacturing operations. Technology Services' gross margin of 24.3% in the first nine months of 2001 increased slightly from 23.6% in the first nine months of 2000 primarily as a result of a change in sales mix.

The Company's S,G&A expenses from ongoing operations on a comparable basis, including Axxess, decreased $5.4 million from $118.8 million in the first nine months of 2000 to $113.4 million in the first nine months of 2001. Selling expenses on a comparable basis, including Axxess, decreased $2.1 million primarily as a result of headcount and travel expense reductions at STS offset by conversion costs associated with the Hillman Group's purchase of inventory and other assets of Sharon-Philstone. Warehouse and delivery expenses on a comparable basis, including Axxess, increased by $0.1 million. Higher labor costs from new business and increased rent expense from a new facility offset reduced property taxes at the Hillman Group. General and administrative expenses on a comparable basis, including Axxess, decreased by $3.4 million primarily as a result of headcount reductions which occurred in the fourth quarter of 2000 at STS and reduced corporate expenses.

Total S,G&A expenses from ongoing operations on a comparable basis, including Axxess, as a percentage of sales compared with the first nine months of 2000 are as follows:

<TABLE>
<CAPTION>

	NINE MONTHS ENDED SEPTEMBER 30,	
AS OF A % OF SALES	2001	2000
<S>	<C>	<C>
Selling Expenses	18.3%	18.0%
Warehouse and Delivery Expenses	7.3%	7.0%
General and Administrative Expenses	7.6%	8.3%
Total S,G&A Expenses	33.2%	33.3%

</TABLE>

EBITDA from ongoing operations for the first nine months of 2001 was $30.8 million including Axxess and corporate expenses compared with $24.2 million on a pro forma basis including Axxess and corporate expenses for the first nine months of 2000 or an increase of 27.2%.

The Company's consolidated operating profit margin for ongoing operations (EBITDA as a percentage of sales) after corporate expenses increased to 9.0% in the first nine months of 2001 compared with 6.0% in the first nine months of 2000. The Hillman Group's operating profit margin increased to 18.5% in the first nine months of 2001 compared with 16.1% primarily as a result of the acquisition of Axxess and operational efficiencies. STS had an operating loss of 0.8% in the first nine months 2001 which was comparable to the same prior-year period.

Depreciation expense increased $3.1 million to $9.6 million in the first nine months of 2001 from $6.5 million in the same period of 2000 primarily as a result of the acquisition of Axxess.

Amortization expense increased $0.5 million to $2.9 million as a result of the acquisition of Axxess.

Interest expense, net increased $0.8 million in the first nine months of 2001 from $8.4 million in the first nine months of 2000, primarily as a result of additional interest and related amortization of deferred financing fees in connection with the Company's December 2000 issuance of $30.0 million of unsecured subordinated notes.

The Company pays interest to the Trust on the Junior Subordinated Debentures underlying the Trust Preferred Securities at the rate of 11.6% per annum on their face amount of $105.4 million, or $12.2 million per annum in the aggregate. The Trust distributes an equivalent amount to the holders of the Trust Preferred Securities. For the nine months ended September 30, 2001 and 2000, the Company paid $9.1 million in interest on the Junior Subordinated Debentures, equivalent to the amounts distributed by the Trust on the Trust

Preferred Securities.

The Company recorded a provision for income taxes of $1.2 million on a pre-tax loss of $0.1 million for the nine months ended September 30, 2001 as a result of non-deductible goodwill and other items related to acquisition and divestiture activities. The Company's effective tax rate was 11.1% in the first nine months of 2000 due primarily to a significant portion of the gain from the contribution of Kar being non-taxable as a result of the Company's remaining ownership in G-C, offset by non-deductible items related to the acquisition of Axxess.

LIQUIDITY AND CAPITAL RESOURCES

The Company's cash position of $19.7 million as of September 30, 2001, increased $16.9 million from the balance at December 31, 2000. Cash was provided during this period primarily from new senior credit facilities ($90.1 million), an increase in unsecured subordinated debentures ($10.0 million), proceeds from the sale of STS ($17.1 million) and proceeds from the liquidation of the Mexico segment ($1.6 million). Cash was used during this period predominantly for the repayment of the revolving credit line and term loan balances as a result of the Refinancing ($57.6 million), the Axxess Subordinated Note Repayment ($11.6 million), Refinancing and Merger Transaction fees and expenses ($9.2 million), working capital investments in operations ($4.8 million), capital expenditures and construction in process ($12.2 million), long-term investments ($3.4 million), costs associated with the sale and liquidation of discontinued operations ($1.2 million), and other items, net ($1.9 million).

The Company's net interest coverage ratio from continuing operations for the nine months ended September 30, 2001 increased to 1.0X (earnings before interest, distributions on trust preferred securities and income taxes, excluding non-recurring events, over net interest expense and distributions on trust preferred securities), from 0.8X in the 2000 comparison period (including Kar for the first two months of 2000) as a result of increased earnings.

The Company's working capital position of $77.2 million at September 30, 2001, represents an increase of $0.3 million from the December 31, 2000 level of $76.9 million as a result of reinvestment in working capital of $18.7 million, proceeds from the sale of STS of $17.1 million and repayment of the current portion of subordinated notes of $2.8 million, offset by a decrease due to the sale of STS's working capital of $28.2 million, an increase in current term loans payable of $3.1 million, a decrease in deferred tax assets and liabilities of $2.6 million, a decrease in restricted cash used for deferred compensation funding of $3.6 million and other items net, of $0.8 million. The Company's current ratio increased to 2.5x at September 30, 2001 from 1.9x at December 31, 2000.

As of September 30, 2001, the Company had $8.7 million available under its secured credit facilities. The Company had approximately $90.5 million of outstanding debt at September 30, 2001, consisting of $55 million in term loans, $35.1 million in revolving credit borrowings and $0.4 million in capitalized lease obligations. The term loans consisted of a $35 million Term B Loan (the "Term Loan B") currently at a three (3) month LIBOR rate of 6.19% and a $20.0 million Term A loan (the "Term Loan A") currently at a three (3) month LIBOR rate of 5.69%. The revolver borrowings (the "Revolver") consist of $30.0 million currently at a six (6) month LIBOR rate of 5.63% and $5.1 million at an effective rate of 7.5%. The capitalized lease obligations were at various interest rates.

On September 28, 2001, the Company through its Hillman subsidiary refinanced its $115 million bank revolving credit and $21.5 million term loan with $105 million in senior secured credit facilities. The new financing consists of a Revolver, Term Loan A, and Term Loan B. The Revolver and Term Loan A have a five-year term and Term Loan B has a seven-year term. The credit facility provides Hillman and the Company with adequate funds for working capital and other corporate requirements.

On September 28, 2001, the Company sold substantially all of the assets of Technology Services, including its Canadian operation for a sales price of $25.5 million in cash and preferred stock plus the assumption of certain liabilities by the buyer, subject to certain post-closing adjustments. The cash proceeds from the sale of SunSource Technology Services will be distributed to Allied Capital and certain members of management, who are the remaining shareholders of the Company.

Interest on the Amended Subordinated Debt Issuance of $40 million which matures September 29, 2009 is at a fixed rate of 18.0% per annum, with cash interest

payments being required on a quarterly basis at a fixed rate of 13.5% commencing November 15, 2001. The outstanding principal balance of the Amended Subordinated Debt Issuance shall be increased on a quarterly basis at the remaining 4.5% fixed rate (the "PIK Amount"). All of the PIK Amounts are due on the fifth anniversary of the Amended Subordinated Debt Issuance. Most of the additional cash proceeds generated from the Amended Subordinated Debt Issuance of $10 million were used primarily for the Axxess Subordinated Note Repayment which had a balance of approximately $8.8 million on September 28, 2001.

As of September 30, 2001, the Company's total debt (including distributions payable) as a percentage of its consolidated capitalization (total debt, trust preferred securities and stockholders' equity) was approximately 42.9% compared with 45.0% at December 31, 2000 and 42.7% as of September 30, 2000. The Company's consolidated capitalization (including distributions payable) as of September 30, 2001, was approximately $306.7 million compared to $231.9 million at December 31, 2000 and $247.3 million at September 30, 2000.

The Company has spent $10.2 million for capital expenditures through September 30, 2001, primarily for key duplication machines and machinery and equipment. In addition, the Company has spent $2.0 million in the third quarter of 2001 for materials and supplies and component parts for construction in process of key duplication machines for placement next quarter. The Company expects to incur total fixed capital spending of $15.2 million in 2001 primarily for the Hillman Group which represents an increase of $6.8 million compared to total year 2000 as a result of the acquisition of Axxess and growth in national accounts for key duplication machines.

The Company has deferred tax assets aggregating $34.1 million as of September 30, 2001, as determined in accordance with SFAS 109. Management believes that the Company's deferred tax assets will be realized through the reversal of existing temporary differences between the financial statement and tax bases, as well as through future taxable income.

INFLATION

Inflation in recent years has had a modest impact on the operations of the Company. Continued inflation, over a period of years at higher than current rates, would result in significant increases in inventory costs and operating expenses. However, such higher cost of sales and operating expenses can generally be offset by increases in selling prices, although the ability of the Company's operating divisions to raise prices is dependent on competitive market conditions.

RECENT ACCOUNTING PRONOUNCEMENTS

In June 1998, the Financial Accounting Standards Board ("the FASB") issued Statement of Financial Accounting Standards ("SFAS") 133, "Accounting for Derivative Instruments and Hedging Activities." SFAS 133 established accounting and reporting standards for derivative financial instruments and hedging activities, and requires the Company to recognize all derivatives as either assets or liabilities on the balance sheet and measure them at fair value. Gains and losses resulting from changes in fair value are accounted for depending on the use of the derivative and whether it is designated and qualifies for hedge accounting. In June 1999, the FASB issued SFAS 137, which deferred the implementation of SFAS 133. The Company adopted SFAS 133 during the first quarter of 2001. The adoption of SFAS 133 has not had a material impact on the Company's financial position and results of operations because the Company generally does not engage in derivative transactions.

In July 2001, the FASB issued SFAS No. 141, "Business Combinations" ("FAS 141") and SFAS No. 142, "Goodwill and Other Intangible Assets" ("FAS 142"). FAS 141 requires that all business combinations be accounted for under the purchase method, and the use of the pooling-of-interests method is prohibited for business combinations initiated after June 30, 2001. FAS 141 also establishes criteria for the separate recognition of intangible assets acquired in a business combination. FAS 142 requires that goodwill no longer be amortized to earnings, but instead be subject to periodic testing for impairment. FAS 142 is effective for fiscal years beginning after December 15, 2001, with earlier application permitted only in specified circumstances. Management is currently evaluating the expected impact of FAS 142.

At the end of June 2001, the FASB issued FASB Statement No. 143, Accounting for Asset Retirement Obligations. FAS 143 requires that obligations associated with the retirement of a tangible long-lived asset be recorded as a liability when those obligations are incurred, with the amount of the liability initially measured at fair value. FAS 143 will be effective for financial statements for fiscal years beginning after June 15, 2002. Management is currently evaluating the expected impact of FAS 143.

FAS 144 supersedes FAS 121, accounting for the Impairment of Long-Lived assets and for Long-Lived Assets to be Disposed OF, and the accounting and reporting provisions of APB 30, Reporting the Results of Operations, Reporting the Effects of Disposal of a Segment of a Business and Extraordinary, Unusual and Infrequently Occurring Events and Transactions, for the disposal of a segment of a business. FAS 144 was necessary to resolve significant implementation issues related to SFAS 121. Although the proposed statement supercedes FAS No. 121, it retains the fundamental measurement provisions for assets that are to be disposed of by sale. Additionally, FAS 144 retains the basic provisions of APB 30 for the presentation of discontinued operations in the income statement but broadens that presentation to include a component of an entity, rather than a segment of a business. The provisions of FAS 144 are effective for financial statements issued for fiscal years beginning after December 15, 2001 and interim periods within those fiscal years. Management is currently evaluating the expected impact of FAS 144.

FORWARD LOOKING STATEMENTS

Certain disclosures related to acquisitions and divestitures, refinancing, capital expenditures, liquidation of the Mexican segment, resolution of pending litigation and realization of deferred tax assets contained in this report involve risks and uncertainties and may constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. We have based these forward-looking statements on our current expectations, assumptions and projections about future events. These forward-looking statements are subject to known and unknown risks, uncertainties and assumptions that may cause our actual results, levels of activity, performance, or achievements to be materially different from any future results, levels of activity, performance, or achievements expressed or implied by such forward-looking statements. Actual results could differ materially from those currently anticipated as a result of a number of factors, including the risks and uncertainties discussed under captions "Risk Factors" set forth in Item 1 of the Company's Annual Report on Form 10-K for the year ended December 31, 2000. Given these uncertainties, current or prospective investors are cautioned not to place undue reliance on any such forward-looking statements.

In some cases, you can identify forward-looking statements by terminology such as "may," "will," "should," "could," "would," "expect," "plan," "anticipate," "believe," "estimate," "continue" or the negative of such terms or other similar expressions. All forward-looking statements attributable to us or persons acting on our behalf are expressly qualified in their entirety by the cautionary statements included in this Report. We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. In light of these risks, uncertainties and assumptions, the forward-looking events discussed in this Report might not occur.

PART II
OTHER INFORMATION

ITEMS 1, 2, 3, & 5 - NONE

ITEM 4 - SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

The Company held a special meeting of stockholders on September 25, 2001, to consider and approve a merger agreement and a merger between Allied Capital Corporation and SunSource Inc. and a vote for the grant of discretionary authority in favor of an adjournment of the meeting, if necessary. The proposals are discussed in detail in the Definitive Proxy Statement filed on August 29, 2001. The voting results for this item are as follows:

<TABLE>
<CAPTION>
1. Merger Agreement and Merger

	Votes For	Votes Against	Abstain
<S>		<C>	<C>
	4,413,106	31,730	3,529

</TABLE>

<TABLE>
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2. Grant of Discretionary Authority

	Votes For	Votes Against	Abstain
<S>		<C>	<C>
	4,338,901	79,406	30,058

</TABLE>

ITEM 6 - EXHIBITS AND REPORTS ON FORM 8-K

a) EXHIBITS, INCLUDING THOSE INCORPORATED BY REFERENCE.
The following is a list of exhibits filed as part of this quarterly report on Form 10-Q. Where so indicated by footnote, exhibits which were previously filed are incorporated by reference. For exhibits incorporated by refefence, the location of the exhibit in the previous filing is indicated in parentheses.

2.1 Agreement and Plan of Merger dated as of June 18, 2001 by and among Allied Capital Corporation, Allied Capital Lock Acquisition Corporation and SunSource Inc. (1) (Exhibit 2.1)

2.2 Asset Purchase Agreement dated September 28, 2001, by and between SunSource Technology Services, LLC, and STS Operating, Inc. (3) (Exhibit 2.1)

3.1** Amended and Restated bylaws as adopted by the Corporation's stockholders as of September 26, 2001.

4.1 Form of Stockholders Agreement (2) (Exhibit d5)

10.1** Credit Agreement dated as of September 28, 2001, by and among The Hillman Group, Inc., as Borrower and Heller Financial, Inc., as Agent, an Issuing Lender and a Lender and Antares Capital Corporation, General Electric Capital Corporation and Madison Capital Funding LLC each as a Co-Agent and the other financial institutions party hereto as lenders.

10.2** First Amended and Restated Investment Agreement by and among SunSource Inc., SunSource Investment Company, Inc., The Hillman Group, Inc., and Allied Capital Corporation dated September 28, 2001.

10.3** SunSource Inc. 2001 Stock Incentive Plan.

10.4 Termination Agreement dated as of June 18,2001 by and among SunSource, Lehman Brothers, Donald T. Marshall, John P. McDonnell, Norman V. Edmonson, Harold Cornelius, Max W. Hillman, Joseph P. Corvino and the respective S corporations of Marshall, McDonnell, Edmonson, Cornelius, Hillman and Corvino. (2) (Exhibit d6)

10.5 Employment Agreement by and between SunSource Inc. and Maurice P. Andrien, Jr. entered into June 18, 2001. (2) (Exhibit e1)

10.6 Employment Agreement by and between SunSource Inc. and Stephen W. Miller entered into June 18, 2001 (2) (Exhibit e2)

10.7** Employment Agreement by and between SunSource Inc. and Joseph M. Corvino entered into June 18, 2001.

10.8** Employment Agreement by and between SunSource Inc. and Max W. Hillman entered into June 18, 2001.

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(1) Filed as an exhibit to the Current Report on Form 8-K filed on June 21, 2001.
(2) Filed as an exhibit to Schedule 13E-3 filed on July 11, 2001, as amended.
(3) Filed as an exhibit to the Current Report on Form 8-K filed on October 15, 2001.

** Filed herewith

b) REPORTS ON FORM 8-K.

A Current Report on Form 8-K was filed on June 21, 2001 reporting an unscheduled material event under Item 5 of Form 8-K (See exhibit 2.1 hereto)

A Current Report on Form 8-K was filed on October 10, 2001 reporting a change of control of registrant under Item 1 of form 8-K (See exhibit 2.1 hereto)

A Current Report on Form 8-K was filed on October 15, 2001 reporting a disposition of assets under Item 2 of Form 8-K (See exhibit 2.1 hereto)

SIGNATURES

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

SUNSOURCE INC.

/s/ Joseph M. Corvino	/s/ Edward L. Tofani
- ------------------------	------------------------------
Joseph M. Corvino	Edward L. Tofani
Vice President - Finance	Controller
(Chief Financial Officer)	(Chief Accounting Officer)

DATE: November 14, 2001

EXHIBIT 3.1

SUNSOURCE INC.
(a Delaware corporation)

AMENDED AND RESTATED

BYLAWS

As adopted by the Corporation's stockholders as of September 26, 2001.

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AMENDED AND RESTATED BYLAWS

of

SUNSOURCE INC.

ARTICLE I

OFFICES

Section 1 Registered Office. The registered office of the Corporation shall be at: Corporation Trust Center, 1209 Orange Street, Wilmington, Delaware 19808.

Section 2 Additional Offices. The Corporation may also have offices at such other places, both within and without the State of Delaware, as the Board of Directors may from time to time determine or as the business of the Corporation may require.

ARTICLE II

MEETINGS OF STOCKHOLDERS

Section 1. Time and Place. A meeting of stockholders for any purpose may be held at such time and place, within or without the State of Delaware, as the Board of Directors may fix from time to time and as shall be stated in the notice of the meeting or in a duly executed waiver of notice thereof.

Section 2. Annual Meeting. Annual meetings of stockholders shall be held

for the election of directors at such date, time and place, either within or without the State of Delaware, as may be designated by resolution of the Board of Directors from time to time. Any other proper business may be transacted at the annual meeting.

Section 3. Notice of Annual Meeting. Written notice of the annual meeting, stating the place, date and time thereof, shall be given to each stockholder entitled to vote at such meeting not less than 10 (unless a longer period is required by law) nor more than 60 days prior to the meeting.

Section 4. Special Meetings. Special meetings of the stockholders, for any purpose or purposes, unless otherwise prescribed by statute or by the Certificate of Incorporation, may be called by the Chairman of the Board, if any, or the President and shall be called by the President or Secretary at the request in writing of a majority of the Board of Directors, or at the request in writing of the stockholders owning a majority of the shares of capital stock of the Corporation issued and outstanding and entitled to vote. Such request shall state the purpose or purposes of

the proposed meeting.

Section 5. Notice of Special Meeting. Written notice of a special meeting, stating the place, date and time thereof and the purpose or purposes for which the meeting is called, shall be given to each stockholder entitled to vote at such meeting not less than 10 (unless a longer period is required by law) nor more than 60 days prior to the meeting.

Section 6. List of Stockholders. The officer in charge of the stock ledger of the Corporation or the transfer agent shall prepare and make, at least 10 days before every meeting of stockholders, a complete list of the stockholders entitled to vote at the meeting, arranged in alphabetical order, and showing the address of each stockholder and the number of shares registered in the name of each stockholder. Such list shall be open to the examination of any stockholder, for any purpose germane to the meeting, during ordinary business hours, for a period of at least 10 days prior to the meeting, at a place within the city where the meeting is to be held, which place, if other than the place of the meeting, shall be specified in the notice of the meeting. The list shall also be produced and kept at the time and place of the meeting during the whole time thereof, and may be inspected by any stockholder who is present in person thereat.

Section 7. Presiding Officer; Order of Business.

(a) Meetings of stockholders shall be presided over by the Chairman of the Board, if any, or, if he is not present (or, if there is none), by the President, or, if he is not present, by a Vice-President, or, if he is not present, by such person who may have been chosen by the Board of Directors, or, if none of such persons is present, by a chairman to be chosen by the stockholders owning a majority of the shares of capital stock of the Corporation issued and outstanding and entitled to vote at the meeting and who are present in person or represented by proxy. The Secretary of the Corporation, or, if he is not present, an Assistant Secretary, or, if he is not present, such person as may be chosen by the Board of Directors, shall act as secretary of meetings of stockholders, or, if none of such persons is present, the stockholders owning a majority of the shares of capital stock of the Corporation issued and outstanding and entitled to vote at the meeting and who are present in person or represented by proxy shall choose any person present to act as secretary of the meeting.

(b) The following order of business, unless otherwise ordered at the meeting, shall be observed as far as practicable and consistent with the purposes of the meeting:

1. Call of the meeting to order.

2. Presentation of proof of mailing of the notice of the meeting and, if the meeting is a special meeting, the call thereof.

3. Presentation of proxies.

4. Announcement that a quorum is present.

5. Reading and approval of the minutes of the previous meeting.

6. Reports, if any, of officers.

7. Election of directors, if the meeting is an annual meeting or a meeting called for that purpose.

8. Consideration of the specific purpose or purposes for which the meeting

has been called (other than the election of directors), if the meeting is a special meeting.

9. Transaction of such other business as may properly come before the meeting.

10. Adjournment.

Section 8. Quorum; Adjournments. The holders of a majority of the shares of capital stock of the Corporation issued and outstanding and entitled to vote thereat, present in person or represented by proxy, shall be necessary to, and shall constitute a quorum for, the transaction of business at all meetings of the stockholders, except as otherwise provided by statute or by the Certificate of Incorporation. If, however, a quorum shall not be present or represented at any meeting of the stockholders, the stockholders entitled to vote thereat, present in person or represented by proxy, shall have the power to adjourn the meeting from time to time, without notice of the adjourned meeting if the time and place thereof are announced at the meeting at which the adjournment is taken, until a quorum shall be present or represented. Even if a quorum shall be present or represented at any meeting of the stockholders, the stockholders entitled to vote thereat, present in person or represented by proxy, shall have the power to adjourn the meeting from time to time for good cause, without notice of the adjourned meeting if the time and place thereof are announced at the meeting at which the adjournment is taken, until a date which is not more than 30 days after the date of the original meeting. At any such adjourned meeting, at which a quorum shall be present in person or represented by proxy, any business may be transacted which might have been transacted at the meeting as originally called. If the adjournment is for more than 30 days, or if after the adjournment a new record date is fixed for the adjourned meeting, a notice of the adjourned meeting shall be given to each stockholder of record entitled to vote thereat.

Section 9. Voting.

(a) At any meeting of stockholders, every stockholder having the right to vote shall be entitled to vote in person or by proxy. Except as otherwise provided by law or the Certificate of Incorporation, each stockholder of record shall be entitled to one vote for each share of capital stock registered in his name on the books of the Corporation.

(b) All elections shall be determined by a plurality vote, and, except as otherwise provided by law or the Certificate of Incorporation, all other matters shall be determined by a vote of a majority of the shares present in person or represented by proxy and voting on such other matters.

Section 10. Action by Consent. Any action required or permitted by law or the Certificate of Incorporation to be taken at any meeting of stockholders may be taken without a meeting, without prior notice and without a vote, if a written consent, setting forth the action so taken, shall be signed by the holders of outstanding stock having not less than the minimum number of votes that would be necessary to authorize or take such action at a meeting at which all shares entitled to vote thereon were present or represented by proxy and voted. Such written consent shall be filed with the minutes of meetings of stockholders. Prompt notice of the taking of the corporate action without a meeting by less than unanimous written consent shall be given to those stockholders who have not so consented in writing thereto.

ARTICLE III

DIRECTORS

Section 1. General Powers; Number; Tenure. The business of the Corporation shall be managed by its Board of Directors, which may exercise all powers of the Corporation and perform all lawful acts and things which are not by law, the Certificate of Incorporation or these Bylaws directed or required to be exercised or performed by the stockholders. The number of directors constituting the whole board as of the date of the approval of these Amended and Restated Bylaws shall be seven. Thereafter, such number may be fixed from time to time by action of the stockholders or of the directors. The directors shall be elected at the annual meeting of the stockholders, except as provided in Section 2 of this Article, and each director elected shall hold office until his successor is elected and shall qualify. Directors need not be stockholders.

Section 2. Vacancies. If any vacancies occur in the Board of Directors, other than as a result of the creation of a new directorship, they may be filled by vote of a majority of the directors then in office, although less than a quorum, by a sole remaining director, or by the stockholders. Each director so chosen shall hold office until the next annual meeting of stockholders and until his successor is duly elected and shall qualify. If there are no directors in

office, or if any vacancies occur in the Board of Directors as a result of the creation of a new directorship, any officer or stockholder may call a special meeting of stockholders in accordance with the provisions of the Certificate of Incorporation or these Bylaws, at which meeting such vacancies shall be filled.

Section 3. Removal; Resignation.

(a) Except as otherwise provided by law or the Certificate of Incorporation, any director, directors or the entire Board of Directors may be removed, with or without cause, by the holders of a majority of the shares then entitled to vote at an election of directors.

(b) Any director may resign at any time by giving written notice to the Board

of Directors, the Chairman of the Board, the President or the Secretary of the Corporation. Unless otherwise specified in such written notice, a resignation shall take effect upon delivery thereof to the Board of Directors or the designated office. It shall not be necessary for a resignation to be accepted before it becomes effective.

Section 4. Place of Meetings. The Board of Directors may hold meetings, both regular and special, ither within or without the State of Delaware.

Section 5. Annual Meeting. The annual meeting of each newly elected Board of Directors shall be held immediately following the annual meeting of stockholders, and no notice of such meeting shall be necessary to the newly elected directors in order legally to constitute the meeting, provided a quorum shall be present.

Section 6. Regular Meetings. Additional regular meetings of the Board of Directors may be held without notice, at such time and place as may from time to time be determined by the Board of Directors.

Section 7. Special Meetings. Special meetings of the Board of Directors may be called by the Chairman of the Board, the President or by 2 or more directors on at least 2 days' notice to each director, if such notice is delivered personally or sent by telegram, or on at least 3 days' notice if sent by mail. Special meetings shall be called by the Chairman of the Board, President, Secretary or 2 or more directors in like manner and on like notice on the written request of one-half or more of the number of directors then in office. Any such notice need not state the purpose or purposes of such meeting except as provided in Article XI.

Section 8. Quorum; Adjournments. At all meetings of the Board of Directors, a majority of the directors then in office shall constitute a quorum for the transaction of business, and the act of a majority of the directors present at any meeting at which there is a quorum shall be the act of the Board of Directors, except as may be otherwise specifically provided by law or the Certificate of Incorporation. If a quorum is not present at any meeting of the Board of Directors, the directors present may adjourn the meeting, from time to time without notice other than announcement at the meeting, until a quorum shall be present.

Section 9. Compensation. Directors shall be entitled to such compensation for their services as directors and to such reimbursement for any reasonable expenses incurred in attending directors' meetings as may from time to time be fixed by the Board of Directors. The compensation of directors may be on such basis as is determined by the Board of Directors. Any director may waive compensation for any meeting. Any director receiving compensation under these provisions shall not be barred from serving the Corporation in any other capacity and receiving compensation and reimbursement for reasonable expenses for such other services.

Section 10. Action by Consent. Any action required or permitted to be taken at any meeting of the Board of Directors may be taken without a meeting if a written consent to such action is signed by all members of the Board of Directors and such written consent is filed with

the minutes of its proceedings.

Section 11. Meetings by Telephone or Similar Communications. The Board of Directors may participate in a meeting by means of conference telephone or similar communications equipment by means of which all directors participating in the meeting can hear each other, and participation in such meeting shall constitute presence in person by such director at such meeting.

ARTICLE IV

COMMITTEES

Section 1. Committees. The Board of Directors, by resolutions adopted by a majority of the whole Board, may appoint such committee or committees as it shall deem advisable and with such functions and duties as the Board of Directors shall prescribe.

Section 2. Vacancies; Chances; Discharge. The Board of Directors shall have the power at any time to fill vacancies in, to change the membership of, and to discharge any committee.

Section 3. Compensation. Members of any committee shall be entitled to such compensation for their services as members of any such committee and to such reimbursement for any reasonable expenses incurred in attending committee meetings as may from time to time be fixed by the Board of Directors. Any member may waive compensation for any meeting. Any committee member receiving compensation under these provisions shall not be barred from serving the Corporation in any other capacity and from receiving compensation and reimbursement of reasonable expenses for such other services.

Section 4. Action by Consent. Any action required or permitted to be taken at any meeting of any committee of the Board of Directors may betaken without a meeting if a written consent to such action is signed by all members of the committee and such written consent is filed with the minutes of its proceedings.

Section 5. Meetings by Telephone or Similar Communications. The members of any committee designated by the Board of Directors may participate in a meeting of such committee by means of a conference telephone or similar communications equipment by means of which all persons participating in such meeting can hear each other and participation in such meeting shall constitute presence in person at such meeting.

ARTICLE V

NOTICES

Section 1. Form; Delivery. Whenever, under the provisions of law, the Certificate of Incorporation or these Bylaws, notice is required to be given to any director or stockholder, it shall not be construed to mean personal notice unless otherwise specifically provided, but such notice may be given in writing, by mail, addressed to such director or stockholder, at his address as it appears on the records of the Corporation, with postage thereon prepaid. Such notices shall be deemed to be given at the time they are deposited in the United States mail. Notice to a director may also be given personally or by telegram sent to his address as it appears on the records of the Corporation.

Section 2. Waiver. Whenever any notice is required to be given under the provisions of law, the Certificate of Incorporation or these Bylaws, a written waiver thereof, signed by the person or persons entitled to said notice, whether before or after the time stated therein, shall be deemed to be equivalent to such notice. In addition, any stockholder who attends a meeting of stockholders in person, or is represented at such meeting by proxy, without protesting at the commencement of the meeting the lack of notice thereof to him, or any director who attends a meeting of the Board of Directors without protesting, at the commencement of the meeting, such lack of notice, shall be conclusively deemed to have waived notice of such meeting.

ARTICLE VI

OFFICERS

Section 1. Designations. The officers of the Corporation shall be chosen by the Board of Directors. The Board of Directors may choose a Chairman of the Board, a President, a Vice-President or Vice-Presidents, a Secretary, a Treasurer, one or more Assistant Secretaries and/or Assistant Treasurers and other officers and agents as it shall deem necessary or appropriate. All officers of the Corporation shall exercise such powers and perform such duties as shall from time to time be determined by the Board of Directors. Any number of offices may be held by the same person, unless the Certificate of Incorporation or these Bylaws otherwise provide.

Section 2. Term of Office; Removal. The Board of Directors at its annual meeting after each annual meeting of stockholders shall choose a President, a Secretary and a Treasurer. The Board of Directors may also choose a Chairman of the Board, a Vice-President or Vice-Presidents, one or more Assistant Secretaries and/or Assistant Treasurers, and such other officers and agents as it shall deem necessary or appropriate. Each officer of the Corporation shall hold office until his successor is chosen and shall qualify. Any officer elected or appointed by the Board of Directors may be removed, with or without cause, at any time by the affirmative vote of

a majority of the directors then in office. Such removal shall not prejudice the contract rights, if any, of the person so removed. Any vacancy occurring in any office of the Corporation may be filled for the unexpired portion of the term by the Board of Directors.

Section 3. Compensation. The salaries of all officers of the Corporation shall be fixed from time to time by the Board of Directors and no officer shall be prevented from receiving such salary by reason of the fact that he is also a director of the Corporation.

Section 4. The Chairman of the Board. The Chairman of the Board, if any, shall be an officer of the Corporation and, subject to the direction of the Board of Directors, shall perform such executive, supervisory and management functions and duties as may be assigned to him from time to time by the Board of Directors. He shall, if present, preside at all meetings of stockholders and of the Board of Directors.

Section 5. The President.

(a) The President shall be the chief executive officer of the Corporation and, subject to the direction of the Board of Directors, shall have general charge of the business, affairs and property of the Corporation and general supervision over its other officers and agents. In general, he shall perform all duties incident to the office of President and shall see that all orders and resolutions of the Board of Directors are carried into effect. In addition to and not in limitation of the foregoing, the President shall be empowered to authorize any change of the registered office or registered agent (or both) of the Corporation in the State of Delaware.

(b) Unless otherwise prescribed by the Board of Directors, the President shall have full power and authority on behalf of the Corporation to attend, act and vote at any meeting of security holders of other corporations in which the Corporation may hold securities. At such meeting the President shall possess and may exercise any and all rights and powers incident to the ownership of such securities which the Corporation might have possessed and exercised if it had been present. The Board of Directors may from time to time confer like powers upon any other person or persons.

Section 6. The Vice-Presidents. The Vice-President, if any (or in the event there be more than one, the Vice-Presidents in the order designated, or in the absence of any designation, in the order of their election), shall, in the absence of the President or in the event of his disability, perform the duties and exercise the powers of the President and shall generally assist the President and perform such other duties and have such other powers as may from time to time be prescribed by the Board of Directors or the President.

Section 7. The Secretary. The Secretary shall attend all meetings of the Board of Directors and all meetings of stockholders and record all votes and the proceedings of the meetings in a book to be kept for that purpose and shall perform like duties for any committees of the Board of Directors, if required. He shall give, or cause to be given, notice of all meetings of stockholders and special meetings of the Board of Directors, and shall perform such other duties as may from time to time be prescribed by the Board of Directors or the President, under

whose supervision he shall act. He shall have custody of the seal of the Corporation, and he, or an Assistant Secretary, shall have authority to affix the same to any instrument requiring it, and, when so affixed, the seal may be attested by his signature or by the signature of such Assistant Secretary. The Board of Directors may give general authority to any other officer to affix the seal of the Corporation and to attest the affixing thereof by his signature.

Section 8. The Assistant Secretary. The Assistant Secretary, if any (or in the event there be more than one, the Assistant Secretaries in the order designated, or in the absence of any designation, in the order of their election), shall, in the absence of the Secretary or in the event of his disability, perform the duties and exercise the powers of the Secretary and shall perform such other duties and have such other powers as may from time to time be prescribed by the Board of Directors or the President.

Section 9. The Treasurer. The Treasurer, if any, shall have the custody of the corporate funds and other valuable effects, including securities, and shall keep full and accurate accounts of receipts and disbursements in books belonging to the Corporation and shall deposit all moneys and other valuable effects in the name and to the credit of the Corporation in such depositories as may from time to time be designated by the Board of Directors. The treasurer, if any, shall disburse the funds of the Corporation as may be ordered by the Board of Directors, taking proper vouchers for such disbursements, and shall render to the Chairman of the Board, the President and the Board of Directors, at regular meetings of the Board, or whenever they may require it, an account of all his transactions as Treasurer and of the financial condition of the Corporation.

Section 10. The Assistant Treasurer. The Assistant Treasurer, if any (or in the event there shall be more than one, the Assistant Treasurers in the order designated, or in the absence of any designation, in the order of their election), shall, in the absence of the Treasurer or in the event of his disability, perform the duties and exercise the powers of the Treasurer and shall perform such other duties and have such other powers as may from time to time be prescribed by the Board of Directors.

ARTICLE VII

INDEMNIFICATION OF DIRECTORS, OFFICERS AND OTHER AUTHORIZED REPRESENTATIVES

Section 1. Indemnification of Authorized Representatives in Third Party Proceedings. The Corporation shall indemnify, to the fullest extent permitted by law, any person who was or is an authorized representative of the Corporation, and who was or is a party, or is threatened to be made a party to any third party proceeding, by reason of the fact that such person was or is an authorized representative of the Corporation, against expenses, judgments, fines and amounts paid in settlement actually and reasonably incurred by such person in connection with such third party proceeding if such person acted in good faith and in a manner

such person reasonably believed to be in, or not opposed to, the best interests of the Corporation and, with respect to any criminal third party proceeding, had no reasonable cause to believe such conduct was unlawful. The termination of any third party proceeding by judgment, order, settlement, conviction or upon a plea of nolo contendere or its equivalent, shall not of itself create a presumption that the authorized representative did not act in good faith and in a manner which such person reasonably believed to be in or not opposed to, the best interests of the Corporation, and, with respect to any criminal third party proceeding, had reasonable cause to believe that such conduct was unlawful.

Section 2. Indemnification of Authorized Representatives in Corporate Proceedings. The Corporation shall indemnify, to the fullest extent permitted by law, any person who was or is an authorized representative of the Corporation and who was or is a party or is threatened to be made a party to any corporate proceeding, by reason of the fact that such person was or is an authorized representative of the Corporation, against expenses actually and reasonably incurred by such person in connection with the defense or settlement of such corporate proceeding if such person acted in good faith and in a manner reasonably believed to be in, or not opposed to, the best interests of the Corporation and except that no indemnification shall be made in respect of any claim, issue or matter as to which such person shall have been adjudged to be liable to the Corporation unless and only to the extent that the Court of Chancery or the court in which such corporate proceeding was brought shall determine upon application that, despite the adjudication of liability but in view of all the circumstances of the case, such authorized representative is fairly and reasonably entitled to indemnity for such expenses which the Court of Chancery or such other court shall deem proper.

Section 3. Mandatory Indemnification of Authorized Representatives. To the extent that an authorized representative or other employee or agent of the Corporation has been successful on the merits or otherwise in defense of any third party or corporate proceeding or in defense of any claim, issue or matter therein, such person shall be indemnified, to the fullest extent permitted by law, against expenses actually and reasonably incurred by such person in connection therewith.

Section 4. Determination of Entitlement to Indemnification. Any indemnification under Section 1, 2 or 3 of this Article (unless ordered by a court) shall be made by the Corporation only as authorized in the specific case upon a determination that indemnification of the authorized representative or other employee or agent is proper in the circumstances because such person has either met the applicable standard of conduct set forth in Section 1 or 2 of this Article or has been successful on the merits or otherwise as set forth in Section 3 of this Article and that the amount requested has been actually and

reasonably incurred. Such determination shall be made:

(a) by the Board of Directors by a majority vote of a quorum consisting of directors who were not parties to such third party or corporate proceeding; or

(b) if such a quorum is not obtainable, or even if obtainable, a quorum of

disinterested directors so directs, by independent legal counsel in a written opinion; or

(c) by the stockholders.

Section 5. Advancing Expenses. Expenses actually and reasonably incurred in defending a third party or corporate proceeding shall be paid on behalf of an authorized representative by the Corporation in advance of the final disposition of such third party or corporate proceeding upon receipt of an undertaking by or on behalf of the authorized representative to repay such amount if it shall ultimately be determined that the authorized representative is not entitled to be indemnified by the Corporation as authorized in this Article. The financial ability of any authorized representative to make a repayment contemplated by this section shall not be a prerequisite to the making of an advance. Expenses incurred by other employees and agents may be so paid upon such terms and conditions, if any, as the Board of Directors deems appropriate.

Section 6. Definitions. For purposes of this Article:

(a) "authorized representative" shall mean any and all directors and officers of the Corporation and any person designated as an authorized representative by the Board of Directors of the Corporation (which may, but need not, include any person serving at the request of the Corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise);

(b) "Corporation" shall include, in addition to the resulting corporation, any constituent corporation (including any constituent of a constituent) absorbed in a consolidation or merger which, if its separate existence had continued, would have had power and authority to indemnify its directors, officers, employees or agents, so that any person who is or was a director, officer, employee or agent of such constituent corporation, or is or was serving at the request of such constituent corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, shall stand in the same position under the provisions of this Article with respect to the resulting or surviving corporation as such person would have with respect to such constituent corporation if its separate existence had continued;

(c) "corporate proceeding" shall mean any threatened, pending or completed action or suit by or in the right of the Corporation to procure a judgment in its favor or investigative proceeding by the Corporation;

(d) "criminal third party proceeding" shall include any action or investigation which could or does lead to a criminal third party proceeding;

(e) "expenses" shall include attorneys' fees and disbursements;

(f) "fines" shall include any excise taxes assessed on a person with respect to

an employee benefit plan;

(g) "not opposed to the best interests of the Corporation" shall include actions taken in good faith and in a manner the authorized representative reasonably believed to be in the interest of the participants and beneficiaries of an employee benefit plan;

(h) "other enterprises" shall include employee benefit plans;

(i) "party" shall include the giving of testimony or similar involvement;

(j) "serving at the request of the Corporation" shall include any service as a director, officer or employee of the Corporation which imposes duties on, or involves services by, such director, officer or employee with respect to an employee benefit plan, its participants, or beneficiaries; and

(k) "third party proceeding" shall mean any threatened,

pending or completed action, suit or proceeding, whether civil, criminal, administrative, or investigative, other than an action by or in the right of the Corporation.

Section 7. Insurance. The Corporation may purchase and maintain insurance on behalf of any person who is or was a director, officer, employee or agent of the Corporation, or is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise against any liability asserted against the person and incurred by the person in any such capacity, or arising out of his or her status as such, whether or not the Corporation would have the power or the obligation to indemnify such person against such liability under the provisions of this Article.

Section 8. Scope of Article. The indemnification of authorized representatives and advancement of expenses, as authorized by the preceding provisions of this Article, shall not be deemed exclusive of any other rights to which those seeking indemnification or advancement of expenses may be entitled under any agreement, vote of stockholders or disinterested directors or otherwise, both as to action in an official capacity and as to action in another capacity while holding such office. The indemnification and advancement of expenses provided by or granted pursuant to this Article shall, unless otherwise provided when authorized or ratified, continue as to a person who has ceased to be an authorized representative and shall inure to the benefit of the heirs, executors and administrators of such a person.

Section 9. Reliance on Provisions. Each person who shall act as an authorized representative of the Corporation shall be deemed to be doing so in reliance upon rights of indemnification provided by this Article.

ARTICLE VIII

AFFILIATED TRANSACTIONS AND INTERESTED DIRECTORS

Section 1. Affiliated Transactions. No contract or transaction between the Corporation and one or more of its directors or officers, or between the Corporation and any other corporation, partnership, association or other organization in which one or more of its directors or officers are directors or officers, or have a financial interest, shall be void or voidable solely for this reason, or solely because the director or officer is present at or participates in the meeting of the Board of Directors or committee thereof which authorizes the contract or transaction or solely because his or their votes are counted for such purpose, if:

(a) The material facts as to his relationship or interest and as to the contract or transaction are disclosed or are known to the Board of Directors or the committee, and the Board of Directors or committee in good faith authorizes the contract or transaction by the affirmative vote of a majority of the disinterested directors, even though the disinterested directors be less than a quorum; or

(b) The material facts as to his relationship or interest and as to the contract or transaction are disclosed or are known to the stockholders entitled to vote thereon, and the contract or transaction is specifically approved in good faith by vote of the stockholders; or

(c) The contract or transaction is fair as to the Corporation as of the time it is authorized, approved or ratified by the Board of Directors, a committee thereof, or the stockholders.

Section 2. Determining Quorum. Common or interested directors may be counted in determining the presence of a quorum at a meeting of the Board of Directors or of a committee thereof which authorizes the contract or transaction.

ARTICLE IX

STOCK CERTIFICATES

Section 1. Form; Signatures.

(a) Every holder of stock in the Corporation shall be entitled to have a certificate, signed by the Chairman of the Board or the President and together with any of (i) the Treasurer; (ii) an Assistant Treasurer; (iii) the Secretary; or (iv) an Assistant Secretary of the

Corporation, exhibiting the number and class (and series, if any) of shares owned by him, and bearing the seal of the Corporation. Such signatures and seal may be facsimile. A certificate may be manually signed by a transfer agent or registrar other than the Corporation or its employee but may be a facsimile. In case any officer who has signed, or whose facsimile signature was placed on, a certificate shall have ceased to be such officer before such certificate is issued, it may nevertheless be issued by the Corporation with the same effect as if he were such officer at the date of its issue.

(b) All stock certificates representing shares of capital stock which are subject to restrictions on transfer or to other restrictions may have imprinted thereon such notation to such effect as may be determined by the Board of Directors.

Section 2. Registration of Transfer. Upon surrender to the Corporation or any transfer agent of the Corporation of a certificate for shares duly endorsed or accompanied by proper evidence of succession, assignment or authority to transfer, it shall be the duty of the Corporation or its transfer agent to issue a new certificate to the person entitled thereto, to cancel the old certificate and to record the transaction upon its books.

Section 3. Registered Stockholders.

(a) Except as otherwise provided by law, the Corporation shall be entitled to recognize the exclusive right of a person who is registered on its books as the owner of shares of its capital stock to receive dividends or other distributions, to vote as such owner, and to hold liable for calls and assessments any person who is registered on its books as the owner of shares of its capital stock. The Corporation shall not be bound to recognize any equitable or legal claim to or interest in such shares on the part of any other person.

(b) If a stockholder desires that notices and/or dividends shall be sent to a name or address other than the name or address appearing on the stock ledger maintained by the Corporation (or by the transfer agent or registrar, if any), such stockholder shall have the duty to notify the Corporation (or the transfer agent or registrar, if any) in writing, of such desire. Such written notice shall specify the alternate name or address to be used.

Section 4. Record Date. In order that the Corporation may determine the stockholders of record who are entitled to notice of or to vote at any meeting of stockholders or any adjournment thereof, or entitled to receive payment of any dividend or other distribution, or to make a determination of the stockholders of record for any other proper purpose, the Board of Directors may, in advance, fix a date as the record date for any such determination. Such date shall not be more than 60 nor less than 10 days before the date of such meeting, nor more than 60 days prior to the date of any other action. A determination of stockholders of record entitled to notice of or to vote at a meeting of stockholders shall apply to any adjournment of the meeting taken pursuant to Section 8 of Article II; provided, however, that the Board of Directors may fix a new record date for the adjourned meeting.

Section 5. Lost, Stolen or Destroyed Certificates. The Board of Directors may direct

a new certificate to be issued in place of any certificate theretofore issued by the Corporation which is claimed to have been lost, stolen or destroyed, upon the making of an affidavit of that fact by the person claiming the certificate of stock to be lost, stolen or destroyed. When authorizing such issue of a new certificate, the Board of Directors may, in its discretion and as a condition precedent to the issuance thereof, require the owner of such lost, stolen or destroyed certificate, or his legal representative, to advertise the same in such manner as it shall require and/or to give the Corporation a bond in such sum, or other security in such form, as it may direct as indemnity against any claim that may be made against the Corporation with respect to the certificate claimed to have been lost, stolen or destroyed.

ARTICLE X

GENERAL PROVISIONS

Section 1. Dividends. Subject to the provisions of the Certificate of Incorporation, dividends upon the outstanding capital stock of the Corporation may be declared by the Board of Directors at any regular or special meeting, pursuant to law, and may be paid in cash, in property or in shares of the Corporation's capital stock.

Section 2. Reserves. The Board of Directors shall have full power,

subject to the provisions of law and the Certificate of Incorporation, to determine whether any, and, if so, what part, of the funds legally available for the payment of dividends shall be declared as dividends and paid to the stockholders of the Corporation. The Board of Directors, in its sole discretion, may fix a sum which may be set aside or reserved over and above the paid-in capital of the Corporation for working capital or as a reserve for any proper purpose, and may, from time to time, increase, diminish or vary such fund or funds.

Section 3. Fiscal Year. The fiscal year of the Corporation shall be as determined from time to time by the Board of Directors and unless otherwise determined shall be the calendar year.

Section 4. Seal. The corporate seal shall have inscribed thereon the name of the Corporation, the year of its incorporation and the words Corporate Seal and Delaware.

ARTICLE XI

AMENDMENTS

The Board of Directors shall have the power to make, alter and repeal these Bylaws, and to adopt new bylaws, by an affirmative vote of a majority of the whole Board, provided that notice of the proposal to make, alter or repeal these Bylaws, or to adopt new bylaws, must be included in the notice of the meeting of the Board of Directors at which such action takes place.

EXHIBIT 10.1

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CREDIT AGREEMENT

DATED AS OF SEPTEMBER 28, 2001

BY AND AMONG

THE HILLMAN GROUP, INC.

AS BORROWER

AND

HELLER FINANCIAL, INC.

AS AGENT, AN ISSUING LENDER AND A LENDER

AND

ANTARES CAPITAL CORPORATION,
GENERAL ELECTRIC CAPITAL CORPORATION AND
MADISON CAPITAL FUNDING LLC,

EACH AS A CO-AGENT

AND

THE OTHER FINANCIAL INSTITUTIONS PARTY HERETO

AS LENDERS

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INDEX OF DEFINED TERMS

CREDIT AGREEMENT

This CREDIT AGREEMENT is dated as of September 28, 2001 and entered into by and among THE HILLMAN GROUP, INC., a Delaware Corporation ("Borrower"), with its principal place of business at 10590 Hamilton Avenue, Cincinnati, Ohio 45231, the financial institutions who are or hereafter become parties to this Agreement as "Lenders" (as defined in subsection 10.1 hereof), and HELLER FINANCIAL, INC., a Delaware corporation (in its individual capacity "Heller"), with its principal place of business at 500 West Monroe Street, Chicago, Illinois 60661, as the initial "Issuing Lender" and as "Agent" (as such terms are defined in subsection 10.1 hereof) and each of ANTARES CAPITAL CORPORATION, GENERAL ELECTRIC CAPITAL CORPORATION and MADISON CAPITAL FUNDING LLC, each as a Co-Agent ("Co-Agents").

R E C I T A L S:

WHEREAS, Borrower desires that Lenders extend term credit facilities and a revolving credit facility to Borrower (a) to fund the repayment of certain indebtedness of Borrower and its Affiliates (as hereinafter defined in subsection 10.1), in conjunction with the acquisition ("Acquisition") of the outstanding shares of SunSource Inc., a Delaware corporation ("First Tier Holdings") by Allied Capital Corporation, a Maryland corporation ("Allied") and

certain other Persons (as hereinafter defined in subsection 10.1) pursuant to a Merger Agreement dated June 18, 2001 among First Tier Holdings, Allied and Allied Capital Lock Acquisition Corporation, a Delaware corporation (the "Merger Agreement"), (b) to provide funds for costs associated with the Acquisition (it being understood that such costs, whether or not funded hereunder, shall not exceed $12,000,000), (c) to provide working capital financing for Borrower and (d) to provide funds for other general corporate purposes of Borrower; and

WHEREAS, Borrower desires to secure all of its Obligations (as hereinafter defined in subsection 10.1) under the Loan Documents (as hereinafter defined in subsection 10.1) by granting to Agent, for the benefit of Agent and Lenders, a security interest in and lien upon all of its personal and real property; and

WHEREAS, SunSource Investment Company, Inc., a Delaware corporation that owns all of the capital stock of Borrower ("Second Tier Holdings"), and First Tier Holdings each are willing to guaranty all of the Obligations of Borrower to Lenders under the Loan Documents and to pledge to Agent, for the benefit of Agent and Lenders, all of the capital stock of Borrower and Second Tier Holdings, respectively, to secure the Obligations;

NOW, THEREFORE, in consideration of the premises and the agreements, provisions and covenants herein contained, Borrower, Lenders and Agent agree as follows:

SECTION 1
AMOUNTS AND TERMS OF LOANS

1.1 Loans.

Subject to the terms and conditions of this Agreement and in reliance upon the representations and warranties of Borrower contained herein:

(A) Term Loans. Each Lender agrees, severally and not jointly, to lend to Borrower in one draw, on the Closing Date, its Pro Rata Share of the following amounts:

(i) "Term Loan A", in an amount equal to $20,000,000; and

(ii) "Term Loan B", in an amount equal to $35,000,000.

Term Loan A and Term Loan B will be referred to together as the "Term Loans".

Borrower shall repay the Term Loans through periodic payments on the dates and in the amounts indicated below ("Scheduled Installments").

Term Loan A

<TABLE>
<CAPTION>

Date	Scheduled Installment
<S>	<C>
December 31, 2001	$750,000
March 31, 2002	$750,000
June 30, 2002	$750,000
September 30, 2002	$750,000
December 31, 2002	$1,062,500
March 31, 2003	$1,062,500
June 30, 2003	$1,062,500
September 30, 2003	$1,062,500
December 31, 2003	$1,062,500
March 31, 2004	$1,062,500
June 30, 2004	$1,062,500
September 30, 2004	$1,062,500
December 31, 2004	$1,062,500
March 31, 2005	$1,062,500
June 30, 2005	$1,062,500
September 30, 2005	$1,062,500
December 31, 2005	$1,062,500
March 31, 2006	$1,062,500
June 30, 2006	$1,062,500

</TABLE>

<TABLE>
<CAPTION>

Date	Scheduled Installment
<S>	<C>

</TABLE>

September 27, 2006, or if different, the then outstanding balance of Term Loan A	$1,062,500

Term Loan B

Date	Scheduled Installment
December 31, 2001	$125,000
March 31, 2002	$125,000
June 30, 2002	$125,000
September 30, 2002	$125,000
December 31, 2002	$125,000
March 31, 2003	$125,000
June 30, 2003	$125,000
September 30, 2003	$125,000
December 31, 2003	$125,000
March 31, 2004	$125,000
June 30, 2004	$125,000
September 30, 2004	$125,000
December 31, 2004	$125,000
March 31, 2005	$125,000
June 30, 2005	$125,000
September 30, 2005	$125,000
December 31, 2005	$125,000
March 31, 2006	$125,000
June 30, 2006	$125,000
September 30, 2006	$125,000
December 31, 2006	$4,062,500
March 31, 2007	$4,062,500
June 30, 2007	$4,062,500
September 30, 2007	$4,062,500
December 31, 2007	$4,062,500
March 31, 2008	$4,062,500
June 30, 2008	$4,062,500
September 28 2008, or if different, the then outstanding balance of Term Loan B	$4,062,500

Notwithstanding the foregoing, the outstanding principal balance of the Term Loans shall be due and payable in full at par on the date, if any, that interest on the Debentures has been actually deferred for a period of fifty-four (54) consecutive months pursuant to Section 2.04 of the Indenture (the "Early Termination"). Amounts borrowed under this subsection 1.1(A) and repaid may not be reborrowed.

(B) Revolving Loans.

(1) Each Lender agrees, severally and not jointly, to lend to Borrower from the Closing Date to September 27, 2006 (the "Commitment Termination Date") its Pro Rata Share of the loans requested by Borrower to be made by Lenders under this subsection 1.1(B), up to an aggregate maximum for all Lenders of $50,000,000 (as the same may be reduced from time to time hereunder, the "Revolving Loan Commitment"). Advances or amounts outstanding under the Revolving Loan Commitment will be called "Revolving Loans". Revolving Loans may be repaid and reborrowed. All Revolving Loans shall be repaid in full on the Commitment Termination Date. If at any time the outstanding Revolving Loans exceed the Maximum Revolving Loan Balance (as it may be deemed increased from time to time pursuant to subsection 1.1(B)(2)), Lenders shall not be obligated to make Revolving Loans, no additional Letters of Credit shall be issued and Revolving Loans must be repaid immediately in an amount sufficient to eliminate any excess. Revolving Loans may be requested in any amount with one (1) Business Day prior written or telephonic notice required for amounts equal to or greater than $5,000,000. For amounts less than $5,000,000, written or telephonic notice must be provided by noon Chicago time on the day on which the Loan is to be made. All LIBOR Loans require three (3) Business Days prior written notice. All Loans requested telephonically must be confirmed in writing within twenty-four (24) hours. Written notices for funding requests shall be in the form attached as Exhibit 1.1(B). Neither Agent nor any Lender shall incur any liability to Borrower for acting upon any telephonic notice that Agent believes in good faith to have been given by a duly authorized officer or other person authorized to borrow on behalf of Borrower. In addition to providing the appropriate notice pursuant to the immediately preceding sentences, Loans used to consummate Permitted Acquisitions will only be made after the satisfaction of all terms and conditions contained within the definition of the term "Permitted Acquisition" and elsewhere herein. The "Maximum Revolving Loan Balance" will be the lesser of (a) the "Governor" (as calculated on Exhibit 4.8(E), the "Availability Certificate") less outstanding Letter of Credit Liability ("Governor

Availability") or (b) the Revolving Loan Commitment less outstanding Letter of Credit Liability.

(2) If Borrower requests that Lenders make, or permit to remain outstanding, Revolving Loans in an aggregate amount in excess of Governor Availability, Lenders having sixty percent (60%) or more of the Revolving Loan Commitment may in their discretion elect to cause all Lenders having a Revolving Loan Commitment to make, or permit to remain outstanding, such excess Revolving Loans (such Revolving Loans in excess of Governor Availability being referred to as "Overadvance Revolving Loans"), provided, however, that such Lenders may not cause all Lenders having a Revolving Loan Commitment to make, or permit to remain outstanding, (a) Revolving Loans in excess of the Revolving Loan Commitment less outstanding Letter of Credit Liability or (b) Overadvance Revolving Loans in excess of $5,000,000. If Overadvance Revolving Loans are made, or permitted to remain outstanding, pursuant to the preceding sentence, then (a) the Maximum Revolving Loan Balance shall be deemed increased by the amount of such permitted

Overadvance Revolving Loans, but only for so long as Lenders having sixty percent (60%) or more of the Revolving Loan Commitment allow such Overadvance Revolving Loans to be outstanding and (b) all Lenders that have committed to make Revolving Loans shall be bound to make, or permit to remain outstanding, such Overadvance Revolving Loans based upon their Pro Rata Shares of the Revolving Loan Commitment in accordance with the terms of this Agreement. If Overadvance Revolving Loans are outstanding for more than a total of ninety (90) days during any one hundred eighty (180) day period, Revolving Loans must be repaid immediately in an amount sufficient to eliminate all of such Overadvance Revolving Loans.

(C) Letters of Credit.

The Revolving Loan Commitment may, in addition to advances under the Revolving Loan, be utilized, upon the request of Borrower, for (i) the issuance of standby letters of credit for the account of Borrower by Heller or any other Issuing Lender, (ii) the issuance of commercial letters of credit for the account of Borrower by any Issuing Lender other than Heller or (iii) the issuance of standby letters of credit or commercial letters of credit for the account of Borrower under risk participation agreements entered into by Heller, as Issuing Lender, with other banks or financial institutions (the letters of credit described in clauses (i), (ii) and (iii) will be referred to hereinafter collectively as "Letters of Credit"). Immediately upon the issuance by an Issuing Lender or a Bank Line Issuer of a Letter of Credit, and without further action on the part of Agent or any of the Lenders, each Lender with a Revolving Loan Commitment shall be deemed to have purchased from such Issuing Lender a participation in such Letter of Credit (or in its obligation under a risk participation agreement with respect thereto) equal to such Lender's Pro Rata Share of the aggregate amount available to be drawn under such Letter of Credit.

(1) Maximum Amount. The aggregate amount of Letter of Credit Liability with respect to all Letters of Credit outstanding at any time shall not exceed $10,000,000.

(2) Reimbursement. Borrower shall be irrevocably and unconditionally obligated forthwith without presentment, demand, protest or other formalities of any kind, to reimburse any Issuing Lender on demand in immediately available funds for any amounts paid by such Issuing Lender with respect to a Letter of Credit, including all reimbursement payments, fees, charges, costs and expenses paid by Heller, as Issuing Lender, to any bank that issues Letters of Credit under a risk participation agreement (a "Bank Line Issuer"). Borrower hereby authorizes and directs Agent to debit Borrower's account (by increasing the outstanding principal balance of the Revolving Loan) in the amount of any payment made by an Issuing Lender with respect to any Letter of Credit. Agent shall debit Borrower's account as aforesaid if all the conditions precedent to make Revolving Loans, as set forth in Section 7, have been satisfied. If all such conditions have not been satisfied, Agent shall have the option to debit Borrower's account as aforesaid. All amounts paid by an Issuing Lender with respect to any Letter of Credit that are not immediately repaid by Borrower with the proceeds

of a Revolving Loan or otherwise shall bear interest at the interest rate applicable to Revolving Loans which are Base Rate Loans plus, at the election of Agent or Requisite Lenders, an additional two percent (2.00%) per annum. Each Lender agrees to fund its Pro Rata Share of any Revolving Loan made pursuant to this subsection 1.1(C)(2). In the event Agent does not debit Borrower's account and Borrower fails to reimburse an Issuing Lender in full on the date of any payment in respect of a Letter of Credit, Agent shall promptly notify each Lender with a Revolving Loan Commitment of the amount of such unreimbursed

payment and the accrued interest thereon and each Lender, on the next Business Day, shall deliver to Agent an amount equal to its Pro Rata Share thereof in same day funds. Each Lender with a Revolving Loan Commitment hereby absolutely and unconditionally agrees to pay to each Issuing Lender upon demand by such Issuing Lender such Lender's Pro Rata Share of each payment made by such Issuing Lender in respect of a Letter of Credit and not immediately reimbursed by Borrower or satisfied through a debit of Borrower's account. Each Lender with a Revolving Loan Commitment acknowledges and agrees that its obligations to acquire participations pursuant to this subsection in respect of Letters of Credit and to make the payments to each Issuing Lender required by the preceding sentence are absolute and unconditional and shall not be affected by any circumstance whatsoever, including the occurrence and continuance of a Default or an Event of Default or any failure by Borrower to satisfy any of the conditions set forth in subsection 7.2. If any Lender fails to make available to an Issuing Lender the amount of such Lender's Pro Rata Share of any payments made by such Issuing Lender in respect of a Letter of Credit as provided in this subsection 1.1(C)(2), such Issuing Lender shall be entitled to recover such amount on demand from such Lender together with interest at the Base Rate.

(3) Request for Letters of Credit. Borrower shall give Agent at least three (3) Business Days prior written notice specifying the date a Letter of Credit is requested to be issued, the amount, the name and address of the beneficiary, the proposed identity of the Issuing Lender and a description of the transactions proposed to be supported thereby. If Agent informs Borrower that an Issuing Lender cannot issue the requested Letter of Credit directly, Borrower may request that Heller arrange for the issuance of the requested Letter of Credit under a risk participation agreement with another financial institution reasonably acceptable to Heller and Borrower. The issuance of any Letter of Credit under this Agreement shall be subject to the conditions that the Letter of Credit (i) supports a transaction entered into in the ordinary course of business of Borrower and (ii) is in a form, is for an amount and contains such terms and conditions as are reasonably satisfactory to the Issuing Lender or the Bank Line Issuer asked to issue such Letter of Credit and, in the case of standby letters of credit, Agent. In the event that Borrower seeks the issuance of a Letter of Credit through a Bank Line Issuer or an Issuing Lender other than Heller, the issuance of such Letter of Credit shall be further conditioned on Borrower either maintaining an operating account with such Bank Line Issuer or other Issuing Lender or otherwise arranging to be charged directly by such Bank Line Issuer or other Issuing Lender for drawings under any such Letters of Credit and any related fees and expenses. Any notice requesting the issuance of a Letter of Credit shall be accompanied by the form of the Letter of Credit and

the application or reimbursement agreement, if any, then required by the Issuing Lender or Bank Line Issuer asked to issue such Letter of Credit completed in a manner satisfactory to such Issuing Lender or Bank Line Issuer. If any provision of any application or reimbursement agreement is inconsistent with the terms of this Agreement, then the provisions of this Agreement, to the extent of such inconsistency, shall control.

(4) Expiration Dates of Letters of Credit. The expiration date of each Letter of Credit shall be on a date which is not later than the earlier of (a) one year from its date of issuance or (b) the thirtieth (30th) day prior to the Commitment Termination Date. Notwithstanding the foregoing, a Letter of Credit may provide for automatic extensions of its expiration date for one or more successive one year periods provided that the Issuing Lender or Bank Line Issuer that issued such Letter of Credit has the right to terminate such Letter of Credit on each such annual expiration date and no renewal term may extend the term of the Letter of Credit to a date that is later than the thirtieth (30th) day prior to the Commitment Termination Date. An Issuing Lender may elect not to renew any such Letter of Credit and, upon direction by Agent or Requisite Lenders, shall not renew any such Letter of Credit at any time during the continuance of an Event of Default, provided that, in the case of a direction by Agent or Requisite Lenders, such Issuing Lender receives such directions prior to the date notice of non-renewal is required to be given by such Issuing Lender and such Issuing Lender has had a reasonable period of time to act on such notice.

(5) Obligations Absolute. The obligation of Borrower to reimburse an Issuing Lender for payments made in respect of Letters of Credit issued by such Issuing Lender shall be unconditional and irrevocable and shall be paid under all circumstances strictly in accordance with the terms of this Agreement including, without limitation, the following circumstances: (a) any lack of validity or enforceability of any Letter of Credit; (b) any amendment or waiver of or any consent or departure from all or any of the provisions of any Letter of Credit or any Loan Document; (c) the existence of any claim, set-off, defense or other right which Borrower, any of its Subsidiaries or Affiliates or any other Person may at any time have against any beneficiary of any Letter of Credit, Agent, any Issuing Lender, any Bank Line Issuer, any Lender or any other Person, whether in connection with this Agreement, any other Loan Document or any other related or unrelated agreements or transactions; (d) any draft or

other document presented under any Letter of Credit proving to be forged, fraudulent, invalid or insufficient in any respect or any statement therein being untrue or inaccurate in any respect; (e) payment under any Letter of Credit against presentation of a draft or other document that does not substantially comply with the terms of such Letter of Credit; or (f) any other act or omission to act or delay of any kind of any Issuing Lender, any Bank Line Issuer, Agent, any Lender or any other Person or any other event or circumstance whatsoever that might, but for the provisions of this subsection, constitute a legal or equitable discharge of Borrower's obligations hereunder.

(6) Obligations of Issuing Lenders. Each Issuing Lender (other than Heller) hereby agrees that it will not issue a Letter of Credit hereunder until it has provided

Agent with written notice specifying the amount and intended issuance date of such Letter of Credit and Agent has returned a written acknowledgment of such notice to Issuing Lender. Each Issuing Lender (other than Heller) further agrees to provide to Agent: (a) a copy of each Letter of Credit issued by such Issuing Lender promptly after its issuance; (b) a weekly report summarizing available amounts under Letters of Credit issued by such Issuing Lender, the dates and amounts of any draws under such Letters of Credit, the effective date of any increase or decrease in the face amount of any Letters of Credit during such week and the amount of any unreimbursed draws under such Letters of Credit; and (c) such additional information reasonably requested by Agent from time to time with respect to the Letters of Credit issued by such Issuing Lender. Without limiting the generality of the foregoing, it is expressly understood and agreed by Borrower that the absolute and unconditional obligation of Borrower hereunder to reimburse payments made under a Letter of Credit will not be excused by the gross negligence or willful misconduct of the Issuing Lender or a Bank Line Issuer that issued such Letter of Credit. However, the foregoing shall not be construed to excuse an Issuing Lender from liability to Borrower to the extent of any direct damages (as opposed to consequential damages, claims in respect of which are hereby waived by Borrower to the extent permitted by applicable law) suffered by Borrower that are caused by such Issuing Lender's or Bank Line Issuer's gross negligence or willful misconduct (as determined by a court of competent jurisdiction) in determining whether drafts and other documents presented under a Letter of Credit comply with the terms thereof. Agent and Lenders shall have no liability or responsibility for any action or omission by any Bank Line Issuer. It is understood and agreed by Borrower that any Issuing Lender or Bank Line Issuer may accept documents that appear on their face to be in order, without responsibility for further investigation, regardless of any notice or information to the contrary. As between Borrower and the issuer of any Letter of Credit, Borrower assumes all risks of the acts and omissions of, or misuse of the Letter of Credit by, the beneficiary thereof.

(7) Existing Letters of Credit. The parties hereto hereby agree that each of the Existing Letters of Credit shall constitute a Letter of Credit hereunder and that PNC Bank, National Association is the Issuing Lender with respect to each such Letter of Credit.

(D) Notes.

Borrower shall execute and deliver to each Lender (i) a Note to evidence the Revolving Loans, such Note to be in the principal amount of such Lender's Pro Rata Share of the Revolving Loan Commitment and (ii) a Note to evidence each Term Loan, such Notes to be in the principal amount of such Lender's Pro Rata Share of each Term Loan. In the event of an assignment under subsection 8.1, Borrower shall, upon surrender of the assigning Lender's Notes, issue new Notes to reflect the interests of the assigning Lender and the Person to which interests are to be assigned.

(E) Funding Authorization.

The proceeds of all Loans made pursuant to this Agreement subsequent to the Closing Date are to be funded by Agent by wire transfer to the account designated by Borrower below:

<TABLE>
<S> <C>

Bank:	PNC Bank
ABA No.:	
Account No.:	
Reference:	The Hillman Group, Inc. Concentration Account

</TABLE>

Borrower shall provide Agent with written notice of any change in the foregoing

instructions at least three (3) Business Days before the desired effective date of such change.

1.2 Interest and Related Fees.

(A) Interest.

From the date the Loans are made and the date the other Obligations become due, depending upon Borrower's election from time to time, as permitted herein, to have portions of the Loans accrue interest determined by reference to the Base Rate ("Base Rate Loans") or the LIBOR ("LIBOR Loans"), the Loans and the other Obligations shall bear interest at the applicable rates set forth below:

(1) The Revolving Loan and all other Obligations (other than the principal portion of the Term Loans) shall bear interest as follows:

(a) If a Base Rate Loan, then at the sum of the Base Rate plus the Base Rate Margin.

(b) If a LIBOR Loan, then at the sum of the LIBOR plus the LIBOR Margin.

(2) Term Loan A shall bear interest as follows:

(a) If a Base Rate Loan, then at the sum of the Base Rate plus the Base Rate Margin.

(b) If a LIBOR Loan then at the sum of the LIBOR plus the LIBOR Margin.

(3) Term Loan B shall bear interest as follows:

(a) If a Base Rate Loan, then at the sum of the Base Rate plus 2.50% per annum.

(b) If a LIBOR Loan then at the sum of the LIBOR plus 3.75% per annum.

"Base Rate" means a variable rate of interest per annum equal to the greater of (a) the rate of interest from time to time published by the Board of Governors of the Federal Reserve System in Federal Reserve statistical release H.15 (519) entitled "Selected Interest Rates" as the Bank prime loan rate or (b) the Federal Funds Effective Rate plus fifty (50) basis points. Base Rate also includes rates published in any successor publications of the Federal Reserve System reporting the Bank prime loan rate or its equivalent. The statistical release generally sets forth a Bank prime loan rate for each business day. The applicable Bank prime loan rate for any date not set forth shall be the rate set forth for the last preceding date. In the event the Board of Governors of the Federal Reserve System ceases to publish a Bank prime loan rate or its equivalent, the term "Base Rate" shall mean a variable rate of interest per annum equal to the greater of (a) the highest of the "prime rate," "reference rate," "base rate" or other similar rate as determined by Agent announced from time to time by any of the three largest banks (based on combined capital and surplus) headquartered in New York, New York (with the understanding that any such rate may merely be a reference rate and may not necessarily represent the lowest or best rate actually charged to any customer by such bank) or (b) the Federal Funds Effective Rate plus fifty (50) basis points.

"Base Rate Margin" shall mean (i) as of the Closing Date, 2.00% per annum, and (ii) thereafter, as of February 1, May 1, August 1 and November 1 of each year (commencing on August 1, 2002) and on the date on which each Permitted Acquisition is consummated pursuant to subsection 3.15 (each, an "Adjustment Date"), the Base Rate Margin shall be adjusted, if necessary, to the applicable percent per annum set forth in the pricing table set forth on Schedule 1.2 hereto corresponding to the Senior Indebtedness to Adjusted EBITDA Ratio for the trailing twelve (12) month period ending on the last day of the most recently completed calendar quarter prior to the applicable Adjustment Date (each such period, a "Calculation Period") calculated in the manner described in Exhibit 4.8(C) hereto.

"LIBOR" means, for each Interest Period, a rate per annum equal to:

(a) the offered rate for deposits in U.S. dollars in an amount comparable to the amount of the applicable Loan in the London interbank market which is published by the British Bankers' Association, and that currently appears on Telerate Page 3750, or any other source available to Agent, as of 11:00 a.m. (London time) on the day which is two (2) Business Days prior to the first day of the relevant Interest Period for a term comparable to such Interest Period; or if, for any reason, such a rate is not published by the

British Bankers' Association on Telerate or any other source available to Agent, the rate per annum equal to the average rate (rounded upwards, if necessary, to the nearest 1/100 of 1%) at which Agent

determines that U.S. dollars in an amount comparable to the amount of the applicable Loans are being offered to prime banks at approximately 11:00 a.m. (London time) on the day which is two (2) Business Days prior to the first day of such Interest Period for a term comparable to such Interest Period for settlement in immediately available funds by leading banks in the London interbank market selected by Agent; divided by

(b) a number equal to 1.0 minus the maximum reserve percentages (expressed as a decimal fraction) (including, without limitation, basic, supplemental, marginal and emergency reserves under any regulations of the Board of Governors of the Federal Reserve System or other governmental authority having jurisdiction with respect thereto, as now and from time to time in effect) for Eurocurrency funding (currently referred to as "Eurocurrency Liabilities" in Regulation D of such Board) which are required to be maintained by any Lender by the Board of Governors of the Federal Reserve System; such rate to be rounded upward to the next whole multiple of one-sixteenth of one percent (.0625%). LIBOR shall be adjusted automatically on and as of the effective date of any change in any such reserve percentage.

"LIBOR Margin" shall mean (i) as of the Closing Date, 3.25% per annum, and (ii) thereafter, as of each Adjustment Date, commencing on August 1, 2002, the LIBOR Margin shall be adjusted, if necessary, to the applicable percent per annum set forth in the pricing table set forth on Schedule 1.2 hereto corresponding to the Senior Indebtedness to Adjusted EBITDA Ratio for the applicable Calculation Period.

If an Event of Default has occurred and is continuing on an Adjustment Date, no reduction in the Base Rate Margin or LIBOR Margin shall occur on such Adjustment Date.

If Borrower shall fail to deliver a Compliance and Pricing Certificate by the date required pursuant to subsection 4.8(C), effective as of the tenth Business Day following the date on which such Compliance and Pricing Certificate was due, each applicable Base Rate Margin and each applicable LIBOR Margin shall be conclusively presumed to equal the highest applicable Base Rate Margin and the highest applicable LIBOR Margin specified in the pricing table set forth on Schedule 1.2 hereto until the date of delivery of the Compliance and Pricing Certificate.

Subject to paragraph (H) below, each LIBOR Loan may be obtained for a one, two, three or six month period (each being an "Interest Period"). With respect to all LIBOR Loans: (a) the Interest Period will commence on the date that the LIBOR Loan is made or the date on which a Base Rate Loan is converted into a LIBOR Loan, as applicable, or in the case of immediately successive Interest Periods, each successive Interest Period shall commence on the day on which the next preceding Interest Period expires, (b) if the Interest Period expires on a day that is not a Business Day, then it will expire on the next Business Day (unless the result of such extension would be to extend such Interest Period into another

calendar month in which event such Interest Period shall end on the immediately preceding Business Day), (c) any Interest Period that begins on the last Business Day of a calendar month (or on a day for which there is no numerically corresponding day in the calendar month at the end of such Interest Period) shall end on the last Business Day of a calendar month, (d) no Interest Period for Revolving Loans shall extend beyond the Commitment Termination Date, (e) no Interest Period for any portion of a Term Loan shall extend beyond the date of the final Scheduled Installment thereof and (f) an Interest Period may not be selected for any portion of a Term Loan if a Scheduled Installment for such Term Loan is payable during such Interest Period and the portion of such Term Loan which constitutes a Base Rate Loan does not equal or exceed the amount of such Scheduled Installment.

(B) Commitment Fee. From the Closing Date, Borrower shall pay Agent, for the benefit of all Lenders committed to make Revolving Loans, a fee in an amount equal to (1) (a) the Revolving Loan Commitment less (b) the sum of (i) the average daily balance of the Revolving Loans plus (ii) the average daily aggregate amount of outstanding Letter of Credit Liability, in each case during the preceding month, multiplied by (2) one-half of one percent (0.50 %) per annum. Such fee is to be paid monthly in arrears on the first day of each month.

(C) Letter of Credit Fee. From the Closing Date, Borrower shall pay Agent a fee for each Letter of Credit from the date of issuance to the

date of termination equal to the average daily aggregate amount of outstanding Letter of Credit Liability during the preceding month multiplied by three and one-quarter percent (3.25 %) per annum until the first Adjustment Date and thereafter by a per annum rate equal to the LIBOR Margin as in effect on the date on which the fee is payable, which fee shall be payable to Agent for the benefit of all Lenders committed to make Revolving Loans (based upon their respective Pro Rata Shares). Borrower shall also pay Agent, for the account of each Issuing Lender, a fronting fee for each Letter of Credit issued or obtained by such Issuing Lender from the date of issuance to the date of termination equal to the average daily aggregate outstanding Letter of Credit Liability with respect to such Letter of Credit during the preceding month multiplied by one quarter percent (.25%) per annum. Such fees are to be paid monthly in arrears on the first day of each month. Borrower shall also pay or reimburse each Issuing Lender for its payment of any and all issuance, negotiation, processing or administrative fees and expenses payable under any risk participation agreement to any other issuer with respect to any Letters of Credit issued for the benefit of Borrower or any of its Subsidiaries.

(D) Computation of Interest and Related Fees. Interest on LIBOR Loans and all other Obligations (exclusive of Base Rate Loans), and all fees set forth in this subsection 1.2, shall be calculated daily on the basis of a three hundred sixty (360) day year for the actual number of days elapsed in the period during which it accrues and interest on all Base Rate Loans shall be calculated on the basis of a 365/366 day year for the actual number of days elapsed in the period during which it accrues. The date of funding a Base Rate Loan and the first day of an Interest Period with respect to a LIBOR Loan shall be included in the

calculation of interest. The date of payment of a Base Rate Loan and the last day of an Interest Period with respect to a LIBOR Loan shall be excluded from the calculation of interest. If a Loan is repaid on the same day that it is made, one (1) days' interest shall be charged. Interest on all Base Rate Loans is payable in arrears on the first day of each month and on the maturity of such Loans, whether by acceleration or otherwise. Interest on LIBOR Loans shall be payable on the last day of the applicable Interest Period, unless the Interest Period is greater than three (3) months, in which case interest will be payable on the last day of each three (3) month interval. In addition, interest on LIBOR Loans is due on the maturity of such Loans, whether by acceleration or otherwise.

(E) Default Rate of Interest. At the election of Agent or Requisite Lenders, after the occurrence of an Event of Default (but without the need for any election with respect to an Event of Default described in subsections 6.1(F) or 6.1(G)) and for so long as it continues, the Loans and other Obligations shall bear interest at a rate that is two percent (2.0%) in excess of the rates otherwise payable under this Agreement. Furthermore, at the election of Agent or Requisite Lenders during any period in which any Event of Default is continuing (1) as the Interest Periods for LIBOR Loans then in effect expire, such Loans shall be converted into Base Rate Loans and (2) the LIBOR election will not be available to Borrower.

(F) Excess Interest. Under no circumstances will the rate of interest chargeable be in excess of the maximum amount permitted by law. If excess interest is charged and paid in error, then the excess amount will be promptly refunded or applied to repayment or prepayment of principal in the manner set forth in subsection 1.5(E).

(G) LIBOR Election. All Loans made on the Closing Date shall be Base Rate Loans and shall remain so until ten (10) days after the Closing Date. Thereafter, Borrower may request that Revolving Loans to be made be LIBOR Loans, that outstanding portions of Revolving Loans and outstanding portions of the Term Loans be converted to LIBOR Loans and that all or any portion of a LIBOR Loan be continued as a LIBOR Loan upon expiration of the applicable Interest Period. Any such request will be made by submitting a written notice to Agent in the form of Exhibit 1.1(B). Once given, and except as provided in subsection 1.2(H), a LIBOR Loan request shall be irrevocable and Borrower shall be bound thereby. Upon the expiration of an Interest Period, in the absence of a new LIBOR Loan request submitted to Agent not less than three (3) Business Days prior to the end of such Interest Period, the LIBOR Loan then maturing shall be automatically converted to a Base Rate Loan. There may be no more than seven (7) LIBOR Loans outstanding at any one time. Loans which are not the subject of a LIBOR Loan request shall be Base Rate Loans. Agent will notify Lenders, by telephonic or facsimile notice, of each LIBOR Loan request received by Agent not less than two (2) Business Days prior to the first day of the Interest Period of the LIBOR Loan requested thereby.

(H) Inability to Determine LIBOR. In the event, prior to

commencement of any Interest Period relating to a LIBOR Loan, Agent shall determine or be notified in writing by Requisite Lenders that adequate and reasonable methods do not exist for ascertaining LIBOR, Agent shall promptly provide notice of such determination to Borrower and Lenders (which shall be conclusive and binding on Borrower and Lenders). In such event (1) any request for a LIBOR Loan or for a conversion to or continuation of a LIBOR Loan shall be automatically withdrawn and shall be deemed a request for a Base Rate Loan, (2) each LIBOR Loan will automatically, on the last day of the then current Interest Period relating thereto, become a Base Rate Loan and (3) the obligations of Lenders to make LIBOR Loans shall be suspended until Agent or Requisite Lenders determine that the circumstances giving rise to such suspension no longer exist, in which event Agent upon the instructions of Requisite Lenders, shall so notify Borrower and Lenders.

(I) Illegality. Notwithstanding any other provisions hereof, if any law, rule, regulation, treaty or directive or interpretation or application thereof shall make it unlawful for any Lender to make, fund or maintain LIBOR Loans, such Lender shall promptly give notice of such circumstances to Agent, Borrower and the other Lenders. In such an event, (1) the commitment of such Lender to make LIBOR Loans or convert Base Rate Loans to LIBOR Loans shall be immediately suspended and (2) such Lender's outstanding LIBOR Loans shall be converted automatically to Base Rate Loans on the last day of the Interest Period thereof or at such earlier time as may be required by law.

1.3 Other Fees and Expenses.

(A) Certain Fees. Borrower shall pay to Heller, individually, the fees specified in that certain letter agreement dated the date of this Agreement between Borrower and Heller in the amounts and at the times specified therein.

(B) Prepayment Fee. If Borrower voluntarily prepays Term Loan B in full or in part prior to the third anniversary of the Closing Date, Borrower shall pay to Agent, for the benefit of Lenders holding Term Loan B, as compensation for the costs of Lenders being prepared to continue to make funds available to Borrower under this Agreement with respect to Term Loan B, an amount determined by multiplying three (3.00%) percent by the amount of such prepayment of Term Loan B. Such amount shall be due and payable on the date of such prepayment. No amount will be payable pursuant to this subsection 1.3(B) with respect to any full or partial voluntary prepayment of Term Loan B made after the third anniversary of the Closing Date, or made pursuant to subsection 1.5(B).

(C) LIBOR Breakage Fee. Upon (i) any default by Borrower in making any borrowing of, conversion into or continuation of any LIBOR Loan following Borrower's delivery to Agent of any LIBOR Loan request in respect thereof or (ii) any payment of a LIBOR Loan on any day that is not the last day of the Interest Period applicable thereto (regardless of the source of such prepayment and whether voluntary, by acceleration or

otherwise), Borrower shall pay Agent, for the benefit of all Lenders that funded or were prepared to fund any such LIBOR Loan, an amount (the "LIBOR Breakage Fee") equal to the amount of any losses, expenses and liabilities (including, without limitation, any loss (including interest paid) in connection with the re-employment of such funds) that any Lender may sustain as a result of such default or such payment. For purposes of calculating amounts payable to a Lender under this subsection, each Lender shall be deemed to have actually funded its relevant LIBOR Loan through the purchase of a deposit bearing interest at LIBOR in an amount equal to the amount of that LIBOR Loan and having a maturity and repricing characteristics comparable to the relevant Interest Period; provided, however, that each Lender may fund each of its LIBOR Loans in any manner it sees fit, and the foregoing assumption shall be utilized only for the calculation of amounts payable under this subsection.

(D) [INTENTIONALLY RESERVED.]

(E) Expenses and Attorneys' Fees. Borrower agrees to promptly pay all reasonable fees, costs and expenses (including reasonable attorneys' fees and expenses and the allocated cost of internal legal staff) incurred by Agent in connection with any matters contemplated by or arising out of the Loan Documents, in connection with the examination, review, due diligence investigation, documentation, negotiation, closing and syndication of the transactions contemplated herein and in connection with the continued administration of the Loan Documents including any amendments, modifications, consents and waivers. Borrower agrees to promptly pay reasonable documentation charges assessed by Agent for amendments, waivers, consents and any of the documentation prepared by Agent's internal legal staff. Borrower agrees to promptly pay all fees, costs and expenses (including attorneys' fees and expenses, the allocated cost of internal legal staff and costs of financial consultants and other professionals) incurred by Agent and Lenders in connection

with any action to enforce any Loan Document or to collect any payments due from Borrower or any other Loan Party. All fees, costs and expenses for which Borrower is responsible under this subsection 1.3(E) shall be deemed part of the Obligations when incurred, payable in accordance with the final two sentences of subsection 1.4 and secured by the Collateral.

1.4 Payments.

All payments by Borrower of the Obligations shall be without deduction, defense, setoff or counterclaim and shall be made in same day funds and delivered to Agent, for the benefit of Agent and Lenders, as applicable, by wire transfer to the following account or such other place as Agent may from time to time designate in writing.

ABA No.
Account Number
Bank One, N.A.
1 Bank One Plaza
Chicago, IL 60670
Reference: Heller Corporate Finance
for the benefit of The Hillman Group, Inc.

Borrower shall receive credit on the day of receipt for funds received by Agent by 1:00 p.m. Chicago time. In the absence of timely receipt, such funds shall be deemed to have been paid on the next Business Day. Whenever any payment to be made hereunder shall be stated to be due on a day that is not a Business Day, the payment may be made on the next succeeding Business Day and such extension of time shall be included in the computation of the amount of interest and fees due hereunder.

Borrower hereby authorizes Lenders to make Revolving Loans, on the basis of their Pro Rata Shares, for the payment of Scheduled Installments, interest, commitment fees, Letter of Credit fees, LIBOR Breakage Fees, Letter of Credit reimbursement obligations and any amounts required to be deposited with respect to outstanding Letter of Credit Liability pursuant to subsections 1.5(F) or 6.3. Prior to an Event of Default, other fees, costs and expenses (including those of attorneys) reimbursable to Agent pursuant to subsections 1.3(A) and (E) or elsewhere in any Loan Document may be debited to the Revolving Loan after fifteen (15) days notice. After the occurrence of an Event of Default and so long as it exists, no notice will be required.

1.5 Prepayments.

(A) Voluntary Prepayments of Loans. At any time, Borrower may prepay the Loans, in whole or in part, subject to the payment of the fees specified in subsection 1.3(B) and LIBOR Breakage Fees, if applicable. Prepayments of Term Loans shall be applied in accordance with subsection 1.5(E) or as otherwise may be agreed by Requisite Lenders.

(B) Prepayments from Excess Cash Flow. On the earlier of one hundred (100) days after the end of each of its fiscal years or the tenth (10th) Business Day after the delivery of Borrower's fiscal year end financial statements pursuant to subsection 4.8(B) hereof, in each case commencing with the fiscal year ended December 31, 2002, Borrower shall prepay the Loans in an amount equal to: (1) the applicable percent set forth in the pricing table set forth on Schedule 1.2 hereto corresponding to the Senior Indebtedness to Adjusted EBITDA Ratio for such fiscal year, multiplied by (2) the Excess Cash Flow for such fiscal year determined pursuant to the calculation on Exhibit 1.5(B). The calculation shall be based on the audited financial statements of First Tier Holdings and its Subsidiaries

(other than the Excluded Subsidiaries). The payments shall be applied in accordance with subsection 1.5(E).

(C) Prepayments from Asset Dispositions. Immediately upon receipt of any Net Proceeds in excess of $1,000,000 for any single transaction or series of related transactions constituting any Asset Disposition, Borrower shall repay the outstanding principal balance of the Revolving Loan (without reduction of the Revolving Loan Commitment) by an amount equal to the amount of such Net Proceeds. Borrower may reinvest all or part of such Net Proceeds of such Asset Disposition, within one hundred and eighty (180) days, in productive replacement assets of a kind then used or usable in the business of Borrower. Promptly following receipt of such Net Proceeds, Borrower will provide Agent with a certificate setting forth Borrower's intended use of such Net Proceeds (i.e., whether Borrower intends to reinvest all or part of such Net Proceeds, as described in the immediately preceding sentence, and if so, details pertaining to any intended reinvestment). If Borrower does not intend to so reinvest all of

such Net Proceeds or if the period set forth in the immediately preceding sentence expires without Borrower having reinvested all of such Net Proceeds, Borrower shall prepay the Term Loans in an amount equal to such Net Proceeds of such Asset Disposition not intended to be reinvested or not actually reinvested. The payments shall be applied in accordance with subsection 1.5(E).

(D) Prepayments from Issuance of Securities. Immediately upon the receipt by First Tier Holdings or any of its Subsidiaries (other than the Excluded Subsidiaries) of the proceeds of the issuance of equity securities (other than (1) proceeds of the issuance of equity securities by First Tier Holdings received on or before the Closing Date, (2) proceeds from the issuance of equity securities to members of the management of First Tier Holdings and/or any of its Subsidiaries, (3) proceeds of the issuance of equity securities to Borrower or any Subsidiary of Borrower, (4) proceeds which concurrently are contributed to the capital of any of the Excluded Subsidiaries and (5) in the absence of any Default or Event of Default, proceeds obtained from any Person who was a shareholder of First Tier Holdings as of the Closing Date, but only if such proceeds are used following the contribution thereof to the capital of Borrower solely for Capital Expenditures otherwise permitted hereunder and until used are segregated exclusively for such purpose), Borrower shall prepay the Loans in an amount equal to such proceeds, net of underwriting discounts and commissions and other reasonable costs associated therewith. The payments shall be applied in accordance with subsection 1.5(E).

(E) Application of Proceeds. With respect to the prepayments described in subsections 1.5(A), 1.5(B), 1.5(C) and 1.5(D), such prepayments shall first be applied in payment of any applicable premium with respect to prepayments described in subsection 1.5(A), shall then be applied to any applicable LIBOR Breakage Fees, shall then be applied to the Term Loans pro rata in the inverse order of maturity of the Scheduled Installments and, at any time after the Term Loans shall have been prepaid in full, such prepayments shall then be applied to reduce the outstanding principal balance of the Revolving Loans and as a

permanent reduction of the Revolving Loan Commitment. Notwithstanding the foregoing, any Lender holding any portion of Term Loan A or Term Loan B may elect, by notice to Agent and Borrower at least one Business Day prior to any prepayment of Term Loan A and/or Term Loan B required or permitted to be made by Borrower for the account of such Lender pursuant to subsection 1.5(B), to cause all or a portion of such prepayment allocated to Term Loan A and Term Loan B (but only in pro rata portions of Term Loan A and Term Loan B) not to be applied to the Term Loan A and Term Loan B held by such Lender, in which case Borrower shall retain the proceeds of such waived prepayment. Considering each type of Loan being prepaid separately, any such prepayment shall be applied first to Base Rate Loans of the type required to be prepaid before application to LIBOR Loans of the type required to be prepaid, in each case in a manner which minimizes any resulting LIBOR Breakage Fee.

(F) Letter of Credit Liability. In the event any Letters of Credit are outstanding at the time that Borrower prepays the Obligations or terminates the Revolving Loan Commitment, Borrower shall (1) deposit with Agent for the benefit of all Lenders with a Revolving Loan Commitment cash in an amount equal to one hundred and five percent (105%) of the aggregate outstanding Letter of Credit Liability to be available to Agent to reimburse payments of drafts drawn under such Letters of Credit and pay any fees and expenses related thereto and (2) prepay the fee payable under subsection 1.2(C) with respect to such Letters of Credit for the full remaining terms of such Letters of Credit. Upon termination of any such Letter of Credit, the unearned portion of such prepaid fee attributable to such Letter of Credit shall be refunded to Borrower.

1.6 Maturity.

All of the Obligations shall become due and payable as otherwise set forth herein, but in any event all of the remaining Obligations shall become due and payable upon termination of the Credit Agreement and/or upon Early Termination as set forth in subsection 1.1(A). Until all Obligations have been fully paid and satisfied (other than contingent indemnification obligations to the extent no unsatisfied claim has been asserted), the Revolving Loan Commitment has been terminated and all Letters of Credit have been terminated or otherwise secured to the satisfaction of Agent, Agent shall be entitled to retain the security interests in the Collateral granted under the Security Documents and the ability to exercise all rights and remedies available to them under the Loan Documents and applicable laws.

1.7 Loan Accounts.

Agent will maintain loan account records for (a) all Loans, interest charges and payments thereof, (b) all Letter of Credit Liability, (c) the charging and payment of all fees, costs and expenses and (d) all other debits and credits pursuant to this Agreement. The balance in the loan accounts shall be presumptive evidence of the amounts due and owing to

Lenders, provided that any failure by Agent to so record shall not limit or affect the Borrower's obligation to pay. Within five (5) days of the first of each month, Agent shall provide a statement for each loan account setting forth the principal of each account and interest due thereon. Borrower must deliver a written objection within sixty (60) days after receipt of the statement or the statement will be presumptive evidence of the Obligations absent manifest error. During the continuance of an Event of Default, Borrower irrevocably waives the right to direct the application of any and all payments and Borrower hereby irrevocably agrees that Agent shall have the continuing exclusive right to thereafter apply payments in any manner it deems appropriate.

1.8 Yield Protection

(A) Capital Adequacy and Other Adjustments. In the event that any Lender shall have determined that the adoption after the date hereof of any law, treaty, governmental (or quasi-governmental) rule, regulation, guideline or order regarding capital adequacy, reserve requirements or similar requirements or compliance by any Lender or any corporation controlling such Lender with any request or directive regarding capital adequacy, reserve requirements or similar requirements (whether or not having the force of law and whether or not failure to comply therewith would be unlawful) from any central bank or governmental agency or body having jurisdiction does or shall have the effect of increasing the amount of capital, reserves or other funds required to be maintained by such Lender or any corporation controlling such Lender and thereby reducing the rate of return on such Lender's or such corporation's capital as a consequence of its obligations hereunder, then Borrower shall from time to time within fifteen (15) days after notice and demand from such Lender (together with the certificate referred to in the next sentence and with a copy to Agent) pay to Agent, for the account of such Lender, additional amounts sufficient to compensate such Lender for such reduction. A certificate as to the amount of such cost and showing the basis of the computation of such cost submitted by such Lender to Borrower and Agent shall, absent manifest error, be final, conclusive and binding for all purposes.

(B) Increased LIBOR Funding Costs. If, after the date hereof, the introduction of, change in or interpretation of any law, rule, regulation, treaty or directive would impose or increase reserve requirements (other than as taken into account in the definition of LIBOR) or otherwise increase the cost to any Lender of making or maintaining a LIBOR Loan, then Borrower shall from time to time within fifteen (15) days after notice and demand from Agent (together with the certificate referred to in the next sentence) pay to Agent, for the account of all such affected Lenders, additional amounts sufficient to compensate such Lenders for such increased cost. A certificate as to the amount of such cost and showing the basis of the computation of such cost submitted by Agent on behalf of all such affected Lenders to Borrower shall, absent manifest error, be final, conclusive and binding for all purposes.

1.9 Taxes.

(A) No Deductions. Any and all payments or reimbursements made hereunder or under the Notes shall be made free and clear of and without deduction for any and all taxes, levies, imposts, deductions, charges or withholdings, and all liabilities with respect thereto of any nature whatsoever imposed by any taxing authority, excluding such taxes to the extent imposed on Agent's or a Lender's net income by the jurisdiction in which Agent or such Lender is organized. If Borrower shall be required by law to deduct any such amounts from or in respect of any sum payable hereunder to any Lender or Agent, then the sum payable hereunder shall be increased as may be necessary so that, after making all required deductions, such Lender or Agent receives an amount equal to the sum it would have received had no such deductions been made.

(B) Changes in Tax Laws. In the event that, subsequent to the Closing Date, (1) any changes in any existing law, regulation, treaty or directive or in the interpretation or application thereof, (2) any new law, regulation, treaty or directive enacted or any interpretation or application thereof, or (3) compliance by Agent or any Lender with any request or directive (whether or not having the force of law) from any governmental authority, agency or instrumentality:

(a) does or shall subject Agent or any Lender to any tax of any kind whatsoever with respect to this Agreement, the other Loan Documents or any Loans made or Letters of Credit issued hereunder, or change the basis of taxation of payments to Agent or such Lender of principal, fees, interest or any other amount payable hereunder (except for net income taxes, or franchise taxes imposed in lieu of net income taxes, imposed generally by federal, state or local taxing authorities with respect to interest or commitment fees or other

fees payable hereunder or changes in the rate of tax on the overall net income of Agent or such Lender); or

(b) does or shall impose on Agent or any Lender any other condition or increased cost in connection with the transactions contemplated hereby or participations herein;

and the result of any of the foregoing is to increase the cost to Agent or any such Lender of issuing any Letter of Credit or making or continuing any Loan hereunder, as the case may be, or to reduce any amount receivable hereunder, then, in any such case, Borrower shall promptly pay to Agent or such Lender, upon its demand, any additional amounts necessary to compensate Agent or such Lender, on an after-tax basis, for such additional cost or reduced amount receivable, as determined by Agent or such Lender with respect to this Agreement or the other Loan Documents. If Agent or such Lender becomes entitled to claim any additional amounts pursuant to this subsection, it shall promptly notify Borrower of the event by reason of which Agent or such Lender has become so entitled. A certificate as to any additional

amounts payable pursuant to the foregoing sentence submitted by Agent or such Lender to Borrower shall, absent manifest error, be final, conclusive and binding for all purposes.

(C) Foreign Lenders. Each Lender organized under the laws of a jurisdiction outside the United States (a "Foreign Lender") as to which payments to be made under this Agreement or under the Notes are exempt from United States withholding tax or are subject to United States withholding tax at a reduced rate under an applicable statute or tax treaty shall provide to Borrower and Agent (1) a properly completed and executed Internal Revenue Service Form W-8BEN or Form W-8ECI or other applicable form, certificate or document prescribed by the Internal Revenue Service of the United States certifying as to such Foreign Lender's entitlement to such exemption or reduced rate of withholding with respect to payments to be made to such Foreign Lender under this Agreement and under the Notes (a "Certificate of Exemption") or (2) a letter from any such Foreign Lender stating that it is not entitled to any such exemption or reduced rate of withholding (a "Letter of Non-Exemption"). Prior to becoming a Lender under this Agreement and within fifteen (15) days after a reasonable written request of Borrower or Agent from time to time thereafter, each Foreign Lender that becomes a Lender under this Agreement shall provide a Certificate of Exemption or a Letter of Non-Exemption to Borrower and Agent. If a Foreign Lender is entitled to an exemption with respect to payments to be made to such Foreign Lender under this Agreement (or to a reduced rate of withholding) and does not provide a Certificate of Exemption to Borrower and Agent within the time periods set forth in the preceding paragraph, Borrower shall withhold taxes from payments to such Foreign Lender at the applicable statutory rates and Borrower shall not be required to pay any additional amounts as a result of such withholding, provided that all such withholding shall cease upon delivery by such Foreign Lender of a Certificate of Exemption to Borrower and Agent.

1.10 Optional Prepayment/Replacement of Lenders.

Within fifteen (15) days after receipt by Borrower of written notice and demand from any Lender for payment pursuant to subsection 1.8 or 1.9 or, as provided in subsection 8.3(C), in the case of certain refusals by any Lender to consent to certain proposed amendments, modifications, terminations or waivers with respect to this Agreement that have been approved by Requisite Lenders (any such Lender demanding such payment or refusing to so consent being referred to herein as an "Affected Lender"), Borrower may, at its option, notify Agent and such Affected Lender of its intention to do one of the following:

(A) Borrower may obtain, at Borrower's expense, a replacement Lender ("Replacement Lender") for such Affected Lender, which Replacement Lender shall be reasonably satisfactory to Agent. In the event Borrower obtains a Replacement Lender that will purchase all outstanding Obligations owed to such Affected Lender and assume its commitments hereunder within ninety (90) days following notice of Borrower's intention to do so, the Affected Lender shall sell and assign all of its rights and delegate all of its obligations under this Agreement to such Replacement Lender in accordance with the

provisions of subsection 8.1, provided that Borrower has reimbursed such Affected Lender for any administrative fee payable pursuant to subsection 8.1 and, in any case where such replacement occurs as the result of a demand for payment pursuant to subsection 1.8 or 1.9, paid all amounts required to be paid to such Affected Lender pursuant to subsection 1.8 or 1.9 through the date of such sale and assignment; or

(B) With the prior written approval of the Requisite Lenders

(calculated without giving effect to the Loans and Revolving Loan Commitment of the applicable Affected Lender), Borrower may prepay in full all outstanding Obligations owed to such Affected Lender (without any premium required with respect to the prepayment of Term Loan B) and terminate such Affected Lender's Pro Rata Share of the Revolving Loan Commitment, in which case the Revolving Loan Commitment will be reduced by the amount of such Pro Rata Share. Borrower shall, within ninety (90) days following notice of its intention to do so, prepay in full all outstanding Obligations owed to such Affected Lender (including, in any case where such prepayment occurs as the result of a demand for payment for increased costs, such Affected Lender's increased costs for which it is entitled to reimbursement under this Agreement through the date of such prepayment), and terminate such Affected Lender's obligations under the Revolving Loan Commitment.

SECTION 2
AFFIRMATIVE COVENANTS

Borrower covenants and agrees that so long as the Revolving Loan Commitment is in effect and until payment in full of all Obligations (other than contingent indemnification obligations to the extent no unsatisfied claim has been asserted) and termination of the obligations of Lenders with respect to all Letters of Credit, Borrower shall perform and comply with, and shall cause each of the other Loan Parties to perform and comply with, all covenants in this Section 2 applicable to such Person.

2.1 Compliance With Laws and Contractual Obligations.

Borrower will (a) comply with and cause each of its Subsidiaries to comply with (i) the requirements of all applicable laws, rules, regulations and orders of any governmental authority (including, without limitation, laws, rules, regulations and orders relating to taxes, employer and employee contributions, securities, employee retirement and welfare benefits, environmental protection matters and employee health and safety) as now in effect and which may be imposed in the future in all jurisdictions in which Borrower or its Subsidiaries are now doing business or may hereafter be doing business and (ii) the obligations, covenants and conditions contained in all Contractual Obligations of Borrower or such Subsidiary, as applicable other than those laws, rules, regulations, orders and provisions of such Contractual Obligations the noncompliance with which could not be reasonably expected to have, either individually or in the aggregate, a Material Adverse Effect, and (b) maintain or obtain and will cause each of its Subsidiaries to maintain or

obtain, all licenses, qualifications and permits now held or hereafter required to be held by Borrower and its Subsidiaries, for which the loss, suspension, revocation or failure to obtain or renew, could reasonably be expected to have, either individually or in the aggregate, a Material Adverse Effect. This subsection 2.1 shall not preclude the Borrower or any Subsidiary from contesting any taxes or other payments, if they are being diligently contested in good faith in a manner which stays enforcement thereof and if appropriate expense provisions have been recorded in conformity with GAAP. Borrower represents and warrants that, it (i) is in compliance and each of its Subsidiaries is in compliance with the requirements of all applicable laws, rules, regulations and orders of any governmental authority other than those laws, rules, regulations, orders and provisions of such Contractual Obligations the noncompliance with which could not be reasonably expected to have, either individually or in the aggregate, a Material Adverse Effect and (ii) maintains and each of its Subsidiaries maintains all licenses, qualifications and permits referred to above. The Borrower represents and warrants that the Loan Parties are in compliance with the Indenture and the Allied Subordinated Loan Documents.

"Contractual Obligations," as applied to any Person, means any indenture, mortgage, deed of trust, contract, undertaking, agreement or other instrument to which that Person is a party or by which it or any of its properties is bound or to which it or any of its properties is subject including, without limitation, the Related Transactions Documents.

2.2 Maintenance of Properties; Insurance.

Borrower will maintain or cause to be maintained in good repair, working order and condition all material properties used in the business of Borrower and its Subsidiaries and will make or cause to be made all appropriate repairs, renewals and replacements thereof. Borrower will maintain or cause to be maintained, with financially sound and reputable insurers, public liability and property damage insurance with respect to its business and properties and the business and properties of its Subsidiaries against loss or damage of the kinds customarily carried or maintained by corporations of established reputation engaged in similar businesses and in amounts reasonably acceptable to Agent and will deliver evidence thereof to Agent. Borrower will maintain business interruption insurance providing coverage for a period of at least six (6) months and in an amount not less than $10,000,000. Borrower shall cause Agent, pursuant to endorsements and/or assignments in form and substance

reasonably satisfactory to Agent, to be named as lender's loss payee in the case of casualty insurance, additional insured in the case of all liability insurance and assignee in the case of all business interruption insurance, in each case for the benefit of Agent and Lenders. Borrower represents and warrants that it and each of its Subsidiaries currently maintains all material properties as set forth above and maintains all insurance described above. In the event Borrower fails to provide Agent with evidence of the insurance coverage required by this Agreement, Agent may purchase insurance at Borrower's expense to protect Agent's interests in the Collateral. This insurance may, but need not, protect Borrower's interests. The coverage purchased by Agent may not pay any claim made by

Borrower or any claim that is made against Borrower in connection with the Collateral. Borrower may later cancel any insurance purchased by Agent, but only after providing Agent with evidence that Borrower has obtained insurance as required by this Agreement. If Agent purchases insurance for the Collateral, Borrower will be responsible for the costs of that insurance, including interest and other charges imposed by Agent in connection with the placement of the insurance, until the effective date of the cancellation or expiration of the insurance. The costs of the insurance shall be added to the Obligations. The costs of the insurance may be more than the cost of insurance Borrower is able to obtain on its own.

2.3 Inspection; Lender Meeting.

Borrower shall permit any authorized representatives of Agent to visit and inspect any of the properties of Borrower or any of its Subsidiaries, including its and their financial and accounting records, and to make copies and take extracts therefrom, and to discuss its and their affairs, finances and business with its and their officers and certified public accountants, at such reasonable times during normal business hours and as often as may be reasonably requested. Representatives of each Lender will be permitted to accompany representatives of Agent during each visit, inspection and discussion referred to in the immediately preceding sentence. Without in any way limiting the foregoing, Borrower will participate and will cause its key management personnel to participate in a meeting with Agent and Lenders at least once during each year, which meeting shall be held at such time and such place as may be reasonably requested by Agent.

2.4 Organizational Existence.

Except as otherwise permitted by subsection 3.6, Borrower will, and will cause each of its Subsidiaries (other than the Excluded Subsidiaries) to, at all times preserve and keep in full force and effect its organizational existence and all rights and franchises material to its business.

2.5 Further Assurances.

(A) Borrower shall and shall cause each Loan Party to, from time to time, execute such guaranties, financing statements, documents, security agreements and reports as Agent or Requisite Lenders at any time may reasonably request to evidence, perfect or otherwise implement the guaranties and security for repayment of the Obligations contemplated by the Loan Documents.

(B) In the event any Loan Party acquires an interest in real property (other than an interest as lessee under an operating lease) after the Closing Date, Borrower shall and shall cause each Loan Party to deliver to Agent a fully executed mortgage or deed of trust over such real property in form and substance satisfactory to Agent, together with such title insurance policies, surveys, appraisals, evidence of insurance, legal opinions, environmental assessments and other documents and certificates as shall be required by Agent.

(C) Borrower shall (i) cause each Person, upon its a Subsidiary of Borrower, promptly to guaranty the Obligations and to grant to Agent, for the benefit of Agent and Lenders, a security interest in the real, personal and mixed property of such Person to secure the Obligations and (ii) pledge, or cause to be pledged, to Agent, for the benefit of Agent and Lenders, all of the equity securities of such Subsidiary to secure the Obligations. The documentation for such guaranty and security shall be substantially similar to the Loan Documents executed concurrently herewith with such modifications as are reasonably requested by Agent.

(D) Within ninety (90) days after the Closing Date, Borrower shall pledge to Agent, for the benefit of Agent and Lenders, sixty-six percent (66%) of the outstanding equity securities of SunSource Mexico, pursuant to documents reasonably requested by Agent.

2.6 Interest Rate Agreement.

Within ninety (90) days after the Closing Date, Borrower shall enter into, and shall thereafter maintain, Interest Rate Agreements with counterparties reasonably acceptable to Agent providing for interest rate protection (1) for an aggregate amount of fifty percent (50%) of the principal amount of the outstanding Term Loans, and (2) with other terms and conditions reasonably satisfactory to Agent.

"Interest Rate Agreement" means any interest rate swap agreement, interest rate cap agreement, interest rate collar agreement or similar agreement or arrangement designed to protect Borrower against fluctuations in interest rates entered into between Borrower and any Person pursuant to this Section 2.6.

2.7 Certain Real Estate Leases.

Borrower will cause SunSource Technology Services, LLC ("STS") to maintain cash balances in the amount of $1,600,000 from the proceeds of the sale of its assets and will cause STS to use such cash balances for the sole purpose of satisfying indemnification obligations of any Loan Party or any Subsidiary thereof pertaining to the following leased facilities of STS (in the case of (a), (b) and (c) below) and leased facilities of Kar Products, Inc. (in the case of items (d) and (e) below):

(a) Savage, Minnesota;

(b) Addison, Illinois;

(c) Homewood, Alabama;

(d) Itasca, Illinois; and

(e) Reno, Nevada.

At such time as First Tier Holdings (and/or any of its Subsidiaries which is liable with respect to such indemnification obligations) is released from all letter of credit and guaranty liabilities associated with all of the leases set forth above, Borrower shall be entitled to permit STS to release the specified amount and to cause such amount to be distributed to the shareholders of First Tier Holdings.

SECTION 3
NEGATIVE COVENANTS

Borrower covenants and agrees that so long as the Revolving Loan Commitment is in effect and until payment in full of all Obligations (other than contingent indemnification obligations to the extent no unsatisfied claim has been asserted) and termination of the obligations of Lenders with respect to all Letters of Credit, Borrower shall perform and comply with, and shall cause each of the other Loan Parties to perform and comply with, all covenants in this Section 3 applicable to such Person.

3.1 Indebtedness.

Borrower will not and will not permit any of its Subsidiaries (other than any Excluded Subsidiary) or First Tier Holdings or Second Tier Holdings directly or indirectly to create, incur, assume, or otherwise become or remain directly or indirectly liable with respect to any Indebtedness (other than pursuant to a Contingent Obligation) except:

(A) the Obligations;

(B) intercompany Indebtedness arising from loans made between Borrower and any of its wholly-owned domestic Subsidiaries (other than SunSource Mexico or any Excluded Subsidiary) or between any of such Subsidiaries; provided, however, that upon the request of Agent at any time, such Indebtedness shall be evidenced by promissory notes having terms reasonably satisfactory to Agent, the sole originally executed counterparts of which shall be pledged and delivered to Agent, for the benefit of Agent and Lenders, as security for the Obligations;

(C) unsecured subordinated Indebtedness of Borrower to Allied in the original principal amount of $40,000,000 pursuant to the Allied Subordinated Loan Documents;

(D) unsecured subordinated Indebtedness of First Tier Holdings evidenced by the Debentures in the par value principal amount of $105,000,000 pursuant to the Indenture;

(E) additional unsecured Indebtedness which is subordinated to the Obligations in a manner satisfactory to Agent and Requisite Lenders and

the financial terms of which are satisfactory to Agent and Requisite Lenders;

(F) Indebtedness not to exceed $3,000,000 (increasing to $4,000,000 on January 1, 2003 and increasing to $5,000,000 on January 1, 2004) in the aggregate at any time outstanding (x) secured by purchase money Liens, (y) incurred with respect to capital leases or (z) secured by Liens described in subsection 3.2(14);

(G) Indebtedness owing by Borrower to Second Tier Holdings; and

(H) additional unsecured Indebtedness not to exceed $1,000,000 in the aggregate at any time outstanding.

3.2 Liens and Related Matters.

(A) No Liens. Borrower will not and will not permit any of its Subsidiaries (other than any Excluded Subsidiary) directly or indirectly to create, incur, assume or permit to exist any Lien on or with respect to any property or asset of Borrower or any of its Subsidiaries, whether now owned or hereafter acquired, or any income or profits therefrom, except Permitted Encumbrances.

"Permitted Encumbrances" means the following:

(1) Liens for taxes, assessments or other governmental charges not yet due and payable or which are being diligently contested in good faith in a manner which stays enforcement of such Liens, provided that appropriate provisions shall have been established therefor in accordance with GAAP;

(2) statutory and common law Liens of landlords, carriers, warehousemen, mechanics, materialmen and other similar liens imposed by law, which are incurred in the ordinary course of business for sums not more than thirty (30) days delinquent or which are being diligently contested in good faith in a manner which stays enforcement of such Liens, provided that appropriate provisions shall have been established therefore in accordance with GAAP;

(3) Liens (other than any Lien imposed by ERISA) incurred or deposits made in the ordinary course of business in connection with workers' compensation, unemployment insurance and other types of social security, or to secure the performance of tenders, statutory obligations, surety, stay, customs and appeal bonds, bids, government contracts, trade contracts, performance and return of money bonds and other similar obligations (exclusive of obligations for the payment of borrowed money);

(4) deposits made in the ordinary course of business to secure liability to insurance carriers;

(5) Liens securing purchase money Indebtedness or capital lease obligations; provided that: (a) the purchase or lease of the asset subject to any such Lien is

permitted under subsection 4.1; (b) the Indebtedness or other obligation secured by any such Lien is permitted under subsection 3.1; (c) any such Lien encumbers only the asset so purchased or leased; and (d) the Indebtedness or other obligation secured by such Lien is incurred within ninety (90) days after the purchase or lease of such asset;

(6) any attachment or judgment Lien not constituting an Event of Default under subsection 6.1(H);

(7) easements, rights of way, restrictions, and other similar charges or encumbrances not interfering in any material respect with the ordinary conduct of the business of Borrower or any of its Subsidiaries;

(8) any interest or title of a lessor or sublessor under any lease not prohibited by this Agreement;

(9) bankers' liens on bank accounts of Borrower or any of its Subsidiaries but only to the extent such Liens encumber Excluded Deposit Accounts or are permitted by, and such bank accounts are continuously subject to, bank agency (or comparable) agreements or a risk participation agreement with a Bank Line Issuer;

(10) Liens in favor of Agent, for the benefit of Agent and

Lenders;

(11) Liens existing on the date hereof and renewals and extensions thereof, which Liens are set forth on Schedule 3.2(A)(11) hereto;

(12) Liens which secure Indebtedness used to refinance the Indebtedness secured by Liens described in subsections (5) or (11) above, provided that such Liens do not encumber any additional assets and that the amount of the Indebtedness does not exceed the amount being refinanced;

(13) Liens on cash or Cash Equivalents securing a Contingent Obligation permitted under subsection 3.4(I); and

(14) Liens on fixed assets acquired in connection with any Permitted Acquisition, provided that such Liens (and the obligations secured thereby) were not granted (incurred) in contemplation of the consummation of the Permitted Acquisition.

(B) No Negative Pledges. Borrower will not and will not permit any of its Subsidiaries (other than the Excluded Subsidiaries) directly or indirectly to enter into or assume any agreement (other than the Loan Documents and the Allied Subordinated Loan Documents) prohibiting the creation or assumption of any Lien upon its properties or assets, whether now owned or hereafter acquired, except upon property or assets subject to a Permitted Encumbrance described in subsections 3.2(A)(5), (11), (12) or (14).

(C) No Restrictions on Subsidiary Distributions to Borrower. Except as provided herein, Borrower will not and will not permit any of its Subsidiaries (other than the Excluded Subsidiaries) directly or indirectly to create or otherwise cause or suffer to exist or become effective any consensual encumbrance or restriction of any kind on the ability of any such Subsidiary to: (1) pay dividends or make any other distribution on any of such Subsidiary's capital stock or other equity interest owned by Borrower or any other Subsidiary; (2) pay any Indebtedness owed to Borrower or any other Subsidiary; (3) make loans or advances to Borrower or any other Subsidiary; or (4) transfer any of its property or assets to Borrower or any other Subsidiary.

3.3 Investments.

Borrower will not and will not permit any of its Subsidiaries (other than the Excluded Subsidiaries) directly or indirectly to make or own any Investment in any Person except:

(A) Borrower and its Subsidiaries may make and own Investments in Cash Equivalents; provided that such Cash Equivalents are not subject to setoff rights;

(B) Borrower and its Subsidiaries may make intercompany loans to the extent permitted under subsection 3.1;

(C) Borrower and its Subsidiaries (other than the Excluded Subsidiaries) may make Investments to consummate a Permitted Acquisition;

(D) Borrower and its Subsidiaries may make loans and advances to employees for moving, entertainment, travel and other similar expenses in the ordinary course of business not to exceed $250,000 in the aggregate at any time outstanding;

(E) Borrower and its Subsidiaries may make capital contributions to their wholly-owned domestic Subsidiaries (other than the Excluded Subsidiaries);

(F) the Investments set forth on Schedule 3.3(F) hereto;

(G) additional Investments made by Borrower in any Excluded Subsidiary, provided that such Investments are made solely with the proceeds of new capital contributions made by any Person who was a shareholder of First Tier Holdings as of the Closing Date to First Tier Holdings concurrently therewith; and

(H) other Investments (made to Persons other than SunSource Mexico or any of the Excluded Subsidiaries), provided that the aggregate amount of all such Investments at any time does not exceed $2,000,000.

"Investment" means (i) any direct or indirect purchase or other acquisition by Borrower or any of its Subsidiaries of any beneficial interest in, including stock, partnership

interest or other equity securities of, or ownership interest in, any other Person; and (ii) any direct or indirect loan, advance or capital contribution by Borrower or any of its Subsidiaries to any other Person, including all indebtedness and accounts receivable from that other Person that are not current assets or did not arise from sales to that other Person in the ordinary course of business. For purposes of clause (H) above, the amount of any Investment shall be the original cost of such Investment plus the cost of all additions thereto, without any adjustments for increases or decreases in value, or write-ups, write-downs or write-offs with respect to such Investment.

"Cash Equivalents" means: (i) marketable securities (A) issued or directly and unconditionally guaranteed as to interest and principal by the United States government or (B) issued by any agency of the United States government the obligations of which are backed by the full faith and credit of the United States, in each case maturing within one year after acquisition thereof; (ii) marketable direct obligations issued by any state of the United States of America or any political subdivision of any such state or any public instrumentality thereof, in each case maturing within one year after acquisition thereof and having, at the time of acquisition, a rating of at least A-1 from Standard & Poor's Ratings Group ("S&P") or at least P-1 from Moody's Investors Service, Inc. ("Moody's"); (iii) commercial paper maturing no more than one year from the date of acquisition and, at the time of acquisition, having a rating of at least A-1 from S&P or at least P-1 from Moody's; (iv) certificates of deposit or bankers' acceptances issued or accepted by any Lender or by any commercial bank organized under the laws of the United States of America or any state thereof or the District of Columbia that is at least (A) "adequately capitalized" (as defined in the regulations of its primary Federal banking regulator) and (B) has Tier 1 capital (as defined in such regulations) of not less than $250,000,000, in each case maturing within one year after issuance or acceptance thereof; and (v) shares of any money market mutual or similar funds that (A) has substantially all of its assets invested continuously in the types of investments referred to in clauses (i) through (iv) above, (B) has net assets of not less than $500,000,000 and (C) has the highest rating obtainable from either S&P or Moody's.

3.4 Contingent Obligations.

Borrower will not and will not permit any of its Subsidiaries (other than the Excluded Subsidiaries) or any other Loan Party directly or indirectly to create or become or be liable with respect to any Contingent Obligation except:

(A) Letter of Credit Liability;

(B) those resulting from endorsement of negotiable instruments for collection in the ordinary course of business;

(C) those existing on the Closing Date and described in Schedule 3.4 annexed hereto;

(D) those arising under indemnity agreements to title insurers to cause such title insurers to issue to Agent mortgagee title insurance policies;

(E) those arising with respect to customary indemnification obligations incurred in connection with Asset Dispositions (other than Asset Dispositions made by any Excluded Subsidiary or SunSource Mexico);

(F) those incurred in the ordinary course of business with respect to surety and appeal bonds, performance and return-of-money bonds and other similar obligations;

(G) those incurred with respect to Indebtedness permitted by subsection 3.1 provided that any guaranty of Indebtedness that is subordinated to the Obligations shall be subordinated to the same extent;

(H) any other Contingent Obligation not expressly permitted by clauses (A) through (G) above, so long as any such other Contingent Obligations, in the aggregate at any time outstanding, do not exceed $1,000,000 and are not incurred for the benefit of SunSource Mexico or any of the Excluded Subsidiaries; and

(I) Interest Rate Agreements and other Contingent Obligations of the type described in clause (iii) of the "Contingent Obligation" definition below, which are entered into solely for hedging purposes and not for speculative purposes, provided that Borrower's maximum exposure with respect thereto does not at any time exceed the original cost of the hedging product plus the amount of all cash and Cash Equivalents initially required to be posted to secure Borrower's liabilities with respect thereto.

"Contingent Obligation", as applied to any Person, means any direct or indirect liability of that Person: (i) with respect to any indebtedness, lease, dividend or other obligation of another Person if the purpose or intent of the Person incurring such liability, or the effect thereof, is to provide assurance to the obligee of such liability that such liability will be paid or discharged, or that any agreements relating thereto will be complied with, or that the holders of such liability will be protected (in whole or in part) against loss with respect thereto; (ii) with respect to any letter of credit issued for the account of that Person or as to which that Person is otherwise liable for reimbursement of drawings; (iii) under any foreign exchange contract, currency swap agreement, interest rate swap agreement or other similar agreement or arrangement designed to alter the risks of that Person arising from fluctuations in currency values or interest rates; (iv) to make take-or-pay or similar payments if required regardless of nonperformance by any other party or parties to an agreement, or (v) pursuant to any agreement to purchase, repurchase or otherwise acquire any obligation or any property constituting security therefore, to provide funds for the payment or discharge of such obligation or to maintain the solvency, financial condition or any balance sheet item or level of income of another. The amount of any Contingent Obligation shall be equal to the amount of the obligation so guaranteed or otherwise supported or, if not a fixed and determined amount, the maximum amount so guaranteed.

3.5 Restricted Junior Payments.

Borrower will not and will not permit any of its Subsidiaries (other than Excluded Subsidiaries) or First Tier Holdings directly or indirectly to declare, order, pay, make or set apart any sum for any Restricted Junior Payment, except that:

(A) Borrower may make payments and distributions to Second Tier Holdings, which are immediately thereafter distributed in full by Second Tier Holdings to First Tier Holdings, that are used by First Tier Holdings to pay federal and state income taxes then due and owing, franchise taxes and other similar licensing expenses incurred in the ordinary course of business, Contingent Obligations described on Schedule 3.4 (other than items (A)(4), (A)(5), (A)(7) (but solely with respect to items 4 and 5 of Schedule 10.1(D)), (B)(1), (B)(2) and (B)(3)), professional fees and other ordinary course operating expenses; provided that Borrower's aggregate contribution to taxes as a result of the filing of a consolidated or combined return by First Tier Holdings shall not be greater, nor the aggregate receipt of tax benefits less, than they would have been had Borrower and its Subsidiaries (other than the Excluded Subsidiaries) not filed a consolidated or combined return with First Tier Holdings;

(B) Wholly-owned Subsidiaries of Borrower may make Restricted Junior Payments to Borrower;

(C) Borrower may make regularly scheduled cash interest payments (including cash payments of accrued interest on which interest has accrued) pursuant to the terms of the Allied Subordinated Loan Documents as in effect on the date hereof provided that no Default or Event of Default under subsection 6.1(A) hereof exists at the time of any such Restricted Junior Payment or would occur as a result thereof and provided that Borrower is in compliance with the provisions of each of subsection 3.10 and each subsection of Section 4 hereof, in the case of each financial covenant recomputed on a pro forma basis for the most recently ended fiscal period for which financial statements have been delivered to the Agent hereunder assuming that the payment proposed to be made pursuant to this subsection 3.5(C) had been made on the last day of such fiscal period; and

(D) Borrower may make payments and distributions to Second Tier Holdings, which are immediately thereafter distributed in full by Second Tier Holdings to First Tier Holdings, that are used by First Tier Holdings to make regularly scheduled cash interest payments pursuant to the terms of the Debentures as in effect on the date hereof provided that no Default or Event of Default under subsection 6.1(A) hereof exists at the time of any such Restricted Junior Payment or would occur as a result thereof and provided that Borrower is in compliance with the provisions of each of subsection 3.10 and each subsection of Section 4 hereof, in the case of each financial covenant recomputed on a pro forma basis for the most recently ended fiscal period for which financial statements have been delivered

to the Agent hereunder assuming that the payment proposed to be made pursuant to this subsection 3.5(D) had been made on the last day of such fiscal period;

(E) Borrower may make payments and distributions to Second Tier Holdings, which

are immediately thereafter distributed in full by Second Tier Holdings to First Tier Holdings, that are used by First Tier Holdings to redeem shares in First Tier Holdings from managers, officers, directors or employees upon termination of employment or other relationship with the Borrower, provided that such payments and distributions do not exceed $2,000,000 in any fiscal year, provided that no Default or Event of Default under subsection 6.1(A) hereof exists at the time of any such Restricted Junior Payment or would occur as a result thereof and provided that Borrower is in compliance with the provisions of each of subsection 3.10 and each subsection of Section 4 hereof, in the case of each financial covenant recomputed on a pro forma basis for the most recently ended fiscal period for which financial statements have been delivered to the Agent hereunder assuming that the payment proposed to be made pursuant to this subsection 3.5(E) had been made on the last day of such fiscal period;

(F) Borrower may make payments and distributions to Second Tier Holdings, which are immediately thereafter distributed in full by Second Tier Holdings to First Tier Holdings, that are used by First Tier Holdings to make regularly scheduled management fee payments described on Schedule 3.8 hereof provided that no Default or Event of Default under subsection 6.1(A) hereof exists at the time of any such Restricted Payment or would occur as a result thereof and provided that Borrower is in compliance with the provisions of each of subsection 3.10 and each subsection of Section 4 hereof, in the case of each financial covenant recomputed on a pro forma basis for the most recently ended fiscal period for which financial statements have been delivered to the Agent hereunder assuming that the payment proposed to be made pursuant to this subsection 3.5(F) had been made on the last day of such fiscal period; and

(G) On the Closing Date, Borrower may make up to $1,300,000 of payments and distributions to Second Tier Holdings, which are immediately thereafter distributed in full by Second Tier Holdings to First Tier Holdings and that are used by First Tier Holdings to repay a promissory note issued by First Tier Holdings to Allied, which promissory note was issued in exchange for 121,524 warrants to purchase stock of First Tier Holdings.

"Restricted Junior Payment" means: (i) any dividend or other distribution, direct or indirect, on account of any shares of any class of stock or other equity security of, or ownership interest in, Borrower or any of its Subsidiaries now or hereafter outstanding, except a dividend payable solely in shares of that class of stock to the holders of that class; (ii) any redemption, conversion, exchange, retirement, sinking fund or similar payment, purchase or other acquisition for value, direct or indirect, of any shares of any class of stock or other equity security of, or ownership interest in, Borrower or any of its Subsidiaries now

or hereafter outstanding; (iii) any payment or prepayment of interest on, principal of, premium, if any, redemption, conversion, exchange, purchase, retirement, defeasance, sinking fund or similar payment with respect to, any Indebtedness subordinated to the Obligations including, without limitation, the Indebtedness incurred pursuant to the Allied Subordinated Loan Documents or the Debentures; and (iv) any payment made to retire, or to obtain the surrender of, any outstanding warrants, options or other rights to acquire shares of any class of stock or other equity security of, or ownership interest in, Borrower or any of its Subsidiaries now or hereafter outstanding; provided, however, that the term "Restricted Junior Payment" shall not include any distribution to any Person of (x) any cash or preferred stock which Borrower receives or is entitled to receive, with respect to the sale of the assets of any Excluded Subsidiary; (y) the interest of Borrower in any Excluded Subsidiary or (z) any distribution of cash or other property received by Borrower from any Excluded Subsidiary.

3.6 Restriction on Fundamental Changes.

Borrower will not and will not permit any of its Subsidiaries (other than SunSource Mexico or the Excluded Subsidiaries) or First Tier Holdings or Second Tier Holdings directly or indirectly to: (a) amend, modify or waive any term or provision of its organizational documents, including without limitation its articles of incorporation, certificates of designations pertaining to preferred stock, by-laws, partnership agreement or operating agreement unless required by law or unless any such amendment, modification or waiver is not in any way adverse to the Lenders; (b) enter into any transaction of merger or consolidation except to consummate a Permitted Acquisition and except, upon not less than five (5) Business Days prior written notice to Agent, any wholly-owned Subsidiary of Borrower (other than the Excluded Subsidiaries) may be merged with or into Borrower (provided that Borrower is the surviving entity) or any other wholly-owned Subsidiary of Borrower domiciled and incorporated in the United States; (c) liquidate, wind-up or dissolve itself (or suffer any liquidation or dissolution) except in connection with a merger or consolidation permitted above; or (d) except for Permitted Acquisitions, acquire by purchase or otherwise all or any substantial part of the business or assets of any other Person.

3.7 Disposal of Assets or Subsidiary Stock.

Borrower will not and will not permit any of its Subsidiaries (other than the Excluded Subsidiaries) directly or indirectly to convey, sell, lease, sublease, transfer or otherwise dispose of, or grant any Person an option to acquire, in one transaction or a series of related transactions, any of its property, business or assets, or the capital stock of or other equity interests in any of its Subsidiaries, whether now owned or hereafter acquired, except for (a) sales of inventory in good faith to customers for fair value in the ordinary course of business and dispositions of obsolete equipment not used or useful in the business, (b) sales of an asset in order to immediately enter into a leaseback of such asset under a capital lease which is permitted pursuant to the provisions of subsection 3.2, (c) transfers of assets

described in clauses (x), (y) and (z) of the definition of the term "Restricted Junior Payment" and (d) Asset Dispositions if all of the following conditions are met: (i) the market value of assets sold or otherwise disposed of in any single transaction or series of related transactions does not exceed $500,000 and the aggregate market value of assets sold or otherwise disposed of in any fiscal year of Borrower does not exceed $1,000,000; (ii) the consideration received is at least equal to the fair market value of such assets; (iii) the sole consideration received is cash or an Investment permitted pursuant to subsection 3.3 hereof; (iv) the Net Proceeds of such Asset Disposition are applied as required by subsection 1.5(C); (v) after giving effect to the Asset Disposition and the repayment of Indebtedness with the proceeds thereof, Borrower is in compliance on a pro forma basis with the covenants set forth in Section 4 recomputed for the most recently ended quarter for which information is available and is in compliance with all other terms and conditions of this Agreement; and (vi) no Default or Event of Default then exists or would result from such Asset Disposition.

3.8 Transactions with Affiliates.

Borrower will not and will not permit any of its Subsidiaries or any other Loan Party (other than the Excluded Subsidiaries) directly or indirectly to enter into or permit to exist any transaction (including the purchase, sale, lease or exchange of any property or the rendering of any management, consulting, investment banking, advisory or other similar services) with any Affiliate or with any director, officer or employee of any Loan Party, except (a) as set forth on Schedule 3.8, (b) transactions in the ordinary course of and pursuant to the reasonable requirements of the business of Borrower or any of its Subsidiaries and upon fair and reasonable terms which are fully disclosed to Agent and which are no less favorable to Borrower or such Subsidiary than would be obtained in a comparable arm's length transaction with a Person that is not an Affiliate, (c) payment of reasonable compensation to officers and employees for services actually rendered to Borrower or such Subsidiary and (d) payment of director's fees to Persons not otherwise affiliated with Allied or any Loan Party in an amount consistent with that paid by similar companies. Notwithstanding the foregoing, unless otherwise approved by Requisite Lenders, no payments may be made with respect to any management fee set forth on Schedule 3.8 unless Borrower is permitted to make payments and distributions for such purpose pursuant to the provisions of subsection 3.5(F).

3.9 Conduct of Business.

Borrower will not and will not permit any of its Subsidiaries directly or indirectly to engage in any business other than businesses of the type described on Schedule 3.9.

3.10 Changes Relating to Indebtedness.

Borrower will not and will not permit any of its Subsidiaries or First Tier Holdings directly or indirectly to change or amend the terms of any of its Indebtedness

permitted by subsections 3.1(C), (D) and (E) if the effect of such amendment is to: (a) increase the interest rate on such Indebtedness; (b) change the dates upon which payments of principal or interest are due on or principal amount of such Indebtedness; (c) change any event of default or add or make more restrictive any covenant with respect to such Indebtedness; (d) change the prepayment provisions of such Indebtedness; (e) change the subordination provisions thereof (or the subordination terms of any guaranty thereof); or (f) change or amend any other term if such change or amendment would materially increase the obligations of the obligor or confer additional material rights on the holder of such Indebtedness in a manner adverse to Borrower, any of its Subsidiaries, First Tier Holdings or Lenders.

3.11 Fiscal Year.

Borrower will not and will not permit any of its Subsidiaries to change its fiscal year.

3.12 Press Release; Public Offering Materials.

Borrower will not and will not permit any of its Subsidiaries to disclose the name of Agent or any Lender in any press release or in any prospectus, proxy statement or other materials filed with any governmental entity relating to a public offering of the securities of any Loan Party unless Agent or the applicable Lender has approved the content of any such disclosure.

3.13 Subsidiaries.

Except for Subsidiaries created or acquired to consummate a Permitted Acquisition, Borrower will not and will not permit any of its Subsidiaries directly or indirectly to establish, create or acquire any new Subsidiary.

3.14 Bank Accounts.

Borrower will not and will not permit any of its Subsidiaries (other than the Excluded Subsidiaries) to maintain or establish any bank account without prior written notice to Agent and unless Agent, Borrower or such Subsidiary and the bank at which the account is maintained or to be opened enter into a tri-party agreement regarding such bank account pursuant to which such bank acknowledges the security interest of Agent in such bank account, agrees to comply with instructions originated by Agent directing disposition of the funds in the bank account without further consent from Borrower, and agrees to subordinate and limit any security interest the bank may have in the bank account on terms satisfactory to Agent. The preceding sentence shall not apply to bank accounts which, in the aggregate, will at no time contain cash and Cash Equivalents with a value in excess of $100,000 ("Excluded Deposit Accounts").

3.15 Permitted Acquisitions.

Borrower will not and will not permit any of its Subsidiaries (other than the Excluded Subsidiaries) to acquire all or substantially all of the assets or more than fifty percent (50%) of the stock of any Person (or if such Person is not a corporation, other equity interests of such Person) unless (i) such acquisition is consented to in writing by the Requisite Lenders, or (ii) each of the following conditions has been satisfied:

(a) Agent shall have received (1) such duly executed and delivered agreements, instruments and documents as Agent shall request in order to create in favor of Agent a perfected, priority Lien in the real, personal and mixed property so acquired to secure the Obligations (including without limitation a collateral assignment of applicable acquisition documents), and (2) such lien searches relating to the property being acquired as Agent shall request;

(b) If such acquisition is an acquisition of stock or other equity interests in a Person, such Person guarantees the Obligations;

(c) At the time of such acquisition, no Default and no Event of Default exists, or would exist upon the consummation thereof, both on an actual and a pro forma basis;

(d) Borrower has demonstrated in writing to the satisfaction of Agent that the business to be acquired has had EBITDA (calculated in the manner set forth on Exhibit 4.8(C)) for the twelve (12) month period most recently ended of not less than negative $1,000,000, and that after giving effect thereto, EBITDA (calculated in the manner set forth on Exhibit 4.8(C)) for First Tier Holdings and its Subsidiaries (other than the Excluded Subsidiaries) for the twelve (12) month period most recently ended would be positive, if calculated on a pro forma basis after giving effect to the consummation of such acquisition; provided that if EBITDA for the business to be acquired (as calculated above) is a negative number, then Agent must be satisfied with the EBITDA level, in its sole discretion, even if said EBITDA level is between $0 and negative $1,000,000;

(e) The amount of additional Loans available to Borrower under subsection 1.1(B) after giving effect to such acquisition shall equal or exceed $500,000;

(f) The Total Consideration to be paid for such acquisition does not exceed $3,000,000, and together with the Total Consideration paid with respect to all other acquisitions that comply with this subsection 3.15 does not exceed $15,000,000;

(g) The assets so acquired are located in the United States

or Canada or, if such acquisition is structured as a purchase of stock, the Person so acquired is organized under the laws of Canada or a state in the United States, and the assets owned by such Person located in the United States or Canada;

(h) Borrower has delivered to Agent not less than ten (10) Business Days prior to the consummation of the acquisition an acquisition summary providing a reasonably detailed description of the Person whose stock or assets are proposed to be acquired and the terms and conditions of the proposed purchase, along with such due diligence information (including, without limitation, due diligence information regarding any environmental matters) reasonably requested by, and in form and content acceptable to, Agent;

(i) Borrower has delivered to Agent all legal documentation pertaining to such acquisition, which documentation shall be in form and substance reasonably acceptable to Agent (including without limitation a collateral assignment thereof in favor of Agent and legal opinions which allow for Agent's reliance thereon);

(j) Borrower has delivered to Agent evidence in form and substance acceptable to Agent that Borrower is in compliance with the provisions of Section 4 hereof for the most recent fiscal period measured hereunder, recalculated as if the acquisition and related borrowing of Loans were consummated on the last day of such fiscal period;

(k) The business being acquired is in the same line of business as described on Schedule 3.9; and

(l) Borrower updates the schedules hereto and to each of the other Loan Documents, as applicable, provided in no event may any schedule be updated in a manner that would reflect or evidence a Default or Event of Default.

"Total Consideration" means the total consideration paid with respect to any acquisition, including without limitation, (i) all payments made in cash and property, (ii) to the extent not included in clause (i) above, the amount paid or to be paid pursuant to non-compete agreements and consulting agreements, (iii) the amount of debt and other liabilities assumed and/or incurred (including in the case of an acquisition of stock or other equity interests, the amount of debt and other liabilities of the Person to be acquired), (iv) anticipated capital expenditures related to an acquisition and identified to Agent prior to the consummation of such acquisition and (v) the amount of all transaction fees.

Each acquisition consummated in accordance with the provisions of this subsection 3.15 shall be referred to as a "Permitted Acquisition."

SECTION 4
FINANCIAL COVENANTS/REPORTING

Borrower covenants and agrees that so long as the Revolving Loan Commitment is in effect and until payment in full of all Obligations (other than contingent indemnification obligations to the extent no unsatisfied claim has been asserted) and termination of the Obligations of Lenders with respect to all Letters of Credit, Borrower shall

perform and comply with, and shall cause each of the other Loan Parties to perform and comply with, all covenants in this Section 4 applicable to such Person.

4.1 Capital Expenditure Limits.

The aggregate amount of all Capital Expenditures of Borrower and its Subsidiaries (other than the Excluded Subsidiaries) will not exceed $15,500,000 in fiscal year 2001 or $13,500,000 in any fiscal year of Borrower thereafter. "Capital Expenditures" will be calculated as illustrated on Exhibit 4.8(C).

4.2 Lease Limits.

Borrower will not and will not permit any of its Subsidiaries (other than the Excluded Subsidiaries) directly or indirectly to become or remain liable in any way, whether directly or by assignment or as a guarantor or other surety, for the obligations of the lessee under any operating lease, synthetic lease or similar off-balance sheet financing, if the aggregate amount of all rents (or substantially equivalent payments) paid by Borrower and its Subsidiaries (other than the Excluded Subsidiaries) under all such leases would

exceed $9,500,000 in fiscal year 2001 or 2002 or $10,500,000 in any fiscal year of Borrower thereafter.

4.3 Adjusted EBITDA.

Borrower shall not permit Adjusted EBITDA for the twelve (12) month period ending on the last day of any month set forth below to be less than the amount set forth below for such month, plus for each Permitted Acquisition, 85% of the sum of the Permitted Acquisition EBITDA and the Pro Forma Cost Reduction for the target thereof, each calculated as of the closing date of such Permitted Acquisition; provided that Permitted Acquisition EBITDA must be calculated by Borrower and acceptable to Agent and Requisite Lenders prior to the closing of the Permitted Acquisition.

<TABLE>
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Month Ending	Amount
<S>	<C>
October 31, 2001	$35,250,000
November 30, 2001	$35,250,000
December 31, 2001	$36,000,000
January 31, 2002	$36,250,000
February 28, 2002	$36,250,000
March 31, 2002	$37,000,000
April 30, 2002	$37,500,000
May 31, 2002	$37,500,000
June 30, 2002	$38,500,000
July 31, 2002	$39,000,000
August 31, 2002	$39,000,000

</TABLE>

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Month Ending	Amount
<S>	<C>
September 30, 2002	$41,500,000
October 31, 2002	$42,000,000
November 30, 2002	$42,500,000
December 31, 2002	$43,000,000
January 31, 2003	$43,000,000
February 28, 2003	$43,000,000
March 31, 2003	$43,000,000
April 30, 2003	$43,000,000
May 31, 2003	$43,000,000
June 30, 2003	$43,000,000
July 31, 2003	$43,000,000
August 31, 2003	$43,000,000
September 30, 2003	$45,000,000
October 31, 2003	$45,000,000

November 30, 2003	$45,000,000
December 31, 2003	$46,000,000
January 31, 2004	$46,000,000
February 29, 2004	$46,000,000
March 31, 2004	$47,000,000
April 30, 2004	$47,000,000
May 31, 2004	$47,000,000
June 30, 2004	$47,000,000
July 31, 2004	$47,000,000
August 31, 2004	$47,000,000
September 30, 2004	$48,000,000
October 31, 2004	$48,000,000
November 30, 2004	$48,000,000
December 31, 2004	$49,000,000
January 31, 2005	$49,000,000
February 28, 2005	$49,000,000
March 31, 2005	$49,000,000
April 30, 2005	$49,000,000
May 31, 2005	$49,000,000
June 30, 2005	$50,000,000
July 31, 2005	$50,000,000
August 31, 2005	$50,000,000
September 30, 2005 and thereafter	$51,000,000

"Adjusted EBITDA" will be calculated as illustrated on Exhibit 4.8(C). Notwithstanding the foregoing, at all times after the calculation of this financial covenant as of June 30, 2002, this

covenant will only be calculated as of the last day of each calendar quarter, rather than as of the last day of each month, until such time as Requisite Lenders provide the Borrower with a written notice reinstituting monthly covenant testing.

4.4 Fixed Charge Coverage.

Borrower shall not permit Fixed Charge Coverage for any twelve (12) month period ending on the last day of any month ending during any of the periods set forth below to be less than the ratio set forth below for such period.

Period	Applicable Ratio
October 31, 2001-December 31, 2002	1.05x
January 31, 2003 and thereafter	1.10x

"Fixed Charge Coverage" will be calculated as illustrated on Exhibit 4.8(C).

4.5 Total Interest Coverage.

Borrower shall not permit Total Interest Coverage for any twelve (12) month period ending on the last day of any month ending during any of the periods set forth below to be less than the ratio set forth below for such period.

<TABLE>
<CAPTION>

Period	Applicable Ratio
<S>	<C>
Closing Date - October 31, 2001	1.95x
November 30, 2001 - April 30, 2002	2.00x
May 1, 2002 - May 31, 2002	2.10x
June 30, 2002 - August 31, 2002	2.20x
September 30, 2002 - August 31, 2003	2.30x
September 30, 2003 - November 30, 2003	2.40x
December 31, 2003 - May 31, 2004	2.50x
June 30, 2004 - August 31, 2004	2.60x
September 30, 2004 - November 30, 2004	2.70x
December 31, 2004 - May 31, 2005	2.80x
June 30, 2005 and thereafter	3.00x

</TABLE>

"Total Interest Coverage" will be calculated as illustrated on Exhibit 4.8(C). Notwithstanding the foregoing, at all times after the calculation of this financial covenant as of June 30, 2002, this covenant will only be calculated as of the last day of each calendar quarter, rather than as of the last day of each month, until such time as Requisite Lenders provide the Borrower with a written notice reinstituting monthly covenant testing.

4.6 Senior Indebtedness to Adjusted EBITDA Ratio.

Borrower shall not permit the ratio of Senior Indebtedness calculated as of the last day of any month during any of the periods set forth below to Adjusted EBITDA for the twelve (12) month period ending on such day to be greater than the ratio set forth below for such period.

<TABLE>
<CAPTION>

Period	Applicable Ratio
<S>	<C>
October 31, 2001 - December 31, 2002	2.75x
January 31, 2003 - June 30, 2004	2.50x
July 31, 2004 and thereafter	2.25x

</TABLE>

"Senior Indebtedness" and "Adjusted EBITDA" will be calculated as illustrated on Exhibit 4.8(C). Notwithstanding the foregoing, at all times after the calculation of this financial covenant as of June 30, 2002, this covenant will only be calculated as of the last day of each calendar quarter, rather than as of the last day of each month, until such time as Requisite Lenders provide the Borrower with a written notice reinstituting monthly covenant testing.

4.7 Total Indebtedness to Adjusted EBITDA Ratio.

Borrower shall not permit the ratio of Total Indebtedness calculated as of the last day of any month during any of the periods set forth below to Adjusted EBITDA for the twelve (12) month period ending on such day to be greater than the ratio set forth below for such period.

<TABLE>
<CAPTION>

Period	Applicable Ratio
<S>	<C>
October 31, 2001-December 31, 2002	4.00x
January 31, 2003-June 30, 2004	3.75x
July 31, 2004 and thereafter	3.50x

</TABLE>

"Total Indebtedness" will be calculated as illustrated on Exhibit 4.8(C). Notwithstanding the foregoing, at all times after the calculation of this financial covenant as of June 30, 2002, this covenant will only be calculated as of the last day of each calendar quarter, rather than as of the last day of each month, until such time as Requisite Lenders provide the Borrower with a written notice reinstituting monthly covenant testing.

4.8 Financial Statements and Other Reports.

Borrower will maintain, and cause each of its Subsidiaries and each other Loan Party to maintain, a system of accounting established and administered in accordance with sound business practices to permit preparation of financial statements in conformity with GAAP (it being understood that monthly financial statements are not required to have footnote disclosures). Borrower will deliver each of the financial statements and other reports described below to Agent (and each Lender in the case of the financial statements and other reports described in subsections (A), (B), (C), (E), (F), (I), (J) and (K)).

(A) Monthly/Quarterly Financials. As soon as available and in any event within thirty (30) days after the end of each month (including the last month of Borrower's fiscal year), Borrower will deliver (1) the consolidated and consolidating balance sheets of First Tier Holdings and its Subsidiaries, as at the end of such month, and the related consolidated and consolidating statements of income, stockholders' equity and cash flow for such month and for the period from the beginning of the then current fiscal year of Borrower to the end of such month (it being understood that consolidating financial statements are only required to be delivered within thirty (30) days after the end of each calendar quarter), (2) a schedule of the outstanding Indebtedness for borrowed money of First Tier Holdings and its Subsidiaries (other than the Obligations) describing in reasonable detail each such debt issue or loan outstanding and the principal amount and amount of accrued and unpaid interest with respect to each such debt issue or loan and (3) a "Hillman Performance Report" (in the form provided to Agent prior to Closing Date) for the periods for which financial statements are being delivered.

(B) Year-End Financials. As soon as available and in any event within ninety (90) days after the end of each fiscal year of Borrower, Borrower will deliver (1) the consolidated balance sheet of First Tier Holdings and its Subsidiaries as at the end of such year, and the related consolidated statement of income, stockholders' equity and cash flow for such fiscal year, (2) a schedule of the outstanding Indebtedness for borrowed money of First Tier Holdings and its Subsidiaries (other than the Obligations) describing in reasonable detail each such debt issue or loan outstanding and the principal amount and amount of accrued and unpaid interest with respect to each such debt issue or loan and (3) a report with respect to the consolidated financial statements from a firm of Certified Public Accountants selected by Borrower and reasonably acceptable to Agent, which report shall be prepared in accordance with Statement of Auditing Standards No. 58 (the "Statement") entitled "Reports on Audited Financial Statements" and such report shall be "Unqualified" (as such term is defined in such Statement).

(C) Compliance and Pricing Certificate. Together with each delivery of financial statements of First Tier Holdings and its Subsidiaries pursuant to subsection 4.8(A) above, Borrower will deliver a fully and properly completed Compliance and Pricing Certificate (in substantially the same form as Exhibit 4.8(C)) signed by Borrower's chief executive officer or chief financial officer.

(D) Accountants' Reports. Promptly upon receipt thereof, Borrower will deliver copies of all significant reports submitted by Borrower's firm of certified public accountants in connection with each annual, interim or special audit or review of any type of the financial statements or related internal control systems of First Tier Holdings or its Subsidiaries made by such accountants, including any comment letter submitted by such accountants to management in connection with their services.

(E) Availability Certificate. As soon as available and in any event within ten (10) Business Days after the end of each month, and from time to time upon the request of Agent, Borrower will deliver an Availability Certificate (in substantially the same form as Exhibit 4.8(E)) as at the last day of such period.

(F) Management Report. Together with each delivery of financial statements pursuant to subsections 4.8(A) (but solely with respect to the financial statements delivered as of the last day of each of the first three fiscal quarters of each year) and 4.8(B), Borrower will deliver a management report (1) describing the operations and financial condition of First Tier Holdings and its Subsidiaries (other than the Excluded Subsidiaries) for the fiscal quarter then ended and the portion of the current fiscal year then elapsed (or for the fiscal year then ended in the case of year-end financials), (2) setting forth in comparative form the corresponding figures for the corresponding periods of the previous fiscal year and the corresponding figures from the most recent Projections for the current fiscal year delivered pursuant to subsection 4.8(I) and (3) discussing the reasons for any significant variations. The information above shall be presented in reasonable detail and shall be certified by the chief financial officer of Borrower to the effect that such information fairly presents the results of operations and financial condition of Borrower and its Subsidiaries as at the dates and for the periods indicated.

(G) [Intentionally Omitted]

(H) Appraisals. From time to time, if Agent or any Lender determines that obtaining appraisals is necessary in order for Agent or such Lender to comply with applicable laws or regulations, Agent will, at Borrower's expense, obtain appraisal reports in form and substance and from appraisers satisfactory to Agent stating the then current fair market values of all or any portion of the real estate owned by Borrower or any of its Subsidiaries. In addition to the foregoing, from time to time, but in the absence of a Default or Event of Default not more than once during each calendar year, Agent may require Borrower to obtain and deliver to Agent appraisal reports in form and substance and from appraisers satisfactory to Agent stating the then current market values of all or any portion of the real estate owned by Borrower or any of its Subsidiaries (other than the Excluded Subsidiaries). In addition to the foregoing, during the continuance of any Default or any Event of Default, Agent may obtain, at Borrower's expense, appraisal reports in form and substance and from appraisers satisfactory to Agent stating the then current market values of all or any portion of the real estate and personal property owned by Borrower or any of its Subsidiaries (other than the Excluded Subsidiaries).

(I) Projections. As soon as available and in any event no later than forty-five (45) days after the end of each fiscal year of Borrower, Borrower will deliver a budget for, and Projections of, First Tier Holdings and its Subsidiaries (other than the Excluded Subsidiaries) for the forthcoming three (3) fiscal years (or for the forthcoming one (1) fiscal

year in the case of the budget), year by year, and for the forthcoming fiscal year, month by month.

(J) SEC Filings and Press Releases. Promptly upon their becoming available, Borrower will deliver copies of (1) all financial statements, reports, notices and proxy statements sent or made available by First Tier Holdings or any of its Subsidiaries to its security holders, (2) all regular and periodic reports and all registration statements and prospectuses, if any, filed by First Tier Holdings or any of its Subsidiaries with any securities exchange or with the Securities and Exchange Commission or any governmental or private regulatory authority, and (3) all press releases and other statements made available by First Tier Holdings or any of its Subsidiaries to the public concerning developments in the business of any such Person.

(K) Events of Default, Etc. Promptly upon any officer of Borrower obtaining knowledge of any of the following events or conditions, Borrower shall deliver copies of all notices given or received by First Tier Holdings or any of its Subsidiaries with respect to any such event or condition and a certificate of Borrower's chief financial officer specifying the nature and period of existence of such event or condition and what action First Tier Holdings or any of its Subsidiaries has taken, is taking and proposes to take with respect thereto: (1) any condition or event that constitutes, or which could reasonably be expected to result in the occurrence of, an Event of Default or Default; (2) any notice that any Person has given to Borrower or any of its Subsidiaries or any other action taken with respect to a claimed default or event or condition of the type referred to in subsection 6.1(B); or (3) any event or condition that could reasonably be expected to result in any Material

Adverse Effect.

(L) Litigation. Promptly upon any officer of Borrower obtaining knowledge of (1) the institution of any action, suit, proceeding, governmental investigation or arbitration against or affecting any Loan Party or any property of any Loan Party not previously disclosed by Borrower to Agent or (2) any material development in any action, suit, proceeding, governmental investigation or arbitration at any time pending against or affecting any Loan Party or any property of any Loan Party which, in each case, could reasonably be expected to have a Material Adverse Effect, Borrower will promptly give notice thereof to Agent and provide such other information as may be reasonably available to them to enable Agent and its counsel to evaluate such matter.

(M) Notice of Corporate and other Changes. Borrower shall provide prompt written notice of (1) all jurisdictions in which a Loan Party becomes qualified after the Closing Date to transact business, (2) any change after the Closing Date in the authorized and issued equity securities of any Loan Party or any amendment to their articles or certificate of incorporation, by-laws, partnership agreement or other organizational documents, (3) any Subsidiary created or acquired by any Loan Party after the Closing Date, such notice, in each case, to identify the applicable jurisdictions, capital structures or Subsidiaries, as applicable, and (4) any other event that occurs after the Closing Date which

would cause any of the representations and warranties in Section 5 of this Agreement or in any other Loan Document to be untrue or misleading in any material respect. The foregoing notice requirement shall not be construed to constitute Requisite Lenders' consent to any transaction referred to above which is not expressly permitted by the terms of this Agreement.

(N) Debenture Interest Deferral. Borrower shall provide prompt written notice of any election to defer interest on the Debentures pursuant to Section 2.04 of the Indenture.

(O) Other Information. With reasonable promptness, Borrower will deliver such other information and data with respect to any Loan Party or any Subsidiary of any Loan Party as from time to time may be reasonably requested by Agent.

4.9 Accounting Terms; Utilization of GAAP for Purposes of Calculations Under Agreement.

For purposes of this Agreement, all accounting terms not otherwise defined herein shall have the meanings assigned to such terms in conformity with GAAP. Financial statements and other information furnished to Agent pursuant to subsection 4.8 shall be prepared in accordance with GAAP as in effect at the time of such preparation and unless otherwise expressly provided herein, shall apply to First Tier Holdings and its consolidated Subsidiaries on a consolidated basis. No "Accounting Changes" (as defined below) shall affect financial covenants, standards or terms in this Agreement; provided that Borrower shall prepare footnotes to each Compliance and Pricing Certificate and the financial statements required to be delivered hereunder that show the differences between the financial statements delivered (which reflect such Accounting Changes) and the basis for calculating financial covenant compliance (without reflecting such Accounting Changes). "Accounting Changes" means: (a) changes in accounting principles required by GAAP and implemented by Borrower; (b) changes in accounting principles recommended by Borrower's certified public accountants and implemented by Borrower; and (c) changes in carrying value of First Tier Holdings' or any of its Subsidiaries' assets, liabilities or equity accounts resulting from (i) the application of purchase accounting principles (A.P.B. 16 and/or 17 and EITF 88-16 and FASB 109) to the Related Transactions or (ii) as the result of any other adjustments that, in each case, were applicable to, but not included in, the Pro Forma. All such adjustments described in clause (c) above resulting from expenditures made subsequent to the Closing Date (including, but not limited to, capitalization of costs and expenses or payment of pre-Closing Date liabilities) shall be treated as expenses in the period the expenditures are made.

SECTION 5
REPRESENTATIONS AND WARRANTIES

To induce Agent and Lenders to enter into the Loan Documents, to make Loans and to issue or cause to be issued Letters of Credit, Borrower represents, warrants and

covenants to Agent and each Lender that the following statements are and, after giving effect to the Related Transactions, will remain true, correct and

complete for so long the Revolving Loan Commitment shall be in effect and until payment in full of all Obligations:

5.1 Disclosure.

No representation or warranty of any Loan Party contained in this Agreement, the financial statements referred to in subsection 5.5 (other than the Pro Forma), the other Related Transactions Documents or any other document, certificate or written statement furnished to Agent or any Lender by or on behalf of any such Person for use in connection with the Loan Documents or the Related Transactions Documents contains any untrue statement of a material fact or omitted, omits or will omit to state a material fact necessary in order to make the statements contained herein or therein (taken as a whole) not misleading in light of the circumstances in which the same were made.

5.2 No Material Adverse Effect.

Since December 31, 2000 there have been no events or changes in facts or circumstances affecting any Loan Party which individually or in the aggregate have had or could reasonably be expected to have a Material Adverse Effect and that have not been disclosed herein or in the attached Schedules.

5.3 No Conflict.

The consummation of the Related Transactions does not and will not violate or conflict with any laws, rules, regulations or orders of any governmental authority or violate, conflict with, result in a breach of, or constitute a default (with due notice or lapse of time or both) under any Contractual Obligation or organizational documents of any Loan Party except if such violations, conflicts, breaches or defaults could not reasonably be expected to have, either individually or in the aggregate, a Material Adverse Effect.

5.4 Organization, Powers, Capitalization and Good Standing.

(A) Organization and Powers. Each of the Loan Parties is duly organized, validly existing and in good standing under the laws of its jurisdiction of organization and qualified to do business in all states where such qualification is required except where failure to be so qualified could not reasonably be expected to have a Material Adverse Effect. The jurisdiction of organization and all jurisdictions in which each Loan Party is qualified to do business are set forth on Schedule 5.4(A). Each of the Loan Parties has all requisite organizational power and authority to own and operate its properties, to carry on its business as now conducted and proposed to be conducted, to enter into each Related Transactions Document to which it is a party and to incur the Obligations, grant liens and security interests in the Collateral and carry out the Related Transactions.

(B) Capitalization. The authorized equity securities of each of the Loan Parties is as set forth on Schedule 5.4(B). All issued and outstanding equity securities of each of the Loan Parties are duly authorized and validly issued, fully paid, nonassessable, free and clear of all Liens other than those in favor of Agent for the benefit of Agent and Lenders, and such equity securities were issued in compliance with all applicable state, federal and foreign laws concerning the issuance of securities. The identity of the holders of the equity securities of each of the Loan Parties and the percentage of their fully-diluted ownership of the equity securities of each of the Loan Parties is set forth on Schedule 5.4(B). No shares of the capital stock or other equity securities of any Loan Party, other than those described above, are issued and outstanding. Except as provided in Schedule 5.4(B), there are no preemptive or other outstanding rights, options, warrants, conversion rights or similar agreements or understandings for the purchase or acquisition from any Loan Party of any equity securities of any such entity.

(C) Binding Obligation. This Agreement is, and the other Related Transactions Documents when executed and delivered will be, the legally valid and binding obligations of the applicable parties thereto, each enforceable against each of such parties, as applicable, in accordance with their respective terms.

5.5 Financial Statements and Projections.

All financial statements concerning First Tier Holdings and its Subsidiaries which have been or will hereafter be furnished to Agent pursuant to this Agreement, including those listed below, have been or will be prepared in accordance with GAAP consistently applied (except as disclosed therein) and do or will present fairly the financial condition of the entities covered thereby as at the dates thereof and the results of their operations for the periods then ended, subject to, in the case of unaudited financial statements, the absence of footnotes and year-end adjustments.

(A) The consolidated balance sheets at December 31, 2000 and the related statement of income of First Tier Holdings and its Subsidiaries, for the fiscal year then ended, audited by Price Waterhouse Coopers.

(B) The consolidated balance sheet at August 31, 2001 and the related statement of income of First Tier Holdings and its Subsidiaries for the eight (8) months then ended.

The Pro Forma delivered on or prior to the Closing Date and the updated Projections delivered pursuant to subsection 4.8(I) are and will be based upon good faith estimates and assumptions believed by management of the relevant Loan Party to be reasonable at the time made, it being recognized by the Lenders that such financial information as it relates to future events is not to be viewed as fact and that actual results during the period or periods covered by such financial information may differ from the projected results as set forth therein by a material amount.

5.6 Intellectual Property.

Borrower and each of its Subsidiaries (other than the Excluded Subsidiaries) owns, is licensed to use or otherwise has the right to use, all patents, trademarks, trade names, copyrights, technology, know-how and processes used in or necessary for the conduct of its business as currently conducted that are material to the condition (financial or other), business or operations of Borrower or such Subsidiaries (collectively called "Intellectual Property") and all such Intellectual Property is identified on Schedule 5.6. Such Intellectual Property is duly and properly registered, filed or issued in the appropriate office and jurisdictions for such registrations, filings or issuances, except where failure to do so could not reasonably be expected to be material to the continued business of Borrower. Except as disclosed in Schedule 5.6, the use of such Intellectual Property by Borrower and such Subsidiaries has not been alleged by any Person to infringe on the rights of any Person and does not infringe on any material rights of any Person.

5.7 Investigations, Audits, Etc.

Except as set forth on Schedule 5.7, (a) no claim for assessment or collection of taxes is presently being asserted against First Tier Holdings or any of its Subsidiaries, (b) neither First Tier Holdings nor any of its Subsidiaries is a party to any pending action, proceeding or investigation by any taxing authority relating to taxes, and (c) no such action, proceeding or investigation has been threatened. Except as set forth on Schedule 5.7, none of First Tier Holdings or any of its Subsidiaries, is the subject of any governmental investigation concerning the violation or possible violation of any law.

5.8 Employee Matters.

Except as set forth on Schedule 5.8, (a) no Loan Party nor any of their respective employees is subject to any collective bargaining agreement, (b) no petition for certification or union election is pending with respect to the employees of any Loan Party and no union or collective bargaining unit has sought such certification or recognition with respect to the employees of any Loan Party and (c) there are no strikes, slowdowns, work stoppages or controversies pending or, to the best knowledge of Borrower after due inquiry, threatened between any Loan Party and its respective employees, other than employee grievances arising in the ordinary course of business which could not reasonably be expected to have, either individually or in the aggregate, a Material Adverse Effect. Except as set forth on Schedule 5.8, neither Borrower nor any of its Subsidiaries (other than the Excluded Subsidiaries) is party to an employment contract.

5.9 Solvency.

Borrower and its Subsidiaries (other than SunSource Mexico and the Excluded Subsidiaries), taken as a whole: (a) own and will own assets the fair saleable value of which are (i) greater than the total amount of their liabilities (including contingent liabilities) and

(ii) greater than the amount that will be required to pay the probable liabilities of their then existing debts as they become absolute and matured considering all financing alternatives and potential asset sales reasonably available to them; (b) have capital that is not unreasonably small in relation to their business as presently conducted or after giving effect to any contemplated transaction; and (c) do not intend to incur and do not believe that they will incur debts beyond their ability to pay such debts as they become due.

5.10 Litigation; Adverse Facts.

Except as set forth on Subschedule 7.1, there are no judgments outstanding against any Loan Party or affecting any property of any Loan Party, nor is there any action, charge, claim, demand, suit, proceeding, petition, governmental investigation or arbitration now pending or, to the best knowledge of Borrower after due inquiry, threatened against or affecting any Loan Party or any property of any Loan Party which could reasonably be expected to result in any Material Adverse Effect.

5.11 Use of Proceeds; Margin Regulations.

No part of the proceeds of any Loan will be used for "buying" or "carrying" "margin stock" within the respective meanings of such terms under Regulation U of the Board of Governors of the Federal Reserve System as now and from time to time hereafter in effect or for any other purpose that violates the provisions of the regulations of the Board of Governors of the Federal Reserve System. If requested by Agent, Borrower will furnish to Agent and each Lender a statement to the foregoing effect in conformity with the requirements of FR Form G-3 or FR Form U-1, as applicable, referred to in Regulation U.

SECTION 6
DEFAULT, RIGHTS AND REMEDIES

6.1 Event of Default.

"Event of Default" shall mean the occurrence or existence of any one or more of the following:

(A) Payment. (1) Failure to pay any installment or other payment of principal of any Loan when due, or to repay Revolving Loans to reduce their balance to the Maximum Revolving Loan Balance or to reimburse any Issuing Lender for any payment made by such Issuing Lender under or in respect of any Letter of Credit when due or (2) failure to pay, within five (5) days after the due date, any interest on any Loan or any other amount due under this Agreement or any of the other Loan Documents; or

(B) Default in Other Agreements. (1) Any event occurs that, after notice or the passage of time, requires the prepayment of all or any portion of the principal amount of any of the Indebtedness evidenced by any Debenture, or (2) failure of First Tier Holdings,

Borrower or any of their respective Subsidiaries to pay when due or within any applicable grace period any principal or interest on Indebtedness (other than the Loans) or any Contingent Obligations or (3) breach or default of First Tier Holdings, Borrower or any of their respective Subsidiaries, or the occurrence of any condition or event, with respect to any Indebtedness (other than the Loans) or any Contingent Obligations, if the effect of such failure to pay, breach, default or occurrence referred to in clause (2) or (3) is to cause or to permit the holder or holders then to cause, Indebtedness and/or Contingent Obligations having an individual principal amount in excess of $500,000 or having an aggregate principal amount in excess of $1,000,000 to become or be declared due prior to their stated maturity; or

(C) Breach of Certain Provisions. Failure of Borrower to perform or comply with any term or condition contained in that portion of subsection 2.2 relating to Borrower's obligation to maintain insurance, subsection 2.3, Section 3 or Section 4; or

(D) Breach of Warranty. Any representation, warranty, certification or other statement made by any Loan Party in any Loan Document or in any statement or certificate at any time given by such Person in writing pursuant or in connection with any Loan Document is false in any material respect on the date made; or

(E) Other Defaults Under Loan Documents. Borrower or any other Loan Party defaults in the performance of or compliance with any term contained in this Agreement or the other Loan Documents (other than occurrences described in other provisions of this subsection 6.1 for which a different grace or cure period is specified or which constitute immediate Events of Default) and such default is not remedied or waived within thirty (30) days after the earlier of (1) receipt by Borrower of notice from Agent or Requisite Lenders of such default or (2) actual knowledge of Borrower or any other Loan Party of such default; or

(F) Involuntary Bankruptcy; Appointment of Receiver, Etc. (1) A court enters a decree or order for relief with respect to First Tier Holdings, Borrower or any of their respective Subsidiaries (other than SunSource Mexico and the Excluded Subsidiaries) in an involuntary case under the Bankruptcy Code, which decree or order is not stayed or other similar relief is not granted under any applicable federal or state law; or (2) the continuance of any of the following events for forty-five (45) days unless dismissed, bonded or

discharged: (a) an involuntary case is commenced against First Tier Holdings, Borrower or any of their respective Subsidiaries (other than SunSource Mexico and the Excluded Subsidiaries), under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect; or (b) a decree or order of a court for the appointment of a receiver, liquidator, sequestrator, trustee, custodian or other officer having similar powers over First Tier Holdings, Borrower or any of their respective Subsidiaries (other than SunSource Mexico and the Excluded Subsidiaries), or over all or a substantial part of their respective property, is entered; or (c) an interim receiver, trustee or other custodian is appointed without

the consent of First Tier Holdings, Borrower or any of their respective Subsidiaries (other than SunSource Mexico and the Excluded Subsidiaries), for all or a substantial part of the property of First Tier Holdings, Borrower or any such Subsidiary; or

(G) Voluntary Bankruptcy; Appointment of Receiver, Etc. (1) First Tier Holdings, Borrower or any of their respective Subsidiaries (other than SunSource Mexico and the Excluded Subsidiaries) commences a voluntary case under the Bankruptcy Code, or consents to the entry of an order for relief in an involuntary case or to the conversion of an involuntary case to a voluntary case under any such law or consents to the appointment of or taking possession by a receiver, trustee or other custodian for all or a substantial part of their respective property; or (2) First Tier Holdings, Borrower or any of their respective Subsidiaries (other than SunSource Mexico and the Excluded Subsidiaries) makes any assignment for the benefit of creditors; or (3) the Board of Directors of First Tier Holdings, Borrower or any of their respective Subsidiaries (other than SunSource Mexico and the Excluded Subsidiaries) adopts any resolution or otherwise authorizes action to approve any of the actions referred to in this subsection 6.1(G); or

(H) Judgment and Attachments. Any money judgment, writ or warrant of attachment, or similar process (other than those described elsewhere in this subsection 6.1) involving (1) an amount in any individual case in excess of $500,000 or (2) an amount in the aggregate at any time in excess of $1,000,000 (in either case to the extent not adequately covered by insurance as to which the insurance company has acknowledged coverage) is entered or filed against First Tier Holdings, Borrower or any of their respective Subsidiaries or any of their respective assets and remains undischarged, unvacated, unbonded or unstayed for a period of thirty (30) days or in any event later than five (5) Business Days prior to the date of any proposed sale thereunder; or

(I) Dissolution. Any order, judgment or decree is entered against First Tier Holdings, Borrower or any of their respective Subsidiaries (other than SunSource Mexico and the Excluded Subsidiaries) decreeing the dissolution or split up of First Tier Holdings, Borrower or such Subsidiary and such order remains undischarged or unstayed for a period in excess of fifteen (15) days; or

(J) Solvency. First Tier Holdings, Borrower and all of their respective Subsidiaries (other than SunSource Mexico and the Excluded Subsidiaries) considered in the aggregate, cease to be solvent (as represented in subsection 5.9) or admit in writing their present or prospective inability to pay their debts as they become due; or

(K) Injunction. First Tier Holdings, Borrower or any of their respective Subsidiaries (other than SunSource Mexico and the Excluded Subsidiaries) is enjoined, restrained or in any way prevented by the order of any court or any administrative or regulatory agency from conducting all or any material part of its business for more than fifteen (15) days; or

(L) ERISA; Pension Plans. (1) Institution of any steps by Borrower or any member of the Controlled Group or any other Person to terminate a Pension Plan if as a result of such termination Borrower or any member of the Controlled Group could reasonably be expected to be required to make a contribution to such Pension Plan, or could incur a liability or obligation to such Pension Plan, in excess of $500,000; (2) a contribution failure occurs with respect to any Pension Plan sufficient to give rise to a Lien under Section 302 of ERISA securing more than $500,000; (3) there shall occur any withdrawal or partial withdrawal from a Multiemployer Plan and the withdrawal liability (without unaccrued interest) to Multiemployer Plans as a result of such withdrawal (including any outstanding withdrawal liability that Borrower and the members of the Controlled Group have incurred on the date of such withdrawal) exceeds $500,000; (4) with respect to any Plan, Borrower or any member of the Controlled Group shall incur an accumulated funding deficiency or request a funding waiver from the IRS; or (5) there shall occur an ERISA Event or a non-exempt prohibited transaction within the meaning of Section 406 of ERISA or IRC Section 4975; provided, however, that the events listed in clauses (4) and (5) hereof shall constitute Events of Default only if the liability, deficiency

or waiver request, whether or not assessed, could reasonably be expected to have, either individually or in the aggregate, a Material Adverse Effect; or

(M) Environmental Matters. First Tier Holdings, Borrower or any of their respective Subsidiaries fails to: (1) obtain or maintain any operating licenses or permits required by environmental authorities; (2) begin, continue or complete any remediation activities as required by any environmental authorities; (3) store or dispose of any hazardous materials in accordance with applicable environmental laws and regulations; or (4) comply with any environmental laws; if any such failure under clauses (1), (2), (3) or (4), individually or in the aggregate, could reasonably be expected to have a Material Adverse Effect; or

(N) Invalidity of Loan Documents. Any of the Loan Documents for any reason, other than a partial or full release in accordance with the terms thereof, ceases to be in full force and effect or is declared to be null and void, or any Loan Party denies that it has any further liability under any Loan Documents to which it is party, or gives notice to such effect; or

(O) Damage; Strike; Casualty. Any material damage to, or loss, theft or destruction of, any Collateral, whether or not insured, or any strike, lockout, labor dispute, embargo, condemnation, act of God or public enemy, or other casualty which causes, for more than fifteen (15) consecutive days, the cessation or substantial curtailment of revenue producing activities at any facility of Borrower or any of its Subsidiaries, if any such event or circumstance could reasonably be expected to have a Material Adverse Effect; or

(P) Licenses and Permits. The loss, suspension or revocation of, or failure to renew, any license or permit now held or hereafter acquired by Borrower or any of its

Subsidiaries, if such loss, suspension, revocation or failure to renew could reasonably be expected to have a Material Adverse Effect; or

(Q) Failure of Security. Agent, for the benefit of Agent and Lenders, does not have or ceases to have a valid and perfected first priority security interest in the Collateral (subject to Permitted Encumbrances) or any substantial portion thereof, in each case, for any reason other than the failure of Agent to take any action within its control; or

(R) Business Activities.

(1) First Tier Holdings engages in any type of business activity other than the ownership of stock of Second Tier Holdings and SunSource Capital Trust, the payment of Contingent Obligations binding on it and set forth on Schedule 3.4 and performance of its obligations under the Related Transaction Documents to which it is a party and the Indenture; or

(2) Second Tier Holdings engages in any type of business activity other than the ownership of stock of Borrower, the maintenance of the Indebtedness described in subsection 3.1(G) and performance of its obligations under the Related Transaction Documents to which it is a party; or

(3) First Tier Holdings or Second Tier Holdings takes any action that would result in a breach by Borrower of any provision of this Agreement or First Tier Holdings amends or otherwise modifies its Management Agreement with Allied; or

(4) Second Tier Holdings fails, within ten days after the end of any calendar year, to contribute to the capital of Borrower any and all cash and Cash Equivalents owned by Second Tier Holdings as of the last day of such year, which cash and Cash Equivalents shall include any and all payments of principal and interest made during such year to Second Tier Holdings by Borrower with respect to Indebtedness owing from time to time by Borrower to Second Tier Holdings; or

(5) SunSource Mexico engages in any type of business other than business associated with the winding down and cessation of its current operations; or

(S) Change in Control.

(1) Allied ceases to beneficially and of record own and control, directly or indirectly, free and clear of all Liens other than Liens in favor of Agent, at least fifty-one percent (51%) of the issued and outstanding shares of each class of capital stock or other equity securities of First Tier Holdings; or

(2) First Tier Holdings ceases to beneficially and of record own and control one hundred percent (100%) of the issued and outstanding capital stock or other equity

securities of Second Tier Holdings free and clear of all Liens other than Liens in favor of Agent; or

(3) Second Tier Holdings ceases to beneficially and of record own and control one hundred percent (100%) of the issued and outstanding capital stock or other equity securities of Borrower free and clear of all Liens other than Liens in favor of Agent; or

(4) Borrower ceases to beneficially own and control, directly or indirectly, free and clear of all Liens other than Liens in favor of Agent, 100% of the issued and outstanding shares of each class of capital stock or other equity securities entitled (without regard to the occurrence of any contingency) to vote for the election of a majority of the members of the boards of directors of any Loan Party other than First Tier Holdings and Second Tier Holdings; or

(5) The occurrence of a "Change of Control," as defined in the Allied Subordinated Loan Documents; or

(T) Subordinated Indebtedness. The failure of First Tier Holdings, Borrower or any of their respective Subsidiaries or the failure of Allied to comply with the terms of any subordination or intercreditor agreement or any subordination provisions of any note or other document running to the benefit of Agent or Lenders; or

(U) Debentures.

(1) First Tier Holdings fails to exercise its rights pursuant to Section 2.04 of the Indenture to extend the interest payment period of the Debentures at any time that Borrower is precluded from making payments and distributions pursuant to the provisions of subsection 3.5(D); or

(2) A "Tax Event" (as defined in the Indenture) occurs.

6.2 Suspension or Termination of Commitments.

Upon the occurrence of any Default or Event of Default, Agent may, and at the request of Requisite Lenders Agent shall, without notice or demand, immediately suspend or terminate all or any portion of Lenders' obligations to make additional Loans or issue or cause to be issued Letters of Credit under the Revolving Loan Commitment; provided that, in the case of a Default, if the subject condition or event is waived by Requisite Lenders or cured within any applicable grace or cure period, the Revolving Loan Commitment shall be reinstated.

6.3 Acceleration and other Remedies.

Upon the occurrence of any Event of Default described in subsections 6.1(F) or 6.1(G), the unpaid principal amount of and accrued interest and fees on the Term Loans

and the Revolving Loans, the aggregate outstanding Letter of Credit Liability and all other Obligations shall automatically become immediately due and payable, without presentment, demand, protest, notice of intent to accelerate, notice of acceleration or other requirements of any kind, all of which are hereby expressly waived by Borrower, and the Revolving Loan Commitment shall thereupon terminate. Upon the occurrence and during the continuance of any other Event of Default, Agent may, and at the request of the Requisite Lenders Agent shall, by written notice to Borrower (a) declare all or any portion of the Loans and all or any portion of the other Obligations to be, and the same shall forthwith become, immediately due and payable together with accrued interest thereon, and the obligations of Agent, Issuing Lenders and Lenders to make Revolving Loans and issue Letters of Credit shall thereupon terminate, (b) demand that Borrower immediately deposit cash with Agent for the benefit of Issuing Lenders in an amount equal to 105% of the aggregate outstanding Letter of Credit Liability and (c) exercise any other remedies which may be available under the Loan Documents or applicable law. Borrower hereby grants to Agent, for the benefit of Issuing Lenders and each Lender with a participation in any Letters of Credit then outstanding, a security interest in such cash collateral to secure all of the Letter of Credit Liability. Any such cash collateral shall be made available by Agent to Issuing Lenders to reimburse Issuing Lenders for payments of drafts drawn under such Letters of Credit and any fees and expenses of Bank Line Issuers or Issuing Lenders with respect to such Letters of Credit and the unused portion thereof, after all such Letters of Credit shall have expired or been fully drawn upon, shall be applied to repay any other Obligations. After all such Letters of Credit shall have expired or been fully drawn upon and all Obligations shall have been satisfied and paid in full, the balance, if any, of such cash collateral shall be returned to Borrower. Borrower shall from time to time execute and deliver to Agent such further documents and

instruments as Agent may request with respect to such cash collateral.

6.4 Performance by Agent.

If Borrower shall fail to perform any covenant, duty or agreement contained in any of the Loan Documents, Agent may perform or attempt to perform such covenant, duty or agreement on behalf of Borrower after the expiration of any cure or grace periods set forth herein. In such event, Borrower shall, at the request of Agent, promptly pay any amount reasonably expended by Agent in such performance or attempted performance to Agent, together with interest thereon at the highest rate of interest in effect upon the occurrence of an Event of Default as specified in subsection 1.2(E) from the date of such expenditure until paid. Notwithstanding the foregoing, it is expressly agreed that Agent shall not have any liability or responsibility for the performance of any obligation of Borrower under this Agreement or any other Loan Document.

6.5 Application of Proceeds.

Notwithstanding anything to the contrary contained in this Agreement, upon the occurrence and during the continuance of an Event of Default, (a) Borrower irrevocably

waives the right to direct the application of any and all payments at any time or times thereafter received by Agent from or on behalf of Borrower, and Agent shall have the continuing and exclusive right to apply and to reapply any and all payments received at any time or times after the occurrence and during the continuance of an Event of Default against the Obligations in such manner as Agent may deem advisable notwithstanding any previous application by Agent (provided that Agent does not prefer any Lender over any other Lender) and (b) in the absence of a specific determination by Agent with respect thereto, the proceeds of any sale of, or other realization upon, all or any part of the Collateral shall be applied: first, to all fees, costs and expenses incurred by or owing to Agent and any Lender with respect to this Agreement, the other Loan Documents or the Collateral; second, to accrued and unpaid interest on the Obligations (including any interest which but for the provisions of the Bankruptcy Code, would have accrued on such amounts); third, to the principal amount of the Obligations outstanding (other than Obligations owed to any Lender under an Interest Rate Agreement); and fourth to any other indebtedness or obligations of Borrower owing to Agent or any Lender under the Loan Documents (provided that in all such cases, Agent does not prefer any Lender over any other Lender). Any balance remaining shall be delivered to Borrower or to whomever may be lawfully entitled to receive such balance or as a court of competent jurisdiction may direct.

SECTION 7
CONDITIONS TO LOANS

The obligations of Lenders to make Loans and to issue or cause to be issued Letters of Credit are subject to satisfaction of all of the applicable conditions set forth below.

7.1 Conditions to Initial Loans.

The obligations of Lenders to make the initial Loans and to issue or cause to be issued Letters of Credit on the Closing Date are, in addition to the conditions precedent specified in subsection 7.2, subject to the delivery of all documents listed on, the taking of all actions set forth on and the satisfaction of all other conditions precedent listed on Schedule 7.1, all in form and substance, or in a manner, satisfactory to Agent and Lenders. In addition to the foregoing, the obligations of the Lenders to make the initial Loans and to issue or cause to be issued Letters of Credit on the Closing Date is subject to the condition that the Senior Indebtedness to Adjusted EBITDA Ratio (as provided in subsection 4.6) is less than 2.4.

7.2 Conditions to All Loans.

The obligations of Lenders to make Loans and to issue or cause to be issued Letters of Credit on any date ("Funding Date") are subject to the further conditions precedent set forth below.

(A) Agent shall have received a request for an advance of a Loan or the issuance of a Letter of Credit, in each case in accordance with the applicable provisions of subsection 1.1.

(B) The representations and warranties contained in Section 5 of this Agreement and elsewhere herein and in the Loan Documents shall be (and each request by Borrower for a Loan or a Letter of Credit shall constitute a representation and warranty by Borrower that such representations and warranties

are) true, correct and complete in all material respects on and as of that Funding Date to the same extent as though made on and as of that date, except for any representation or warranty expressly limited by its terms to a specific date and taking into account any amendments to the schedules, subschedules or exhibits as a result of any disclosures made in writing by Borrower to Agent after the Closing Date which disclosures do not evidence an Event of Default.

(C) No event shall have occurred and be continuing or would result from the funding or such Loans or the issuance of such Letters of Credit that would constitute an Event of Default or a Default.

(D) No order, judgment or decree of any court, arbitrator or governmental authority shall purport to enjoin or restrain any Lender from making any Loan or from issuing or causing to be issued any Letter of Credit.

SECTION 8
ASSIGNMENT AND PARTICIPATION

8.1 Assignments and Participations.

(A) Assignments. Each Lender may from time to time assign, subject to the terms of an Assignment and Acceptance Agreement, its rights and delegate its obligations under this Agreement to another Person, provided that (1) such Lender (excluding Heller) shall first obtain the written consent of Agent and Borrower (except Borrower's consent shall not be required during the existence of a Default or Event of Default), which consents shall not be unreasonably withheld; (2) the Pro Rata Share of the Revolving Loan Commitment and/or Term Loans being assigned shall in no event be less than the lesser of (a) $3,000,000 and (b) the entire amount of the Pro Rata Share of the Revolving Loan Commitment and/or Term Loans of the assigning Lender; and (3) upon the consummation of each such assignment the assigning Lender shall pay Agent an administrative fee of $3,500. The administrative fee referred to in clause (3) of the preceding sentence shall not apply to an assignment of security interest in the Obligations as described in paragraph (E)(1) below or to an assignment to an affiliate. In the case of an assignment authorized under this subsection 8.1, the assignee shall have, to the extent of such assignment, the same rights, benefits and obligations as it would if it were an initial Lender hereunder. The assigning Lender shall be relieved of its obligations hereunder with respect to its Pro Rata Share of the Revolving Loan Commitment or assigned portion thereof. Borrower hereby acknowledges and agrees that

any assignment will give rise to a direct obligation of Borrower to the assignee and that the assignee shall be considered to be a Lender hereunder.

(B) Recording of Assignments. Agent shall maintain at its office in Chicago, Illinois a copy of each Assignment and Acceptance Agreement delivered to it and a register for the recordation of the names and addresses of Lenders, and the commitments of, and principal amount of the Loans owing to each Lender pursuant to the terms hereof from time to time (the "Register"). The entries in the Register shall be presumptive evidence of the amounts due and owing to Lender in the absence of manifest error. Borrower, Agent and each Lender may treat each Person whose name is recorded in the Register pursuant to the terms hereof as a Lender hereunder for all purposes of this Agreement. The Register shall be available for inspection by Borrower and any Lender, at any reasonable time upon reasonable prior notice.

(C) Acceptance of Assignment by Agent. Upon its receipt of a duly completed Assignment and Acceptance Agreement executed by an assigning Lender and its assignee (together with the Notes subject to such assignment) and the administrative fee referred to above, Agent shall (subject to the consent of Agent and Borrower to such assignment, if required) (1) accept such Assignment and Acceptance Agreement, (2) record the information contained therein in the Register and replace Schedule 10.1(C) to reflect such Assignment and Acceptance Agreement and (3) give prompt notice thereof to Borrower and Lenders. Upon request by Agent, Borrower shall promptly execute and deliver to Agent Notes evidencing the Obligations owed by Borrower to the assignee and, if applicable, the assigning Lender, after giving effect to the assignment. Agent shall cancel the Notes delivered to it by the assigning Lender and deliver the new Notes to the assignee and, unless the assigning Lender has assigned all of its interests under this Agreement, the assigning Lender.

(D) Participations. Any Lender may sell participations in all or any part of its Pro Rata Share of the Revolving Loan Commitment and/or Term Loans to another Person provided that such Lender (excluding Heller) shall first obtain the prior written consent of Agent, which consent shall not be unreasonably withheld. All amounts payable by Borrower hereunder shall be determined as if that Lender had not sold such participation and the holder of any such participation shall not be entitled to require such Lender to take or omit to take any action hereunder except action directly effecting (i) any reduction in the principal amount or interest rate payable with respect to any Loan in which such holder participates; (ii) any extension of the Commitment Termination Date, the date on which any Scheduled Installment is to be paid or

the date fixed for any payment of interest payable with respect to any Loan in which such holder participates; or (iii) any release of all or substantially all of the Collateral (except if the sale, disposition or release of such Collateral is permitted under subsection 3.7 or 8.2 or any other Loan Document). Borrower hereby acknowledges and agrees that any participation will give rise to a direct obligation of Borrower to the

participant, and the participant shall for purposes of subsections 1.8, 1.9, 8.4 and 9.1 be considered to be a Lender hereunder.

(E) Security Interests in Obligations; Assignments to Affiliates. Notwithstanding any other provision of this Agreement, any Lender may at any time, following written notice to Agent, (1) pledge the Obligations held by it or create a security interest in all or any portion of its rights under this Agreement or the other Loan Documents in favor of any Person; provided, however, that (a) no such pledge or grant of security interest to any Person shall release such Lender from its obligations hereunder or under any other Loan Document and (b) the acquisition of title to such Lender's Obligations pursuant to any foreclosure or other exercise of remedies by such Person shall be subject to the provisions of this Agreement and the other Loan Documents in all respects including, without limitation, any consent required by subsection 8.1(A) and (2) assign all or any portion of its funded loans to an Affiliate of such Lender which is at least 50% owned by such Lender or its parent company, to one or more other Lenders or to a Related Fund. For purposes of this paragraph, a "Related Fund" shall mean, with respect to any Lender, a fund or other investment vehicle that invests in commercial loans and is managed by such Lender or by the same investment advisor that manages such Lender or by an Affiliate of such investment advisor.

(F) Other Matters. Except as otherwise provided in this subsection 8.1 no Lender shall, as between Borrower and that Lender, be relieved of any of its obligations hereunder as a result of any sale, assignment, transfer or negotiation of, or granting of a participation in, all or any part of the Loans, the Notes or other Obligations owed to such Lender. Each Lender may furnish any information concerning First Tier Holdings and its Subsidiaries in the possession of that Lender from time to time to assignees and participants (including prospective assignees and participants), subject to the provisions of subsection 9.13. Borrower agrees that it will use its best efforts to assist and cooperate with Agent and any Lender in any manner reasonably requested by Agent or such Lender to effect the sale of a participation or an assignment described above. Notwithstanding anything contained in this Agreement to the contrary, so long as the Requisite Lenders shall remain capable of making LIBOR Loans, no Person shall become a Lender hereunder unless such Person shall also be capable of making LIBOR Loans.

8.2 Agent.

(A) Appointment. Each Lender hereby designates and appoints Heller as its Agent under this Agreement and the other Loan Documents, and each Lender hereby irrevocably authorizes Agent to execute and deliver the Security Documents and to take such action or to refrain from taking such action on its behalf under the provisions of this Agreement and the other Loan Documents and to exercise such powers as are set forth herein or therein, together with such other powers as are reasonably incidental thereto. Agent is authorized and empowered to amend, modify, or waive any provisions of this Agreement or

the other Loan Documents on behalf of Lenders subject to the requirement that certain of Lenders' consent be obtained in certain instances as provided in this subsection 8.2 and subsections 8.3 and 9.2. The provisions of this subsection 8.2 are solely for the benefit of Agent and Lenders and neither Borrower nor any other Loan Party shall have any rights as a third party beneficiary of any of the provisions hereof. In performing its functions and duties under this Agreement, Agent shall act solely as agent of Lenders and does not assume and shall not be deemed to have assumed any obligation toward or relationship of agency or trust with or for Borrower or any other Loan Party. Agent may perform any of its duties hereunder, or under the Loan Documents, by or through its agents or employees.

(B) Nature of Duties. The duties of Agent shall be mechanical and administrative in nature. Agent shall not have by reason of this Agreement a fiduciary relationship in respect of any Lender. Nothing in this Agreement or any of the Loan Documents, express or implied, is intended to or shall be construed to impose upon Agent any obligations in respect of this Agreement or any of the Loan Documents except as expressly set forth herein or therein. Each Lender shall make its own independent investigation of the financial condition and affairs of Borrower in connection with the extension of credit hereunder and shall make its own appraisal of the creditworthiness of Borrower, and Agent shall have no duty or responsibility, either initially or on a continuing basis, to provide any Lender with any credit or other information

with respect thereto (other than as expressly required herein). If Agent seeks the consent or approval of any Lenders to the taking or refraining from taking any action hereunder, then Agent shall send notice thereof to each Lender. Agent shall promptly notify each Lender any time that the Requisite Lenders have instructed Agent to act or refrain from acting pursuant hereto.

(C) Rights, Exculpation, Etc. Neither Agent nor any of its officers, directors, employees or agents shall be liable to any Lender for any action taken or omitted by them hereunder or under any of the Loan Documents, or in connection herewith or therewith, except that Agent shall be liable to the extent of its own gross negligence or willful misconduct as determined by a court of competent jurisdiction. Agent shall not be liable for any apportionment or distribution of payments made by it in good faith and if any such apportionment or distribution is subsequently determined to have been made in error the sole recourse of any Lender to whom payment was due but not made, shall be to recover from other Lenders any payment in excess of the amount to which they are determined to be entitled (and such other Lenders hereby agree to return to such Lender any such erroneous payments received by them). In performing its functions and duties hereunder, Agent shall exercise the same care which it would in dealing with loans for its own account, but neither Agent nor any of its agents or representatives shall be responsible to any Lender for any recitals, statements, representations or warranties herein or for the execution, effectiveness, genuineness, validity, enforceability, collectibility, or sufficiency of this Agreement or any of the Loan Documents or the transactions contemplated thereby, or for the financial condition of any Loan Party. Agent shall not be required to make any inquiry concerning either the performance or observance of any of the terms, provisions or conditions of this Agreement or

any of the Loan Documents or the financial condition of any Loan Party, or the existence or possible existence of any Default or Event of Default. Agent may at any time request instructions from Lenders with respect to any actions or approvals which by the terms of this Agreement or of any of the Loan Documents Agent is permitted or required to take or to grant, and if such instructions are promptly requested, Agent shall be absolutely entitled to refrain from taking any action or to withhold any approval and shall not be under any liability whatsoever to any Person for refraining from any action or withholding any approval under any of the Loan Documents until it shall have received such instructions from Requisite Lenders or all or such other portion of the Lenders as shall be prescribed by this Agreement. Without limiting the foregoing, no Lender shall have any right of action whatsoever against Agent as a result of Agent acting or refraining from acting under this Agreement or any of the other Loan Documents in accordance with the instructions of Requisite Lenders and, notwithstanding the instructions of Requisite Lenders, Agent shall have no obligation to take any action if it believes, in good faith, that such action exposes Agent to any liability for which it has not received satisfactory indemnification in accordance with subsection 8.2(E).

(D) Reliance. Agent shall be entitled to rely, and shall be fully protected in relying, upon any written or oral notices, statements, certificates, orders or other documents or any telephone message or other communication (including any writing, telex, telecopy or telegram) believed by it in good faith to be genuine and correct and to have been signed, sent or made by the proper Person, and with respect to all matters pertaining to this Agreement or any of the Loan Documents and its duties hereunder or thereunder. Agent shall be entitled to rely upon the advice of legal counsel, independent accountants, and other experts selected by Agent in its sole discretion.

(E) Indemnification. Lenders will reimburse and indemnify Agent for and against any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses (including, without limitation, attorneys' fees and expenses), advances or disbursements of any kind or nature whatsoever which may be imposed on, incurred by, or asserted against Agent in any way relating to or arising out of this Agreement or any of the Loan Documents or any action taken or omitted by Agent under this Agreement or any of the Loan Documents, in proportion to each Lender's Pro Rata Share, but only to the extent that any of the foregoing is not reimbursed by Borrower; provided, however, that no Lender shall be liable for any portion of such liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses, advances or disbursements to the extent resulting from Agent's gross negligence or willful misconduct as determined by a court of competent jurisdiction. If any indemnity furnished to Agent for any purpose shall, in the opinion of Agent, be insufficient or become impaired, Agent may call for additional indemnity and cease, or not commence, to do the acts indemnified against even if so directed by Requisite Lenders until such additional indemnity is furnished. The obligations of Lenders under this subsection 8.2(E) shall survive the payment in full of the Obligations and the termination of this Agreement.

(F) Heller Individually. With respect to its obligations under the Revolving Loan Commitment and the Loans made by it, Heller shall have and may exercise the same rights and powers hereunder and is subject to the same obligations and liabilities as and to the extent set forth herein for any other Lender. The terms "Lenders" or "Requisite Lenders" or any similar terms shall, unless the context clearly otherwise indicates, include Heller in its individual capacity as a Lender or one of the Requisite Lenders. Heller, either directly or through strategic affiliations, may lend money to, acquire equity or other ownership interests in, provide advisory services to and generally engage in any kind of banking, trust or other business with any Loan Party as if it were not acting as Agent pursuant hereto and without any duty to account therefore to Lenders. Heller, either directly or through strategic affiliations, may accept fees and other consideration from any Loan Party for services in connection with this Agreement or otherwise without having to account for the same to Lenders.

(G) Successor Agent.

(1) Resignation. Agent may resign from the performance of all its agency functions and duties hereunder at any time by giving at least thirty (30) Business Days' prior written notice to Borrower and the Lenders. Such resignation shall take effect upon the acceptance by a successor Agent of appointment pursuant to clause (2) below or as otherwise provided below.

(2) Appointment of Successor. Upon any such notice of resignation pursuant to clause (1) above, Requisite Lenders shall appoint a successor Agent which, unless an Event of Default has occurred and is continuing, shall be reasonably acceptable to Borrower. If a successor Agent shall not have been so appointed within the thirty (30) Business Day period referred to in clause (1) above, the retiring Agent, upon notice to Borrower, shall then appoint a successor Agent who shall serve as Agent until such time, if any, as Requisite Lenders appoint a successor Agent as provided above.

(3) Successor Agent. Upon the acceptance of any appointment as Agent under the Loan Documents by a successor Agent, such successor Agent shall thereupon succeed to and become vested with all the rights, powers, privileges and duties of the retiring Agent, and the retiring Agent shall be discharged from its duties and obligations under the Loan Documents. After any retiring Agent's resignation as Agent, the provisions of this subsection 8.2 shall inure to its benefit as to any actions taken or omitted to be taken by it while it was Agent.

(H) Collateral Matters.

(1) Release of Collateral. Lenders hereby irrevocably authorize Agent, at its option and in its discretion, to release any Lien granted to or held by Agent upon any Collateral (i) upon termination of the Revolving Loan Commitment and payment and satisfaction of all Obligations (other than contingent indemnification obligations to the extent

no claims giving rise thereto have been asserted); (ii) constituting property being sold or disposed of if Borrower certifies to Agent that the sale or disposition is made in compliance with the provisions of this Agreement (and Agent may rely in good faith conclusively on any such certificate, without further inquiry); or (iii) in accordance with the provisions of the next sentence. In addition, with the consent of Requisite Lenders, Agent may release any Lien granted to or held by Agent upon any Collateral having a book value not greater than ten percent (10%) of the total book value of all Collateral, either in a single transaction or in a series of related transactions; provided, however, that in no event will Agent, acting under the authority granted to it pursuant to this sentence, release Collateral having a total book value in excess of twenty percent (20%) of the book value of all Collateral, as determined by Agent, during any calendar year.

(2) Confirmation of Authority; Execution of Releases. Without in any manner limiting Agent's authority to act without any specific or further authorization or consent by Lenders (as set forth in subsection 8.2(H)(1)), each Lender agrees to confirm in writing, upon request by Agent or Borrower, the authority to release any Collateral conferred upon Agent under clauses (i) and (ii) of subsection 8.2(H)(1). Upon receipt by Agent of any required confirmation from the Requisite Lenders of its authority to release any particular item or types of Collateral, and upon at least ten (10) Business Days prior written request by Borrower, Agent shall (and is hereby irrevocably authorized by Lenders to) execute such documents as may be necessary to evidence the release of the Liens granted to Agent upon such Collateral; provided, however, that (i) Agent shall not be required to execute any such document on terms which, in Agent's opinion, would expose Agent to liability or create any obligation or entail any consequence other than the release of such Liens without recourse or warranty, and (ii) such release shall not in any manner discharge, affect or impair the Obligations or any Liens upon (or obligations of any Loan Party, in respect of), all interests retained by any Loan Party, including (without limitation) the proceeds of any sale, all of which shall continue to constitute part of the Collateral.

(3) Absence of Duty. Agent shall have no obligation whatsoever to any Lender or any other Person to assure that the property covered by the Security Documents exists or is owned by Borrower or is cared for, protected or insured or has been encumbered or that the Liens granted to Agent have been properly or sufficiently or lawfully created, perfected, protected or enforced or are entitled to any particular priority, or to exercise at all or in any particular manner or under any duty of care, disclosure or fidelity, or to continue exercising, any of the rights, authorities and powers granted or available to Agent in this subsection 8.2(H) or in any of the Loan Documents, it being understood and agreed that in respect of the property covered by the Security Documents or any act, omission or event related thereto, Agent may act in any manner it may deem appropriate, in its discretion, given Agent's own interest in property covered by the Security Documents as one of the Lenders and that Agent shall have no duty or liability whatsoever to any of the other Lenders, provided that Agent shall exercise the same care which it would in dealing with loans for its own account.

(I) Agency for Perfection. Agent and each Lender hereby appoint each other Lender as agent for the purpose of perfecting Agent's security interest in assets which, in accordance with the Uniform Commercial Code in any applicable jurisdiction, can be perfected by possession or control. Should any Lender (other than Agent) obtain possession or control of any such assets, such Lender shall notify Agent thereof, and, promptly upon Agent's request therefore, shall deliver such assets to Agent or in accordance with Agent's instructions or transfer control to Agent in accordance with Agent's instructions. Each Lender agrees that it will not have any right individually to enforce or seek to enforce any Security Document or to realize upon any collateral security for the Loans unless instructed to do so by Agent, it being understood and agreed that such rights and remedies may be exercised only by Agent.

(J) Notice of Default. Agent shall not be deemed to have knowledge or notice of the occurrence of any Default or Event of Default except with respect to defaults in the payment of principal, interest and fees required to be paid to Agent for the account of Lenders, unless Agent shall have received written notice from a Lender or Borrower referring to this Agreement, describing such Default or Event of Default and stating that such notice is a "notice of default". Agent will notify each Lender of its receipt of any such notice. Agent shall take such action with respect to such Default or Event of Default as may be requested by Requisite Lenders in accordance with Section 6. Unless and until Agent has received any such request, Agent may (but shall not be obligated to) take such action, or refrain from taking such action, with respect to such Default or Event of Default as it shall deem advisable or in the best interests of Lenders.

8.3 Amendments, Consents and Waivers.

(A) Except as otherwise provided in subsection 8.2, this subsection 8.3 or in subsection 9.2 and except as to matters set forth in other subsections hereof or in any other Loan Document as requiring only Agent's consent, the consent of Requisite Lenders and Borrower will be required to amend, modify, terminate, or waive any provision of this Agreement or any of the other Loan Documents. The consent of Borrower shall constitute consent of all of its Subsidiaries.

(B) In the event Agent requests the consent of a Lender and does not receive a written consent or denial thereof within ten (10) Business Days after such Lender's receipt of such request, then such Lender will be deemed to have denied the giving of such consent.

(C) If, in connection with any proposed amendment, modification, termination or waiver of any of the provisions of this Agreement requiring the consent or approval of all Lenders under subsection 9.2, the consent of Requisite Lenders is obtained but the consent of one or more other Lenders whose consent is required is not obtained, then Borrower shall have the right, so long as all such non-consenting Lenders are either replaced

or prepaid as described in clauses (A) or (B) below, to either (A) replace the non-consenting Lenders with one or more Replacement Lenders pursuant to subsection 1.10(A) so long as each such Replacement Lender consents to the proposed amendment, modification, termination or waiver or (B) prepay in full the Obligations of the non-consenting Lenders and terminate the non-consenting Lenders' Pro Rata Shares of the Revolving Loan Commitment in accordance with subsection 1.10(B).

8.4 Set Off and Sharing of Payments.

In addition to any rights now or hereafter granted under

applicable law and not by way of limitation of any such rights, during the continuance of any Event of Default, each Lender is hereby authorized by Borrower at any time or from time to time, with reasonably prompt subsequent notice to Borrower (any prior or contemporaneous notice being hereby expressly waived) to set off and to appropriate and to apply any and all (A) balances held by such Lender at any of its offices for the account of Borrower or any of its Subsidiaries (regardless of whether such balances are then due to Borrower or its Subsidiaries), and (B) other property at any time held or owing by such Lender to or for the credit or for the account of Borrower or any of its Subsidiaries, against and on account of any of the Obligations; except that no Lender shall exercise any such right without the prior written consent of Agent. Any Lender exercising a right to set off shall purchase for cash (and the other Lenders shall sell) interests in each of such other Lender's Pro Rata Share of the Obligations as would be necessary to cause all Lenders to share the amount so set off with each other Lender in accordance with their respective Pro Rata Shares. Borrower agrees, to the fullest extent permitted by law, that any Lender may exercise its right to set off with respect to amounts in excess of its Pro Rata Share of the Obligations and upon doing so shall deliver such amount so set off to the Agent for the benefit of all Lenders in accordance with their Pro Rata Shares.

8.5 Disbursement of Funds.

Agent may, on behalf of Lenders, disburse funds to Borrower for Loans requested. Each Lender shall reimburse Agent on demand for all funds disbursed on its behalf by Agent, or if Agent so requests, each Lender will remit to Agent its Pro Rata Share of any Loan before Agent disburses same to Borrower. If Agent elects to require that each Lender make funds available to Agent, prior to a disbursement by Agent to Borrower, Agent shall advise each Lender by telephone or telecopy of the amount of such Lender's Pro Rata Share of the Loan requested by Borrower no later than 1:00 p.m. Chicago time on the Funding Date applicable thereto, and each such Lender shall pay Agent such Lender's Pro Rata Share of such requested Loan, in same day funds, by wire transfer to Agent's account on such Funding Date. If any Lender fails to pay the amount of its Pro Rata Share within one (1) Business Day after Agent's demand, Agent shall promptly notify Borrower, and Borrower shall immediately repay such amount to Agent. Any repayment required pursuant to this subsection 8.5 shall be without premium or penalty. Nothing in this subsection 8.5 or

elsewhere in this Agreement or the other Loan Documents, including without limitation the provisions of subsection 8.6, shall be deemed to require Agent to advance funds on behalf of any Lender or to relieve any Lender from its obligation to fulfill its commitments hereunder or to prejudice any rights that Agent or Borrower may have against any Lender as a result of any default by such Lender hereunder.

8.6 Disbursements of Advances; Payment.

(A) Revolving Loan Advances, Payments and Settlements; Interest and Fee Payments.

(1) The Revolving Loan balance may fluctuate from day to day through Agent's disbursement of funds to, and receipt of funds from, Borrower. In order to minimize the frequency of transfers of funds between Agent and each Lender notwithstanding terms to the contrary set forth in Section 1 or subsection 8.5, Revolving Loan advances and payments will be settled among Agent and Lenders according to the procedures described in this subsection 8.6. Notwithstanding these procedures, each Lender's obligation to fund its portion of any advances made by Agent to Borrower will commence on the date such advances are made by Agent. Such payments will be made by such Lender without set-off, counterclaim or reduction of any kind.

(2) On the second (2nd) Business Day of each week, or more frequently (including daily), if Agent so elects (each such day being a "Settlement Date"), Agent will advise each Lender by telephone or telecopy of the amount of each such Lender's Pro Rata Share of the Revolving Loan balance as of the close of business of the (2nd) second Business Day immediately preceding the Settlement Date. In the event that payments are necessary to adjust the amount of such Lender's required Pro Rata Share of the Revolving Loan balance to such Lender's actual Pro Rata Share of the Revolving Loan balance as of any Settlement Date, the party from which such payment is due will pay the other, in same day funds, by wire transfer to the other's account not later than 3:00 p.m. Chicago time on the Business Day following the Settlement Date.

(3) For purposes of this subsection 8.6(A), the following terms and conditions will have the meanings indicated:

(a) "Daily Loan Balance" means an amount calculated as of the end of each calendar day by subtracting (i) the cumulative principal amount paid by Agent to a Lender on a Loan from the Closing Date through and including

such calendar day, from (ii) the cumulative principal amount on a Loan advanced by such Lender to Agent on that Loan from the Closing Date through and including such calendar day.

(b) "Daily Interest Rate" means an amount calculated by dividing the interest rate payable to a Lender on a Loan (as set forth in subsection 1.2) as of each calendar day by 365 or 366 (as applicable for any given calendar year) in the case of Base Rate Loans

and 360 in the case of all LIBOR Loans, in each case in a manner consistent with the provisions of subsection 1.2(D) hereof.

(c) "Daily Interest Amount" means an amount calculated by multiplying the Daily Loan Balance of a Loan by the associated Daily Interest Rate on that Loan.

(d) "Interest Ratio" means a number calculated by dividing the total amount of the interest on a Loan received by Agent with respect to the immediately preceding month by the total amount of interest on that Loan due from Borrower during the immediately preceding month.

On the first (1st) Business Day of each month ("Interest Settlement Date"), Agent will advise each Lender by telephone or telecopy of the amount of such Lender's share of interest and fees on each of the Loans as of the end of the last day of the immediately preceding month. Provided that such Lender has made all payments required to be made by it under this Agreement, Agent will pay to such Lender, by wire transfer to such Lender's account (as specified by such Lender on the signature page of this Agreement or the applicable Assignment and Acceptance Agreement, as amended by such Lender from time to time after the date hereof pursuant to the notice provisions contained herein or in the applicable Assignment and Acceptance Agreement) not later than 3:00 p.m. Chicago time on the next Business Day following the Interest Settlement Date, such Lender's share of interest and fees on each of the Loans. Such Lender's share of interest on each Loan will be calculated for that Loan by adding together the Daily Interest Amounts for each calendar day of the prior month for that Loan and multiplying the total thereof by the Interest Ratio for that Loan. Each Lender's share of the commitment fee described in subsection 1.2(B) shall be an amount equal to (1)(a) such Lender's Revolving Loan Commitment less (b) the sum of (i) such Lender's average Daily Loan Balance of the Revolving Loans plus (ii) such Lender's Pro Rata Share of the average daily aggregate amount of Letter of Credit Liability, in each case for the preceding month, multiplied by (2) the percentage required by subsection 1.2(B). To the extent Agent does not receive the total amount of the commitment fee owing by Borrower, the commitment fee payable to each Lender shall be reduced on a pro rata basis. Any funds disbursed or received by Agent pursuant to subsection 8.5 or 8.6(A)(1), prior to the Settlement Date for such disbursement or payment shall be deemed advances or remittances by Agent, in its capacity as a Lender, for purposes of calculating interest and fees pursuant to this subsection 8.6(A).

(B) Term Loan Principal Payments. Payments of principal of the Term Loans will be settled on the date of receipt if received by Agent on the last Business Day of a calendar quarter or on the Business Day immediately following the date of receipt if received on any day other than the first Business Day of a month.

(C) Availability of Lender's Pro Rata Share.

(1) Unless Agent shall have received written notice from a Lender prior to a Funding Date that such Lender will not make available its Pro Rata Share of a Loan requested by Borrower, Agent may assume that such Lender has made such amount available to Agent on the Business Day following the next Settlement Date. If a Lender has not in fact made its Pro Rata Share available to the Agent on such date (any such Lender a "Defaulting Lender"), then the Defaulting Lender and Borrower severally agree to pay to Agent forthwith on demand such amount without set-off, counterclaim or deduction of any kind, together with interest thereon, for each day from and including the date such amount is made available to Agent by Borrower or such Defaulting Lender to but excluding the date of payment to Agent, at (a) in the case of the Defaulting Lender, the greater of the Federal Funds Effective Rate and a rate determined by Agent in accordance with banking industry rules on interbank compensation or (b) in the case of Borrower, the interest rate applicable under this Agreement with respect to such Loan.

(2) Agent shall not be obligated to transfer to a Defaulting Lender any payment made by Borrower to Agent or any amount otherwise received by Agent for application to the Obligations nor shall Defaulting Lender be entitled to the sharing of any interest, fees or other payments hereunder until full payment is made to Agent in the manner described above.

(3) For purposes of voting or consenting to matters with respect to the Loan Documents, a Defaulting Lender shall be deemed not to be a "Lender" and such Defaulting Lender's Commitments and outstanding Loans shall be deemed to be zero until full payment is made to Agent in the manner described above.

(4) Without limiting the generality of the foregoing, each Lender shall be obligated to fund its Pro Rata Share of any Revolving Loan made after any Event of Default or acceleration of the Obligations with respect to any draw on a Letter of Credit.

(D) Return of Payments.

(1) If Agent pays an amount to a Lender under this Agreement in the belief or expectation that a related payment has been or will be received by Agent from Borrower and such related payment is not received by Agent, then Agent will be entitled to recover such amount from such Lender without set-off, counterclaim or deduction of any kind together with interest thereon, for each day from and including the date such amount is made available by Agent to such Lender to but excluding the date of repayment to Agent, at the greater of the Federal Funds Effective Rate and a rate determined by Agent in accordance with banking industry rules on interbank compensation.

(2) If Agent determines at any time that any amount received by Agent under this Agreement must be returned to Borrower or paid to any other person pursuant to

any requirement of law, court order or otherwise, then, notwithstanding any other term or condition of this Agreement, Agent will not be required to distribute any portion thereof to any Lender. In addition, each Lender will repay to Agent on demand any portion of such amount that Agent has distributed to such Lender, together with interest at such rate, if any, as Agent is required to pay to Borrower or such other Person, without set-off, counterclaim or deduction of any kind.

8.7 Co-Agents.

The Co-Agents, in their capacity as such, shall have no rights, powers, duties or responsibilities hereunder or under any other Loan Document and no implied rights, powers, duties or responsibilities shall be read into this Agreement or any other Loan Document or otherwise exist on behalf of or against any such Co-Agent in its capacity as such. If any Co-Agent resigns as such, no successor shall be appointed.

SECTION 9
MISCELLANEOUS

9.1 Indemnities.

Borrower agrees to indemnify, pay, and hold Agent, each Lender (individually and in their capacity as Issuing Lenders) and their respective officers, directors, employees, agents, and attorneys (the "Indemnitees") harmless from and against any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, claims, costs and expenses (including all reasonable fees and expenses of counsel to such Indemnitees) of any kind or nature whatsoever that may be imposed on, incurred by, or asserted against the Indemnitee as a result of such Indemnitees being a party to this Agreement or the transactions consummated pursuant to this Agreement or otherwise relating to any of the Related Transactions; provided that Borrower shall have no obligation to an Indemnitee hereunder with respect to liabilities to the extent resulting from the gross negligence or willful misconduct of that Indemnitee as determined by a court of competent jurisdiction. If and to the extent that the foregoing undertaking may be unenforceable for any reason, Borrower agrees to make the maximum contribution to the payment and satisfaction thereof which is permissible under applicable law. This subsection and other indemnification provisions contained within the Loan Documents shall survive the termination of this Agreement.

9.2 Amendments and Waivers.

Except as otherwise provided herein, no amendment, modification, termination or waiver of any provision of this Agreement, the Notes or any of the other Loan Documents, or consent to any departure by any Loan Party therefrom, shall in any event be effective unless the same shall be in writing and signed by Requisite Lenders (or Agent, if expressly set forth herein, in any Note or in any other Loan Document) and the applicable Loan Party; provided, that except to the extent permitted by the applicable Assignment and Acceptance

Agreement, no amendment, modification, termination or waiver shall, unless in

writing and signed by all Lenders, do any of the following: (a) increase the Revolving Loan Commitment of any Lender without the prior written consent of such Lender or increase any Lender's Pro Rata Share of the Revolving Loan Commitment without the prior written consent of such Lender; (b) reduce the principal of or the rate of interest on any Loan or the fees payable with respect to any Loan or Letter of Credit or reduce the amount of any Scheduled Installment; (c) extend the Commitment Termination Date, the date on which any Scheduled Installment is to be paid or any date fixed for any payment of interest or fees; (d) change the definition of the term Requisite Lenders or the percentage of Lenders which shall be required for Lenders to take any action hereunder; (e) release Collateral (except if the sale, disposition or release of such Collateral is permitted under subsection 3.7 or 8.2 or any other Loan Document) or any guarantor of the Obligations; (f) amend or waive this subsection 9.2 or the definitions of the terms used in this subsection 9.2 insofar as the definitions affect the substance of this subsection 9.2; (g) amend or waive subsection 9.10; (h) amend the 2.75 multiplier used to calculate the Governor or amend any component of the Governor for purposes of calculating the Governor; or (i) the final sentence of subsection 1.1(B)(2); and provided, further, that no amendment, modification, termination or waiver affecting the rights or duties of Agent under any Loan Document shall in any event be effective, unless in writing and signed by Agent, in addition to all Lenders required to take such action. Notwithstanding anything to the contrary in this subsection 9.2, Agent and Borrower may execute amendments to this Agreement and the other Loan Documents for the purpose of correcting typographical errors without the consent of Lenders. Each amendment, modification, termination or waiver shall be effective only in the specific instance and for the specific purpose for which it was given. No amendment, modification, termination or waiver shall be required for Agent to take additional Collateral pursuant to any Loan Document. No notice to or demand on Borrower or any other Loan Party in any case shall entitle Borrower or any other Loan Party to any other or further notice or demand in similar or other circumstances. Any amendment, modification, termination, waiver or consent effected in accordance with this subsection 9.2 shall be binding upon each holder of the Notes at the time outstanding, each future holder of the Notes and, if signed by a Loan Party, on such Loan Party.

9.3 Notices.

Any notice or other communication required shall be in writing addressed to the respective party as set forth below and may be personally served, telecopied, sent by overnight courier service or U.S. mail and shall be deemed to have been given: (a) if delivered in person, when delivered; (b) if delivered by telecopy, on the date of transmission if transmitted on a Business Day before 4:00 p.m. Chicago time; (c) if delivered by overnight courier, one (1) Business Day after delivery to the courier properly addressed; or (d) if delivered by U.S. mail, four (4) Business Days after deposit with postage prepaid and properly addressed.

Notices shall be addressed as follows:

If to Borrower:
THE HILLMAN GROUP, INC.
10590 Hamilton Avenue
Cincinnati, Ohio 45231
ATTN: James P. Waters
Telecopy: (513) 595-8297

With copies to:
SUNSOURCE, INC.
One Logan Square
Suite 3000
Philadelphia, Pennsylvania 19103
ATTN: Joseph M. Corvino
Telecopy: (215) 282-1309

and

ALLIED CAPITAL CORPORATION
919 Pennsylvania Avenue, NW
Washington, D.C. 20006
ATTN: Daniel L. Russell
Telecopy: (202) 659-2053

If to Agent or Heller:
HELLER FINANCIAL, INC.
500 West Monroe Street
Chicago, Illinois 60661
ATTN: Account Manager
Corporate Finance
Telecopy: (312) 441-7367

With a copy to:
HELLER FINANCIAL, INC.
500 West Monroe Street
Chicago, Illinois 60661
ATTN: Legal Services
Corporate Finance

Telecopy: (312) 441-6876

If to a Lender: To the address set forth on the signature page hereto or in the applicable Assignment and Acceptance Agreement

9.4 Failure or Indulgence Not Waiver; Remedies Cumulative.

No failure or delay on the part of Agent or any Lender to exercise, nor any partial exercise of, any power, right or privilege hereunder or under any other Loan Documents shall impair such power, right, or privilege or be construed to be a waiver of any Default or Event of Default. All rights and remedies existing hereunder or under any other Loan Document are cumulative to and not exclusive of any rights or remedies otherwise available.

9.5 Marshaling; Payments Set Aside.

Neither Agent nor any Lender shall be under any obligation to marshal any assets in payment of any or all of the Obligations. To the extent that Borrower makes payment(s) or Agent enforces its Liens or Agent or any Lender exercises its right of set-off, and such payment(s) or the proceeds of such enforcement or set-off is subsequently invalidated, declared to be fraudulent or preferential, set aside, or required to be repaid by anyone, then to the extent of such recovery, the Obligations or part thereof originally intended to be satisfied, and all Liens, rights and remedies therefore, shall be revived and continued in full force and effect as if such payment had not been made or such enforcement or set-off had not occurred.

9.6 Severability.

The invalidity, illegality, or unenforceability in any jurisdiction of any provision under the Loan Documents shall not affect or impair the remaining provisions in the Loan Documents.

9.7 Lenders' Obligations Several; Independent Nature of Lenders' Rights.

The obligation of each Lender hereunder is several and not joint and no Lender shall be responsible for the obligation or commitment of any other Lender hereunder. In the event that any Lender at any time should fail to make a Loan as herein provided, the Lenders, or any of them, at their sole option, may make the Loan that was to have been made by the Lender so failing to make such Loan. Nothing contained in any Loan Document and no action taken by Agent or any Lender pursuant hereto or thereto shall be deemed to constitute Lenders to be a partnership, an association, a joint venture or any other kind of entity. The amounts payable at any time hereunder to each Lender shall be a separate and independent debt.

9.8 Headings.

Section and subsection headings are included herein for convenience of reference only and shall not constitute a part of this Agreement for any other purposes or be given substantive effect.

9.9 Applicable Law.

THIS AGREEMENT SHALL BE GOVERNED BY AND SHALL BE CONSTRUED AND ENFORCED IN ACCORDANCE WITH THE INTERNAL LAWS OF THE STATE OF ILLINOIS, WITHOUT REGARD TO CONFLICTS OF LAW PRINCIPLES.

9.10 Successors and Assigns.

This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns except that Borrower may not assign, delegate or transfer any of its rights or obligations hereunder without the written consent of all Lenders.

9.11 No Fiduciary Relationship; Limited Liability.

No provision in the Loan Documents and no course of dealing between the parties shall be deemed to create any fiduciary duty owing to Borrower by Agent or any Lender. Borrower agrees that neither Agent nor any Lender shall have liability to Borrower (whether sounding in tort, contract or otherwise) for losses suffered by Borrower in connection with, arising out of, or in any way related to the transactions contemplated and the relationship established by the Loan Documents, or any act, omission or event occurring in connection therewith, unless and to the extent that it is determined that such losses resulted from the gross negligence or willful misconduct of the party from which recovery is sought as determined by a court of competent

jurisdiction. Neither Agent nor any Lender shall have any liability with respect to, and Borrower hereby waives, releases and agrees not to sue for, any special, indirect or consequential damages suffered by Borrower in connection with, arising out of, or in any way related to the Loan Documents or the transactions contemplated thereby.

9.12 Construction.

Agent, each Lender and Borrower acknowledge that each of them has had the benefit of legal counsel of its own choice and has been afforded an opportunity to review the Loan Documents with its legal counsel and that the Loan Documents shall be construed as if jointly drafted by Agent, each Lender and Borrower.

9.13 Confidentiality.

Agent and each Lender agree to exercise their best efforts to keep confidential any non-public information delivered pursuant to the Loan Documents and identified as such by Borrower and not to disclose such information to Persons other than to potential assignees or participants or to Persons employed by or engaged by Agent a Lender or a Lender's assignees or participants including, without limitation, attorneys, auditors, professional

consultants, rating agencies and portfolio management services. The confidentiality provisions contained in this subsection shall not apply to disclosures (i) required to be made by Agent or any Lender to any regulatory or governmental agency or pursuant to legal process or (ii) consisting of general portfolio information that does not identify Borrower. The obligations of Agent and Lenders under this subsection 9.13 shall supersede and replace the obligations of Agent and Lenders under any confidentiality agreement in respect of this financing executed and delivered by Agent or any Lender prior to the date hereof.

9.14 CONSENT TO JURISDICTION.

BORROWER HEREBY CONSENTS TO THE JURISDICTION OF ANY STATE OR FEDERAL COURT LOCATED WITHIN THE COUNTY OF COOK, STATE OF ILLINOIS AND IRREVOCABLY AGREES THAT, SUBJECT TO AGENT'S ELECTION, ALL ACTIONS OR PROCEEDINGS ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE OTHER LOAN DOCUMENTS SHALL BE LITIGATED IN SUCH COURTS. BORROWER EXPRESSLY SUBMITS AND CONSENTS TO THE JURISDICTION OF THE AFORESAID COURTS AND WAIVES ANY DEFENSE OF FORUM NON CONVENIENS. BORROWER HEREBY WAIVES PERSONAL SERVICE OF ANY AND ALL PROCESS AND AGREES THAT ALL SUCH SERVICE OF PROCESS MAY BE MADE UPON BORROWER BY CERTIFIED OR REGISTERED MAIL, RETURN RECEIPT REQUESTED, ADDRESSED TO BORROWER, AT THE ADDRESS SET FORTH IN THIS AGREEMENT AND SERVICE SO MADE SHALL BE COMPLETE TEN (10) DAYS AFTER THE SAME HAS BEEN POSTED. IN ANY LITIGATION, TRIAL, ARBITRATION OR OTHER DISPUTE RESOLUTION PROCEEDING RELATING TO THIS AGREEMENT OR ANY OF THE OTHER LOAN DOCUMENTS, ALL DIRECTORS, OFFICERS, EMPLOYEES AND AGENTS OF BORROWER OR OF ITS AFFILIATES SHALL BE DEEMED TO BE EMPLOYEES OR MANAGING AGENTS OF BORROWER FOR PURPOSES OF ALL APPLICABLE LAW OR COURT RULES REGARDING THE PRODUCTION OF WITNESSES BY NOTICE FOR TESTIMONY (WHETHER IN A DEPOSITION, AT TRIAL OR OTHERWISE). BORROWER AGREES THAT AGENT'S OR ANY LENDER'S COUNSEL IN ANY SUCH DISPUTE RESOLUTION PROCEEDING MAY EXAMINE ANY OF THESE INDIVIDUALS AS IF UNDER CROSS-EXAMINATION AND THAT ANY DISCOVERY DEPOSITION OF ANY OF THEM MAY BE USED IN THAT PROCEEDING AS IF IT WERE AN EVIDENCE DEPOSITION. BORROWER IN ANY EVENT WILL USE ALL COMMERCIALLY REASONABLE EFFORTS TO PRODUCE IN ANY SUCH DISPUTE RESOLUTION PROCEEDING, AT THE TIME AND IN THE MANNER REQUESTED BY AGENT OR ANY LENDER, ALL PERSONS, DOCUMENTS (WHETHER IN TANGIBLE, ELECTRONIC OR OTHER FORM) OR OTHER THINGS UNDER ITS CONTROL AND RELATING TO THE DISPUTE.

9.15 WAIVER OF JURY TRIAL.

BORROWER, AGENT AND EACH LENDER HEREBY WAIVE THEIR RESPECTIVE RIGHTS TO A JURY TRIAL OF ANY CLAIM OR CAUSE OF ACTION BASED UPON OR ARISING OUT OF THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS. BORROWER, AGENT AND EACH LENDER ACKNOWLEDGE THAT THIS WAIVER IS A MATERIAL INDUCEMENT TO ENTER INTO A BUSINESS RELATIONSHIP, THAT EACH HAS RELIED ON THE WAIVER IN ENTERING INTO THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS AND THAT EACH WILL CONTINUE TO RELY ON THE WAIVER IN THEIR RELATED FUTURE DEALINGS. BORROWER, AGENT AND EACH LENDER WARRANT AND REPRESENT THAT EACH HAS HAD THE OPPORTUNITY OF REVIEWING THIS JURY WAIVER WITH LEGAL COUNSEL, AND THAT EACH KNOWINGLY AND VOLUNTARILY WAIVES ITS JURY TRIAL RIGHTS.

9.16 Survival of Warranties and Certain Agreements.

All agreements, representations and warranties made herein shall survive the execution and delivery of this Agreement, the making of the Loans, issuances of Letters of Credit and the execution and delivery of the Notes.

Notwithstanding anything in this Agreement or implied by law to the contrary, the agreements of Borrower set forth in subsections 1.3(E), 1.8, 1.9 and 9.1 shall survive the repayment of the Obligations and the termination of this Agreement.

9.17 Entire Agreement.

This Agreement, the Notes and the other Loan Documents embody the entire agreement among the parties hereto and supersede all prior commitments, agreements, representations, and understandings, whether oral or written, relating to the subject matter hereof, and may not be contradicted or varied by evidence of prior, contemporaneous, or subsequent oral agreements or discussions of the parties hereto.

9.18 Counterparts; Effectiveness.

This Agreement and any amendments, waivers, consents or supplements may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed and delivered shall be deemed an original, but all of which counterparts together shall constitute but one in the same instrument. This Agreement shall become effective upon the execution of a counterpart hereof by each of the parties hereto.

9.19 Press Releases.

Borrower consents to the publication by Agent of a tombstone or similar advertising material relating to the financing transactions contemplated by this Agreement; provided, that Agent shall provide a draft of any such tombstone or similar advertising material to Borrower for review prior to the publication thereof. Agent and Lenders reserve the right to provide to industry trade organizations information necessary and customary for inclusion in league table measurements.

SECTION 10
DEFINITIONS

10.1 Certain Defined Terms.

The terms defined below are used in this Agreement as so defined. Terms defined in the preamble and recitals to this Agreement are used in this Agreement as so defined.

"Affiliate" means with respect to any Person (a) each Person that is directly or indirectly controlling, controlled by, or under common control with such Person; (b) each Person that, directly or indirectly owns or holds five percent (5%) or more of any equity interest in such Person; or (c) five percent (5%) or more of whose voting stock or other equity interest is directly or indirectly owned or held by such Person. For purposes of this definition, "control" (including with correlative meanings, the terms "controlling", "controlled by" and "under common control with") means the possession directly or indirectly of the power to direct or cause the direction of the management and policies of a Person, whether through the ownership of voting securities or by contract or otherwise. Notwithstanding the foregoing, none of Agent, any Lender nor any of their respective Affiliates shall be considered an Affiliate of Borrower or any of its Subsidiaries.

"Agent" means Heller in its capacity as agent for the Lenders under this Agreement and each of the other Loan Documents, any successor in such capacity appointed pursuant to subsection 8.2 and any other successor by operation of law.

"Agreement" means this Credit Agreement (including all schedules, subschedules and exhibits hereto), as the same may from time to time be amended, supplemented or otherwise modified.

"Allied Subordinated Loan Documents" means the First Amended and Restated Investment Agreement of even date herewith among Borrower, First Tier Holdings, Second Tier Holdings and Allied and the other "Loan Documents" (as defined therein), in each case as amended in conformity with the provisions of this Agreement.

"Asset Disposition" means the disposition whether by sale, lease, transfer, loss, damage, destruction, casualty, condemnation or otherwise of any of the following: (a) any of the capital stock or other equity or ownership interest of any of Borrower's Subsidiaries (other than the Excluded Subsidiaries) or (b) any or all of the assets of Borrower or any of its Subsidiaries (other than the Excluded Subsidiaries) other than sales of inventory in the ordinary course of business.

"Assignment and Acceptance Agreement" means an agreement among Agent, a Lender and such Lender's assignee regarding their respective rights and obligations with respect to assignments of the Loans, the Revolving Loan Commitment and other interests under this Agreement and the other Loan Documents.

"Bankruptcy Code" means Title 11 of the United States Code entitled "Bankruptcy", as amended from time to time or any applicable bankruptcy, insolvency or other similar law now or hereafter in effect and all rules and regulations promulgated thereunder.

"Business Day" means (a) for all purposes other than as covered by clause (b) below, any day excluding Saturday, Sunday and any day which is a legal holiday under the laws of the State of Illinois or the Commonwealth of Pennsylvania, or is a day on which banking institutions located in any such states are closed and (b) with respect to all notices, determinations, fundings and payments in connection with Loans bearing interest at the LIBOR, any day that is a Business Day described in clause (a) above and that is also a day for trading by and between banks in Dollar deposits in the applicable interbank LIBOR market.

"Capitalization/Acquisition Documents" means, collectively: (a) any or all of the stock certificates, notes, debentures (including the Debentures) or other instruments representing securities bought, sold or issued, or loans made, to facilitate the consummation of the Related Transactions; (b) the indentures (including the Indenture) or other documents pursuant to which such stock, notes, debentures or other instruments are issued or to be issued; (c) each document governing the issuance of, or setting forth the terms of, such stock, notes, debentures or other instruments; (d) any stockholders, registration or intercreditor agreement among or between the holders of such stock, notes, debentures or other instruments; (e) the Allied Subordinated Loan Documents; (f) the Indenture, the Debentures and the related "Guarantee Agreement"; and (g) the Merger Agreement and all other instruments, documents and agreements executed in connection with the Acquisition; but excluding all Loan Documents.

"Closing Date" means September 28, 2001.

"Collateral" means, collectively: (a) all equity securities and other property pledged pursuant to the Security Documents; (b) all "Collateral" as defined in the Security

Documents; (c) all real property mortgaged pursuant to the Security Documents; and (d) any property or interest provided in addition to or in substitution for any of the foregoing.

"Controlled Group" means all members of a controlled group of corporations and all members of a controlled group of trades or businesses (whether or not incorporated) under common control which, together with Borrower, are treated as a single employer under Section 414 of the IRC or Section 4001 of ERISA.

"Debentures" means the 11.6% Junior Subordinated Debentures issued by First Tier Holdings pursuant to the Indenture.

"Default" means a condition or event that, after notice or lapse of time or both, would constitute an Event of Default if that condition or event were not cured or removed within any applicable grace or cure period.

"ERISA" means the Employee Retirement Income Security Act of 1974 (or any successor legislation thereto), as amended from time to time and any regulations promulgated thereunder.

"ERISA Event" means, as to Borrower and each member of the Controlled Group, (i) a Reportable Event, (ii) the withdrawal of Borrower or any member of the Controlled Group from a Pension Plan in which it was a "substantial employer" as defined in Section 4001(a)(2) of ERISA or was deemed to be a "substantial employer" under Section 4062(e) of ERISA, (iii) the termination of a Pension Plan, the filing of notice of intent to terminate a Pension Plan or the treatment of a Pension Plan amendment as a termination under Section 4041 of ERISA, (iv) the institution of proceedings to terminate a Pension Plan by the PBGC, (v) the partial or complete withdrawal from a Multiemployer Plan by Borrower or any member of the Controlled Group, (vi) the imposition of a Lien on any property of Borrower or any member of the Controlled Group, pursuant to IRC Section 412 or Section 302 of ERISA, (vi) any event or condition which results in the reorganization or insolvency of a Multiemployer Plan, and (vii) any event or condition which results in the termination of a Multiemployer Plan, or the institution by the PBGC of proceedings to terminate a Multiemployer Plan.

"Excluded Subsidiaries" means, collectively, SunSub C, a

Delaware corporation and its Subsidiaries, and SunSource Technology Services, LLC, a Delaware limited liability company and its Subsidiaries.

"Existing Letters of Credit" means the letters of credit issued for the account of any Loan Party which are outstanding as of the Closing Date and listed on Schedule 10.1(D).

"Federal Funds Effective Rate" means, for any day, the weighted average (rounded upwards, if necessary, to the next 1/100th of 1%) of the rates on overnight Federal funds transactions with members of the Federal Reserve System arranged by Federal funds

brokers, as published on the next succeeding Business Day by the Federal Reserve Bank of New York, or, if such rate is not so published for any day that is a Business Day, the average (rounded upwards, if necessary, to the next 1/100th of 1%) of the quotations for such day for such transactions received by Agent from three Federal funds brokers of recognized standing selected by it.

"GAAP" means generally accepted accounting principles as set forth in statements from Auditing Standards No. 69 entitled "The Meaning of 'Present Fairly in Conformance with Generally Accepted Accounting Principles in the Independent Auditors Reports'" issued by the Auditing Standards Board of the American Institute of Certified Public Accountants and statements and pronouncements of the Financial Accounting Standards Board that are applicable to the circumstances as of the date of determination.

"Indebtedness" as applied to any Person, means: (a) all indebtedness for borrowed money; (b) that portion of obligations with respect to capital leases that is properly classified as a liability on a balance sheet in conformity with GAAP; (c) any obligation under any lease (a "synthetic lease") treated as an operating lease under GAAP and as a loan or financing for United States income tax purposes or creditors rights purposes; (d) notes payable and drafts accepted representing extensions of credit whether or not representing obligations for borrowed money; (e) any obligation owed for all or any part of the deferred purchase price of property or services if the purchase price is due more than six (6) months from the date the obligation is incurred or is evidenced by a note or similar written instrument; (f) "earnouts" and similar payment obligations; and (g) all indebtedness secured by any Lien on any property or asset owned or held by that Person regardless of whether the indebtedness secured thereby shall have been assumed by that Person or is nonrecourse to the credit of that Person.

"Indenture" the Indenture dated as of September 5, 1997 between First Tier Holdings and The Bank of New York, as trustee.

"IRC" means the Internal Revenue Code of 1986, as amended from time to time and all rules and regulations promulgated thereunder.

"Issuing Lender" means Heller, or any other Lender designated from time to time by Borrower, and consented to by Agent (which consent will not be unreasonably withheld), in such Lender's capacity as an issuer of Letters of Credit hereunder and Heller as the representative party for the Lenders under risk participation agreements with banks supporting the issuance of Letters of Credit hereunder. Notwithstanding the foregoing, during the continuance of any Default or Event of Default, Borrower shall not have the right to designate the Issuing Lender and the Issuing Lender shall be designated solely by Agent.

"Lender" or "Lenders" means Heller and each other financial institution listed on the signature pages hereof in its individual capacity and in its capacity as an Issuing

Lender hereunder, together with its their successors and permitted assigns pursuant to subsection 8.1.

"Letter of Credit Liability" means, as to each Letter of Credit, all reimbursement obligations of Borrower to the issuer of the Letter of Credit consisting of (a) the amount available to be drawn or which may become available to be drawn; (b) all amounts which have been paid and made available by the issuing bank to the extent not reimbursed by Borrower, whether by the making of a Revolving Loan or otherwise; and (c) all accrued and unpaid interest, fees and expenses with respect thereto. In any case where Heller, as an Issuing Lender, has permitted Borrower to obtain Letters of Credit from a bank with which Heller has entered into a risk participation agreement, the maximum aggregate amount of Letters of Credit that may be requested by Borrower from such bank for which Heller may have liability under the risk participation agreement will be considered outstanding for purposes of determining Letter of Credit Liability unless the bank which is the beneficiary under the risk participation agreement reports daily activity to Heller showing actual outstanding Letters of Credit issued for Borrower, in which event the outstanding amount of Letter of Credit

Liability shall be the amount of such actual outstanding Letters of Credit from time to time.

"Lien" means any lien, mortgage, pledge, security interest, charge, encumbrance or governmental levy or assessment of any kind, whether voluntary or involuntary (including any conditional sale or other title retention agreement and any lease in the nature thereof), and any agreement to give any lien, mortgage, pledge, security interest, charge or encumbrance.

"Loan" or "Loans" means an advance or advances under the Revolving Loan Commitment or the Term Loans.

"Loan Documents" means this Agreement, the Notes, the Security Documents and all other instruments, documents and agreements executed by or on behalf of any Loan Party and delivered concurrently herewith or at any time hereafter to or for the benefit of Agent or any Lender in connection with the Loans and other transactions contemplated by this Agreement, all as amended, supplemented or modified from time to time.

"Loan Party" means, collectively, First Tier Holdings, Second Tier Holdings, Borrower and each Subsidiary of Borrower which is or becomes a party to any Loan Document.

"Material Adverse Effect" means (a) a material adverse effect upon the business, operations, properties, assets or financial condition of First Tier Holdings, Second Tier Holdings, Borrower and the other Loan Parties considered in the aggregate or (b) a material adverse effect upon the ability of the Loan Parties considered in the aggregate to perform their obligations under the Loan Documents or of Agent or any Lender to enforce any Loan Document or collect any of the Obligations. In determining whether any individual

event would result in a Material Adverse Effect, notwithstanding that such event does not of itself have such effect, a Material Adverse Effect shall be deemed to have occurred if the cumulative effect of such event and all other then existing events would result in a Material Adverse Effect.

"Multiemployer Plan" means a multiemployer plan, as defined in Section 4001(a)(3) of ERISA, with respect to which Borrower or any member of the Controlled Group may have any liability.

"Net Proceeds" means cash proceeds received by Borrower or any of its Subsidiaries from any Asset Disposition (including insurance proceeds, awards of condemnation, and payments under notes or other debt securities received in connection with any Asset Disposition), net of (a) the costs of such sale, lease, transfer or other disposition (including taxes attributable to such sale, lease or transfer) and (b) amounts applied to repayment of Indebtedness (other than the Obligations) secured by a Lien on the asset or property disposed.

"Note" or "Notes" means one or more of the promissory notes of Borrower substantially in the form of Exhibit 10.1(A), or any combination thereof.

"Obligations" means all obligations, liabilities and indebtedness of every nature of each Loan Party from time to time owed to Agent, any Issuing Lender or any Lender under the Loan Documents and Interest Rate Agreements, including the principal amount of all debts, claims and indebtedness, accrued and unpaid interest and all fees, costs and expenses, whether primary, secondary, direct, contingent, fixed or otherwise, heretofore, now and/or from time to time hereafter owing, due or payable whether before or after the filing of a proceeding under the Bankruptcy Code by or against Borrower, any of its Subsidiaries or any other Loan Party.

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

"Pension Plan" means a pension plan, as defined in Section 3(2) of ERISA, which is subject to Title IV of ERISA (other than a Multiemployer Plan), and with respect to which Borrower or any member of the Controlled Group may have any liability, including (but not limited to) any liability by reason of having been a substantial employer within the meaning of Section 4063 of ERISA, or by reason of being deemed to be a contributing sponsor under Section 4069 of ERISA.

"Permitted Acquisition EBITDA" means, with respect to each Permitted Acquisition consummated during the one (1) year period preceding the date of determination, EBITDA (calculated in the same manner as EBITDA is calculated on Exhibit 4.8(C)), for a number of months immediately preceding the consummation of the applicable Permitted Acquisition, which number equals twelve (12) minus the number of months following the

consummation of the applicable Permitted Acquisition for which financial statements of First Tier Holdings and its Subsidiaries have been delivered to Agent pursuant to subsection 4.8(A).

"Person" means and includes natural persons, corporations, limited liability companies, limited partnerships, limited liability partnerships, general partnerships, joint stock companies, joint ventures, associations, companies, trusts, banks, trust companies, land trusts, business trusts or other organizations, whether or not legal entities, and governments and agencies and political subdivisions thereof and their respective permitted successors and assigns (or in the case of a governmental person, the successor functional equivalent of such Person).

"Plan" means an employee benefit plan, as such term is defined in Section 3(3) of ERISA (other than a Multiemployer Plan), with respect to which Borrower or any member of the Controlled Group may have any liability.

"Pro Forma" means the unaudited consolidated and consolidating balance sheets of First Tier Holdings and its Subsidiaries (other than the Excluded Subsidiaries) prepared in accordance with GAAP as of the Closing Date after giving effect to the Related Transactions. The Pro Forma is annexed hereto as Schedule 10.1(A).

"Pro Forma Cost Reduction" means, with respect to any Permitted Acquisition, if requested by Borrower pursuant to the succeeding sentence, the estimated amount of cost savings attributable to operational efficiencies expected to be created by Borrower with respect to such business, as calculated by Borrower and acceptable to Agent in its discretion, for the number of months which have not elapsed during the period (i) commencing on the last day of the month preceding the consummation of such Permitted Acquisition for which financial statements were available and (ii) ending on the first anniversary of the date determined pursuant to clause (i). If Borrower wishes to have, with respect to any proposed Permitted Acquisition, the estimated amount of cost savings attributable to operational efficiencies expected to be created by Borrower with respect to such Permitted Acquisition, treated as part of the term Pro Forma Cost Reduction, then Borrower will so notify Agent, in writing, and Agent will endeavor, within five (5) Business Days after the receipt of any such notice, to advise Borrower of the amount of the cost savings which Agent is willing to consider as Pro Forma Cost Reductions.

"Pro Rata Share" means (a) with respect to a Lender's obligation to lend a portion of Term Loan A and such Lender's right to receive payments of principal with respect thereto, the percentage obtained by dividing (i) the Term Loan A Exposure of such Lender by (ii) the aggregate Term Loan A Exposure of all Lenders, (b) with respect to a Lender's obligation to lend a portion of Term Loan B and such Lender's right to receive payments of principal with respect thereto, the percentage obtained by dividing (i) the Term Loan B Exposure of such Lender by (ii) the aggregate Term Loan B Exposure of all Lenders, (c) with

respect to a Lender's obligation to make Revolving Loans and such Lender's right to receive payments of principal with respect thereto and with respect to a Lender's obligation to share in Letter of Credit Liability and to receive the related Letter of Credit fee described in subsection 1.2(C), the percentage obtained by dividing (i) the Revolving Credit Exposure of such Lender by (ii) the aggregate Revolving Credit Exposure of all Lenders and (d) for all other purposes (including without limitation the indemnification obligations arising under subsection 8.2(E)) with respect to any Lender, the percentage obtained by dividing (i) the sum of the Term Loan A Exposure of that Lender plus the Term Loan B Exposure of that Lender plus the Revolving Credit Exposure of that Lender by (ii) the sum of the aggregate Term Loan A Exposure of all Lenders, the aggregate Term Loan B Exposure of all Lenders and the aggregate Revolving Credit Exposure of all Lenders, in each case as the applicable percentages may be adjusted by assignments permitted pursuant to subsection 8.1. The Pro Rata Shares of each Lender and their respective commitment amounts, as of the Closing Date, are set forth on Schedule 10.1(C) hereto.

"Projections" means First Tier Holdings' and its Subsidiaries forecasted consolidated and consolidating: (a) balance sheets; (b) profit and loss statements; (c) cash flow statements; and (d) capitalization statements, all prepared on a division by division and Subsidiary by Subsidiary basis on a consistent basis with Borrower's historical financial statements, together with appropriate supporting details and a statement of underlying assumptions.

"Related Transactions" means: the Acquisition, the execution and delivery of the Related Transactions Documents, the funding of all Loans on the Closing Date, the funding on the Closing Date of the Indebtedness evidenced by the Allied Subordinated Loan Documents, the repayment of the Indebtedness identified on Schedule 10.1(B) which is to be paid in full on the Closing Date, and the payment of all fees, costs and expenses associated with all of the

foregoing.

"Related Transactions Documents" means the Loan Documents, the Capitalization/Acquisition Documents and all other agreements, instruments and documents executed or delivered in connection with the Related Transactions.

"Reportable Event" means a reportable event as defined in Section 4043 of ERISA other than a reportable event for which the requirement to provide notice to the PBGC has been waived by regulation.

"Requisite Lenders" means Lenders (other than Defaulting Lenders) having (a) sixty percent (60%) or more of the sum of the Revolving Loan Commitment and the outstanding principal balance of the Term Loans of all Lenders that are not Defaulting Lenders or (b) if the Revolving Loan Commitment has been terminated, sixty percent (60%) or more of the aggregate outstanding principal balance of the Loans of all Lenders that are not Defaulting Lenders.

"Revolving Credit Exposure" means, with respect to any Lender as of any date of determination, (a) prior to the termination of the Revolving Loan Commitment, such Lender's Revolving Loan Commitment and (b) after termination of the Revolving Loan Commitment, the sum of (i) the aggregate outstanding principal amount of the Revolving Loans of such Lender plus (ii) the aggregate amount of all participations purchased by such Lender in the outstanding Letter of Credit Liability.

"Security Documents" means all instruments, documents and agreements executed by or on behalf of any Person to guaranty or provide collateral security with respect to the Obligations including, without limitation, any security agreement or pledge agreement, any guaranty of the Obligations, any mortgage or deed of trust, and all instruments, documents and agreements executed pursuant to the terms of the foregoing.

"Subsidiary" means, with respect to any Person, any corporation, partnership, limited liability company, association or other business entity of which more than fifty percent (50%) of the total voting power of shares of stock (or equivalent ownership or controlling interest) entitled (without regard to the occurrence of any contingency) to vote in the election of directors, managers or trustees thereof is at the time owned or controlled, directly or indirectly, by that Person or one or more of the other Subsidiaries of that Person or a combination thereof.

"SunSource Mexico" means, SunSource Integrated Services de Mexico, S.A. de C.V.

"Term Loan A Exposure" means, with respect to any Lender, as of any date of determination, the outstanding principal amount of Term Loan A of such Lender; provided, however, that at any time prior to the making of Term Loan A, the Term Loan A Exposure of any Lender shall be equal to the commitment amount of such Lender with respect to Term Loan A set forth on Schedule 10.1(C).

"Term Loan B Exposure" means, with respect to any Lender, as of any date of determination, the outstanding principal amount of Term Loan B of such Lender; provided, however, that at any time prior to the making of Term Loan B, the Term Loan B Exposure of any Lender shall be equal to the commitment amount of such Lender with respect to Term Loan B set forth on Schedule 10.1(C).

10.2 Other Definitional Provisions.

References to "Sections", "subsections", "Exhibits," "Schedules" and "subschedules" shall be to Sections, subsections, Exhibits, Schedules and subschedules, respectively, of this Agreement unless otherwise specifically provided. Any of the terms defined in subsection 10.1 may, unless the context otherwise requires, be used in the singular or the plural depending on the reference. References to an agreement shall include all amendments, restatements, modifications and supplements to such agreement, subject to such

consents or approvals of Agent or any Lenders as may be required by the terms of this Agreement. In this Agreement, "hereof," "herein," "hereto," "hereunder" and the like mean and refer to this Agreement as a whole and not merely to the specific section, paragraph or clause in which the respective word appears; words importing any gender include the other gender; references to "writing" include printing, typing, lithography and other means of reproducing words in a tangible visible form; the words "including," "includes" and "include" shall be deemed to be followed by the words "without limitation"; references to agreements and other contractual instruments shall be deemed to include subsequent amendments, assignments, and other modifications thereto, but only to the extent such amendments, assignments and other modifications are not prohibited by the terms of this Agreement or any other Loan Document; references

to Persons include their respective permitted successors and assigns or, in the case of governmental Persons, Persons succeeding to the relevant functions of such Persons; and all references to statutes and related regulations shall include any amendments of same and any successor statutes and regulations.

[SIGNATURE PAGES FOLLOW]

Witness the due execution hereof by the respective duly authorized officers of the undersigned as of the date first written above.

THE HILLMAN GROUP, INC.

/S/ James P. Waters
By: James P. Waters
Title: Vice President-Finance

HELLER FINANCIAL, INC., as Agent, an Issuing Lender and a Lender

By: /S/ Jacqueline Lynch
Title: Vice President

ANTARES CAPITAL CORPORATION

By: /S/ Daniel B. Glickman
Title: Director

Address:

Attn:

Telecopy: ( ) -
--- --- -------

ABA No.:

Account No.:

Bank:

Bank Address:

MADISON CAPITAL FUNDING LLC

By: /S/ K. Thomas Klimmeck
Title: Managing Director

Address:

Attn:

Telecopy: ( ) -
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ABA No.:

Account No.:

Bank:

Bank Address:

-4-

GENERAL ELECTRIC CAPITAL CORPORATION

By: /S/ Michael J. Reilly
Title: Duly Authorized Signatory

Address:

Attn:

Telecopy: ( ) -
--- --- -------

ABA No.:

Account No.:

Bank:

Bank Address:

-5-

PNC BANK, NATIONAL ASSOCIATION

By: /S/ John B. Siegrist
Title: Vice President

Address:

Attn:

Telecopy: ( ) -
--- --- -------

ABA No.:

Account No.:

Bank:

Bank Address:

-6-
FIFTH THIRD BANK

By: /S/ Keith E. Goodpaster
Title: Vice President

Address:

Attn:

Telecopy: ( ) -
--- --- -------

ABA No.:

Account No.:

Bank:

Bank Address:

-7-

JOHN HANCOCK LIFE INSURANCE COMPANY

By: /S/ Lorn C. Davis
Title: Director

Address:

Attn:

Telecopy: ( ) -
--- --- -------

ABA No.:

Account No.:

Bank:

Bank Address:

-8-

JOHN HANCOCK VARIABLE LIFE INSURANCE COMPANY

By: /S/ Lorn C. Davis
Title: Authorized Signatory

Address:

Attn:

Telecopy: ( ) -
--- --- -------

ABA No.:

Account No.:

Bank:

Bank Address:

-9-

INVESTORS PARTNER LIFE INSURANCE COMPANY

By: /S/ Lorn C. Davis
Title: Authorized Signatory

Address: _____

_____

_____

_____

Attn: _____

Telecopy: ( ) -
_____

ABA No.: _____

Account No.: _____

Bank: _____

Bank Address: _____

Agreed to, solely as to provisions
expressly applicable to SunSource Inc.
or SunSource Investment Company, Inc.

SUNSOURCE INC.

/S/ Joseph M. Corvino
By: Joseph M. Corvino
Title: Senior Vice President

SUNSOURCE INVESTMENT COMPANY, INC.

/S/ Joseph M. Corvino
By: Joseph M. Corvino
Title: Vice President

- ---

FIRST AMENDED AND RESTATED
INVESTMENT AGREEMENT

BY AND AMONG

SUNSOURCE INC.
SUNSOURCE INVESTMENT COMPANY, INC.
THE HILLMAN GROUP, INC.
AND
ALLIED CAPITAL CORPORATION

DATED AS OF SEPTEMBER 28, 2001

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EXHIBITS AND SCHEDULES

This instrument and the rights and obligations evidenced hereby are subordinate in the manner and to the extent set forth in that certain Subordination and Intercreditor Agreement (the "Subordination Agreement") dated as of September 28, 2001 among SunSource Inc., SunSource Investment Company, Inc. and The Hillman Group, Inc., Allied Capital Corporation and Heller Financial, Inc. ("Agent"), to the indebtedness (including interest) owed by The Hillman Group, Inc. pursuant to that certain Credit Agreement dated as of September 28, 2001 among The Hillman Group, Inc., the lenders from time to time party thereto and any additional agents for such lenders, as such Credit Agreement has been and hereafter may be amended, supplemented or otherwise modified from time to time and to indebtedness refinancing the indebtedness under that agreement as contemplated by the Subordination Agreement; and each holder of this instrument, by its acceptance hereof, irrevocably agrees to be bound by the provisions of the Subordination Agreement.

FIRST AMENDED AND RESTATED INVESTMENT AGREEMENT

THIS FIRST AMENDED AND RESTATED INVESTMENT AGREEMENT (this "Agreement") is made as of September 28, 2001 by and among: (i) SunSource Inc., a Delaware corporation (the "Company"), (ii) SunSource Investment Company, Inc., a Delaware corporation ("SIC"); (iii) The Hillman Group, Inc., a Delaware corporation ("Hillman" and together with the Company and SIC, the "Borrowers" and each of the Company, SIC and Hillman, a "Borrower") and (iv) Allied Capital Corporation, a Maryland corporation ("Allied" or the "Lender").

RECITALS:

A. The Borrowers and Allied entered into that certain Investment Agreement dated December 28, 2000 (the "Initial Investment Agreement"), pursuant to which the Borrowers issued that certain Senior Subordinated Debenture dated December 28, 2000 in the original principal amount of Thirty Million Dollars ($30,000,000) (the "Initial Debenture").

B. The parties hereto desire to amend and restate the terms of the Initial Investment Agreement and related documents to provide for an additional investment by Allied of Ten Million Dollars ($10,000,000) and to make such other changes as are provided herein and therein.

NOW, THEREFORE, in consideration of the foregoing Recitals and the mutual covenants contained herein, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Lender and its respective successors and assigns with respect to their interest in all or any part of any of the Debentures (as these terms are hereinafter defined) (individually, a "Holder" and collectively, the "Holders"), the Borrowers hereby agree as follows:

ARTICLE I.
DEFINITIONS

SECTION 1.1 Defined Terms. As used in this Agreement, the following terms have the meanings specified below:

"Act of Bankruptcy," when used in reference to any Person, means the occurrence of any of the following with respect to such Person: (i) such Person shall have made an assignment for the benefit of his or its creditors; (ii) such Person shall have admitted in writing his or its inability to pay his or its debts as they become due; (iii) such Person shall have filed a voluntary petition in bankruptcy; (iv) such Person shall have been adjudicated a bankrupt or insolvent; (v) such Person shall have filed any petition or answer seeking for himself or itself any reorganization, arrangement, composition, readjustment, liquidation, dissolution or similar relief under any present or future Applicable Law pertinent to such circumstances; (vi) such Person shall have filed or shall file any answer admitting or not contesting the material allegations of a bankruptcy, insolvency or similar petition filed against such Person; (vii) such Person shall have sought or consented to, or acquiesced in, the appointment of any trustee, receiver, or liquidator of such Person or of all or any substantial part of the properties of such Person; (viii) 60 days shall have elapsed after the commencement of an action against such Person seeking reorganization, arrangement, composition, readjustment, liquidation, dissolution or similar relief under any present or future Applicable Law without such action having been dismissed or without all orders or proceedings thereunder affecting the operations or the business of such Person having been stayed, or if a stay of any such order or proceedings shall thereafter be set aside and the action setting it aside shall not be timely appealed; or (ix) 60 days shall have expired after the appointment, without the consent or acquiescence of such Person of any trustee, receiver or liquidator of such Person or of all or any substantial part of the assets and properties of such Person without such appointment having been vacated.

"Act of Dissolution," when used in reference to any Person (other than an individual), shall mean the occurrence of any action initiating, or any event that results in, the dissolution, liquidation, winding-up or termination of such Person.

"Additional Investment" has the meaning specified in Section 2.1.

"Adjusted EBITDA" shall have the meaning set forth in the Senior Credit Facility in effect on the Closing Date.

"Affiliate" means, when used with respect to a specified Person, another Person that directly, or indirectly through one or more intermediaries, Controls or is Controlled by or is under common Control with the Person specified. "Affiliate" shall also mean any beneficial owner of Capital Stock representing 10% or more of the total voting power of the voting Capital Stock (on a fully diluted basis) of the Company or any of its Subsidiaries (whether or not currently exercisable) and any Person who would be an Affiliate of such beneficial owner pursuant to the first sentence hereof.

"Allied Investment" has the meaning specified in Section 2.1(a).

"Applicable Law(s)" when used in the singular, shall mean any applicable federal, state or local law, ordinance, order, regulation, rule or requirement of any governmental or quasi-governmental agency, instrumentality, board, commission, bureau or other authority having jurisdiction, and, when used in the plural, shall mean all such applicable federal, state and local laws, ordinances, orders, regulations, rules and requirements.

"Approval" has the meaning specified in Section 9.16(a).

"Asset Disposition" means any sale, lease (other than operating leases entered into in the ordinary course of business), transfer or other disposition (or series of related sales, leases, transfers or dispositions) by the Company or any of its Subsidiaries, including any disposition by means of a merger, consolidation or similar transaction (each referred to for the purposes of this definition as a "disposition") of (i) any shares of Capital Stock of a Subsidiary of the Company, (ii) all or substantially all of the assets of any division or line of business of the Company or any of its Subsidiaries, (iii) any other assets of the Company or any of its Subsidiaries having a value, in the aggregate with all other assets (except assets which are excluded under clauses (a) through (e) below) transferred since December 28, 2000, in excess of 20% percent of the value of the Consolidated Total Assets of the Company and its Subsidiaries as of the date of such disposition (provided, however, none of the following shall be considered Asset Dispositions: (a) a disposition by a Borrower to another Borrower or by a Subsidiary of a Borrower to a Borrower, (b) the sale of Inventory in the ordinary course of business, and (c) sales or other

dispositions of obsolete, uneconomical, negligible, worn-out or surplus assets in the ordinary course of business and in a commercially reasonable manner (including but not limited to equipment and intellectual property).

"Audited Financials" has the meaning specified in Section 4.6(a).

"Borrowers' Business" means the (i) the business engaged in by the Company and its Subsidiaries as of the Closing Date and similar and related businesses (as described on Schedule 4.5) and (ii) such other lines of business as may otherwise be consented to by an Approval by the Holders of the Debentures.

"Business Day" means any day other than a Saturday, Sunday or day on which banks in Washington, D.C. are authorized or required by law to close.

"Capital Lease" means any lease of (or other arrangement conveying the right to use) real or personal property, the obligations of the lessee in respect of which are required in accordance with GAAP to be capitalized on the balance sheet of the lessee.

"Capital Lease Obligations" of any Person means the obligations of such Person to pay rent or other amounts under any lease of (or other arrangement conveying the right to use) real or personal property, or a combination thereof which obligations are required to be classified and accounted for as Capital Leases on a balance sheet of such Person under GAAP, and the amount of such obligations is the capitalized amount thereof determined in accordance with GAAP.

"Capital Stock" of any Person means any and all shares, interests, participation or other equivalents (however designated) of capital stock of such Person (if such Person is a corporation), any and all equivalent ownership interests in such Person (if such Person is other

than a corporation), any securities convertible into or exchangeable for any of the foregoing and any and all warrants or options to purchase any of the foregoing.

"Cash Equivalents" means (i) securities issued or directly and fully guaranteed or insured by the United States Government or any agency or instrumentality thereof having maturities of not more than 90 days from the date of acquisition; (ii) time deposits, certificates of deposit and banker's acceptances of any domestic commercial bank having capital and surplus in excess of $200,000,000 having maturities of not more than 90 days from the date of acquisition; (iii) repurchase obligations with a term of not more than seven days for underlying securities of the types described in clause (i) and entered into with any bank meeting the qualifications specified in clause (ii) above; (iv) commercial paper having, at the time of acquisition thereof, the highest credit rating obtainable from Standard & Poor's Ratings Services or Moody's Investors Service, Inc. and maturing within ninety days after the date of acquisition; and (v) money market funds which invest at least 90% of their assets in the types of securities or instruments described in clauses (i), (ii), (iii) and (iv) above.

"CERCLA" means the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended from time to time.

"Change of Control" means one or more transactions resulting in (a) the liquidation, dissolution or winding up of the Company, (b) the Transfer of all or substantially all of the assets of the Company, (c) a merger or consolidation of the Company with another Person (other than another Borrower) where the Company is not the surviving or successor entity; (d) one or more Persons (other than the shareholders of the Company that are existing as of the Closing Date) either (i) owning in the aggregate in excess of 50% of the then outstanding Capital Stock of the Company or (ii) being able to elect a majority of the Company's board of directors or otherwise to exercise, directly or indirectly, a controlling influence over the management or policies of the Company, or (e) the Company ceasing to own 100% of the capital stock of each of the other Borrowers.

"Charges" has the meaning specified in Section 9.9.

"Closing" has the meaning specified in Section 2.1(a).

"Closing Date" means the date of this Agreement.

"Code" means the Internal Revenue Code of 1986 and the regulations thereunder, as amended or otherwise modified from time to time.

"Common Stock" means any and all (as the context may require) of the shares of the authorized common stock of the Company.

"Consolidated" means the consolidation in accordance with GAAP of the

accounts or other items as to which such term applies (other than the Excluded Subsidiaries).

"Consolidated Total Assets" means, with respect to the Company and its Subsidiaries(other than the Excluded Subsidiaries), all assets of the Company and its Subsidiaries (other than the Excluded Subsidiaries) that would, in accordance with GAAP, be classified as total assets of the Company and its Subsidiaries (other than the Excluded

Subsidiaries), after deducting adequate reserves in each case in which a reserve is proper in accordance with GAAP.

"Contracts" has the meaning specified in Section 4.15.

"Control" means the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of a Person, whether through the ownership of voting securities, by contract or otherwise, and the terms "Controlling" and "Controlled" have meanings correlative thereto.

"Covered Financing" means (a) the issuance of any Subordinated Debt of any Credit Party or (b) the issuance of any Indebtedness convertible into Capital Stock of the Company. "Covered Financing" shall exclude any financing the sole purpose of which is to refinance, repay or redeem the Debentures and any financing provided by the seller as part of a Permitted Acquisition.

"Credit Parties" means, collectively, the Borrowers and the Guarantors; and a "Credit Party" means each Borrower or each Guarantor.

"Debentures" means the amended and restated senior subordinated debenture dated September 28, 2001 in the aggregate original principal amount of $40,000,000, from the Borrowers made payable to the Holders and evidencing the Borrowers' repayment obligation for the investment by the Holders in the Borrowers described in Section 2.1, together with all other debentures accepted from time to time in substitution, renewal or replacement for all or any part thereof including pursuant to Section 9.19.

"Default" means any event or condition that upon notice, lapse of time or both would constitute an Event of Default.

"Disqualified Stock" means, with respect to any Person, any Capital Stock which by its terms (or by the terms of any security into which it is convertible or for which it is exchangeable) or upon the happening of any event (i) matures or is mandatorily redeemable pursuant to a sinking fund obligation or otherwise, (ii) is convertible or exchangeable for Indebtedness or Disqualified Stock or (iii) is redeemable at the option of the holder thereof, in whole or in part, in each case on or prior to the first anniversary of the stated maturity of the Debentures.

"Dollars" or "$" means lawful money of the United States of America.

"Environmental Claim" means any action, suit, demand, demand letter, claim, notice of non-compliance or violation, notice of liability or potential liability, investigation, proceeding, consent order or consent agreement relating in any way to any Environmental Law, any Environmental Permit or Hazardous Material or arising from alleged injury or threat to health, safety or the environment, including, without limitation, (a) by any governmental or regulatory authority for enforcement, cleanup, removal, response, remedial or other actions or damages and (b) by any governmental or regulatory authority or third party for damages, contribution, indemnification, cost recovery, compensation or injunctive relief.

"Environmental Law" means any federal, state, local or foreign statute, law, ordinance, rule, regulation, code, order, writ, judgment, injunction, decree or judicial or agency

interpretation, policy or guidance relating to pollution or protection of the environment, health, safety, natural resources, including, without limitation, those relating to the use, handling, transportation, treatment, storage, disposal, release or discharge of Hazardous Materials.

"Environmental Permit" means any permit, approval, identification number, license or other authorization required under any Environmental Law.

"ERISA" means the Employee Retirement Income Security Act of 1974, as the same may be amended from time to time.

"ERISA Affiliate" means any Person required at any relevant time to be

aggregated with the Company or any of its Subsidiaries under Sections 414(b), (c), (m) or (o) of the Code.

"ERISA Event" means any of the following with respect to a Plan or Multiemployer Plan, as applicable: (i) a Reportable Event with respect to a Plan or a Multiemployer Plan, (ii) a complete or partial withdrawal by the Company or any ERISA Affiliate from a Multiemployer Plan that results in liability under Section 4201 or 4204 of ERISA, or the receipt by the Company or any ERISA Affiliate of notice from a Multiemployer Plan that it is in reorganization or insolvency pursuant to Section 4241 or 4245 of ERISA or that it intends to terminate or has terminated under Section 4041A of ERISA, (iii) the distribution by the Company or any ERISA Affiliate under Section 4041 or 4041A of ERISA of a notice of intent to terminate any Plan or the taking of any action to terminate any Plan, (iv) the commencement of proceedings by the PBGC under Section 4042 of ERISA for the termination of, or the appointment of a trustee to administer, any Plan, or the receipt by the Company or any ERISA Affiliate of a notice from any Multiemployer Plan that such action has been taken by the PBGC with respect to such Multiemployer Plan, (v) the institution of a proceeding by any fiduciary of any Multiemployer Plan against the Company or any ERISA Affiliate to enforce Section 515 of ERISA, which is not dismissed within thirty (30) days, (vi) the imposition upon the Company or any ERISA Affiliate of any liability under Title IV of ERISA, other than for PBGC premiums due but not delinquent under Section 4007 of ERISA, or the imposition or threatened imposition of any Lien upon any assets of the Company or any ERISA Affiliate as a result of any alleged failure to comply with the Internal Revenue Code or ERISA in respect of any Plan, (vii) the engaging in or otherwise becoming liable for a nonexempt Prohibited Transaction by the Company or any ERISA Affiliate, (viii) a violation of the applicable requirements of Section 404 or 405 of ERISA or the exclusive benefit rule under Section 401(a) of the Internal Revenue Code by any fiduciary of any Plan for which the Company or any ERISA Affiliate may be directly or indirectly liable or (ix) the adoption of an amendment to any Plan that, pursuant to Section 401(a)(29) of the Internal Revenue Code or Section 307 of ERISA, would result in the loss of tax-exempt status of the trust of which such Plan is a part if the Company or any ERISA Affiliate fails to timely provide security to such Plan in accordance with the provisions of such sections.

"Events of Default" has the meaning specified in Article VIII.

"Excluded Subsidiaries" means, collectively, SunSub C, Inc. and its Subsidiaries and SunSource Technology Services, L.L.C. and its Subsidiaries.

"Fixed Charge Coverage" shall have the meaning set forth in the Senior Credit Facility in effect on the Closing Date.

"Financial Officer" of any corporation or other entity means the chief financial officer, treasurer or principal accounting officer of such corporation or entity.

"Financials" means, collectively, the Audited Financials and the Interim Financials, as defined in Section 4.6.

"Foreign Subsidiary" means a Subsidiary that is organized under the laws of a jurisdiction other than the United States or any State thereof or the District of Columbia.

"GAAP" means generally accepted accounting principles, consistently applied, for the period or periods in question.

"Governmental Authority(ies)" means any Federal, state, local, quasi-governmental instrumentality or foreign court, or governmental agency, authority, instrumentality, agency, bureau, commission, department or regulatory body.

"Guarantee Obligation" of or by any Person means any obligation, contingent or otherwise, of such Person guaranteeing or having the economic effect of guaranteeing any Indebtedness of any other Person (the "primary obligor") in any manner, whether directly or indirectly, and including any obligation of such Person, direct or indirect, (a) to purchase or pay (or advance or supply funds for the purchase or payment of) such Indebtedness or to purchase (or advance or supply funds for the purchase of) any security for the payment of such Indebtedness, (b) to purchase or lease property, securities or services for the purpose of assuring the owner of such Indebtedness of the payment of such Indebtedness or (c) to maintain working capital, equity capital or any other financial statement condition or liquidity of the primary obligor so as to enable the primary obligor to pay such Indebtedness; provided that the term "Guarantee Obligation" shall not include endorsements for collection or deposit in the ordinary course of business. The word "Guarantee" when used as a verb shall have the correlative meaning.

"Guarantor" means each entity that becomes a Guarantor under the Guaranty Agreement.

"Guaranty Agreement" means the Guaranty Agreement, if any, in form and substance satisfactory to the Holders by any Subsidiaries of the Borrowers which are, or may from time to time become, parties thereto, in favor of the Holders, as amended, modified or otherwise supplemented from time to time.

"Hazardous Materials" means (a) petroleum or petroleum products, petroleum by-products or petroleum breakdown products, radioactive materials, asbestos-containing materials, polychlorinated biphenyls and radon gas and (b) any other chemicals, materials or substances designated, classified or regulated as hazardous or toxic or as a pollutant or contaminant under any Environmental Law.

"Holder" and "Holders" have the meaning provided in the Recitals hereto.

"Indebtedness" of any Person means, without duplication, all obligations, contingent or otherwise, of such Person which in accordance with GAAP should be classified upon the balance sheet of such Person as liabilities, but in any event including: (a) all obligations of such Person for borrowed money, (b) all obligations of such Person upon which interest charges are customarily paid or accrued, (c) all obligations of such Person evidenced by bonds, debentures,

notes or similar instruments, (d) all obligations of such Person under conditional sale or other title retention agreements relating to property or assets purchased by such Person, (e) all obligations of such Person issued or assumed as the deferred and unpaid purchase price of property or services (excluding trade accounts payable incurred in the ordinary course of business that are not past due and which are classified as short term liabilities in accordance with GAAP), (f) all obligations of others secured by (or having an existing right, contingent or otherwise, to be secured by) any Lien on property owned or acquired by such Person, whether or not the obligations secured thereby have been assumed, (g) all Guarantee Obligations by such Person of Indebtedness of others, (h) all Capital Lease Obligations of such Person, (i) all obligations of such Person in respect of interest rate protection agreements, foreign currency exchange agreements or other interest or exchange rate hedging arrangements, (j) all obligations of such Person to purchase, redeem, retire, defease or otherwise make any payment in respect of any Capital Stock in such Person or any other Person, (k) all obligations of such Person, actual or contingent, as an account party in respect of letters of credit or similar facilities and bankers' acceptances; and (l) all obligations of any partnership or joint venture as to which such Person is or may become personally liable to the extent such obligations are deemed to be liabilities under GAAP.

"Indemnitee" has the meaning in Section 9.5(b).

"Initial Investment" has the meaning specified in Section 2.1(a).

"Intellectual Property" means, collectively, all of the Company's and its Subsidiaries' now owned and hereafter acquired intellectual property, including, without limitation the following: (a) all patents (including all rights corresponding thereto throughout the world, and all improvements thereon); (b) all trademarks (including service marks, trade names and trade secrets, and all goodwill associated therewith), (c) all copyrights (including all renewals, extensions and continuations thereof); (d) all applications for patents, trademarks or copyrights and all applications otherwise relating in any way to the subject matter of such patents, copyrights and trademarks; (e) all patents, copyrights, trademarks or applications therefor arising after the date of this Agreement; (f) all reissues, continuations, continuations-in-part and divisions of the property described in the preceding clauses (a), (b), (c), (d), and (e), including, without limitation, any claims by the Company or its Subsidiaries against third parties for infringement thereof; and (g) all rights to sue for past, present and future infringements or violations of any such patents, trademarks, and copyrights.

"Interest" means any ownership or profit sharing interest (however designated) in any general or limited partnership, trust, limited liability company, private company or joint venture, and all agreements, instruments and documents convertible, in whole or in part, into any one or more of the foregoing.

"Interest Rate" means a fixed rate of interest equal to 18% per annum, payable in accordance with the terms of the Debentures.

"Interim Financials" has the meaning in Section 4.6.

"Inventory" means "inventory" as defined in Article 9 of the UCC, including all raw materials, work in process, parts, components, assemblies, supplies and materials used or

consumed in the Borrowers' Business, all goods, wares and merchandise, finished or unfinished, held for sale or lease or leased or furnished or to be furnished under contracts of service or hire.

"Investment Documents" means, collectively, the Loan Documents, the Subordination Agreement and all other instruments and documents executed and delivered in connection with the Transactions (but specifically excluding the Senior Credit Facility and related documents).

"Investments" means, collectively, (a) ownership or purchase of any Capital Stock or evidence of Indebtedness, Interest in or other security of another Person, (b) any loan, advance, contribution to capital, extension of credit (except for current trade and customer accounts receivable for Inventory sold or services rendered in the ordinary course of business and payable in accordance with customary trade terms) to another Person, (c) any joint venture, (d) any interest rate hedge agreement or similar agreement or (e) any acquisition after Closing of any business or business unit of another Person (whether acquired by purchase of assets or securities), or any commitment or option to acquire any of the foregoing items (a) through (e).

"Junior Trust Preferred Notes" means, collectively, (a) the No. 1 SunSource 11.6% Junior Subordinated Debenture due 2027, (b) the No. 2 SunSource 11.6% Junior Subordinated Debenture due 2027 and (c) the Guarantee Agreement dated as of September 5, 1997 by SunSource for the benefit of the holders of the 11.6% Trust Preferred Securities of SunSource Capital Trust.

"Leases" has the meaning specified in Section 4.11(b).

"Licenses" shall mean, collectively, all rights, licenses, permits and authorizations now or hereafter issued by any Governmental Authority reasonably necessary in connection with the operation or conduct of the Borrowers' Business.

"Lien" means any lien, security interest or other charge or encumbrance of any kind, or any other type of preferential arrangement, including, without limitation, the lien or retained security title of a conditional vendor and any easement, right of way or other encumbrance on title to real property.

"Litigation Schedule" has the meaning specified in Section 4.14(a).

"Loan Documents" means, collectively, this Agreement, the Debentures, the Guaranty Agreement, if any, and all other instruments and documents executed and delivered in connection therewith.

"Material Adverse Change" means any material adverse change in the business, condition (financial or otherwise), operations, performance, or properties of the Credit Parties and their Subsidiaries taken as a whole.

"Material Adverse Effect" means a material adverse effect on (a) the business, operations, prospects, management or condition, financial or otherwise, of the Credit Parties and their Subsidiaries taken as a whole, (b) the ability of the Credit Parties and their Subsidiaries taken as a whole, to perform any of their obligations under any Investment Document, (c) the rights and remedies of or benefits available to the Holders under any Investment Document, or (d) the consummation of any transactions contemplated hereby or thereby.

"Maturity Date" means September 28, 2009.

"Maximum Rate" has the meaning specified in Section 9.9(e).

"Merger Agreement" means the Merger Agreement dated June 18, 2001 among the Company, Allied, Allied Capital Lock Acquisition Corporation.

"Mexican Liquidation" means the liquidation by the Company of all or substantially all of the stock and/or assets of SunSource Integrated Services de Mexico for cash liquidation proceeds of at least $1,000,000.

"Multiemployer Plan" shall mean any "multiemployer plan" within the meaning of Section 4001(a)(3) of ERISA to which the Company or any ERISA Affiliate makes, is making or is obligated to make contributions, or has made or been obligated to make contributions.

"Net Income" means, with respect to any Person, the net income (loss) of such Person, determined in accordance with GAAP, excluding, however, any gain (but not loss), together with any related provision for taxes on such gain (but not loss), realized in connection with (a) any Asset Disposition (including, without limitation, dispositions pursuant to sale and leaseback transactions) or

(b) the disposition of any securities by such Person or any of its Subsidiaries or the extinguishment of any Indebtedness of such Person or any of its Subsidiaries.

"New Lending Office" has the meaning specified in Section 2.9(e).

"Non-U.S. Lender" has the meaning specified in Section 2.9(e).

"Obligations" means all indebtedness, advances pursuant to this Agreement or otherwise, debts, liabilities and obligations, for the performance of covenants, tasks or duties or for payment of monetary amounts (whether or not such performance is then required or contingent, or such amounts are liquidated or determinable) owing by the Borrowers to the Holders, and all covenants and duties regarding such amounts, of any kind or nature, present or future, whether or not evidenced by any note, agreement or other instrument, arising under this Agreement or any of the other Investment Documents. The term includes all principal, interest (including all interest that accrues after the commencement of any case or proceeding in bankruptcy after the insolvency of, or for the reorganization of any Borrower, whether or not allowed in such proceeding), any premiums, penalties or charges imposed in connection with the prepayment of the Debentures, fees, charges, expenses, attorneys' fees, and any other sum chargeable to the Borrowers under this Agreement or any other Investment Document.

"Other Taxes" has the meaning specified in Section 2.9(b).

"Permitted Acquisition" has the meaning specified in Section 7.10.

"Permitted Indebtedness" has the meaning specified in Section 7.1.

"Permitted Lien" has the meaning specified in Section 7.2.

"Person" means any natural person, corporation, business trust, limited liability company, joint venture, association, company, partnership or government, or any agency or political subdivision thereof.

"PIK Amount" shall have the meaning set forth in the Debentures.

"Plan" means any employee pension benefit plan (other than a Multiemployer Plan) subject to the provisions of Title IV of ERISA or Section 412 of the Code or Section 307 of ERISA, and in respect of which the Company or any ERISA Affiliate is (or, if such plan were terminated, would under Section 4069 of ERISA be deemed to be) an "employer" as defined in Section 3(5) of ERISA.

"Preferred Stock" as applied to the Capital Stock of any Person, means Capital Stock of any class or classes (however designated) which is preferred as to the payment of dividends or distributions, or as to the distribution of assets upon any voluntary or involuntary liquidation or dissolution of such Person, over shares of Capital Stock of any other class of such Person.

"Prohibited Transaction" means a prohibited transaction as defined in Section 406 of ERISA or Section 4975 of the Code.

"Property" means any interest in any kind of property or asset, whether real, personal or mixed, or tangible or intangible.

"Real Property" means, collectively, all real property owned by the Company or its Subsidiaries or in which the Company or its Subsidiaries has a leasehold interest and all real property hereafter acquired by the Company or its Subsidiaries in fee or by means of a leasehold interest, including all real property on which the Borrowers' Business is now or hereafter conducted, together with all goods located on any such real property that are or may become "fixtures" under the law of the jurisdiction in which such real property is located.

"Receiver" means any receiver, trustee, custodian, liquidator, or similar fiduciary.

"Release" means any spilling, leaking, pumping, pouring, emitting, emptying, discharging, injecting, escaping, leaching, dumping, disposing, depositing, dispersing, emanating or migrating of any Hazardous Material in, into, onto or through the environment.

"Remedial Action" means (a) "remedial action" as such term is defined in CERCLA, 42 U.S.C. Section 9601(24), and (b) all other actions required by any Governmental Authority or voluntarily undertaken to: (i) cleanup, remove, treat, abate or in any other way address any Hazardous Material in the environment; (ii) prevent the Release or threat of Release, or minimize the further Release of any Hazardous Material so it does not migrate or endanger or threaten to endanger public health, welfare or the environment; or (iii) perform studies and

investigations in connection with, or as a precondition to, (i) or (ii) above.

"Reportable Event" means (i) any "reportable event" within the meaning of Section 4043(c) of ERISA for which the 30-day notice under Section 4043(a) of ERISA has not been waived by the PBGC (including any failure to meet the minimum funding standard of, or timely make any required installment under, Section 412 of the Internal Revenue Code or Section 302 of ERISA, regardless of the issuance of any waivers in accordance with Section 412(d) of the

Internal Revenue Code), (ii) any such "reportable event" subject to advance notice to the PBGC under Section 4043(b)(3) of ERISA, (iii) any application for a funding waiver or an extension of any amortization period pursuant to Section 412 of the Internal Revenue Code, and (iv) a cessation of operations described in Section 4062(e) of ERISA.

"Responsible Officer" of any corporation means its president, chief executive officer, any executive officer or Financial Officer of such corporation and any other officer or similar official thereof responsible for the administration of the obligations of such corporation in respect of this Agreement.

"Restricted Payment" means (i) any dividend or other distribution of any nature, direct or indirect, on account of any class of equity securities of the Company or any of its Subsidiaries, now or hereafter outstanding, (ii) any redemption, retirement, sinking fund or similar payment, purchase or other acquisition for value, direct or indirect, of any class of equity securities of the Company or any of its Subsidiaries, now or hereafter outstanding, (iii) any payment made to retire, or to obtain the surrender of, any outstanding warrants, options or other rights to acquire any class of equity securities of the Company or any of its Subsidiaries, now or hereafter outstanding, and (iv) any loan, advance, tax sharing payment or indemnification payment to, or investment in, any Affiliate of the Company (other than the Borrowers); provided, however, that the term "Restricted Payment" shall not include any distribution to any Person of (w) any cash or preferred stock which any Borrower receives or is entitled to receive, with respect to the sale of the assets of any Excluded Subsidiary; (x) the interest of any Borrower in any Excluded Subsidiary, (y) any distribution of cash or other property received by any Borrower from any Excluded Subsidiary or (z) any redemption of Warrant Shares.

"Restricted Subsidiary" means a Subsidiary of the Company other than a Borrower, an Excluded Subsidiary and a Subsidiary Guarantor.

"Senior Credit Facility" means the Credit Agreement dated as of September 28, 2001 by and among Hillman, Heller Financial, Inc., as agent, and the lender parties thereto, as the same may be amended, supplemented or otherwise modified from time to time and any agreement refinancing all or any of the debt or commitments thereunder, but only in each case to the extent the Indebtedness thereunder continues to constitute Senior Debt as provided in the definition thereof.

"Senior Debt" means all of the following: (a) the aggregate principal indebtedness advanced from time to time under the Senior Credit Facility up to a maximum aggregate principal amount that shall not exceed the sum of (i) $120,000,000 plus (ii) the amount of Indebtedness incurred pursuant to Section 7.1(a)(xii) and designated as "Senior Debt" by the Credit Parties, (b) all interest accrued and accruing on the aggregate principal outstanding under the Senior Credit Facility from time to time (including, without limitation, any interest accruing after maturity or after the filing of any petition in bankruptcy, or the commencement of any insolvency, reorganization or like proceeding relating to any Credit Party, whether or not a claim for post-filing or post-petition interest is allowed in such proceeding) ; (c) all other reasonable fees or monetary obligations owed under the Senior Credit Facility; and (d) all reasonable costs incurred by the Senior Lenders under the Senior Credit Facility in commencing or pursuing any enforcement action(s) with respect to the amounts described in clauses (a) through (c), including attorneys' fees and disbursements. "Senior Debt" shall also include all amendments,

modifications and refinancings of the foregoing, provided such amendments, modifications or refinancings do not increase the principal amount of Senior Debt unless otherwise permitted under Section 7.1(a)(xii).

"Senior Lenders" means the lenders providing the Senior Debt under the Senior Credit Facility.

"Solvent" means, as used to describe any Person, that such Person (a) owns assets whose fair saleable value is greater than the amount required to pay all of such Person's Indebtedness (including contingent debts), (b) is able to

pay all of its Indebtedness as such Indebtedness matures and (c) has capital sufficient to carry on its business and transactions and all business and transactions in which it is about to engage.

"Subordinated Debt" means any Indebtedness of the Company or any Subsidiary thereof that is expressly subordinated and made junior in right and time of payment to the Senior Debt and the Debentures.

"Subordination Agreement" means that the Subordination and Intercreditor Agreement of even date by and among the Borrowers and certain of their affiliates, Allied and Heller Financial, Inc., as agent for the Senior Lenders, as the same may be amended, supplemented or otherwise modified from time to time.

"Subsidiary" means, with respect to any Person (herein referred to as the "parent"), any corporation, partnership, association or other business entity (a) of which securities or other ownership interests representing more than 50% of the equity having ordinary voting power or more than 50% of the general partnership interests are, at the time any determination is being made, owned, controlled or held, or (b) that is, at the time any determination is made, otherwise Controlled, by such Person.

"Subsidiary Guarantor" means a Guarantor that is a Subsidiary of the Company.

"Taxes" has the meaning specified in Section 2.9(a).

"Total Indebtedness" shall have the meaning set forth in the Senior Credit Facility in effect on the Closing Date.

"Transactions" has the meaning specified in Section 4.2.

"Transfer" means the sale, assignment, lease, transfer, mortgaging, encumbering or other disposition, whether voluntary or involuntary, and whether or not consideration is received therefor.

"Warburg Note" means that certain Subordinated Promissory Note issued by Axxess Technologies, Inc. in favor of Warburg, Pincus Investors, L.P., in the original principal amount of $11,000,000 dated April 7, 2000, and purchased by Allied on June 30, 2001, together with any extensions thereof, any payment-in-kind notes issued in connection therewith, securities issued in exchange therefor or modifications or amendments thereto.

"Warrant Shares" means all shares of Common Stock issuable upon the exercise of the Warrants.

"Warrants" means, collectively, the warrants to purchase 285,000 shares of Common Stock that were issued to Allied on December 28, 2000 pursuant to the Initial Investment Agreement.

"Wholly Owned Subsidiary" of any Person means a Subsidiary of such Person of which securities (except for directors' qualifying shares) or other ownership interests representing 100% of the equity or 100% of the ordinary voting power or 100% of the general partnership interests are, at the time any determination is being made, owned, controlled or held by such Person or one or more wholly owned subsidiaries of such Person or by such Person and one or more wholly owned subsidiaries of such Person.

"Withdrawal Liability" means liability to a Multiemployer Plan as a result of a complete or partial withdrawal from such Multiemployer Plan, as such terms are defined in Part 1 of Subtitle E of Title IV of ERISA.

SECTION 1.2 Terms Generally. The definitions in Section 1.1 apply equally to both the singular and plural forms of the terms defined. Whenever the context may require, any pronoun includes the corresponding masculine, feminine and neuter forms. The words "include," "includes" and "including" are deemed to be followed by the phrase "without limitation." All references herein to Articles, Sections, Exhibits and Schedules are deemed references to Articles and Sections of, and Exhibits and Schedules to, this Agreement unless the context shall otherwise require. Any calculation of amounts, for purposes of financial covenant definitions or otherwise, with reference to one or more items shall be calculated without the duplication of any item in such calculation. Except as otherwise expressly provided herein, (a) any reference in this Agreement to any Investment Document means such document as amended, restated, supplemented or otherwise modified from time to time and (b) all terms of an accounting or financial nature are construed in accordance with GAAP, as in effect from time to time.

ARTICLE II.
THE INVESTMENT

SECTION 2.1 Funding. On December 28, 2000, the Borrowers borrowed from Allied the aggregate sum of $30,000,000 (the "Initial Investment"). At the closing on the date hereof (the "Closing"), the Borrowers will borrow, and Allied will lend to the Borrowers, the aggregate sum of $10,000,000 (the "Additional Investment" and together with the Initial Investment, the "Allied Investment"). The entire Additional Investment will be advanced at Closing.

SECTION 2.2 Senior Debt. The Holders' rights under the Debentures and this Agreement will be subordinate as to right of payment only to the Senior Debt pursuant to the Subordination Agreement.

SECTION 2.3 Repayment of Debentures. Subject to the terms of the Subordination Agreement, all unpaid principal amounts and accrued and unpaid interest under the Debentures, and all other obligations of the Borrowers to the Holders due and owing hereunder shall be paid upon the earliest of (i) the date of acceleration of the Debentures pursuant to Article VIII, (ii) the

date of redemption pursuant to Section 2.6 or 2.7 and (ii) the Maturity Date, in immediately available dollars, without set-off, defense or counterclaim.

SECTION 2.4 Interest on the Debentures. Subject to the provisions of Section 2.5, the Debentures shall bear interest (computed on the basis of the actual number of days elapsed over a year of 360 days assuming 12 equal 30 day months) at the Interest Rate, payable in accordance with the Debentures.

SECTION 2.5 Default Interest. If (i) the Borrowers shall default in the payment when due of the principal of or interest on the Debentures or any other amount becoming due hereunder, whether at maturity or upon acceleration, redemption or otherwise, or under any other Loan Document to which any Borrower is a party or (ii) any Event of Default exists under Section 6.12 hereof, in each case whether or not such default is declared, the Borrowers shall pay interest currently in cash, to the extent permitted by law, on amounts due under the Debentures so long as such Event of Default is continuing (after as well as before judgment) at the Interest Rate plus 2%.

SECTION 2.6 Prepayment. The Borrowers may at any time and from time to time prepay the Debentures, in whole or in part, upon at least 15 days but no more than 60 days prior written or telecopy notice (or telephone notice promptly confirmed by written or telecopy notice) to the Holders before 2:00 p.m, Washington, D.C. time, without premium or penalty. Any partial prepayments shall be made in increments of $500,000 and shall be applied pro rata to amounts outstanding under the Debentures. On the date of prepayment, the Borrowers shall pay to the holders of the Debentures being prepaid pursuant to this Section, the price specified above, by wire transfer of immediately available funds to an account designated by such Holder. Concurrently therewith, each Holder of Debentures being prepaid shall deliver to the Company the original copy of its Debenture or an affidavit of loss thereof in a form that is reasonably satisfactory to the Company. Any offer made by the Borrowers pursuant to this Section 2.6 shall be irrevocable so long as the specified conditions are met.

SECTION 2.7 Mandatory Prepayment of the Debentures.

(a) The Borrowers' obligations under the Debentures and this Agreement are not assumable; upon a Change of Control, each Holder shall have the right (but not the obligation) to require the Borrowers to (a) prepay the Debentures held by such Holder for an amount equal to the then outstanding principal balance, all accrued but unpaid interest thereon and all PIK Amounts, if any, and (b) pay in full all of the other Obligations owing to such Holder, which amount shall be calculated on the date of prepayment and be payable in cash on such date. Any offer made by the Borrowers pursuant to this Section 2.7(a) shall be irrevocable so long as the Change of Control occurs.

(b) On the date of prepayment, the Borrowers shall pay to the holders of the Debentures being prepaid pursuant to this Section, the price specified above, by wire transfer of immediately available funds to an account designated by such Holder. Concurrently therewith, each Holder of Debentures being prepaid shall deliver to the Company the original copy of its Debenture or an affidavit of loss thereof in a form that is reasonably satisfactory to the Company.

SECTION 2.8 Payments.

(a) The Borrowers shall make each payment (including principal of or interest on the Debentures or other amounts) hereunder and under any other Investment Document not later than 2:00 P.M., Washington, D.C. time, on the date when due in immediately available dollars, without setoff, defense or counterclaim. Each such payment shall be made to each Holder pursuant to

written instructions from such Holder to the Borrower, including pursuant to wire transfer instructions.

(b) Whenever any payment (including principal of or interest or PIK Amount on the Debenture or other amounts) hereunder or under any other Loan Document shall become due, or otherwise would occur, on a day that is not a Business Day, such payment may be made on the next succeeding Business Day, and such extension of time shall in such case be included in the computation of interest.

SECTION 2.9 Taxes.

(a) Any and all payments by or on behalf of the Borrowers hereunder and under any Investment Document shall be made, in accordance with Section 2.8, free and clear of and without deduction for any and all current or future taxes, levies, imposts, deductions, charges or withholdings, and all liabilities with respect thereto, excluding (i) income taxes imposed on the net income of a Holder and (ii) franchise taxes imposed on the net income of a Holder, in each case by the jurisdiction under the laws of which such Holder is organized or qualified to do business or a jurisdiction or any political subdivision thereof in which the Holder engages in business activity other than activity arising solely from the Holder having executed this Agreement and having enjoyed its rights and performed its obligations under this Agreement or any Investment Document or any political subdivision thereof (all such nonexcluded taxes, levies, imposts, deductions, charges, withholdings and liabilities, collectively or individually, being called "Taxes"). If a Borrower must deduct any Taxes from or in respect of any sum payable hereunder or under any other Investment Document to a Holder, (i) the sum payable shall be increased by the amount (an "additional amount") necessary so that after making all required deductions (including deductions applicable to additional sums payable under this Section 2.9) such Holder shall receive an amount equal to the sum it would have received had no such deductions been made, (ii) such Borrower shall make such deductions and (iii) such Borrower shall pay the full amount deducted to the Governmental Authority in accordance with applicable law.

(b) In addition, the Borrowers will pay to the relevant Governmental Authority in accordance with applicable law any current or future stamp or documentary taxes or any other excise or property taxes, charges or similar levies that arise from any payment made hereunder or under any Investment Document, or from the execution, delivery or registration of, or otherwise with respect to, this Agreement or any Investment Document ("Other Taxes").

(c) Subject to Section 2.9(f) below, the Borrowers jointly and severally agree to indemnify each Holder for the full amount of Taxes and Other Taxes paid by such Holder and any liability (including penalties, interest and expenses (including reasonable attorney's fees and expenses)) arising therefrom or with respect thereto, whether or not such Taxes or Other Taxes were correctly or legally asserted by the relevant Governmental Authority. A certificate as to the

amount of such payment or liability prepared by such Holder absent manifest error, shall be final conclusive and binding for all purposes. Such indemnification shall be made within 30 days after the date such Holder makes written demand therefor. The Borrowers shall have the right to receive that portion of any refund of any Taxes and Other Taxes received by a Holder for which the Borrowers have previously paid any additional amount or indemnified such Holder and which leaves the Holder, after the Borrowers' receipt thereof, in no better or worse financial position than if no such Taxes or Other Taxes had been imposed or additional amounts or indemnification paid to the Holder. The Holder shall have sole discretion as to whether (and shall in no event be obligated) to make any such claim for any refund of any Taxes or Other Taxes.

(d) As soon as practicable (and in any event within 60 days) after the date of any payment of Taxes or Other Taxes by a Borrower to the relevant Governmental Authority, such Borrower will deliver to each Holder, the original or a certified copy of a receipt issued by such Governmental Authority evidencing payment thereof.

(e) Any transferee of the Holders, with respect to the investment, if organized under the laws of a jurisdiction other than the United States, any State thereof or the District of Columbia (a "Non-U.S. Lender") shall deliver, to the extent legally able to do so, to the Company two copies of either United States Internal Revenue Service Form W-8BEN or Form W-8ECI or other applicable form, or, in the case of a Non-U.S. Lender claiming any other exemption from U.S. Federal withholding tax, a Form W-8, or any subsequent versions thereof or successors thereto (and, if such Non-U.S. Lender delivers a Form W-8, a certificate representing that such Non-U.S. Lender is not a bank for purposes of Section 881(c) of the Code, is not a 10% shareholder (within the meaning of Section 871(h)(3)(B) of the Code) of a Borrower and is not a controlled foreign corporation receiving interest from a related person (within

the meaning of Section 864(d)(4) of the Code)), properly completed and duly executed by such Non-U.S. Lender claiming exemption from U.S. Federal withholding tax on payments by the Borrowers under this Agreement and the Investment Documents. Such forms shall be delivered by each Non-U.S. Lender on or before the date it becomes a party to this Agreement and on or before the date, if any, such Non-U.S. Lender changes its applicable lending office by designating a different lending office (a "New Lending Office"). In addition, each Non-U.S. Lender shall deliver such forms promptly upon the obsolescence or invalidity of any form previously delivered by such Non-U.S. Lender. Notwithstanding the foregoing, no Non-U.S. Lender shall be required to deliver any form pursuant to this paragraph (e) that such Non-U.S. Lender is not legally able to deliver.

(f) The Borrowers shall not be required to indemnify any Non-U.S. Lender or to pay any additional amounts to any Non-U.S. Lender, in respect of United States Federal withholding tax pursuant to paragraph (a) or (c) above to the extent that (i) the obligation to withhold amounts with respect to United States Federal withholding tax existed on the date such Non-U.S. Lender became a party to this Agreement or, with respect to payments to a New Lending Office, the date such Non-U.S. Lender designated such New Lending Office with respect to the Debentures; provided, however, that this paragraph (f) shall not apply to (x) any Non-U.S. Lender as a result of an assignment, participation, transfer or designation made at the request of a Borrower and (y) to the extent the indemnity payment or additional amounts any Holder would be entitled to receive (without regard to this paragraph (f)) do not exceed the indemnity payment or additional amounts that the Person making the assignment, participation

or transfer to such Holder would have been entitled to receive in the absence of such assignment, participation, transfer or designation, or (ii) the obligation to pay such additional amounts would not have arisen but for a failure by such Non-U.S. Lender to comply with the provisions of paragraph (e) above or (iii) such Non-U.S. Lender is treated as a "conduit entity" within the meaning of U.S. Treasury Regulations Section 1.881-3 or any successor provision.

(g) Nothing contained in this Section 2.9 shall require a Holder to make available any of its tax returns (or any other information that it reasonably deems to be confidential or proprietary).

SECTION 2.10 Use of Proceeds. The proceeds of the Additional Investment shall be used to repay the Warburg Note, and the remainder available shall be used to pay certain transaction expenses and/or for working capital purposes for the Company and its Subsidiaries or for general corporate purposes, including Permitted Acquisitions.

ARTICLE III.
CONDITIONS

SECTION 3.1 Conditions to Closing. The obligations of Allied to enter into this Agreement and to perform its obligations hereunder is subject to the satisfaction of the following conditions on or prior to the Closing Date:

(a) The representations and warranties set forth in Article IV hereof shall be true and correct on and as of the Closing Date.

(b) The Credit Parties shall be in compliance with all the terms and provisions set forth herein and in each other Investment Document on its part to be observed or performed, and at the time of and immediately after the Closing, no Event of Default or Default shall have occurred and be continuing.

(c) Allied shall have received the following items:

(i) a favorable written opinion of counsel to the Credit Parties (A) dated the Closing Date, (B) addressed to Allied and (C) covering such matters relating to the Investment Documents and the Transactions as Allied shall reasonably request, and the Credit Parties hereby request such counsel to deliver such opinion;

(ii) the Debentures, duly executed by the Borrowers and each of the other Investment Documents, executed by each of the parties thereto (other than Allied);

(iii) for each Credit Party (A) a copy of the certificate or articles of incorporation, including all amendments thereto, of the Credit Party, certified as of a recent date by the Secretary of State of the state of its organization, and a certificate as to the good standing of the Credit Party as of a recent date, from such Secretary of State; (B) a certificate of the Secretary or Assistant Secretary of the Credit Party dated the Closing Date and certifying (1) that attached thereto is a true and complete copy of the by-laws of such

Credit Party as in effect on the Closing Date and at all times since a date prior to the date of the resolutions described in clause (2) below, (2) that attached thereto is a true and

complete copy of resolutions duly adopted by the Board of Directors of the Credit Party authorizing the execution, delivery and performance of this Agreement and each other Investment Document to which such Person is a party and that such resolutions have not been modified, rescinded or amended and are in full force and effect, (3) that the certificate or articles of incorporation of the Credit Party have not been amended since the date of the last amendment thereto shown on the certificate of good standing furnished pursuant to clause (A) above, and (4) as to the incumbency and specimen signature of each officer executing this Agreement or any other document delivered in connection herewith on behalf of the Credit Party; and (C) a certificate of another officer as to the incumbency and specimen signature of the Secretary or Assistant Secretary executing the certificate pursuant to (B) above; and

(iv) all amounts due and payable on or prior to the Closing Date, including, to the extent invoiced, reimbursement or payment of all out-of-pocket expenses required to be reimbursed or paid by the Borrowers hereunder.

(d) After giving effect to the transactions contemplated hereby, the Borrowers and their respective Subsidiaries shall not have outstanding any Indebtedness other than (A) the Senior Debt, (B) the extension of credit under this Agreement and the Initial Investment Agreement, (C) the Indebtedness set forth in the Financials and (D) the Indebtedness listed on Schedule 4.7.

(e) Allied shall have received such other documents, instruments and information as Allied may reasonably request.

SECTION 3.2 Closing Deliveries by Allied. On the Closing Date, Allied shall (a) waive the requirement for mandatory prepayment due to a Change of Control pursuant to the Merger Agreement and (b) deliver the Warburg Note for cancellation by the Company against prepayment of the Warburg Note in the aggregate amount of $8,500,000 plus all accrued and unpaid interest.

ARTICLE IV.
REPRESENTATIONS AND WARRANTIES

In order to induce Allied to make the Additional Investment, each of the Borrowers jointly and severally represents and warrants to Allied on the Closing Date (which representations and warranties shall survive the execution and delivery of this Agreement) that, except as set forth on the disclosure schedules attached hereto, after giving effect to the Additional Investment:

SECTION 4.1 Organization; Powers. Each of the Credit Parties (a) is a corporation duly organized, validly existing and in good standing under the laws of the jurisdiction of its organization, (b) has all requisite corporate power and authority to own its property and assets and to carry on its business as now conducted and as proposed to be conducted, (c) is qualified to do business in, and is in good standing in, every jurisdiction where such qualification is required, except where the failure so to qualify would not reasonably be expected, either individually or in the aggregate, to have a Material Adverse Effect, and (d) has the corporate power and authority

to execute, deliver and perform its obligations under this Agreement and each other agreement or instrument contemplated hereby, and to borrow hereunder.

SECTION 4.2 Authorization. The execution, delivery and performance by each of the Credit Parties of each of the Investment Documents to which each of the Credit Parties is or is to become a party and the obligations hereunder and thereunder (collectively, the "Transactions") (a) have been duly authorized by all necessary corporate action on the part of such Credit Party and (b) will not (i) violate (A) (x) any provision of law, statute, rule or regulation, or (y) the certificate or articles of incorporation or other constitutive documents or by-laws of such Credit Party, (B) any order of any Governmental Authority applicable to or binding upon such Credit Party or (C) any provision of any material indenture, agreement or other instrument to which such Credit Party is a party or by which such Person or any of such Person's Property is or may be bound (including, without limitation, the Senior Credit Facility), (ii) result in a breach of or constitute (alone or with notice or lapse of time or both) a default under or give rise to any right to accelerate or to require the prepayment, repurchase or redemption of any obligation under any such indenture, agreement or other instrument or (iii) result in the creation or imposition of

any Lien upon or with respect to any Property now owned or hereafter acquired by such Credit Party.

SECTION 4.3 Enforceability. This Agreement has been duly executed and delivered by the Borrowers and constitutes, and each other Investment Document constitutes, a legal, valid and binding obligation of such Person enforceable against such Person in accordance with its terms, subject to applicable bankruptcy, insolvency, reorganization, moratorium, fraudulent transfer and other similar laws relating to or affecting creditors' rights generally from time to time in effect and to general principles of equity (including, without limitation, concepts of materiality, reasonableness, good faith and fair dealing), regardless or whether considered in a proceeding in equity or at law and the availability of the remedy of specific performance.

SECTION 4.4 Governmental Approvals. Except as specifically disclosed on Schedule 4.4, each of the Credit Parties has all material governmental authorizations, approvals, consents, permits, licenses, certifications and qualifications, and has complied in all material respects with all applicable requirements of the United States, and other jurisdictions where such Person conducts business or owns property, to conduct its business as is presently conducted and to own and operate its facilities as they are presently operated. Except as identified on Schedule 4.4, no action, consent or approval or registration or filing with or any other action by any Governmental Authority is required in connection with the Transactions, except for such as have been made or obtained and are in full force and effect.

SECTION 4.5 Borrowers' Business; Subsidiaries. The Company and each of its Subsidiaries is as of the Closing exclusively engaged in the operation of the Borrowers' Business. Schedule 4.5 sets forth as of the Closing Date a list of all Subsidiaries of each Credit Party and the percentage ownership interest of the Credit Party therein, as well as a list of all joint ventures and partnerships of each Credit Party or any of its Subsidiaries with any other Person. The shares of capital stock or other ownership interests so indicated on Schedule 4.5 are fully paid and non-assessable and are owned by such Credit Party or its Subsidiary free and clear of all Liens.

SECTION 4.6 Financial Condition.

(a) The Company has previously provided to Allied a true and complete copy of the audited Consolidated and consolidating balance sheet of the Company and its Subsidiaries as at December 31, 1998, December 31, 1999 and December 31, 2000, and the related Consolidated and consolidating statements of income and cash flow of the Company and its Subsidiaries for the fiscal year then ended (the "Audited Financials"). The Audited Financials were prepared in accordance with GAAP, are true and correct in all material respects and fairly present the Company's and each of its Subsidiaries' operations and their cash flows at such date and for the period then ended. The auditors have issued an unqualified statement to the Company concerning the Audited Financials, a copy of which is included with the Audited Financials.

(b) The Company has previously provided to Allied a true and complete copy of the preliminary unaudited Consolidated and consolidating balance sheet of the Company and its Subsidiaries as at August 31, 2001 and the related preliminary unaudited Consolidated and consolidating statements of income and Consolidated cash flow of the Company and its Subsidiaries for the 8 month period then ended (the "Interim Financials"). The Interim Financials were prepared in accordance with GAAP (except that footnotes are omitted), are true and correct in all material respects and fairly present the Company's and each of its Subsidiaries' operations and their cash flows at such date and for the period then ended, subject to normal and immaterial year-end adjustments.

(c) Attached to Schedule 4.6(c) are the pro forma Consolidated and consolidating balance sheets of the Company and its Subsidiaries as of the end of each of fiscal years 2001 through 2003, giving effect to the incurrence of the full amount of Indebtedness contemplated under this Agreement and the use of the proceeds thereof, and the related Consolidated statements of projected cash flow, projected retained earnings and projected income for such fiscal year (the "Projected Statements"). The Projected Statements are based on estimates, information and assumptions believed by the Credit Parties to be reasonable and the Credit Parties have no reason to believe, in the light of conditions existing at the time of delivery, that such projections are incorrect or misleading in any material respect.

SECTION 4.7 Indebtedness. Set forth in the Financials or listed on Schedule 4.7 attached hereto is a complete and accurate list of all Indebtedness of each of the Credit Parties as of the Closing Date. No Credit Party is in default or alleged to be in default in any material respect with respect to any of its Indebtedness listed in the Audited Financials or the Interim Financials.

SECTION 4.8 Insurance. The Company has made available to Allied insurance certificates for all of the insurance maintained by the Company or any

of its Subsidiaries as listed on Schedule 4.8. The Company and its Subsidiaries have insurance in such amounts and covering such risks and liabilities as may be reasonable and prudent and as may otherwise be reasonably required by Allied. Such insurance is in full force and effect and all premiums have been duly paid.

SECTION 4.9 Ownership and Control. Attached hereto as Schedule 4.9 is an accurate and complete list of the following information: (a) the authorized capitalization of each of the

Credit Parties as of the Closing Date; (b) the number of shares of each class of the issued capital stock of each of the Credit Parties and the number of outstanding shares thereof as of the Closing Date; (c) the name of each class of all convertible securities, options, warrants and similar rights held with respect to the capital stock of each of the Credit Parties, the number and class of shares covered thereby and the exercise or conversion price thereof; (d) the percentage of the outstanding shares of capital stock held by each of the Credit Parties, and (e) all joint ventures and partnerships of each of the Credit Parties with any other Person. All shares of capital stock of each of the Credit Parties and all convertible securities, options, warrants and similar rights held with respect to the Capital Stock of each of the Credit Parties have been duly authorized, and are validly issued, are fully paid and nonassessable (in the case of capital stock), and are owned of record as set forth on Schedule 4.9 attached hereto, free and clear of all Liens (other than Permitted Liens permitted by Section 7.2). Except as listed in Schedule 4.9 attached hereto, there are no outstanding options, warrants, convertible securities or other stock purchase rights issued by each of the Credit Parties as of the Closing Date, and there are no sale agreements, pledges, proxies, voting trusts, powers of attorney or other agreements or instruments binding upon the shareholders of each of the Credit Parties with respect to beneficial and record ownership of, or voting rights with respect to, the capital stock of each of the Credit Parties as of the Closing Date.

SECTION 4.10 No Material Adverse Change. Since the ending date of the Interim Financials, other than as disclosed in Schedule 4.10 hereto, as of the Closing Date there has occurred no Material Adverse Change.

SECTION 4.11 Title to Properties; Possession Under Leases.

(a) Each of the Credit Parties has good and marketable title to, or valid leasehold interests in, all its material properties and assets free and clear of Liens, other than Permitted Liens permitted by Section 7.2.

(b) All leases of Real Property and other material leases to which any of the Credit Parties is a party or by which any of the Credit Parties, or any of its assets is bound, together with all amendments or supplements thereto (collectively, the "Leases") are as of the Closing Date valid, binding and enforceable in accordance with their terms and remain in full force and effect, except to the extent such failure to do so is not reasonably likely to have a Material Adverse Effect. True and complete copies of each of the Leases have been made available to the Lender prior to the Closing Date. No Credit Party is in default or alleged to be in default in any material respect with respect to any of its obligations under any of the Leases (nor would be in default or alleged to be in default with the giving of notice, passage of time, or both), and, to the knowledge of the Borrowers, no party other than the Credit Parties is in material default with respect to such party's obligations under any of the Leases (or would be in default or alleged to be in default with the giving of notice, passage of time, or both). Each of the Credit Parties' possession of any property leased by it has not been disturbed, nor has any claim been asserted against such Credit Party that is or could be adverse to such Credit Party's interests under any of the Leases. None of the Leases is subject to any material rights of set-off, recoupment or similar deduction or offset. No Credit Party has assigned or encumbered any of its rights, title or interest in or under any of the Leases nor agreed to any oral modifications of any of the provisions of any of the Leases.

SECTION 4.12 Litigation; Compliance with Laws.

(a) Except as set forth on Schedule 4.12 (the "Litigation Schedule"), there are no actions, suits or proceedings at law or in equity or by or before any Governmental Authority now pending or, to the best of knowledge of the Borrowers, threatened against or affecting the Company or any of its Subsidiaries or any business, Property or rights of the Company or any of its Subsidiaries (i) that involve any Investment Document or the Transactions or (ii) as to which there is a reasonable possibility of an adverse determination.

(b) Neither the Company nor any of its Subsidiaries nor any of their respective material properties or assets is in violation of nor will

the continued operation of its material properties and assets as currently conducted violate, any law, rule or regulation, or is in default with respect to any material judgment, writ, injunction, decree or order of any Governmental Authority, except with respect to Environmental Laws and other environmental matters, which are addressed in Section 4.20 of this Agreement.

(c) Except for matters set out in the Litigation Schedule, neither the Company nor any of its Subsidiaries is in breach of, default under, or in violation of: (a) any Applicable Law, decree, or order of any Governmental Authority, which breach, default or violation would reasonably be expected to result in a Material Adverse Effect; or (b) any deed, lease, loan agreement, commitment, bond, note, deed of trust, restrictive covenant, license, indenture, contract, or other agreement, instrument or obligation to which it is a party or by which it is bound or to which its assets are subject, which breach, default or violation would reasonably be expected to result in a Material Adverse Effect, except with respect to Environmental Laws and other environmental matters, which are addressed in Section 4.20 of this Agreement.

SECTION 4.13 Contracts, Etc. All material contracts (including all those representing 10% or more of the Company's Consolidated total revenue, profit or volume) to which any of the Credit Parties is a party or by which any of the Credit Parties or any of its assets is bound (collectively, the "Contracts") are as of the Closing Date valid, binding and enforceable in accordance with their terms and remain in full force and effect. True and complete copies of each of the Contracts have been made available to Allied prior to the Closing Date. No Credit Party is in default or, to the best knowledge of the Borrowers, alleged to be in default in any material respect with respect to any of its obligations under any of the Contracts (nor would be in default or alleged to be in default with the giving of notice, passage of time, or both), and, to the best knowledge of the Borrowers, no party other than Credit Parties is in default with respect to such party's obligations under any of the Contracts (or would be in default or alleged to be in default with the giving of notice, passage of time, or both). No claim has been asserted against any of the Credit Parties that is or could be materially adverse to its interests under any of the Contracts. None of the Contracts is subject to any material rights of set-off, recoupment or similar deduction or offset. No Credit Party has assigned or encumbered any of its rights, title or interest in or under any of the Contracts nor agreed to any oral modifications of any of the material provisions of any of the Contracts.

SECTION 4.14 No Side Agreements; Affiliate Transactions. There exists no agreement or understanding calling for any payment or consideration from a customer or supplier of the Company or any of its Subsidiaries to an officer, director, shareholder or manager of any Credit Party with respect to any transaction between any Credit Party or any of its Subsidiaries and a

supplier or customer. Except as set forth in Schedule 4.14, neither the Company nor any of its Subsidiaries is a party to or bound by any agreement and arrangement (whether oral or written) to which any Affiliate of the Company or any such Subsidiary is a party except upon fair and reasonable terms no less favorable to the Company or such Subsidiary than it could obtain in a comparable arm's-length transaction with an unaffiliated Person.

SECTION 4.15 Investment Company Act; Public Utility Holding Company Act. Neither the Company nor any of its Subsidiaries is (a) an "investment company" as defined in, or subject to regulation under, the Investment Company Act of 1940, as amended or (b) a "holding company" as defined in, or subject to regulation under, the Public Utility Holding Company Act of 1935, as amended.

SECTION 4.16 Use of Proceeds. The Borrowers will use the proceeds of the investment only for the purposes specified in Article II.

SECTION 4.17 Tax Returns. The Company and each of its Subsidiaries has filed or caused to be filed all Federal, state, and local tax returns which are required to have been filed by it or has filed extensions therefor except where the failure to do so is not reasonably expected to result in a Material Adverse Effect and has paid or caused to be paid all taxes as and when due and payable by it and all assessments received by it, except taxes that are being contested in good faith by appropriate proceedings and for which the Company and each of its Subsidiaries shall have set aside on its books adequate reserves.

SECTION 4.18 No Untrue Statements or Material Omissions. None of the statements contained in any report, financial statement, exhibit or schedule furnished by or on behalf of the Borrowers to Allied in connection with the negotiation of any Investment Document or included therein or delivered pursuant thereto, contained or contains any untrue statement of material fact or omits any material fact required to be stated therein or necessary to make the statements made therein, in light of the circumstances under which they were made, not misleading as of the time when made or delivered.

SECTION 4.19 Employee Benefit Matters. Except as set forth on Schedule 4.19, there is no existing single-employer plan defined in Section 4001(a) of

ERISA as to which the Company or any of its Subsidiaries is, or immediately after the Closing Date will be, an "employer" or a "substantial employer" as defined in Sections 3(5) and 4001(a)(2) of ERISA, respectively. The Company has made available to Allied true and complete copies of each of the plans listed on Schedule 4.19 attached hereto. There have been no "reportable events" as set forth in Section 4043(c) of ERISA for which the 30-day notice under Section 4043(a) of ERISA has not been waived by the PBGC with respect to any such plan or termination of any such plan which could result in any tax, penalty or liability being imposed upon the Company or any of its Subsidiaries that would reasonably be expected to result in a Material Adverse Effect. Except as otherwise described on Schedule 4.19 hereto, to the best knowledge of the Borrowers, neither the Company nor any of its Subsidiaries has participated in, and the execution and delivery of this Agreement by the Company or any of its Subsidiaries will not involve, any "prohibited transaction" (as defined in Section 4975 of the Internal Revenue Code of 1986, as amended) that could subject the Company or any of its Subsidiaries to any tax or penalty imposed by Section 4975 of the Internal Revenue Code of 1986, as amended that would reasonably be expected to result in a Material Adverse Effect. To the best knowledge of the Borrowers, no predecessor-in-

interest to the Company or any of its Subsidiaries has participated in any "prohibited transaction" (as defined in Section 4975 of the Internal Revenue Code of 1986, as amended) that could subject the Company or any of its Subsidiaries to any tax or penalty imposed by Section 4975 of the Internal Revenue Code of 1986, as amended that would reasonably be expected to result in a Material Adverse Effect. Neither Company nor any of its Subsidiaries nor, to the best knowledge of the Borrowers, any predecessor-in-interest to the Company or any of its Subsidiaries, has incurred any "accumulated funding deficiency", as such term is defined in Section 302 of ERISA, to which the Company or any of its Subsidiaries could be subject or for which it might be liable that would reasonably be expected to result in a Material Adverse Effect. Except as otherwise set forth on Schedule 4.19, neither Company nor any of its Subsidiaries is, and immediately after the Closing will not be, a party to, and none of the operations of the Company or any of its Subsidiaries is, or after the Closing will be, covered by, a "multi employer plan", as defined in Section 3(37) of ERISA.

SECTION 4.20 Environmental Matters.

(a) Except as set forth on Schedule 4.20(a), the Company and its Subsidiaries are in material compliance with all applicable Environmental Laws, and all material Environmental Permits necessary for the existing operations of the Companies and its Subsidiaries have been obtained and are in effect.

(b) Except as set forth on Schedule 4.20(b)(1) and to the knowledge of the Borrowers, there have been no Releases or threatened Releases at the properties currently owned or operated by the Company or its Subsidiaries as set forth in Schedule 4.20(b)(2) (the "Properties") or otherwise in connection with existing operations of the Company or its Subsidiaries that are in violation of or are reasonably likely to lead to any liability arising under any Environmental Law, except for any such violations or liability that would not have a Material Adverse Effect.

(c) Except as set forth on Schedule 4.20(c), neither the Company nor any of its Subsidiaries has received any written notice of an Environmental Claim in connection with the Properties or the existing operations of the Company or any of its Subsidiaries or with regard to any Person whose liabilities for environmental matters the Company or any of its Subsidiaries has retained or assumed, in whole or in part, contractually, by operation of law or otherwise, except in all such cases that would not have a Material Adverse Effect.

(d) Except as set forth on Schedule 4.20(d) and to the knowledge of the Borrowers, Hazardous Materials have not been transported from the Properties, nor have Hazardous Materials been generated, treated, stored or disposed of at, on or under any Properties in a manner that is reasonably likely to give rise to any liability under any Environmental Law, except for any such liability that would not have a Material Adverse Effect.

SECTION 4.21 Labor Matters. As of the Closing Date, there are no strikes, lockouts or slowdowns against any Credit Party pending or, to the actual knowledge of the Credit Parties, threatened. The hours worked by and payments made to employees of any of the Credit Parties have not been in violation of the Fair Labor Standards Act or any other applicable federal, state, local or foreign law dealing with such matters. The consummation of the Transactions has not

and will not give rise to any right of termination or right of renegotiation on the part of any union under any collective bargaining agreement to which any of the Credit Parties is bound.

SECTION 4.22 Public Disclosure. The Company has filed all reports or information in compliance with the Securities Exchange Act of 1934 and none of such reports or information filed by the Company during the 18 months preceding the Closing Date (upon which Allied is entitled to rely in making the investment pursuant to this Investment Agreement) contains any untrue statement of material fact or omits to state a material fact necessary to make the statements therein not misleading

SECTION 4.23 Solvency. Immediately after the Closing and after giving effect to the application of the proceeds of the investment, each of the Borrowers will be Solvent, able to pay its debts as they mature, have sufficient capital to carry out its business and all businesses in which they are about to engage and (i) as of the Closing Date, the fair present saleable value of their assets, calculated on a going concern basis, is in excess of the amount of their liabilities and (ii) subsequent to the Closing Date, the fair saleable value of their assets (calculated on a going concern basis) will be in excess of the amount of their liabilities.

SECTION 4.24 Licenses. The Company and each of its Subsidiaries (other than Excluded Subsidiaries) have good title to all of the Licenses necessary to operate the Borrowers' Business, except to the extent such failure to do so is not reasonably likely to have a Material Adverse Effect.

SECTION 4.25 Brokers. Neither the Borrowers nor any of their Subsidiaries has engaged the services of a broker in connection with the Transactions.

SECTION 4.26 Intellectual Property. As of the Closing Date, the Company and each of its Subsidiaries (other than Excluded Subsidiaries) owns or will own or has rights to use all Intellectual Property necessary to continue to conduct its business as now or heretofore conducted by it or proposed to be conducted by it, and each patent, material trademark and material copyright and License owned by the Company or any of such Subsidiaries is listed, together with application or registration numbers, as applicable in Schedule 4.26. The Company and each of its Subsidiaries (other than Excluded Subsidiaries) conducts its business and affairs without infringement of or interference with any Intellectual Property of any other Person and no Credit Parties has knowledge that another Person is infringing or interfering with any Intellectual Property of the Company or such Subsidiaries.

ARTICLE V.
INVESTOR REPRESENTATIONS

Allied represents and warrants to the Borrowers as follows:

SECTION 5.1 Investment. Allied is acquiring the Debentures for its own account for investment and not with a view to, or for sale in connection with, any distribution thereof, nor with any present intention of distributing or selling the same; and Allied has no present or contemplated agreement, undertaking, arrangement, obligation, indebtedness or commitment providing for the disposition thereof.

SECTION 5.2 Authority. Allied has full power and authority to enter into and to perform this Agreement in accordance with its terms. Allied represents that it has not been organized, reorganized or recapitalized specifically for the purpose of investing in the Debentures.

SECTION 5.3 Experience. Allied has carefully reviewed the representations concerning the Borrowers contained in this Agreement and has made detailed inquiry concerning the Borrowers, their business and their personnel; the officers of the Borrowers have made available to Allied any and all written information that Allied has requested and has answered to Allied's satisfaction all inquiries made by Allied.

SECTION 5.4 Accredited Investor. Allied is an "Accredited Investor" within the definition set forth in Rule 501(a) of the Securities Act.

ARTICLE VI.
AFFIRMATIVE COVENANTS

Until the Debentures and all expenses or other amounts payable under the Loan Documents are repaid in full, unless the Holders shall otherwise consent in writing, the Credit Parties jointly and severally covenant and agree with the Holders to do all of the following:

SECTION 6.1 Existence; Businesses and Properties.

(a) Each of the Credit Parties will do or cause to be done all things necessary to preserve and maintain its and its Subsidiaries' (other than the Excluded Subsidiaries) legal existence prior to any sale of such Subsidiaries otherwise permitted hereby.

(b) Each of the Credit Parties will, and will cause each of its Subsidiaries (other than the Excluded Subsidiaries) to, do or cause to be done all things necessary to obtain, preserve, renew, extend and keep in full force and effect the rights, licenses, permits, franchises, authorizations, patents, copyrights, trademarks and trade names material to the conduct of its and such Subsidiaries' business; comply in all material respects with all applicable laws, rules, regulations and decrees and orders of any Governmental Authority, whether now in effect or hereafter enacted; and at all times maintain and preserve all Property material to the conduct of such business and keep such Property in good repair, working order and condition (ordinary wear and tear excepted) and from time to time make, or cause to be made, all needful and proper repairs, renewals, additions, improvements and replacements thereto necessary in order that the business carried on in connection therewith may be properly conducted at all times.

SECTION 6.2 Insurance. Each of the Credit Parties will keep its and each of its Subsidiaries' insurable properties adequately insured at all times by financially sound and reputable insurers; maintain such other insurance to such extent and against such risks as is reasonable and prudent and as may otherwise be reasonably required by the Holders, including commercial general liability insurance against claims for personal injury or death or property damage occurring upon, in, about or in connection with the use of any properties owned, occupied or controlled by it; and maintain such other insurance as may be required by law, in each case naming the Holders as a lienholder/mortgagee to the extent of their interests, if any.

SECTION 6.3 Obligations and Taxes. Each of the Credit Parties will pay, and cause its Subsidiaries to pay, its material Indebtedness (exclusive of the Senior Debt) and other material obligations (exclusive of the Senior Debt) promptly and in accordance with their terms and to pay and discharge promptly when due all taxes, assessments and governmental charges or levies imposed upon it or upon its income or profits or in respect of its property, before the same shall become delinquent or in default, as well as all lawful claims for labor, materials and supplies or otherwise that, if unpaid, might give rise to a Lien upon such properties or any part thereof, provided, however, that such payment and discharge shall not be required with respect to any such tax, assessment charge, levy or claim so long as the validity or amount thereof shall be contested in good faith by appropriate proceedings and any Credit Party and its Subsidiaries, as applicable, shall have set aside on its books adequate reserves with respect thereto in accordance with GAAP and such contest operates to suspend collection of the contested obligation, tax, assessment or charge and enforcement of a Lien.

SECTION 6.4 Financial Statements, Reports, etc. The Borrowers will furnish to the Holders:

(a) within 90 days after the end of each fiscal year, the Consolidated and consolidating balance sheets and related statements of operations, stockholders' equity and cash flows, showing the financial condition of the Company and its Subsidiaries, as of the close of such fiscal year and the results of its operations during such year, such Consolidated statements to be audited by an independent public accountant of recognized national or regional standing acceptable to the Board of Directors, and accompanied by an opinion of such accountant (which shall not be qualified in any material respect) that such financial statements fairly present the financial condition and results of operations of the Company and its Subsidiaries on a Consolidated basis in accordance with GAAP;

(b) within 45 days after the end of each fiscal quarter of each fiscal year, its quarterly and year-to-date Consolidated and consolidating balance sheet and related statements of operations, stockholders' equity and cash flows showing the financial condition of the Company and its Subsidiaries, as of the close of such fiscal quarter and the results of its operations during such fiscal quarter and fiscal year-to-date period, setting forth in each case in comparative form the corresponding figures for the corresponding quarter and fiscal year-to-date period of the preceding fiscal year and the corresponding figures for the corresponding quarter and fiscal year-to-date period of the annual forecast, all certified by its Financial Officer as fairly presenting in all material respects the financial condition and results of operations of the Company and its Subsidiaries on a Consolidated basis in accordance with GAAP (but without footnotes), subject to normal year-end audit adjustments, together with a quarterly management summary description of operations, together with detailed calculations evidencing compliance with the financial ratios and covenants set forth in Section 6.12;

(c) concurrently with any delivery of financial statements under sub-paragraph (a) or (b) above, a certificate of the accounting firm or Financial Officer of the Company opining on or certifying such statements (which certificate, when furnished by an accounting firm, may be limited to accounting matters and disclaim responsibility for legal interpretations) containing a detailed calculation of the relevant items used to calculate compliance with the financial covenants set forth in Section 6.12 and , certifying that no Event of Default or Default has occurred or, if such an Event of Default or Default has occurred,

specifying the nature and extent thereof and any corrective action taken or proposed to be taken with respect thereto;

(d) to the extent that any Credit Party is or becomes subject to such reporting requirements, promptly after the same become publicly available, copies of all final periodic and other reports, proxy statements and other materials filed by such Credit Party with the U.S. Securities and Exchange Commission (the "SEC"), or any Governmental Authority succeeding to any or all of the functions of said Commission, or with any national securities exchange, or distributed to its shareholders (exclusive of proprietary information unless (i) the Person that is the source of the information or report is a public company and (ii) such Person would then be required to file such proprietary information with the SEC), as the case may be;

(e) before each fiscal year, a copy of each Borrower's annual budget (detailed on a monthly basis) for the next succeeding three fiscal years, in a form consistent with past practices;

(f) promptly after entering into the same, copies of all shareholders agreements, material employment agreements and other material agreements of the Company or its Subsidiaries (other than the Excluded Subsidiaries); and

(g) promptly, from time to time, such other information regarding the operations, business affairs and financial condition of the Company or any of its Subsidiaries, or compliance with the terms of any Investment Document, as any Holder may reasonably request.

SECTION 6.5 Litigation and Other Notices. The Borrowers will furnish to the Holders prompt written notice of the following:

(a) any Event of Default or Default, specifying the nature and extent thereof and the corrective action (if any) taken or proposed to be taken with respect thereto;

(b) within 30 days of filing, the filing or commencement of or any written threat or notice of intention of any Person to file or commence, any action, suit or proceeding, whether at law or in equity or by or before any Governmental Authority, against the Company, any of its Subsidiaries or any Affiliate thereof;

(c) at least 30 days and no more than 60 days prior notice of any Change of Control;

(d) within 30 days of filing, notice of any material filing by the Company or any of its Subsidiaries with any Governmental Authority, including, without limitation, the U.S. Internal Revenue Service, the U.S. Environmental Protection Agency (and any state equivalent), the U.S. Occupational Safety & Health Administration and the SEC;

(e) within 10 days of receipt, notice of default on any material loans or leases to which any Credit Party is a party;

(f) within 10 days of receipt, any notices with respect to the Junior Trust Preferred Notes, and

(g) any development that has resulted in, or would reasonably be expected to result in, a Material Adverse Effect (including, without limitation, any enforcement, remedial or other governmental regulatory or other action instituted, completed or threatened in writing against the Company or any of its Subsidiaries pursuant to any applicable Environmental Law, and any claim made by any Person against the Company or any of its Subsidiaries relating to liability in respect of Hazardous Materials, which in each case would reasonably be expected to result in a Material Adverse Effect).

SECTION 6.6 Employee Benefits. Each of the Credit Parties will, and will cause its Subsidiaries to, (a) comply in all material respects with the

applicable provisions of ERISA and the Code and (b) furnish to the Holders as soon as possible after, and in any event within 10 days after any Responsible Officer of such Credit Party or Subsidiary thereof or any ERISA Affiliate knows that any ERISA Event has occurred that alone or together with any other ERISA Event could reasonably be expected to result in liability of such Credit Party or Subsidiary thereof, a statement of a Financial Officer of such Credit Party setting forth details as to such ERISA Event and the action, if any, that such Credit Party proposes to take with respect thereto.

SECTION 6.7 Maintaining Records; Access to Properties and Inspections. Each of the Credit Parties will keep, and will cause its Subsidiaries to keep, proper books of record and account in which full and correct entries in conformity with GAAP are made of all dealings and transactions in relation to its business and activities. Each of the Credit Parties will permit any representatives designated by the Holders to visit and inspect the financial records and the properties of such Credit Party and its Subsidiaries at reasonable times during normal business hours and as often as reasonably requested and to make extracts from and copies of such financial records, and permit any representatives designated by the Holders to discuss the affairs, finances and condition of such Credit Party and its Subsidiaries with the officers thereof and independent accountants therefor. The Holders will provide prior notice to the Company of any planned discussions with its independent accountants and will permit an officer of the Company to be present. In addition, the Company shall permit the Holders to conduct a review of the use of the proceeds of the Debentures and shall certify in writing to the Holders that the proceeds of the Debentures were used in accordance with Section 2.10 hereof.

SECTION 6.8 Compliance with Laws. Each of the Credit Parties will comply, and cause its Subsidiaries to comply with all Federal, state, local and foreign laws and regulations applicable to them. Without limiting the generality of the foregoing, each of the Credit Parties will, and will cause its Subsidiaries to comply, and cause all lessees and other persons occupying their Properties to comply, in all material respects with all Environmental Laws and Environmental Permits applicable to its operations and Properties; obtain and renew all material Environmental Permits necessary for their operations and Properties; and conduct in all material respects any Remedial Action in accordance with applicable Environmental Laws; provided, however, that no Credit Party shall be required to undertake any Remedial Action to the extent that their obligation to do so is being contested in good faith and by proper proceedings and appropriate reserves are being maintained with respect to such circumstances.

SECTION 6.9 Preparation of Environmental Reports. If an Event of Default caused by reason of a breach of Section 4.20 or Section 6.8 shall have occurred and be continuing, then the Credit Parties shall, at the request of the Holders, provide to the Holders within 45 days after such request, at the expense of the Credit Parties, a Phase I environmental site assessment report

for any of the Company's or its Subsidiaries' properties described in such request, prepared by an environmental consulting firm acceptable to the Holders (and, if based upon the recommendation of such environmental consulting firm, a Phase II environmental site assessment report) indicating the presence or absence of Hazardous Materials and the estimated cost of any compliance, removal or remedial action in connection with any Hazardous Materials on such properties; without limiting the generality of the foregoing, if the Holders determine at any time that a material risk exists that any such report will not be provided within the time referred to above, the Holders may retain an environmental consulting firm to prepare such report at the expense of the Credit Parties, and each of the Credit Parties hereby grants and agrees to cause any Subsidiary that owns any property described in such request to grant at the time of such request, to the Holders such firm and any agents or representatives thereof an irrevocable non-exclusive license, subject to the rights of tenants, to enter onto their respective properties to undertake such assessment.

SECTION 6.10 Further Assurances. Each of the Credit Parties will execute, and will cause their Subsidiaries to execute, any and all further documents, agreements and instruments, and take all further action that may be required under applicable law, or that the Holders may reasonably request, in order to effectuate the transactions contemplated by the Investment Documents. The Credit Parties shall deliver or cause to be delivered to the Holders all such instruments and documents (including legal opinions) as the Holders may reasonably request to evidence compliance with this Section.

SECTION 6.11 Maintenance of Office or Agency. Each of the Credit Parties shall maintain an office or agency (i) where the Debentures may be presented for payment, or for registration and transfer and for exchange as provided in this Agreement; and (ii) where notices and demands to or upon such Credit Party in respect of the Debentures may be served. The location of such office or agency initially shall be the principal office of such Credit Party as set forth in Section 9.1 hereof. Each of the Credit Parties shall give the Holders written notice of any change of location thereof.

SECTION 6.12 Financial Ratios and Covenants. The Credit Parties shall with respect to each period set forth below have complied or comply with and maintain each of the following financial ratios and financial covenants, using the information set forth in the financial statements provided by the Borrowers in accordance with Section 6.4 above:

(a) Total Indebtedness to Adjusted EBITDA. A ratio of Total Indebtedness to Adjusted EBITDA as of the last day of each month for the twelve-month period then ended shall not be more than the following:

<TABLE>
<CAPTION>

Period	Applicable Ratio
<S>	<C>
October 31, 2001 through December 31, 2002	4.50 to 1.00
January 31, 2003 through June 30, 2004	4.25 to 1.00
July 31, 2004 and thereafter	4.00 to 1.00

</TABLE>

(b) Fixed Charge Coverage. A Fixed Charge Coverage as of the last day of each month for the twelve-month period then ended shall not be less than the following:

<TABLE>
<CAPTION>

Period	Applicable Ratio
<S>	<C>
October 31, 2001 through December 31, 2002	0.95 to 1.00
January 31, 2003 and thereafter	1.00 to 1.00

</TABLE>

Notwithstanding the foregoing, the financial covenant in this clause (b) shall be calculated only quarterly to the extent provided in Section 4.5 of the Senior Credit Facility in effect on the date hereof.

SECTION 6.13 Observation Rights.

(a) The board of directors of the Company shall hold a general meeting (which may be held by conference call) or propose adoption of resolutions by written consent of the board of directors at least quarterly for the purpose of discussing the business and operations of the Company and its Subsidiaries. The Company shall notify each of the Holders in writing of the date and time for each general or special meeting of its board of directors or any committee thereof or of the adoption of any resolutions by written consent (describing in reasonable detail the nature and substance of such action) at least one week prior to any general meeting and at the time notice is provided to the directors of the Company of any special meeting, and concurrently deliver to the Holders any materials delivered to directors of the Company, including a draft of any resolutions proposed to be adopted by written consent. The Holders shall be free during such one week period to contact the directors of the Company and discuss the pending actions to be taken.

(b) The Company shall permit one authorized representative of Allied (and its successors) to attend and participate in all meetings of its board of directors and any committee thereof, whether in person, by telephone or otherwise, and shall provide such representative with such notice and other information with respect to such meetings as are delivered to the directors of the Company. The Company shall pay such representative's reasonable travel expenses (including, without limitation, the cost of airfare, meals and lodging) in connection with the attendance of such meetings.

ARTICLE VII.
NEGATIVE COVENANTS

Until the Debentures and all expenses or other amounts payable under the Loan Documents are repaid in full, unless the Holders shall otherwise consent in writing, the Credit Parties jointly and severally covenant and agree not to do any of the following without the prior written consent of the Holders:

SECTION 7.1 Indebtedness.

(a) No Credit Party shall, nor will it permit any of its Subsidiaries (other than Excluded Subsidiaries) to, directly or indirectly incur, create, assume or permit to exist any Indebtedness other than the following (together, the "Permitted Indebtedness"):

(i) the Senior Debt;

(ii) Indebtedness existing on the Closing Date and set forth in the Financials or Schedule 4.6;

(iii) Indebtedness created hereunder and under the other Investment Documents;

(iv) Indebtedness of any Credit Party or Subsidiary of a Credit Party (other than any Excluded Subsidiary) to another Credit Party so long as (i) after such transaction, the Person providing the Indebtedness will be Solvent and (ii) no Default or Event of Default then exists or will exist after such transaction;

(v) Indebtedness of any Credit Party or Restricted Subsidiary to another Restricted Subsidiary so long as (i) after such transaction, the Person providing the Indebtedness will be Solvent, (ii) no Default or Event of Default then exists or will exist after such transaction and (iii) the aggregate outstanding amount of all Indebtedness incurred under this paragraph (a)(v) at any one time is less than $1,000,000;

(vi) Indebtedness of the Company or its Subsidiaries in respect of performance bonds, bid bonds, appeal bonds, surety bonds and similar obligations, in each case provided in the ordinary course of business;

(vii) Indebtedness arising from the honoring by a bank or other financial institution of a check, draft or similar instrument drawn against insufficient funds in the ordinary course of business, provided that such Indebtedness is extinguished within five (5) Business Days of its incurrence;

(viii) Indebtedness in respect of taxes, assessments, governmental charges or levies, claims of customs authorities and claims for labor, worker's compensation, materials and supplies to the extent that payment therefor shall not at the time be required to be made in accordance with the provisions of Section 7.2;

(ix) Indebtedness in respect of judgments or awards that have been in force for less than the applicable period for taking an appeal so long as execution is not levied thereunder or in respect of which the Company or the applicable Subsidiary shall at the time in good faith be prosecuting an appeal or proceedings for review and in respect of which a stay of execution shall have been obtained pending such appeal or review;

(x) endorsements for collection, deposit or negotiation and warranties of products or services, in each case incurred in the ordinary course of business;

(xi) any Indebtedness that is expressly subordinate to the Debentures pursuant to a written subordination agreement in form and substance acceptable to the Holders;

(xii) any other Indebtedness incurred after December 31, 2000; provided that at the time of incurrence of such Indebtedness (A) after giving pro forma effect to the incurrence, creation or assumption of such Indebtedness and the use of the proceeds thereof, the Total Indebtedness to Adjusted EBITDA Ratio as of the last day of last full calendar month ending immediately prior to such incurrence shall not exceed 3.5 to 1.0 as of the last day of each calendar month for the 12 months then ended; (B) the Borrowers shall, prior to such incurrence, creation or assumption, have provided to the Holders calculations showing compliance with this clause (xii), (C) the credit documentation with respect to such Indebtedness shall not contain covenants or default provisions relating to any Credit Party or any Subsidiary that are more restrictive than the covenants and default provisions contained in the Investment Documents, (D) the Credit Parties shall have provided a certificate of the Financial Officer of the Company certifying that no Default or Event of Default exists or would exist immediately after giving effect thereto and (E) for purposes of this clause (xii), any transaction (including any acquisition of stock, merger or consolidation) pursuant to which any Person becomes a Subsidiary of a Credit Party or its Subsidiary shall be deemed an assumption by the

Credit Party or its Subsidiary of any Indebtedness of such Person at such time outstanding;

(xiii) Capital Lease Obligations and Indebtedness secured by purchase money Liens up to $7,500,000 in the aggregate outstanding at any one time;

(xiv) any Guarantee Obligation under any foreign exchange contract, currency swap agreement, interest rate swap agreement or other similar agreement or arrangement designed to alter the risks of that Person arising from fluctuations in currency values or interest rates, which are entered into solely for hedging purposes and not for speculative purposes, provided that the Credit Party's maximum exposure with respect thereto does not at any time exceed the original cost of the hedging product plus the amount of all cash and Cash Equivalents initially required to be posted to secure its liabilities with respect thereto; and

(xv) any other Indebtedness not to exceed $2,000,000 in the aggregate at any time outstanding.

SECTION 7.2 Liens. No Credit Party shall, nor will it permit any of its Subsidiaries (other than Excluded Subsidiaries) to, create, incur, assume or permit to exist any Lien on any property or assets (including stock or other securities of any Person, including any Subsidiary) now owned or hereafter acquired by it or on any income or revenues or rights in respect of any thereof except the following (the "Permitted Liens"):

(a) Liens securing the Senior Debt;

(b) Liens on Property of such Borrower or its Subsidiaries existing on the Closing Date and set forth in Schedule 7.2 and any renewals or extensions thereof; provided that

such Liens shall secure only those obligations that they secure on the Closing Date and the amount of Indebtedness secured thereby shall not be increased;

(c) Liens for taxes, assessments or governmental charges (excluding any Lien imposed pursuant to any of the provisions of ERISA) not yet due or which are being contested in compliance with Section 6.3 but only if the existence of such Lien being contested would not likely have a Material Adverse Effect;

(d) Liens of landlords', carriers', warehousemen's, mechanics', materialmen's, repairmen's or other like Liens arising in the ordinary course of business and securing obligations that are not more than 30 days delinquent or which are being contested in compliance with Section 6.3;

(e) pledges and deposits made in the ordinary course of business to secure obligations under workers' compensation, unemployment insurance and other social security laws or regulations or to secure public or statutory obligations;

(f) deposits to secure the performance of bids, trade contracts (other than for Indebtedness), leases (other than Capital Lease Obligations), liens to secure the performance of statutory obligations, surety and appeal bonds, performance bonds and other obligations of a like nature incurred in the ordinary course of business;

(g) zoning restrictions, easements, rights-of-way, restrictions on use of real property and other similar encumbrances incurred in the ordinary course of business which, in the aggregate, are not substantial in amount and do not materially detract from the value of the property subject thereto or materially adversely interfere with the use of such property for its present purposes;

(h) Liens arising solely by virtue of any contractual or statutory or common law provisions relating to banker's liens, rights to set-off or similar rights and remedies as to deposit accounts or other funds maintained with a creditor depository institution provided that (i) such deposit account is not a dedicated cash collateral account and is not subject to restrictions against access by the Borrower or any Subsidiary in excess of those set forth by regulations promulgated by the Board of Governors of the Federal Reserve System and (ii) such deposit account is not intended by the Borrower or such Subsidiary to provide collateral to the depositary institution;

(i) Capital Lease Obligations and purchase money Liens on equipment acquired in the ordinary course of the Borrower's Business with respect to Indebtedness permitted under Section 7.1;

(j) judgment Liens not giving rise to an Event of Default;

(k) any Lien existing on any asset of any Person at the time such Person becomes a Subsidiary of a Borrower in connection with a Permitted Acquisition; provided that the Lien (A) shall be less than the fair market value of the asset secured thereby and (B) shall not have been not created in contemplation of such event;

(l) Liens which secure Indebtedness used to refinance the Indebtedness secured by Liens described in subsections (b) or (i) above, provided that such Liens do not encumber any additional assets and that the amount of the Indebtedness does not exceed the amount being refinanced; and

(m) Liens on cash or Cash Equivalents securing a Guarantee Obligation permitted under Section 7.1(a)(xiv).

SECTION 7.3 Sale and Lease-Back Transactions. No Credit Party shall, nor will it permit any of its Subsidiaries (other than Excluded Subsidiaries) to, enter into any arrangement, directly or indirectly, with any Person whereby it or any of its Subsidiaries shall sell or transfer any property, real or personal, used or useful in its or any of its Subsidiaries' business, whether now owned or thereafter acquired, and thereafter rent or lease such property or other property that it or any of its Subsidiaries intends to use for substantially the same purpose or purposes as the property being sold or transferred.

SECTION 7.4. Investments. No Credit Party shall, nor will they permit any of its Subsidiaries (other than Excluded Subsidiaries) to, make any Investments except:

(a) Investments existing on the Closing Date;

(b) Cash Equivalents;

(c) Investments in respect of interest rate protection agreements entered into in the ordinary course of business and not for speculative purposes;

(d) Investments consisting of extensions of trade credit in the ordinary course of the Borrowers' Business; and

(e) loans and advances to employees in the ordinary course of the business of such Borrower and its Subsidiaries (other than the Excluded Subsidiaries) as presently conducted in the aggregate amount of all such Investments under this clause (e) not to exceed $250,000 at any one time outstanding;

(f) Investments in Credit Parties or Subsidiaries of a Credit Party (other than the Excluded Subsidiaries), provided, however, that any such Investments in Restricted Subsidiaries shall not exceed an aggregate amount of $1,000,000 at any one time;

(g) Permitted Acquisitions;

(h) Investments made by any Credit Party in any Excluded Subsidiary, provided that such Investments are made solely with the proceeds of new capital contributions made by any Person who is a stockholder of the Company as of the Closing Date to the Company concurrently therewith; and

(i) other Investments, provided that the aggregate amount of all such Investments at any time does not exceed $3,000,000, (for purposes of this clause (j), the amount of any Investment shall be the original cost of such Investment plus the cost of all additions

thereto, without any adjustments for increases or decreases in value, or write-ups, write-downs or write-offs with respect to such Investment); and

(j) other investment instruments approved in writing by Holders.

SECTION 7.5 Mergers, Consolidations, Sales of Assets, Act of Dissolution. Except in connection with Permitted Acquisitions,

(a) No Credit Party shall, nor will it permit any of its Subsidiaries (other than Excluded Subsidiaries) to, merge or consolidate or enter into any analogous reorganization or transaction with any Person or permit any Subsidiary to do any of the foregoing; provided that any Subsidiary may be merged with or liquidated into the Company or any Wholly Owned Subsidiary of the Company (if the Company or such Wholly-Owned Subsidiary is the surviving

corporation).

(b) No Credit Party shall, nor permit any of its Subsidiaries (other than the Excluded Subsidiaries) to, suffer an Act of Dissolution (other than the Mexican Liquidation).

(c) No Credit Party shall, nor permit any of its Subsidiaries (other than the Excluded Subsidiaries) to, change its form of entity.

(d) No Credit Party shall, nor permit any of its Subsidiaries (other than the Excluded Subsidiaries) to, consummate any Asset Disposition without the consent of the Holders.

SECTION 7.6 Dividends and Distributions; Restrictions on Ability of Subsidiaries to Pay Dividends.

(a) No Credit Party shall, nor permit any of its Subsidiaries (other than the Excluded Subsidiaries) to, declare or pay any Restricted Payments (other than a dividend or distribution of any shares of its common stock) unless the Credit Parties shall, prior to such declaration or payment, have provided to the Holders calculations showing that the Fixed Charge Coverage (after giving effect to such Restricted Payment on a pro-forma basis) determined as of the last day of last full calendar month ending immediately prior to such payment would not be less than 1.1 to 1.0; provided, however, that any Subsidiary of a Credit Party may declare and pay a Restricted Payment to such Credit Party. Notwithstanding anything herein to the contrary, (i) the Company shall not make any redemption, retirement, sinking fund or similar payment, purchase or other acquisition for value, direct or indirect, of any class of equity securities of the Company, now or hereafter outstanding; provided, however, so long as no Default or Event of Default the exists or would be caused thereby, the Company may repurchase shares of Capital Stock from its officers, directors and employees upon termination of their employment or other relationship with the Company to the extent such repurchases do not exceed $2,000,000 in any calendar year and (ii) subject to the provisions of Section 2.7, the Company may issue or sell Capital Stock to its officers, directors and employees under option or incentive plans approved by the board of directors of the Company.

(b) Except as provided in the Senior Credit Facility in effect on the Closing Date, no Credit Party other than the Company shall, nor permit any of its Subsidiaries (other than Excluded Subsidiaries) to, directly or indirectly, create or otherwise cause or suffer to exist or

become effective any encumbrance or restriction on the ability of such Credit Party or any such Subsidiary to (i) pay any dividends or make any other distributions on its Capital Stock or any other interest or (ii) make or repay any loans or advances to the Company or the parent of such Subsidiary.

SECTION 7.7 Transactions with Affiliates. Except as otherwise expressly provided herein, no Credit Party shall, nor permit any of its Subsidiaries (other than Excluded Subsidiaries) to, sell or transfer any Property to, or purchase or acquire any Property from, or otherwise engage in any other transactions with, any of its Affiliates other than another Credit Party, except that the Credit Parties and their Subsidiaries may engage in the foregoing transactions with Affiliates on terms that are fair and reasonable and no less favorable to such Credit Party or such Subsidiary than it would obtain in a comparable arm's-length transaction with a Person not an Affiliate. The Credit Parties and their Subsidiaries may pay management fees to Allied so long as no Event of Default under Section 7.1(a) has occurred and is continuing and so long as the Credit Parties are in compliance with Section 6.12 on a pro forma basis for the most recently ended month for which financial statements have been delivered to the Holder hereunder, assuming that the management fee proposed to be paid had been made on the last day of such month.

SECTION 7.8 Business of Borrowers and Subsidiaries.

(a) No Credit Party shall, nor permit any of its Subsidiaries to, change its form of entity or engage at any time in any business or business activity other than those substantially similar or related to the Borrowers' Business and business activities reasonably incidental thereto.

(b) Except for Investments permitted under Section 7.4(f), no Credit Party shall, nor permit any of its Subsidiaries to, acquire or create any new Subsidiary unless such subsequently acquired or organized Subsidiary joins this Agreement and the Debentures as a Borrower hereunder or the Guaranty Agreement as a Guarantor thereunder. No Credit Party shall, nor permit any of its Subsidiaries to, change the location of the operations of the Borrowers' Business from the states in which they are presently conducted without the consent of the Holders.

(c) No Credit Party shall, nor permit any of its Affiliates to, directly or indirectly purchase or otherwise acquire, or offer to purchase or otherwise acquire, any outstanding Debentures except by way of payment or prepayment in accordance with the provisions hereof.

(d) Notwithstanding any provision hereof to the contrary, no Credit Party shall permit a Restricted Subsidiary to, and no Restricted Subsidiary shall, (i) incur Indebtedness under Section 7.1(a)(xi), (xii) or (xiii) or (ii) acquire Capital Stock or property or assets of any other Person.

SECTION 7.9 Investment Company Act. No Credit Party shall, nor will it permit its Subsidiaries to, become an investment company subject to registration under the Investment Company Act of 1940, as amended.

SECTION 7.10 Acquisitions. No Credit Party shall, nor permit its Subsidiaries (other than Excluded Subsidiaries) to, acquire Capital Stock or property or assets of any other Person unless the Credit Party or Subsidiary making such acquisition complies with all of the following (each, a "Permitted Acquisition"):

(a) The Capital Stock or property or assets acquired in such acquisition relate to a business reasonably related to the business of the Company or any of its Subsidiaries as of the Closing Date and businesses reasonably related thereto and similar businesses;

(b) No Event of Default shall exist prior to or will be caused as a result of such acquisition;

(c) The Credit Parties shall have provided the Holders with at least 10 Business Days prior written notice of such acquisition, such notice to include (i) a description of the assets or Capital Stock to be purchased, (ii) the price and terms of such acquisition, (iii) in reasonable detail, computations and a consolidated financial statement prepared on a pro forma basis of the Company and its Subsidiaries immediately prior to and after giving effect to such acquisition demonstrating compliance with Section 6.12 and Section 7.1(a)(xii) as of the last day of last full calendar month ending immediately prior to such acquisition as if such acquisition were effective on the first day of the relevant period and (iv) such other information with respect thereto as is reasonably requested by the Holders. For purposes of this Section 7.10, the pro forma computations shall be with reference to the actual financial results of the Credit Party or such Subsidiary and the Person being acquired (which actual financial results must be audited if the aggregate purchase price for the Person being acquired is greater than $7,500,000), with only such adjustments as may be approved by the Holders; and

(d) Such acquisition shall consist of (i) at least 51% of the Capital Stock of a Person or (ii) all of the assets of a Person or any portion of the assets that constitute a division or operating unit of the business of a Person, in each case, which the Board of Directors of the Credit Party deems to be of strategic importance to the Credit Party, provided that, in the event of subclause (i) above, the Credit Party, as the case may be, also possesses the power to direct or cause the direction of the management or policies of such entity and has the right to elect a majority of the members of the board of directors of such entity.

Notwithstanding any provision to the contrary, the provisions of paragraphs (a), (c) and (d) above shall be deemed to be satisfied with respect to any acquisition permitted pursuant to Section 3.15(ii) of the Senior Credit Facility in effect on the Closing Date.

SECTION 7.11 Employee Compensation. All executive compensation of any Credit Party shall be approved by the respective board of directors (or other similar body) of such Credit Party.

SECTION 7.12 Prepayments; Payments of Junior Trust Preferred Notes.

(a) Except for the Senior Debt, the Debentures, the Warburg Note, Indebtedness owed to a Credit Party from a Subsidiary or as permitted under paragraph (b) below, neither the Credit Parties nor any of their Subsidiaries (other than Excluded Subsidiaries)

shall prepay any Indebtedness for borrowed money and the Company shall not pay any amounts due under the Junior Trust Preferred Notes.

(b) The Company may make monthly payments of interest on the Junior Trust Preferred Notes if and to the extent that the Credit Parties are in compliance with Section 6.12(a) (after giving effect to such payment on a

pro-forma basis) determined as of the last day of the last full calendar month ending immediately prior to such payment.

(c) In the event the Company is not permitted pursuant to paragraph (b) above to make payments on the Junior Trust Preferred Notes, the Credit Parties shall take all actions necessary to exercise their right to defer interest due under the Junior Trust Preferred Notes until such payments are otherwise permitted hereunder.

SECTION 7.13 Accounting Changes. No Credit Party shall, nor permit any of its Subsidiaries (other than the Excluded Subsidiaries) to, make any significant change in accounting treatment or reporting practices, except as required or permitted by GAAP, or change its fiscal year from its current fiscal year.

SECTION 7.14 Stay, Extension and Usury Laws. To the extent permitted under applicable law, each of the Credit Parties covenants and agrees that they will not at any time insist upon, plead, or in any manner whatsoever claim or take the benefit or advantage of, and will use their best efforts to resist any attempts to claim or take the benefit of, any stay, extension or usury law wherever enacted, now or at any time hereafter in force, which may affect the covenants or the performance of their obligations under this Agreement or the Debentures. To the extent permitted under applicable law, each of the Credit Parties hereby expressly waives all benefit or advantage of any such law, and covenants that it will not, by resort to any such law, hinder, delay or impede the execution of any power herein granted to the Holders, but will suffer and permit the execution of every such power as though no such law has been enacted.

SECTION 7.15 Limitation on Foreign Operations. No Credit Party shall permit (i) as of the last day of any fiscal quarter of the Company, the Credit Parties and their domestic Subsidiaries to own directly assets (other than Investments) representing less than 75% of the total consolidated assets of the Company and its Subsidiaries determined on such date or (ii) as of the last day of any fiscal quarter of the Company, the portion of Net Income of the Company and its Subsidiaries on a Consolidated basis for the period of four consecutive fiscal quarters then ended which is attributable to Foreign Subsidiaries of the Credit Parties to exceed 25% of Net Income of the Company and its Subsidiaries on a Consolidated basis for such period.

SECTION 7.16 Inconsistent Agreements; Charter Amendments. No Credit Party shall (i) enter into any agreement or arrangement which would restrict in any material respect the ability of such Borrower to fulfill its Obligations under the Investment Documents, or (ii) supplement, amend or otherwise modify the terms of their articles of incorporation or bylaws or any of the Investment Documents if the effect thereof would reasonably be expected to have a Material Adverse Effect.

ARTICLE VIII.
EVENTS OF DEFAULT AND REMEDIES

SECTION 8.1 Events of Default. If any of the following events ("Events of Default") occur:

(a) any representation or warranty made or deemed made in or in connection with any Investment Document or any representation, warranty or certification contained in any report, certificate, financial statement or other instrument furnished in connection with or pursuant to any Investment Document, proves to have been materially incorrect when so made, deemed made or furnished;

(b) default is made in the payment of any principal of or premium on the Debentures when and as the same shall become due and payable, whether at the due date thereof or at a date fixed for prepayment thereof or by acceleration thereof or otherwise;

(c) default is made in the payment of any interest on the Debentures or any other amount (other than an amount referred to in (b) above) due under any Investment Document, when and as the same becomes due and payable, and such default continues unremedied for a period of ten (10) Business Days;

(d) default is made in the due observance or performance by the Borrowers or any of their Subsidiaries of any covenant, condition or agreement contained in Section 6.12 or in Article VII;

(e) default is made in the due observance or performance by the Borrowers or any of their Subsidiaries of any covenant, condition or agreement contained in any Investment Document (other than those specified in (b), (c) or (d) above) and such default continues unremedied for a period ending the earlier of (i) a period of thirty (30) days from the date the Credit Parties or any of their Subsidiaries knew or should have known of the occurrence of such default and (ii) a period of thirty (30) days after notice thereof from the Holders to the Borrowers,

(f) any event occurs that, after notice or the passage of time, requires the prepayment of all or any portion of the principal amount of the Junior Trust Preferred Notes;

(g) any default occurs (after giving effect to any applicable notice and/or grace periods) under the Senior Debt or any other Indebtedness of the Borrowers or any of their Subsidiaries in excess of $500,000 in aggregate principal amount (including the Senior Credit Facility), pursuant to which the lenders of such Indebtedness have accelerated the maturity thereof;

(h) an Act of Bankruptcy or Act of Dissolution shall have occurred with respect to any Borrower or any of its Subsidiaries (other than Excluded Subsidiaries) which had income (determined in accordance with GAAP) for the preceding four full calendar quarters in excess of $500,000 (other than the Mexican Liquidation);

(i) one or more final non-appealable judgments for the payment of money in excess of $250,000 to the extent not fully paid or discharged (excluding any portion thereof that

is covered by a insurance policy issued by an insurance Company of recognized standing and creditworthiness) is rendered against the Borrowers or any of their Subsidiaries, and the same shall remain undischarged for a period of 15 consecutive days during which execution is not effectively stayed, or any action is legally taken by a judgment creditor to levy upon assets or properties of the Borrowers or their Subsidiaries to enforce any such judgment;

(j) an ERISA Event occurs that in the opinion of the Holders, when taken together with all other such ERISA Events, could reasonably be expected to result in liability of any Borrower or Subsidiary thereof in an aggregate amount exceeding $500,000;

(k) any execution or attachment shall be issued whereby any substantial part of the property of the Company or any of its Subsidiaries shall be taken or attempted to be taken and the same shall not have been vacated or stayed within 30 days after the issuance thereof; or

(l) any Guarantor shall repudiate or purport to revoke its guaranty, or any guaranty of the Obligations hereunder for any reason shall cease to be in full force and effect as to such Guarantor or shall be judicially declared null and void as to such Guarantor;

then, and in every such event and subject to the terms of the Subordination Agreement, (other than an Event of Default described in paragraph (h) above) and at any time thereafter during the continuance of such event, the Holders may by notice to the Company, take either or both of the following actions, at the same or different times: (i) declare the principal amount then outstanding under the Debentures to be forthwith due and payable in whole or in part, whereupon the principal amount so declared to be due and payable, together with all PIK Amounts and accrued interest thereon and all other liabilities of the Borrowers accrued hereunder and under any other Investment Document, shall become forthwith due and payable, without presentment demand, protest or any other notice of any kind, all of which are hereby expressly waived by the Borrowers, anything contained herein or in any other Investment Document to the contrary notwithstanding; and (ii) in any event with respect to an Event of Default described in paragraph (h) above, the principal of the Debentures then outstanding, together with all PIK Amounts and accrued interest thereon and all other liabilities of the Borrowers accrued hereunder and under any other Investment Document, shall automatically become due and payable, without presentment demand, protest or any other notice of any kind, all of which are hereby expressly waived by the Borrowers, anything contained herein or in any other Investment Document to the contrary notwithstanding.

SECTION 8.2 Waivers. The Borrowers waive presentment, demand, notice of dishonor, and protest, and all demands and notices of any action taken by the Holders under this Agreement, except as otherwise provided herein.

SECTION 8.3 Enforcement Actions. Subject to the terms of the Subordination Agreement, the Holders may, at their option, collect all or any portion of the Obligations or enforce against the Borrowers any of their respective rights and remedies with respect to the Obligations including, but not limited to: (i) commencing or pursuing legal proceedings to collect any amounts owed with respect to or to otherwise enforce the Obligations; or (ii) executing upon, or otherwise enforcing, any judgment obtained with respect to the payment or performance of the Obligations.

SECTION 8.4 Costs. Subject to the terms of the Subordination Agreement, the Borrowers shall pay all reasonable expenses of any nature, whether incurred in or out of court, and whether incurred before or after the Debentures shall become due at their maturity date or otherwise (including, but not limited to, reasonable attorneys' fees and costs) which the Holders may reasonably incur in connection with the collection or enforcement of any of the Obligations. The Holders are authorized to pay at any time and from time to time any or all of such expenses, to add the amount of such payment to the amount of principal outstanding under the Debentures, and to charge interest thereon at the rate specified in the Debentures.

SECTION 8.5 Set-off. Subject to the terms of the Subordination Agreement, upon the occurrence and during the continuance of any Event of Default, each Holder is hereby authorized at any time and from time to time without notice to any Borrower (any such notice being expressly waived by such Borrower) and, to the fullest extent permitted by law, to set off and to apply any and all balances, credits, deposits (general or special, time or demand, provisional or final), accounts or moneys at any time held and other indebtedness at any time owing by such Holder to or for the account of such Borrower against any and all of the obligations of the Borrowers now or hereafter existing under this Agreement or any other agreement or instrument delivered by such Borrower to such Holder in connection therewith, whether or not such Holder shall have made any demand hereunder or thereunder and although such obligations may be contingent or unmatured. The rights of the Holders under this Section are in addition to other rights and remedies (including, without limitation, other rights of set-off) which they may have. A Holder shall give the Borrower notice of any set-off hereunder after such set-off has occurred.

SECTION 8.6 Remedies Non-Exclusive. None of the rights, remedies, privileges or powers of the Holders expressly provided for herein are exclusive, but each of them is cumulative with, and in addition to, every other right, remedy, privilege and power now or hereafter existing in favor of each of the Holders, whether pursuant to the other Investment Documents, at law or in equity, by statute or otherwise.

ARTICLE IX.
MISCELLANEOUS

SECTION 9.1 Notices. Notices and other communications provided for herein shall be in writing and shall be delivered by hand or overnight courier service, mailed by certified or registered mail or sent by telecopy, as follows:

(a) if to the Borrowers, SunSource Inc., 3000 One Logan Square, Philadelphia, Pennsylvania 19103, Attention: Joseph Corvino (Telecopy No. 215-282-1309); with a copy to Piper Marbury Rudnick & Wolfe LLP, 1200 Nineteenth Street, N.W., Washington, D.C. 20036, Attention of Anthony H. Rickert (Telecopy No. 202-223-2085); and

(b) if to Allied, Allied Capital Corporation, at its offices at 1919 Pennsylvania Avenue, N.W., 3rd Floor, Washington, D.C. 20006, Attn: G. Cabell Williams, Telecopy No. 202-659-2053; with a copy to Piper Marbury Rudnick & Wolfe LLP, 1200 Nineteenth Street, N.W., Washington, D.C. 20036, Attention of Anthony H. Rickert (Telecopy No. 202-223-2085).

All notices and other communications given to any party hereto in accordance with the provisions of this Agreement shall be deemed to have been given (i) two business days after being sent by registered or certified mail, return receipt requested, postage prepaid or (ii) one business day after being sent via a reputable nationwide overnight courier service guaranteeing next business day delivery or (iii) on the date on which it is sent by facsimile transmission with acknowledgement of receipt at the number to which it is required to be sent in each case to the intended recipient as set forth above.

SECTION 9.2 Survival of Agreement. All covenants, agreements, representations and warranties made by the Borrowers herein and in the certificates or other instruments prepared or delivered in connection with or pursuant to this Agreement or any other Investment Document shall be considered to have been relied upon by the Holders and shall survive the making by the Holders of the investment, regardless of any investigation made by the Holders or on their behalf and shall continue in full force and effect as long as the principal of or any accrued interest on the Debentures is outstanding and unpaid. The provisions of Section 9.5 shall remain operative and in full force and effect regardless of the expiration of the term of this Agreement, the consummation of the transactions contemplated hereby, the repayment of the Debentures, the invalidity or unenforceability of any term or provision of this Agreement or any other Investment Document, or any investigation made by or on behalf of the Holders.

SECTION 9.3 Binding Effect. This Agreement shall become effective when it shall have been executed by the Borrowers and Allied, and when Allied shall have received counterparts hereof which, when taken together, bear the

signatures of each of the other parties hereto, and thereafter shall be binding upon and inure to the benefit of the parties hereto and their respective permitted successors and assigns.

SECTION 9.4 Successors and Assigns.

(a) Whenever in this Agreement any of the parties hereto is referred to, such reference shall be deemed to include the permitted successors and assigns of such party; and all covenants, promises and agreements by or on behalf of the Borrowers or the Holders that are contained in this Agreement shall bind and inure to the benefit of their respective successors and assigns.

(b) The Borrowers shall not assign or delegate any of their rights or duties hereunder without the prior written consent of the Holders, and any attempted assignment or delegation without such consent shall be null and void. The Holders may assign or delegate any of its rights or duties hereunder or under the Debentures without limitation.

SECTION 9.5 Expenses; Indemnity.

(a) In connection with this amendment and restatement of the Initial Investment Agreement, the Borrowers will pay to Allied Capital Corporation closing points of $50,000 and a structuring fee of $25,000, and will pay to A.C. Corporation, a $25,0000 administrative fee and all reasonable out-of-pocket expenses incurred by Allied in connection with the preparation and administration of this Agreement, or in connection with any amendments, modifications or waivers of the provisions of the Investment Documents (whether or not the transactions hereby shall be consummated) incurred by Allied in connection with the

enforcement or protection of its rights in connection with this Agreement and the other Investment Documents, including any suit, action, claim or other activity of Allied to collect or otherwise enforce the Obligations or any portion thereof, or in connection with the Transactions, including, without limitation, the reasonable fees, charges and disbursements of Piper Marbury Rudnick & Wolfe LLP, counsel for Allied, and, in connection with any such enforcement or protection, the reasonable fees, charges and disbursements of any other counsel for Allied.

(b) The Borrowers, jointly and severally, agree to indemnify each Holder, and its respective directors, officers, employees and agents (each such Person being called an "Indemnitee") against, and to hold each Indemnitee harmless from, any and all losses, claims, damages, liabilities and related expenses, including reasonable counsel fees, charges and disbursements, incurred by or asserted against any Indemnitee arising out of or in any way connected with, or as a result of (i) the execution or delivery of this Agreement or any other Investment Document or any agreement or instrument contemplated thereby, the performance by the parties thereto of their respective obligations thereunder or the consummation of the Transactions and the other transactions contemplated thereby, (ii) the use of the proceeds of the investment, (iii) any claim, litigation investigation or proceeding relating to any of the foregoing, whether or not any Indemnitee is a party thereto, or (iv) any actual or alleged presence or Release of Hazardous Materials on any property owned or operated by the Borrowers, or any Environmental Claim related in any way to any Borrower; provided that such indemnity shall not as to any Indemnitee be available to the extent it resulted from the gross negligence or willful misconduct of such Indemnitee.

(c) The provisions of this Section 9.5 shall remain operative and in full force and effect regardless of the expiration of the term of this Agreement the consummation of the transactions contemplated hereby, the repayment of the Debentures, the invalidity or unenforceability of any term or provision of this Agreement or any other Investment Document, or any investigation made by or on behalf of the Lender. All amounts due under this Section 9.5 shall be payable on written demand therefor.

SECTION 9.6 Waiver of Consequential and Punitive Damages. Each of the Borrowers and the Holders hereby waive to the fullest extent permitted by law all claims to consequential and punitive damages in any lawsuit or other legal action brought by any of them against any other of them in respect of any claim among or between any of them arising under this Agreement, the other Investment Documents, or any other agreement or agreements between or among any of them at any time, including any such agreements, whether written or oral, made or alleged to have been made at any time prior to the Closing Date, and all agreements made hereafter or otherwise, and any and all claims arising under common law or under any statute of any state or the United States of America, including any thereof in contract, tort, strict liability or otherwise, whether any such claims be now existing or hereafter arising, now known or unknown. In making this waiver, the Holders and the Borrowers acknowledge and agree that there shall be no claims for consequential or punitive damages made by the Holders against any Borrower and there shall be no claims for consequential or

punitive damages made against the Holders by any Borrower. The Holders and the Borrowers acknowledge and agree that this waiver of claims for consequential damages and punitive damages is a material element of the consideration for this Agreement.

SECTION 9.7 Applicable Law. THIS AGREEMENT AND THE OTHER INVESTMENT DOCUMENTS (OTHER THAN AS EXPRESSLY SET FORTH IN OTHER INVESTMENT DOCUMENTS) SHALL BE CONSTRUED IN ACCORDANCE WITH AND GOVERNED BY THE LAWS OF THE STATE OF NEW YORK (EXCLUDING CONFLICTS OF LAWS PROVISIONS).

SECTION 9.8 Waivers; Amendment.

(a) No failure or delay of a Holder in exercising any power or right hereunder or under any other Investment Document shall operate as a waiver thereof nor shall any single or partial exercise of any such right or power, or any abandonment or discontinuance of steps to enforce such a right or power, preclude any other or further exercise thereof or the exercise of any other right or power. The rights and remedies of the Holders hereunder and under the other Investment Documents are cumulative and are not exclusive of any rights or remedies that it would otherwise have. No waiver of any provision of this Agreement or any other Investment Document or consent to any departure by the Borrowers therefrom shall in any event be effective unless the same shall be permitted by paragraph (b) below, and then such waiver or consent shall be effective only in the specific instance and for the purpose for which given. No notice or demand on the Borrowers in any case shall entitle the Borrowers to any other or further notice or demand in similar or other circumstances.

(b) Neither this Agreement nor any provision hereof may be waived, amended or modified except pursuant to an agreement or agreements in writing entered into by the Borrowers and the Holders.

SECTION 9.9 Interest Rate Limitation. Notwithstanding anything herein to the contrary, if at any time the interest rate applicable to the investment, together with all fees, charges, warrants and other amounts which are treated as interest on the investment under applicable law (collectively the "Charges"), shall exceed the maximum lawful rate (the "Maximum Rate") which may be contracted for, charged, taken, received or reserved by the Holders holding the investment in accordance with applicable law, the rate of interest payable in respect of the investment hereunder, together with all Charges payable in respect thereof shall be limited to the Maximum Rate.

SECTION 9.10 Entire Agreement. This Agreement and the other Investment Documents constitute the entire contract between the parties relative to the subject matter hereof. Any other previous agreement among the parties with respect to the subject matter hereof is superseded by this Agreement and the other Investment Documents. Nothing in this Agreement or in the other Investment Documents, expressed or implied, is intended to confer upon any party other than the parties hereto and thereto any rights, remedies, obligations or liabilities under or by reason of this Agreement or the other Investment Documents.

SECTION 9.11 WAIVER OF JURY TRIAL. EACH PARTY HERETO HEREBY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY LITIGATION DIRECTLY OR INDIRECTLY ARISING OUT OF, UNDER OR IN CONNECTION WITH THIS AGREEMENT OR ANY OF THE OTHER INVESTMENT DOCUMENTS. EACH PARTY HERETO (A) CERTIFIES THAT NO REPRESENTATIVE, AGENT OR ATTORNEY OF

ANY OTHER PARTY HERETO HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER AND (B) ACKNOWLEDGES THAT IT AND THE OTHER PARTIES HERETO HAVE BEEN INDUCED TO ENTER INTO THIS AGREEMENT AND THE OTHER INVESTMENT DOCUMENTS, AS APPLICABLE, BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION 9.11.

SECTION 9.12 Severability. In the event any one or more of the provisions contained in this Agreement or in any other Investment Document should be held invalid, illegal or unenforceable in any way, the validity, legality and enforceability of the remaining provisions contained herein and therein shall not in any way be affected or impaired thereby (it being understood that the invalidity of a particular provision in a particular jurisdiction shall not in and of itself affect the validity of such provision in any other jurisdiction). The parties shall endeavor in good faith negotiations to replace the invalid, illegal or unenforceable provisions with valid provisions the economic effect of which comes as close as possible to that of the invalid, illegal or unenforceable provisions.

SECTION 9.13 Counterparts. This Agreement may be executed in

counterparts (and by different parties hereto on different counterparts), each of which shall constitute an original but all of which when taken together shall constitute a single contract and shall become effective as provided in Section 9.3. Delivery of an executed signature page to this Agreement by facsimile transmission shall be as effective as delivery of a manually signed counterpart of this Agreement.

SECTION 9.14 Heading. Article and Section headings used herein are for convenience of reference only, are not part of this Agreement and are not to affect the construction of or to be taken into consideration in interpreting, this Agreement.

SECTION 9.15 Jurisdiction; Consent to Service of Process.

(a) Each of the Borrowers hereby irrevocably and unconditionally submits, for itself and its property, to the nonexclusive jurisdiction of any Maryland State court or Federal court of the United States of America sitting in the State of Maryland, and any appellate court from any thereof, in any action or proceeding arising out of or relating to this Agreement or the other Investment Documents, or for recognition or enforcement of any judgment and each of the parties hereto hereby irrevocably and unconditionally agrees that all claims in respect of any such action or proceeding may be heard and determined in the State of Maryland or, to the extent permitted by law, in such Federal court. Each of the parties hereto agrees that a final judgment in any such action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law. Nothing in this Agreement shall affect any right that the Holders may otherwise have to bring any action or proceeding relating to this Agreement or the other Investment Documents against such Borrower or their properties in the courts of any jurisdiction.

(b) Each of the Borrowers hereby irrevocably and unconditionally waives, to the fullest extent it may legally and effectively do so, any objection which it may now or hereafter have to the laying of venue of any suit action or proceeding arising out of or relating to

this Agreement or the other Investment Documents in any Maryland state or Federal court. Each of the parties hereto hereby irrevocably waives, to the fullest extent permitted by law, the defense of an inconvenient forum to the maintenance of such action or proceeding in any such court.

(c) Each party to this Agreement irrevocably consents to service of process in the manner provided for notices in Section 9.1. Nothing in this Agreement will affect the right of any party to this Agreement to serve process in any other manner permitted by law.

SECTION 9.16 Consents and Approvals; Defaults.

(a) Subject to the terms of Section 9.16(c), to the extent that (i) the terms of this Agreement or any of the other Investment Documents require the Borrowers to obtain the consent or approval of the Holders, (ii) the Borrowers seek an amendment to or termination of any of the terms of this Agreement or any of the Investment Documents, or (iii) the Borrowers seek a waiver of any right granted to the Holders under this Agreement or any of the Investment Documents, such consent, approval, action, termination, amendment or waiver (each, an "Approval") shall be made by the Holders of Debentures representing at least 51% of the aggregate principal amount outstanding under all of the Debentures.

(b) Subject to the terms of Section 9.16(c), to the extent that the terms of this Agreement or any of the other Investment Documents require or permit the Holders to take any enforcement action, including but not limited to declaring a payment default or other Event of Default or accelerating amounts due under any of the Investment Documents, each Holder shall be permitted to make such declaration or acceleration and to exercise all of its rights and remedies under the Investment Documents individually as to the obligations of the Borrowers and their Subsidiaries to such Holder subject to the terms of the Subordination Agreement.

(c) Notwithstanding anything to the contrary contained in Section 9.16(a) or 9.16(b), the Holders shall not, without the prior written consent and approval of all of the affected Holders, amend, modify, terminate or obtain a waiver of any provision of this Agreement or any of the Investment Documents, which will have the effect of (i) reducing the principal amount of any Debentures or of any payment required to be made to the Holders hereunder, or modifying the terms of a payment or prepayment thereof; (ii) reducing the Interest Rate, or extend the time for payment of interest under any Debentures; or (iii) releasing the Borrowers, any Guarantor or other obligor from any obligation under this Agreement or any of the other Investment Documents.

(d) Each Holder agrees that, for the benefit of the other

Holders, any proceeds received upon enforcement by such Holder of its rights and remedies under this Agreement, will be divided, pro rata, among all Holders.

SECTION 9.17 Relationship of the Parties; Advice of Counsel. This Agreement provides for the making of an investment by the Holders, in its capacity as an investor, in the Borrowers, in their capacity as borrowers, and for the payment of interest and repayment of principal by the Borrowers to the Holders. The provisions herein for compliance with financial covenants, if any, and delivery of financial statements are intended solely for the benefit of the Holders to protect their interests as investors in assuring payments of interest and repayment of

principal, and nothing contained in this Agreement shall be construed as permitting or obligating the Holders to act as a financial or business advisor or consultant to the Borrowers, as permitting or obligating the Holders to control the Borrowers or to conduct the Borrowers' operations, as creating any fiduciary obligation on the part of the Holders to the Borrowers, or as creating any joint venture, agency or other relationship between the parties other than as explicitly and specifically stated in this Agreement. The Holders are not (and shall not be construed as) a partner, joint venturer, alter-ego, manager, controlling person, operator or other business participant of any kind of the Borrowers; neither the Holders nor the Borrowers intend that the Holders assume such status, and, accordingly, the Holders shall not be deemed responsible for (or a participant in) any acts or omissions of any Borrower or any of its partners. Each of the Holders and each of the Borrowers represents and warrants to the other that it has had the advice of experienced counsel of its own choosing in connection with the negotiation and execution of this Agreement and with respect to all matters contained herein.

SECTION 9.18 Confidentiality Each of the Holders agrees to maintain the confidentiality of the Information (as defined below), except that Information may be disclosed (a) to its and its Affiliates' directors, officers, employees and agents, including accountants, legal counsel and other advisors (it being understood that the Persons to whom such disclosure is made will be informed of the confidential nature of such Information and instructed to keep such Information confidential), (b) to the extent requested by any regulatory authority, (c) to the extent required by applicable laws or regulations or by any subpoena or similar legal process, (d) to any other party to this Agreement, (e) in connection with the exercise of any remedies hereunder or any suit, action or proceeding relating to this Agreement or the enforcement of rights hereunder, (f) subject to an agreement containing provisions substantially the same as those of this Section, to (i) any permitted transferee of any of its rights or obligations under this Agreement or (ii) any direct or indirect contractual counterparty or prospective counterparty (or such contractual counterparty's or prospective counterparty's professional advisor) to any credit derivative transaction relating to obligations of the Company or its Subsidiaries, (g) with the consent of the Borrowers, as applicable, (h) to the extent such Information (i) becomes publicly available other than as a result of a breach of this Section or (ii) becomes available to any Holder on a nonconfidential basis from a source other than the Borrowers provided that such source is not bound by a confidentiality agreement. For the purposes of this Section, "Information" means all information received from the Borrowers or their Subsidiaries relating to the Borrowers or their Subsidiaries or their business, other than any such information that is available to any Holder on a nonconfidential basis prior to disclosure by the Borrowers or their Subsidiaries; provided that, in the case of information received from the Borrowers or any Subsidiary after the Closing Date, such information is clearly identified (in a reasonable manner) at the time of delivery as confidential. Any Person required to maintain the confidentiality of Information as provided in this Section shall be considered to have complied with its obligation to do so if such Person has exercised the same degree of care to maintain the confidentiality of such Information as such Person would accord to its own confidential information.

SECTION 9.19 Registration and Transfer of Debentures.

(a) The Company will keep at its principal office a register in which the Borrowers will provide for the registration of the Debentures and their transfer. The Borrowers may treat any Person in whose name any Debenture is registered on such register as the owner thereof for the purpose of receiving payment of the principal of and interest on such Debenture

and for all other purposes, whether or not such Debenture shall be overdue, and the Borrowers shall not be affected by any notice to the contrary from any Person other than the applicable Holder. All references in this Agreement to a "Holder" of any Debenture shall mean the Person in whose name such Debenture is at the time registered on such register.

(b) Upon surrender of any Debenture for registration of transfer or for exchange to the Company at its principal office, the Borrowers at their expense will execute and deliver in exchange therefor a new Debenture or Debentures, as the case may be, of the same type in denominations of at least $100,000 (except a Debenture may be issued in a lesser principal amount if the unpaid principal amount of the surrendered Debenture is not evenly divisible by, or is less than, $100,000), as requested by the holder or transferee, which aggregate the unpaid principal amount of such Debenture, registered as such holder or transferee may request, dated so that there will be no loss of interest on such surrendered Debenture and otherwise of like tenor.

(c) Upon receipt of evidence reasonably satisfactory to the Company of the loss, theft, destruction or mutilation of any Debenture and, in the case of any such loss, theft or destruction of any Debenture, upon delivery of an indemnity bond in such reasonable amount as the Company may determine (or an unsecured indemnity agreement from the Holder reasonably satisfactory to the Company), or, in the case of any such mutilation, upon the surrender of such Debenture for cancellation to the Company at its principal office, the Borrowers at their expense will execute and deliver, in lieu thereof, a new Debenture of the same class and of like tenor, dated so that there will be no loss of interest on (and registered in the name of the holder of) such lost, stolen, destroyed or mutilated Debenture. Any Debenture in lieu of which any such new Debenture has been so executed and delivered by the Borrowers shall be deemed to be not outstanding for any purpose of this Agreement.

SECTION 9.20 Restatement of Initial Investment Agreement. Pursuant to Sections 9.8 and 9.16 of the Initial Investment Agreement, the parties hereto hereby amend and restate, in its entirety, the Initial Investment Agreement by execution and delivery of this Agreement.

{Signatures next page}

IN WITNESS WHEREOF, the parties hereto have caused this First Amended and Restated Agreement to be duly executed by their respective authorized officers as of the day and year first above written.

COMPANY:

SUNSOURCE INC.

By: /S/ Joseph M. Corvino
Name:
Title:

SIC:

SUNSOURCE INVESTMENT COMPANY, INC.

By: /S/ Joseph M. Corvino
Name:
Title:

HILLMAN:

THE HILLMAN GROUP, INC.

By: /S/ James P. Waters
Name:
Title: V P Finance

LENDER:

ALLIED CAPITAL CORPORATION

By: /S/ Daniel L. Russell
Name:
Title: Principal

SUNSOURCE INC.
2001 STOCK INCENTIVE PLAN

1. ESTABLISHMENT, PURPOSE AND TYPES OF AWARDS

SUNSOURCE INC., a Delaware corporation (the "Company"), hereby establishes the SUNSOURCE INC. 2001 STOCK INCENTIVE PLAN (the "Plan"). The purpose of the Plan is to promote the long-term growth and profitability of the Company by (i) providing key people with incentives to improve stockholder value and to contribute to the growth and financial success of the Company, and (ii) enabling the Company to attract, retain and reward the best-available persons.

The Plan permits the granting of stock options (including incentive stock options qualifying under Code section 422 and nonqualified stock options), stock appreciation rights, restricted or unrestricted stock awards, phantom stock, performance awards, other stock-based awards, or any combination of the foregoing.

2. DEFINITIONS

Under this Plan, except where the context otherwise indicates, the following definitions apply:

(a) "Administrator" means the Board or committee(s) appointed by the Board that administers the Plan in accordance with Section 3 hereof.

(b) "Affiliate" means any entity, whether now or hereafter existing, which controls, is controlled by, or is under common control with, the Company (including, but not limited to, joint ventures, limited liability companies, and partnerships). For this purpose, "control" shall mean ownership of 50% or more of the total combined voting power or value of all classes of stock or interests of the entity.

(c) "Award" means any stock option, stock appreciation right, stock award, phantom stock award, performance award, or other stock-based award.

(d) "Board" means the Board of Directors of the Company.

(e) "Change in Control" means: (i) the closing of a sale of all or substantially all of the assets of the Company; (ii) the acquisition by any Person, as defined in this Section 2(e), of securities of the Company representing 50% or more of the aggregate voting power of the Company's then outstanding common stock; or (iii) the effective time of any merger or acquisition of the Company in which the voting equity securities of the Company (together with all options to acquire such securities whether vested or unvested) beneficially owned by Allied Capital Corporation and the Minority Holders (as defined in the Stockholders Agreement with respect to the Company) is reduced below 51%. For purposes of this Section 2(e), a "PERSON" means any individual, entity or group within the meaning of Section 13(d)(3) or 14(d)(2) of the Securities Exchange Act of 1934, as amended, other than: the Company, employee benefit plans sponsored or maintained by the Company and corporations controlled by the Company.

(f) "Code" means the Internal Revenue Code of 1986, as amended, and any regulations promulgated thereunder.

(g) "Common Stock" means shares of common stock of the Company, par value $0.01 per share.

(h) "Fair Market Value" means, with respect to a share of the Company's Common Stock for any purpose on a particular date, the value determined by the Administrator in good faith. However, if the Common Stock is registered under Section 12(b) or 12(g) of the Securities Exchange Act of 1934, as amended, and listed for trading on a national exchange or market, "Fair Market Value" means, as applicable, (i) either the closing price or the average of the high and low sale price on the relevant date,

as determined in the Administrator's discretion, quoted on the New York Stock Exchange, the American Stock Exchange, or the Nasdaq National Market; (ii) the last sale price on the relevant date quoted on the Nasdaq SmallCap Market; (iii) the average of the high bid and low asked prices on the relevant date quoted on the Nasdaq OTC Bulletin Board Service or by the National Quotation Bureau, Inc. or a comparable

service as determined in the Administrator's discretion; or (iv) if the Common Stock is not quoted by any of the above, the average of the closing bid and asked prices on the relevant date furnished by a professional market maker for the Common Stock, or by such other source, selected by the Administrator. If no public trading of the Common Stock occurs on the relevant date but the shares are so listed, then Fair Market Value shall be determined as of the next preceding date on which trading of the Common Stock does occur. In any case, "Fair Market Value" in the event of a Change in Control may not be less than the value obtained for shares of Common Stock in the Change in Control transaction. For all purposes under this Plan, the term "relevant date" as used in this Section 2(h) means either the date as of which Fair Market Value is to be determined or the next preceding date on which public trading of the Common Stock occurs, as determined in the Administrator's discretion.

(i) "Grant Agreement" means a written document memorializing the terms and conditions of an Award granted pursuant to the Plan and shall incorporate the terms of the Plan.

3. ADMINISTRATION

(a) Administration of the Plan. The Plan shall be administered by the Board or by such committee or committees as may be appointed by the Board from time to time (the Board, committee or committees hereinafter referred to as the "Administrator").

(b) Powers of the Administrator. The Administrator shall have all the powers vested in it by the terms of the Plan, such powers to include authority, in its sole and absolute discretion, to grant Awards under the Plan, prescribe Grant Agreements evidencing such Awards and establish programs for granting Awards.

The Administrator shall have full power and authority to take all other actions necessary to carry out the purpose and intent of the Plan, including, but not limited to, the authority to: (i) determine the eligible persons to whom, and the time or times at which Awards shall be granted; (ii) determine the types of Awards to be granted; (iii) determine the number of shares to be covered by or used for reference purposes for each Award; (iv) impose such terms, limitations, restrictions and conditions upon any such Award as the Administrator shall deem appropriate; (v) modify, amend, extend or renew outstanding Awards, or accept the surrender of outstanding Awards and substitute new Awards (provided however, that, any modification that would materially adversely affect any outstanding Award shall not be made without the consent of the holder); (vi) accelerate or otherwise change the time in which an Award may be exercised or becomes payable and to waive or accelerate the lapse, in whole or in part, of any restriction or condition with respect to such Award, including, but not limited to, any restriction or condition with respect to the vesting or exercisability of an Award following termination of any grantee's employment or other relationship with the Company; (vii) establish objectives and conditions, if any, for earning Awards and determining whether Awards will be paid after the end of a performance period; and (viii) for any purpose, including but not limited to, qualifying for preferred tax treatment under foreign tax laws or otherwise complying with the regulatory requirements of local or foreign jurisdictions, to establish, amend, modify, administer or terminate sub-plans, and prescribe, amend and rescind rules and regulations relating to such sub-plans.

The Administrator shall have full power and authority, in its sole and absolute discretion, to administer and interpret the Plan, Grant Agreements and all other documents relevant to the Plan and Awards issued thereunder, and to adopt and interpret such rules, regulations, agreements, guidelines and instruments for the administration of the Plan and for the conduct of its business as the Administrator deems necessary or advisable.

(c) Non-Uniform Determinations. The Administrator's determinations under the Plan (including without limitation, determinations of the persons to receive Awards, the form, amount and timing of such Awards, the terms and provisions of such Awards and the Grant Agreements evidencing such Awards) need not be uniform and may be made by the Administrator selectively among persons who receive, or are eligible to receive, Awards under the Plan, whether or not such persons are similarly situated.

(d) Limited Liability. To the maximum extent permitted by law, no member of the Administrator shall be liable for any action taken or decision made in good faith relating to the Plan or any Award

thereunder.

(e) Indemnification. To the maximum extent permitted by law and by the Company's charter and by-laws, the members of the Administrator shall be indemnified by the Company in respect of all their activities under the Plan.

(f) Effect of Administrator's Decision. All actions taken and decisions and determinations made by the Administrator on all matters relating to the Plan pursuant to the powers vested in it hereunder shall be in the Administrator's sole and absolute discretion and shall be conclusive and binding on all parties concerned, including the Company, its stockholders, any participants in the Plan and any other employee, consultant, or director of the Company, and their respective successors in interest.

4. SHARES AVAILABLE FOR THE PLAN

Subject to adjustments as provided in Section 7(d) of the Plan, the shares of Common Stock that may be issued with respect to Awards granted under the Plan shall not exceed an aggregate of 1,364,495 shares of Common Stock. The Company shall reserve such number of shares for Awards under the Plan, subject to adjustments as provided in Section 7(d) of the Plan. If any Award, or portion of an Award, under the Plan expires or terminates unexercised, becomes unexercisable or is forfeited or otherwise terminated, surrendered or canceled as to any shares, or if any shares of Common Stock are surrendered to the Company in connection with any Award (whether or not such surrendered shares were acquired pursuant to any Award), or if any shares are withheld by the Company, the shares subject to such Award and the surrendered and withheld shares shall thereafter be available for further Awards under the Plan; provided, however, that any such shares that are surrendered to or withheld by the Company in connection with any Award or that are otherwise forfeited after issuance shall not be available for purchase pursuant to incentive stock options intended to qualify under Code section 422.

5. PARTICIPATION

Participation in the Plan shall be open to all employees, officers, and directors of, and other individuals providing bona fide services to or for, the Company, or of any Affiliate of the Company, as may be selected by the Administrator from time to time. The Administrator may also grant Awards to individuals in connection with hiring, retention or otherwise, prior to the date the individual first performs services for the Company or an Affiliate, provided that such Awards shall not become vested or exercisable prior to the date the individual first commences performance of such services.

6. AWARDS

The Administrator, in its sole discretion, establishes the terms of all Awards granted under the Plan. Awards may be granted individually or in tandem with other types of Awards. All Awards are subject to the terms and conditions provided in the Grant Agreement. The Administrator may permit a recipient of an Award to defer such individual's receipt of the payment of cash or the delivery of Common Stock that would otherwise be due to such individual by virtue of the exercise of, payment of, or lapse or waiver of restrictions respecting, any Award. If any such payment deferral is permitted, the Administrator shall, in its sole discretion, establish rules and procedures for such payment deferrals.

(a) Stock Options. The Administrator may from time to time grant to eligible participants Awards of incentive stock options as that term is defined in Code section 422 or nonstatutory stock options; provided, however, that Awards of incentive stock options shall be limited to employees of the Company or of any current or hereafter existing "parent corporation" or "subsidiary corporation," as defined in Code sections 424(e) and (f), respectively, of the Company. Options intended to qualify as incentive stock options under Code section 422 must have an exercise price at least equal to Fair Market Value as of the date of grant, but nonstatutory stock options may be granted with an exercise price less than Fair Market Value. No stock option shall be an incentive stock option unless so designated by the Administrator at the time of grant or in the Grant Agreement evidencing such stock option.

(b) Stock Appreciation Rights. The Administrator may from time to time grant to eligible participants Awards of Stock Appreciation Rights ("SAR"). An SAR entitles the grantee to receive, subject to the provisions of the Plan and the Grant Agreement, a payment having an aggregate value equal to the product of (i) the excess of (A) the Fair Market Value on the exercise date of one share of Common Stock over (B) the base price per share specified in the

Grant Agreement, times (ii) the number of shares specified by the SAR, or portion thereof, which is exercised. Payment by the Company of the amount receivable upon any exercise of an SAR may be made by the delivery of Common Stock or cash, or any combination of Common Stock and cash, as determined in the sole discretion of the Administrator. If upon settlement of the exercise of an SAR a grantee is to receive a portion of such payment in shares of Common Stock, the number of shares shall be determined by dividing such portion by the Fair Market Value of a share of Common Stock on the exercise date. No fractional shares shall be used for such payment and the Administrator shall determine whether cash shall be given in lieu of such fractional shares or whether such fractional shares shall be eliminated.

(c) Stock Awards. The Administrator may from time to time grant restricted or unrestricted stock Awards to eligible participants in such amounts, on such terms and conditions, and for such consideration, including no consideration or such minimum consideration as may be required by law, as it shall determine. A stock Award may be paid in Common Stock, in cash, or in a combination of Common Stock and cash, as determined in the sole discretion of the Administrator.

(d) Phantom Stock. The Administrator may from time to time grant Awards to eligible participants denominated in stock-equivalent units ("phantom stock") in such amounts and on such terms and conditions as it shall determine. Phantom stock units granted to a participant shall be credited to a bookkeeping reserve account solely for accounting purposes and shall not require a segregation of any of the Company's assets. An Award of phantom stock may be settled in Common Stock, in cash, or in a combination of Common Stock and cash, as determined in the sole discretion of the Administrator. Except as otherwise provided in the applicable Grant Agreement, the grantee shall not have the rights of a stockholder with respect to any shares of Common Stock represented by a phantom stock unit solely as a result of the grant of a phantom stock unit to the grantee.

(e) Performance Awards. The Administrator may, in its discretion, grant performance awards which become payable on account of attainment of one or more performance goals established by the Administrator. Performance awards may be paid by the delivery of Common Stock or cash, or any combination of Common Stock and cash, as determined in the sole discretion of the Administrator. Performance goals established by the Administrator may be based on the Company's or an Affiliate's operating income or one or more other business criteria selected by the Administrator that apply to an individual or group of individuals, a business unit, or the Company or an Affiliate as a whole, over such performance period as the Administrator may designate.

(f) Other Stock-Based Awards. The Administrator may from time to time grant other stock-based awards to eligible participants in such amounts, on such terms and conditions, and for such consideration, including no consideration or such minimum consideration as may be required by law, as it shall determine. Other stock-based awards may be denominated in cash, in Common Stock or other

securities, in stock-equivalent units, in stock appreciation units, in securities or debentures convertible into Common Stock, or in any combination of the foregoing and may be paid in Common Stock or other securities, in cash, or in a combination of Common Stock or other securities and cash, all as determined in the sole discretion of the Administrator.

7. MISCELLANEOUS

(a) Withholding of Taxes. Grantees and holders of Awards shall pay to the Company or its Affiliate, or make provision satisfactory to the Administrator for payment of, any taxes required to be withheld in respect of Awards under the Plan no later than the date of the event creating the tax liability. The Company or its Affiliates may, to the extent permitted by law, deduct any such tax obligations from any payment of any kind otherwise due to the grantee or holder of an Award. In the event that payment to the Company or its Affiliate of such tax obligations is made in shares of Common Stock, such shares shall be valued at Fair Market Value on the applicable date for such purposes and shall not exceed in amount the minimum statutory tax withholding obligation.

(b) Loans. The Company or its Affiliate may make or guarantee loans to grantees to assist grantees in exercising Awards and satisfying any withholding tax obligations.

(c) Transferability. Except as otherwise determined by the Administrator, and in any event in the case of an incentive stock option or a stock appreciation right granted with respect to an

incentive stock option, no Award granted under the Plan shall be transferable by a grantee otherwise than by will or the laws of descent and distribution. Unless otherwise determined by the Administrator in accord with the provisions of the immediately preceding sentence, an Award may be exercised during the lifetime of the grantee, only by the grantee or, during the period the grantee is under a legal disability, by the grantee's guardian or legal representative.

(d) Adjustments for Corporate Transactions and Other Events. Except as otherwise provided in an individual Grant Agreement:

(i) Stock Dividend, Stock Split and Reverse Stock Split. In the event of a stock dividend of, or stock split or reverse stock split affecting, the Common Stock, (A) the maximum number of shares of such Common Stock as to which Awards may be granted under this Plan, as provided in Section 4 of the Plan, and (B) the number of shares covered by and the exercise price and other terms of outstanding Awards, shall, without further action of the Board, be adjusted to reflect such event. The Administrator may make adjustments, in its discretion, to address the treatment of fractional shares and fractional cents that arise with respect to outstanding Awards as a result of the stock dividend, stock split or reverse stock split.

(ii) Non-Change in Control Transactions. Except with respect to the transactions set forth in Section 7(d)(i), in the event of any change affecting the Common Stock, the Company or its capitalization, by reason of a spin-off, split-up, dividend, recapitalization, merger, consolidation, reorganization or share exchange, other than any such change that is part of a transaction resulting in a Change in Control of the Company, the Administrator, in its discretion and without the consent of the holders of the Awards, shall make (A) appropriate and equitable adjustments to the maximum number and kind of shares reserved for issuance or with respect to which Awards may be granted under the Plan, as provided in Section 4 of the Plan; and (B) equitable adjustments in outstanding Awards, including but not limited to modifying the number, kind and price of securities subject to Awards, whenever the Administrator determines that such adjustments are appropriate in order to prevent dilution or enlargement of the benefits or potential benefits intended to be made available under the Options or

the Plan. The Administrator shall, in the good faith exercise of its discretion, reduce the exercise price of outstanding Awards to reflect the diminution in the equity value of the Company as a result of the sale of the assets of SunSource Technology Services, LLC and/or the distribution of the Company's interest in GC-Sun Holdings L.P.

(iii) Change in Control Transactions. In the event of any transaction resulting in a Change in Control of the Company, outstanding stock options and SARs under this Plan will terminate upon the effective time of such Change in Control unless provision is made in connection with the transaction for the continuation or assumption of such Awards by, or for the substitution of the equivalent awards of, the surviving or successor entity or a parent thereof. In the

event of such termination, (A) the outstanding stock options and SARs that will terminate upon the effective time of the Change in Control shall become fully vested immediately before the effective time of the Change in Control, (B) the Company shall provide written notice of the Change in Control transaction at least twenty days prior to the effective time of such Change in Control to those holders of stock options and SARs under the Plan who are no longer employed by the Company, and (C) the holders of stock options and SARs under the Plan will be permitted, for a period of at least twenty days prior to the effective time of the Change in Control, to exercise all portions of such Awards that are then exercisable or which become exercisable upon or prior to the effective time of the Change in Control; provided, however, that any such exercise of any portion of such an Award which becomes exercisable upon the same date as the Change in Control occurs shall be deemed to occur immediately prior to the effective time of such Change in Control.

(e) Substitution of Awards in Mergers and Acquisitions. Awards may be granted under the Plan from time to time in substitution for awards held by employees, officers, consultants or directors of entities who become or are about to become employees, officers, consultants or directors of the Company or an Affiliate as the result of a merger or consolidation of the employing entity with the Company or an Affiliate, or the acquisition by the Company or an Affiliate of the assets or stock of the employing entity. The terms and conditions of any substitute Awards so granted may vary from the terms and conditions set forth herein to the extent that the Administrator deems appropriate at the time of grant to conform the substitute Awards to the provisions of the awards for which they are substituted.

(f) Other Agreements. As a condition precedent to the grant of any Award under the Plan, the exercise pursuant to such an Award, or to the delivery of certificates for shares issued pursuant to any Award, the Administrator may require the grantee or the grantee's successor or permitted transferee, as the case may be, to become a party to a stock restriction agreement, shareholders' agreement, voting trust agreement or other agreements regarding the Common Stock of the Company in such form(s) as the Administrator may determine from time to time.

(g) Termination, Amendment and Modification of the Plan. The Board may terminate, amend or modify the Plan or any portion thereof at any time; provided, that any such termination, amendment or modification would not cause an adverse change to any outstanding Awards.

(h) Non-Guarantee of Employment or Service. Nothing in the Plan or in any Grant Agreement thereunder shall confer any right on an individual to continue in the service of the Company or shall interfere in any way with the right of the Company to terminate such service at any time with or without cause or notice and whether or not such termination results in (i) the failure of any Award to vest; (ii) the forfeiture of any unvested or vested portion of any Award; and/or (iii) any other adverse effect on the individual's interests under the Plan.

(i) Compliance with Securities Laws; Listing and Registration. If at any time the Administrator determines that the delivery of Common Stock under the Plan is or may be unlawful under the laws of any applicable jurisdiction, or Federal or state securities laws, the right to exercise an Award or receive shares of Common Stock pursuant to an Award shall be suspended until the Administrator determines that such delivery is lawful, and in the event that such suspension occurs within the one year period immediately preceding the expiration of the exercise period of the Award, such exercise period Award will be extended for the period of the suspension. The Company shall use its reasonable efforts to effect any required registration or qualification of the Common Stock under state or foreign laws.

The Company may require that a grantee, as a condition to exercise of an Award, and as a condition to the delivery of any share certificate, make such written representations (including

representations to the effect that such person will not dispose of the Common Stock so acquired in violation of Federal, state or foreign securities laws) and furnish such information as may, in the opinion of counsel for the Company, be appropriate to permit the Company to issue the Common Stock in compliance with applicable Federal, state or foreign securities laws. The stock certificates for any shares of Common Stock issued pursuant to this Plan may bear a legend restricting transferability of the shares of Common Stock unless such shares are registered or an exemption from registration is available under the Securities Act of 1933, as amended, and applicable state or foreign securities laws.

(j) No Trust or Fund Created. Neither the Plan nor any Award shall create or be construed to create a trust or separate fund of any kind or a fiduciary relationship between the Company and a grantee or any other person. To the extent that any grantee or other person acquires a right to receive payments from the Company pursuant to an Award, such right shall be no greater than the right of any unsecured general creditor of the Company.

(k) Governing Law. The validity, construction and effect of the Plan, of Grant Agreements entered into pursuant to the Plan, and of any rules, regulations, determinations or decisions made by the Administrator relating to the Plan or such Grant Agreements, and the rights of any and all persons having or claiming to have any interest therein or thereunder, shall be determined exclusively in accordance with applicable federal laws and the laws of the State of Delaware without regard to its conflict of laws principles.

(l) Effective Date; Termination Date. The Plan is effective as of the date on which the Plan is adopted by the Board, subject to approval of the stockholders within twelve months before or after such date. No Award shall be granted under the Plan after the close of business on the day immediately preceding the tenth anniversary of the effective date of the Plan, or if earlier, the tenth anniversary of the date this Plan is approved by the stockholders. Subject to other applicable provisions of the Plan, all Awards made under the Plan prior to such termination of the Plan shall remain in effect until such Awards have been satisfied or terminated in accordance with the Plan and the terms of such Awards.

EXHIBIT 10.7

EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT (the "AGREEMENT") is entered into by and between Joseph M. Corvino, ("YOU") and SunSource, Inc., a Delaware corporation (the "COMPANY") and will be effective as of the "EFFECTIVE DATE" as stated in Section 13(c) of this Agreement.

WHEREAS, you will be employed as a Senior Vice President of the Company; and

WHEREAS, the Company has hired you and is willing to continue your employment based on your particular qualifications, on the condition that you shall enter into this Agreement and shall fully perform all the responsibilities and duties and strictly observe all of your obligations hereunder;

NOW, THEREFORE, in consideration of your employment by the Company and the compensation to be paid by the Company to you in connection therewith and for other good and valuable consideration, you and the Company hereby agree as follows:

1. Position and Responsibilities.

(a) Position. The Company agrees to employ you as a Senior Vice President of the Company throughout the Term (defined below). You shall report to the Chairman of the Board of Directors. Your duties shall include managing the transition of the Company's corporate headquarters from Philadelphia to Cincinnati (and closing the Philadelphia office), managing financial reporting, overseeing the effective management of lawsuits and environmental issues, managing corporate governance, assisting in transitions related to tax and treasury functions and mergers/acquisitions and performing other duties as may from time to time be assigned by the Chairman of the Board.

(b) Responsibilities. You shall devote your full business efforts and time to the Company and perform the responsibilities assigned to you in accordance with the standards and policies that the Company may from time to time establish. You shall not render services to any other person or entity or serve on the board of directors of any other entity without the written consent of the Chairman of the Board, and such consent will not be unreasonably withheld. The Chairman will have the right to revoke such consent if at any time during the Term the Chairman determines that such revocation is necessary to protect the Company's legitimate business interests; provided however, that nothing contained herein shall preclude you from engaging in appropriate civic, charitable or religious activities or from devoting a reasonable amount of time to private investments that do not interfere or conflict with your responsibilities and are not injurious to the Company.. If the consent is revoked, you will have a reasonable period of time in which to withdraw from the activity or investment for which consent has been revoked. You and the Company agree that your position is essential to the Company's success and that the highest level of performance is required from you.

2. Term of Employment.

(a) Basic Rule. The Company agrees to employ you, and you agree to remain in employment with the Company, from the Effective Date until the fourth anniversary of such date (the "TERM"), unless your employment terminates earlier pursuant to Section 5 below.

(b) Renewal of Term. On the fourth (4th) anniversary and on each subsequent anniversary of the Effective Date, the Term shall be renewable for additional one-year periods upon the mutual written agreement of both parties.

3. Compensation.

(a) Base Compensation. You will be entitled to receive base compensation during the Term ("BASE COMPENSATION"). Your Base Compensation for the first year of the Term shall be at the annual rate of $250,000 per year and your annual Base Compensation for the remainder of the Term shall not be less than that amount. Base Compensation shall be paid in equal biweekly installments, less deductions required by law. The Board will review and may adjust your Base Compensation periodically, usually annually on or about February 1st. Such review shall be in accordance with performance criteria to be determined by the Company in its sole discretion.

(b) Bonus Compensation. You shall receive bonus compensation for 2001 in accordance with the performance targets established in January, 2001 by the Company for 2001, payable during the first quarter of 2002. During the remainder of the the Term, usually on an annual basis, you shall be eligible to receive an additional cash payment of up to 80% of Base Compensation (less

deductions required by law) ("BONUS COMPENSATION"), which shall be determined with reference to your performance in accordance with performance criteria to be determined by the Board in its sole discretion for each calendar year.

(c) Stock Options and Deferred Compensation. During the Term, you will be eligible to participate in the Company's Stock Option Plan and Deferred Compensation Plan.

(d) Business Expenses. During the Term, the Company shall pay or reimburse you for all ordinary and reasonable business-related expenses you incur in the performance of your duties under this Agreement. The Company will reimburse you for all such expenses upon the presentation by you of an itemized account of such expenditures, together with supporting receipts and other appropriate documentation.

4. Employee Benefits.

(a) In General. During the Term, you shall be eligible to participate in the employee benefit plans and executive compensation and perquisite programs that the Company may provide, including but not limited to health, and insurance plans and 401k, subject in each case to the generally applicable terms and conditions of the plan or program in question and to the determinations of any person or committee administering such plan or program. The Company reserves the right to modify or terminate these plans at any time. The Company will provide

you during the Term with benefits and perquisites that are reasonably comparable to those in effect immediately prior to the Effective Date.

(b) Paid Holidays. You shall be entitled to take ten (10) paid holidays per year as specified by Company policy from time to time for all of the Company's employees.

(c) Vacation. You shall be entitled to take five (5) weeks of vacation per year.

5. Termination of Employment. Upon the effective date of termination of your employment with the Company (the "TERMINATION DATE"), you will not be eligible for further compensation, benefits or perquisites under Sections 3 and 4 of this Agreement, other than those that have already accrued and, with regard to Bonus Compensation, a pro rata share of your Bonus Compensation for that year. Termination of your employment may occur under any of the following circumstances:

(a) Company's Termination of Employment. The Company has the right to terminate your employment at any time, with or without Cause. For all purposes under this Agreement, "CAUSE" shall mean:

(i) A willful failure to substantially perform your duties under this Agreement, other than failure resulting from complete or partial incapacity due to physical or mental illness or impairment;

(ii) A willful act which constitutes gross misconduct or fraud and which is injurious to the Company;

(iii) Conviction of, or plea of "guilty" or "no contest" to a felony; or

(iv) A material breach of any duty owed to the Company, including the duty of loyalty and the confidentiality agreement.

No act, or failure to act, by you shall be considered "willful" unless committed without good faith and without a reasonable belief that the act or omission was lawful and in the Company's best interest.

(b) Your Resignation from Employment. You have the right to resign your employment with the Company at any time, with or without Cause or Good Reason. You agree to provide the Company thirty (30) days prior written notice of resignation. The Company may in its sole discretion place you on administrative leave as of any date prior to the end of such thirty (30) day notice period and request that you no longer be present on Company premises. During any period of paid administrative leave, you will not be authorized to act as a representative, or make any statements on behalf of, the Company.

(c) Death or Disability.

(i) Your employment shall be deemed to have been terminated by you upon your (A) death or (B) inability to perform your duties under this Agreement, even with reasonable accommodation, for more than twenty-six (26) weeks, whether or not consecutive, in any twelve-month period ("DISABILITY"). Termination will be effective upon the occurrence of such event.

(ii) If your employment ends as a result of death or Disability, you or your estate will receive:

(A) A payment for your accrued base salary and vacation and pro rata share of your bonus for that year; and

(B) In accordance with the Stock Option Plan, your vested stock options and the acceleration of vesting of any options that would have vested during the one-year period after the date of death or disability.

6. Defined Conditions:

(a) Change in Control. Change in Control shall mean the occurrence of any of the following events after the Effective Date of this Agreement:

(i) the sale of substantially all of the assets of the Company;

(ii) the acquisition by any person or group of persons acting in concert (other than the Company or an affiliate or an employee pension benefit plan of the Company or a trust established under such plan) of securities of the Company representing 50% or more of the aggregate voting power of the Company's then-outstanding common stock; or

(iii) a merger or acquisition of the Company in which the voting equity securities of the Company (together with all options to acquire such securities whether vested or unvested) beneficially owned by Allied Capital Corporation and the Minority Holders (as defined in the Stockholders Agreement with respect to the Company) is reduced below 51%.

Notwithstanding the foregoing, a transaction involving an acquisition or sale of the Company or its assets solely between or among its affiliates would not constitute a Change In Control.

(b) Good Reason. For purposes of this Agreement, Good Reason shall mean that the Company:

(i) has adversely changed your position from the position specified in Section 1 of this Agreement;

(ii) has adversely changed your duties or authority such that they are no longer consistent with the duties specified in Section 1 of the Agreement;

(iii) has reassigned you to a work location that is more than 75 miles from your present work location;

(iv) has removed you from the Board of Directors of the Company for any reason other than for Cause, if at any time during the Term you have become a member of the Board; or

(iv) has materially breached this Agreement.

7. Severance Payments.

(a) Termination Without Cause or Resignation for Good Reason.

(1) Amount of Severance Compensation. If during the Term the Company terminates your employment without Cause, except as provided for in Section 7(b), or you resign with Good Reason, the Company will pay you two times your annual Base and Bonus Compensation and benefits as provided below ("Severance Compensation"). To receive such payments you must within forty-five (45) days of your Termination Date sign a release of any and all claims in the form provided by the Company. Such payments shall begin at the later of (a) the first pay period following your Termination Date or (b) ten (10) days after you deliver the signed release to the Company.

(2) Payment of Severance Compensation. The Company shall pay the Severance Compensation as follows:

(A) continue to pay on a biweekly basis your Base Compensation in accordance with the rate in effect on the Termination Date, ;

(B) pay you Bonus Compensation on the same annual schedule as if you continued to be employed and payments of such Bonus Compensation shall be calculated on a pro rata basis using the rate for a full calendar year that is equal to the greater of either:

i) the average of your annual bonuses for the preceding three years or,

ii) the amount of the last annual bonus you received prior to the Termination Date.

(C) pay your monthly COBRA payments for any period of time that you have applied and qualify for COBRA coverage, and continue

your life insurance and disability insurance coverage to the extent permitted under the applicable benefit plans

This Severance Compensation shall be subject to usual and required withholding. In the event that your death occurs prior to the completion of payment of Severance Compensation, the remainder of your Severance Compensation will be paid in a single lump sum to your estate.

(b) Termination After Change in Control Or After the Term. If 1) during the Term the Company terminates your employment without cause after a Change In Control that occurs on or after the third anniversary of the Effective Date or 2) after the Term expires the Company terminates your employment without Cause or you resign your employment for Good Reason, or because of a reduction in your Base Compensation, you will not be eligible for Severance Compensation under Section 7(a), but, provided that you sign a release of any and all claims in the form provided by the Company within forty-five (45) days your Termination Date, you shall be entitled to:

(1) Compensation. A lump sum paid within 30 days after your Termination Date that is equal to the total of:

(A) an amount equal to your Base Compensation for one (1) year which shall not be less than the greater of 1) the rate in effect on the Termination Date or 2) the rate in effect at the end of the Term, less deductions required by law; and

(B) an amount equal to the greater of either:

1) the annual average of your last three annual bonuses prior to the Termination Date, or

2) the amount of the last annual bonus you received prior to the Termination Date.

(2) COBRA Payments. The Company will pay your monthly COBRA payments for any period of time that you have applied and qualify for COBRA coverage and continue your life insurance and disability income insurance to the extent permitted under the applicable plans.

(c) No Mitigation. You shall not be required to mitigate the

amount of any payment contemplated by this Section 7, nor shall any such payment be reduced by any earnings that you may receive from any other source.

8. Other Obligations.

You warrant that you are not subject to any other obligations that would conflict with or inhibit your ability to perform your duties under this Agreement. You further warrant that you have not and will not bring to the Company or use in the performance of your responsibilities at

the Company any equipment, supplies, facility or trade secret information (that is not generally available to the public) of any current or former employer or organization other than the Company to which you provided services, unless you have obtained written authorization for their possession and use.

9. Confidential Information.

You shall not disclose or use at any time, either during or after the Termination Date, any confidential information ("CONFIDENTIAL INFORMATION") (defined below) of the Company, whether patentable or not, which you learn as a result of your employment with the Company, whether or not you developed such information. Confidential Information shall include, without limitation, information regarding the Company's, it customers' or its business partners' trade secrets and:

- any information about existing and prospective investments;
- financing information and sources;
- patent applications, developmental or experimental work, formulas, test data, prototypes, models, and product specifications;
- financial information;
- financial projections and pro forma financial information;
- sales and marketing strategies, plans and programs and product development information;
- employees' and consultants' benefits, perquisites, salaries, stock options, compensation, formulas or bonuses, and their non-business addresses and telephone numbers;
- organizational structure and reporting relationships; and
- business plans.

Information that is or later becomes publicly available in a manner wholly unrelated to any breach of this Agreement by you will not be considered Confidential Information as of the date it enters the public domain. If you are uncertain whether something is Confidential Information you should treat it as Confidential Information until you receive clarification from the Company that it is not Confidential Information. Confidential Information shall remain at all times the property of the Company. You may use or disclose Confidential Information only:

(a) as authorized and necessary in performing your responsibilities under this Agreement during your employment with the Company; or

(b) with the Board's prior written consent; or

(c) in a legal proceeding between you and the Company to establish the rights of either party under this Agreement, provided that you stipulate to a protective order to prevent any unnecessary use or disclosure;

(d) with respect to employees whose home addresses or telephone numbers are personally known to you, you may disclose on an occasional and infrequent basis such information about a single employee to a person who is known to and has a pre-existing relationship with such employee; you agree that you will indemnify the Company for the defense of and any liability resulting from any objection or claim based on such disclosure by such employee against you or the Company; or

(e) subject to a compulsory legal process that requires disclosure of such information, provided that you have complied with the following procedures to ensure that the Company has an adequate opportunity to protect its legal interests in preventing disclosure.

Upon receipt of a subpoena that could possibly require disclosure of Confidential Information, you shall provide a copy of the compulsory process and complete information regarding the circumstances under which you received it to the Company by hand delivery within a reasonable period of time, and generally within twenty-four (24) hours. You will not make any disclosure until the latest possible date for making such disclosure in accordance with the compulsory process ("LATEST POSSIBLE DATE"). If the Company seeks to prevent disclosure in accordance with the applicable legal procedures, and provides you with notice before the Latest Possible Date that it has initiated such procedures, you will not make disclosures of any Confidential Information that is the subject of such procedures, until such objections are withdrawn or ruled on.

You hereby acknowledge that any breach of this Section 9 would cause the Company irreparable harm.

10. Non-Solicitation.

For two (2) years from the Termination Date, you will not, directly or indirectly, individually or as part of or on behalf of any other person, company, employer or other entity, hire or attempt to solicit for hire, any persons who are employed by the Company in any capacity as a part of the sales force or selling organization/division(s) of the Company, or employed in any capacity in the Company in which their compensation exceeds $60,000 per year (indexed by an inflationary factor tied to the consumer price index annually) within six months of the Termination Date until at least six (6) months after the person's employment with the Company ends ("COVERED EMPLOYEE"). If any Covered Employee accepts employment with any person, company, employer or other entity of which you are an officer, director, employee, partner, shareholder (other than of less than 5% of the stock or equity of any corporation or business entity) or joint venture, it will be presumed that the Covered Employee was hired in violation of this provision ("PRESUMPTION"). This Presumption may only be overcome by your showing by a preponderance of the evidence that you were not directly or indirectly involved in soliciting or

encouraging the Covered Employee to leave employment with the Company. You agree to notify any person or entity to which you provide services within one year of the Termination Date of the terms of your obligations under this Section 10. The parties agree that any breach of this Section 10 will entitle the Company to injunctive relief enforcing this Section 10 and to damages equal to the greater of the actual damages proven or liquidated damages of three times the amount of the annual total compensation of any person solicited or hired in breach of this Section 10. The parties are agreeing to liquidated damages as an option to actual damages in recognition that the Company's employees are its most valuable asset, but it is often difficult to prove the actual damages resulting from such a breach.

11. Indemnification.

During the Term and at all times thereafter, you shall be indemnified by the Company to the fullest extent permitted by the laws of the State of Delaware from any claims or actions based upon any acts or omissions, or alleged acts or omissions, by you which arise out of or are related to your employment with the Company. You shall be a beneficiary of any directors' and officers' liability insurance policy maintained by the Company as long as you remain an officer or director.

12. Return of Property.

Upon termination of your employment with the Company for any reason, you agree to immediately return to the Company all property belonging to the Company. This includes all documents and other information prepared by you or on your behalf or provided to you in connection with your duties under this Agreement, regardless of the form in which such documents or information are maintained or stored, including computer, typed, written, imaged, audio, video, micro-fiche, electronic or any other means of recording or storing documents or other information. You hereby warrant that you will not retain in any form any such document or other information or copies thereof, except as provided in the following sentence. You may retain a copy of this Agreement and information describing any rights you may have after the Termination Date under any employee benefit plan or other agreements.

13. Miscellaneous Provisions.

(a) Notices. Unless otherwise provided herein, any notice or other information to be provided to the Company will be sent by overnight delivery with acknowledgement of receipt requested, to:

Chairman, Board of Directors
SunSource, Inc.
One Logan Square
Philadelphia, PA

cc: Sally D. Garr, Esq.
Patton Boggs, LLP
2550 M Street, N.W.
Washington, D.C. 20037

Any notice or other information to be provided to you will be sent by overnight delivery with acknowledgement of receipt requested, to:

Joseph M. Corvino
1420 Ardleigh Circle
West Chester, PA 19380

(b) Dispute Resolution. You and the Company agree that any dispute between you and the Company will be finally resolved by binding arbitration in accordance with the Federal Arbitration Act ("FAA"). You and the Company agree to follow the Dispute Resolution Procedures set forth in Attachment A to this Agreement.

(c) Nature of Agreement. This Agreement and the attachments hereto constitute the entire agreement between you and the Company and supercede all prior agreements and understandings and any rights or obligations thereto between you and the Company with respect to the subject matter hereof. In making this Agreement, the parties warrant that they did not rely on any representations or statements other than those contained in this Agreement. No provision of this Agreement shall be modified, waived or discharged unless the modification, waiver or discharge is agreed to in writing and signed by you and by the Chairman of the Board for the Company. No waiver by either party of any breach of, or of compliance with, any condition or provision of this Agreement by the other party shall be considered a waiver of any other condition or provision or of the same condition or provision at another time. Regardless of the choice of law provisions of Delaware or any other jurisdiction, the parties agree that this Agreement shall be otherwise interpreted, enforced and governed by the laws of the State of Delaware. This Agreement shall be binding on the Company's successors and assigns and on you, your heirs and personal representatives. This Agreement will continue in effect until all obligations under it are fulfilled. You may not assign this Agreement, either voluntarily or involuntarily. The invalidity or unenforceability of any provision or provisions of this Agreement shall not affect the validity or enforceability of any other provision hereof, which shall remain in full force and effect and this Agreement shall be interpreted as if the unenforceable provision had not been included in it. This Agreement may be executed in any number of counterparts each of which shall be an original, but all of which together shall constitute one instrument. This Agreement will be effective as of the Effective Time stated in Section 1.3 of The Agreement and Plan of Merger dated _____ between Allied Capital Corporation, Allied Capital Lock Acquisition Corporation and SunSource, Inc. ("EFFECTIVE DATE"). The headings in this Agreement are for convenience only and shall not effect the interpretation of this Agreement. You further certify that you fully understand the terms of this Agreement and have entered into it knowingly and voluntarily.

IN WITNESS WHEREOF, each of the parties has executed this Agreement, in the case of the Company by its authorized officer, as of the day and year set forth under their signatures below.

SUNSOURCE, INC.

/s/ JOSEPH M. CORVINO
- ---------------------------------
EMPLOYEE

Date: June 18, 2001

By: /s/ MAURICE P. ANDRIEN, JR.

Date: June 18, 2001

ATTACHMENT A

DISPUTE RESOLUTION PROCEDURES

The parties agree to make a good faith effort to informally resolve any dispute before submitting the dispute to arbitration in accordance with the following procedures:

(i) The party claiming to be aggrieved shall furnish to the other a written statement of the grievance, all persons whose testimony would support the grievance, and the relief requested or proposed. The written statements must be delivered to the other party within the time limits for bringing an administrative or court action based on that claim.

(ii) If the other party does not agree to furnish the relief requested or proposed, or otherwise does not satisfy the demand of the party claiming to be aggrieved within 30 days and the aggrieved party wishes to pursue the issue, the aggrieved party shall by written notice demand that the dispute be submitted to non-binding mediation before a mediator jointly selected by the parties.

(iii) If mediation does not produce a resolution of the dispute and either party wishes to pursue the issue, that party shall request arbitration of the dispute by giving written notice to the other party within 30 days after mediation. The parties will attempt to agree on a mutually acceptable arbitrator and, if no agreement is reached, the parties will request a list of nine arbitrators from the American Arbitration Association and select by alternately striking names. Regardless of whether the American Arbitration Association administers the arbitration, the arbitration will be conducted consistent with the American Arbitration Association's National Rules for Resolution of Employment Disputes ("RULES") that are in effect at the time of the arbitration. If there is any conflict between those Rules and the terms of the Employment Agreement ("AGREEMENT"), including all attachments thereto, the Agreement will govern. The arbitrator shall have authority to decide whether the conduct complained of under Subsection (a) above violates the legal rights of the parties. In any such arbitration proceeding, any hearing must be transcribed by a certified court reporter and any decision must be supported by written findings of fact and conclusions of law. The arbitrator's findings of fact must be supported by substantial evidence on the record as a whole and the conclusions of law and any remedy must be provided for by and consistent with the laws of the Delaware and federal law. The arbitrator

shall have no authority to add to, modify, change or disregard any lawful term of the Agreement. The Company will pay the arbitrator's fee.

(iv) Arbitration shall be the exclusive means for final resolution of any dispute between the parties, except that injunctive relief may be sought from any court of competent jurisdiction located in the Delaware when injunctive relief is necessary to preserve the status quo or to prevent irreparable injury, including, without limitation, any claims concerning an alleged breach of Sections 9, 10, or 12 of the Agreement or other misuse of Confidential Information.

EXHIBIT 10.8

EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT (the "AGREEMENT") is entered into by and between Max W. Hillman ("YOU") and SunSource, Inc., a Delaware corporation (the "COMPANY") and will be effective as of the "EFFECTIVE DATE" as stated in Section 15(c) of this Agreement.

WHEREAS, you will be employed as Chief Executive Officer of the Hillman Group of the Company; and

WHEREAS, the Company has hired you and is willing to continue your employment based on your particular qualifications, on the condition that you shall enter into this Agreement and shall fully perform all the responsibilities and duties and strictly observe all of your obligations hereunder;

NOW, THEREFORE, in consideration of your employment by the Company and the compensation to be paid by the Company to you in connection therewith and for other good and valuable consideration, you and the Company hereby agree as follows:

1. Position and Responsibilities.

(a) Position. The Company agrees to employ you as Chief Executive Officer of the Hillman Group throughout the Term (defined below). You shall report to the Board of Directors. Your duties shall include performing general executive duties in the administration and operation of the Company's business, general supervision over its policies and affairs, and performing other duties as assigned from time to time by the Board.

(b) Responsibilities. You shall devote your full business efforts and time to the Company and perform the responsibilities assigned to you in accordance with the standards and policies that the Company may from time to time establish. You shall not render services to any other person or entity or serve on the board of directors of any other entity without the written consent of the Chairman of the Board, and such consent will not be unreasonably withheld. Such consent may be revoked in accordance with Section 10(b). The foregoing, however, shall not preclude you from engaging in appropriate civic, charitable or religious activities or from devoting a reasonable amount of time to private investments that do not interfere or conflict with your responsibilities and are not injurious to the Company. You and the Company agree that your position is essential to the Company's success and that the highest level of performance is required from you.

2. Term of Employment.

(a) Basic Rule. The Company agrees to employ you, and you agree to remain in employment with the Company, from the Effective Date until the fourth anniversary of such date (the "TERM"), unless your employment terminates earlier pursuant to Section 5 below.

(b) Renewal of Term. On the fourth (4th) anniversary and on each subsequent anniversary of the Effective Date, the Term shall be renewable for additional one-year periods upon the mutual written agreement of both parties.

3. Compensation.

(a) Base Compensation. You will be entitled to receive base compensation during the Term ("BASE COMPENSATION"). Your Base Compensation for the first year of the Term shall be at the annual rate of $350,000 per year and your annual Base Compensation for the remainder of the Term shall not be less than that amount. Base Compensation shall be paid in equal biweekly installments, less deductions required by law. The Board will review and may adjust your Base Compensation periodically, usually annually on or about February 1st. Such review shall be in accordance with performance criteria to be determined by the Company in its sole discretion.

(b) Bonus Compensation. You shall receive bonus compensation for 2001 in accordance with the performance targets established in January, 2001 by the Company for 2001, payable during the first quarter of 2002. During the remainder of the Term, usually on an annual basis, you shall be eligible to receive an additional cash payment of up to 124% of Base Compensation (less deductions required by law) ("BONUS COMPENSATION"), which shall be determined with reference to your performance in accordance with performance criteria to be determined by the Board in its sole discretion for each calendar year.

(c) Stock Options and Deferred Compensation. During the Term, you will be eligible to participate in the Company's Stock Option Plan and Deferred Compensation Plan.

(d) Business Expenses. During the Term, the Company shall pay or reimburse you for all ordinary and reasonable business-related expenses you incur in the performance of your duties under this Agreement. The Company will reimburse you for all such expenses upon the presentation by you of an itemized account of such expenditures, together with supporting receipts and other appropriate documentation.

4. Employee Benefits.

(a) In General. During the Term, you shall be eligible to participate in the employee benefit plans and executive compensation and perquisite programs that the Company may provide, including but not limited to health, and insurance plans and 401k, subject in each case to the generally applicable terms and conditions of the plan or program in question and to the determinations of any person or committee administering such plan or program. The Company reserves the right to modify or terminate these plans at any time. The Company will provide you during the Term with benefits and perquisites that are reasonably comparable to those in effect immediately prior to the Effective Date.

(b) Paid Holidays. You shall be entitled to take ten (10) paid holidays per year as specified by Company policy from time to time for all of the Company's employees.

(c) Vacation. You shall be entitled to take four (4) weeks of vacation per year.

5. Termination of Employment. Upon the effective date of termination of your employment with the Company (the "TERMINATION DATE"), you will not be eligible for further compensation, benefits or perquisites under Sections 3 and 4 of this Agreement, other than those that have already accrued and, with regard to Bonus Compensation, a pro rata share of your Bonus Compensation for that year. Termination of your employment may occur under any of the following circumstances:

(a) Company's Termination of Employment. The Company has the right to terminate your employment at any time, with or without Cause. For all purposes under this Agreement, "CAUSE" shall mean:

(i) A willful failure to substantially perform your duties under this Agreement, other than failure resulting from complete or partial incapacity due to physical or mental illness or impairment;

(ii) A willful act which constitutes gross misconduct or fraud and which is injurious to the Company;

(iii) Conviction of, or plea of "guilty" or "no contest" to a felony; or

(iv) A material breach of any duty owed to the Company, including the duty of loyalty and Sections 9, 10, 11 and 12.

No act, or failure to act, by you shall be considered "willful" unless committed without good faith and without a reasonable belief that the act or omission was lawful and in the Company's best interest.

(b) Your Resignation from Employment. You have the right to resign your employment with the Company at any time, with or without Cause or Good Reason. You agree to provide the Company thirty (30) days prior written notice of resignation. The Company may in its sole discretion place you on administrative leave as of any date prior to the end of such thirty (30) day notice period, and request that you no longer be present on Company premises. During any period of paid administrative leave, you will not be authorized to act as a representative, or make any statements on behalf of the Company.

(c) Death or Disability.

(i) Your employment shall be deemed to have been terminated by you upon your (A) death or (B) inability to perform your duties under this Agreement, even with reasonable accommodation, for more than twenty-six (26) weeks, whether or not consecutive, in any twelve-month period ("DISABILITY"). Termination will be effective upon the occurrence of such event.

(ii) If your employment ends as a result of death or Disability, you or your estate will receive

(A) A payment for your accrued base salary and vacation and pro rata share of your bonus for that year; and

(B) In accordance with the Stock Option Plan, your vested stock options and the acceleration of vesting of any options that would have vested during the one-year period after the date of death or disability.

6. Defined Conditions:

(a) Change in Control. Change in Control shall mean the occurrence of any of the following events after the Effective Date of this Agreement:

(i) the sale of substantially all of the assets of the Company;

(ii) the acquisition by any person or group of persons acting in concert (other than the Company or an affiliate or an employee pension benefit plan of the Company or a trust established under such plan) of securities of the Company representing 50% or more of the aggregate voting power of the Company's then-outstanding common stock; or

(iii) a merger or acquisition of the Company in which the voting equity securities of the Company (together with all options to acquire such securities whether vested or unvested) beneficially owned by Allied Capital Corporation and the Minority Holders (as defined in the Stockholders Agreement with respect to the Company) is reduced below 51%.

Notwithstanding the foregoing, a transaction involving an acquisition or sale of the Company or its assets solely between or among its affiliates would not constitute a Change In Control.

(b) Good Reason. For purposes of this Agreement, Good Reason shall mean that the Company:

(i) has adversely changed your position from the position specified in Section 1 of this Agreement;

(ii) has adversely changed your duties or authority such that they are no longer consistent with the duties specified in Section 1 of the Agreement;

(iii) has reassigned you to a work location that is more than 75 miles from your present work location;

(iv) has removed you from the Board of Directors of the Company for any reason other than for Cause, if at any time during the Term you have become a member of the Board; or

(v) has materially breached this Agreement.

7. Severance Payments.

(a) Termination Without Cause or Resignation for Good Reason.

(1) Amount of Severance Compensation. If during the Term the Company terminates your employment without Cause, except as provided for in Section 7(b), or you resign with Good Reason, the Company will pay you two times your annual Base and Bonus Compensation and benefits as provided below ("Severance Compensation"). To receive such payments you must

within forty-five (45) days of your Termination Date sign a release of any and all claims in the form provided by the Company. Such payments shall begin at the later of (a) the first pay period following your Termination Date or (b) ten (10) days after you deliver the signed release to the Company.

(2) Payment of Severance Compensation. The Company shall pay the Severance Compensation as follows:

(A) continue to pay on a biweekly basis your Base Compensation in accordance with the rate in effect on the Termination Date;

(B) pay you Bonus Compensation on the same annual schedule as if you continued to be employed and payments of such Bonus Compensation shall be calculated on a pro rata basis using the rate for any full calendar year that is equal to the greater of either:

i) the average of your annual bonuses for the preceding three years or,

ii) the amount of the last annual bonus you received prior to the Termination Date.

(C) pay your monthly COBRA payments for any period of time that you have applied and qualify for COBRA coverage, and continue your life insurance and disability insurance coverage to the extent permitted under the applicable benefit plans.

This Severance Compensation shall be subject to usual and required withholding. In the event that your death occurs prior to the completion of payment of Severance Compensation, the remainder of your Severance Compensation will be paid in a single lump sum to your estate.

(b) Termination After Change in Control Or After the Term. If 1) during the Term the Company terminates your employment without cause after a Change In Control that occurs on or after the third anniversary of the Effective Date or 2) after the Term expires the Company terminates your employment without Cause or you resign your employment for Good Reason, or because of a reduction in your Base Compensation, you will not be eligible for Severance Compensation under Section 7(a), but, provided that you sign a release of any and all claims in the form provided by the Company within forty-five (45) days your Termination Date, you shall be entitled to:

(1) Compensation. A lump sum paid within 30 days after your Termination Date that is equal to the total of:

(A) an amount equal to your Base Compensation for one (1) year which shall not be less than the greater of 1) the rate in effect on the Termination Date or 2) the rate in effect at the end of the Term, less deductions required by law; and

(B) an amount equal to the greater of either:

1) the annual average of your last three annual bonuses prior to the Termination Date, or

2) the amount of the last annual bonus you received prior to the Termination Date.

(2) COBRA Payments. The Company will pay your monthly COBRA payments for any period of time that you have applied and qualify for COBRA coverage and continue your life insurance and disability income insurance to the extent permitted under the applicable plans.

(c) No Mitigation. You shall not be required to mitigate the amount of any payment contemplated by this Section 7, nor shall any such payment be reduced by any earnings that you may receive from any other source. If you breach your obligations under Section 10, the Company has no obligation to make

any further payments to you under this Section 7.

8. Other Obligations.

You warrant that you are not subject to any other obligations that would conflict with or inhibit your ability to perform your duties under this Agreement. You further warrant that you have not and will not bring to the Company or use in the performance of your responsibilities at the Company any equipment, supplies, facility or trade secret information (that is not generally available to the public) of any current or former employer or organization other than the Company to which you provided services, unless you have obtained written authorization for their possession and use.

9. Confidential Information.

You shall not disclose or use at any time, either during or after the Termination Date, any confidential information ("CONFIDENTIAL INFORMATION") (defined below) of the Company, whether patentable or not, which you learn as a result of your employment with the Company, whether or not you developed such information. Confidential Information shall include, without limitation, information regarding the Company's, it customers' or its business partners' trade secrets and:

- any information about existing and prospective investments;
- financing information and sources;
- patent applications, developmental or experimental work, formulas, test data, prototypes, models, and product specifications;
- financial information;
- financial projections and pro forma financial information;
- sales and marketing strategies, plans and programs and product development information;
- employees' and consultants' benefits, perquisites, salaries, stock options, compensation, formulas or bonuses, and their non-business addresses and telephone numbers;
- organizational structure and reporting relationships; and
- business plans.

Information that is or later becomes publicly available in a manner wholly unrelated to any breach of this Agreement by you will not be considered Confidential Information as of the date it enters the public domain. If you are uncertain whether something is Confidential Information you should treat it as Confidential Information until you receive clarification from the Company that it is not Confidential Information. Confidential Information shall remain at all times the property of the Company. You may use or disclose Confidential Information only:

(a) as authorized and necessary in performing your responsibilities under this Agreement during your employment with the Company; or

(b) with the Board's prior written consent; or

(c) in a legal proceeding between you and the Company to establish the rights of either party under this Agreement, provided that you stipulate to a protective order to prevent any unnecessary use or disclosure;

(d) with respect to employees whose home addresses or telephone numbers are personally known to you, you may disclose on an occasional and infrequent basis such information about a single employee to a person who is known to and has a pre-existing relationship with such employee; you agree that you will indemnify the Company for the defense of and any liability resulting from any objection or claim based on such disclosure by such employee against you or the Company; or

(e) subject to a compulsory legal process that requires disclosure of such information, provided that you have complied with the following

procedures to ensure that the Company has an adequate opportunity to protect its legal interests in preventing disclosure.

Upon receipt of a subpoena that could possibly require disclosure of Confidential Information, you shall provide a copy of the compulsory process and complete information regarding the circumstances under which you received it to the Company by hand delivery within a reasonable period of time, and generally within twenty-four (24) hours. You will not make any disclosure until the latest possible date for making such disclosure in accordance with the compulsory process ("LATEST POSSIBLE DATE"). If the Company seeks to prevent disclosure in accordance with the applicable legal procedures, and provides you with notice before the Latest Possible Date that it has initiated such procedures, you will not make disclosures of any Confidential Information that is the subject of such procedures, until such objections are withdrawn or ruled on.

You hereby acknowledge that any breach of this Section 9 would cause the Company irreparable harm.

10. Agreement Not to Compete.

(a) Terms. As used in this Agreement, the following terms relating to Section 10 shall be defined as follows:

(1) The "Restricted Period" means the period of the Term and continuing for the longer of either a) one year after the Termination Date; b) the twenty-four (24) month period following the Termination Date if the Company is making payments under Section 7(a); or c) one year after a final judicial or arbitral determination that you have violated your obligations under this Section.

(2) The "Territory" means any part of North America in which the Company engages in the Restricted Business during the Restricted Period.

(3) The "Restricted Business" means any person, firm, corporation or business that within the Territory provides products or services that are similar to those provided by the Company (i) at any time during the one year prior to the Termination Date and/or (ii) on the Termination Date is actively preparing to provide within six months following the Termination Date.

(b) Limitation on Competition. During the Restricted Period, you shall not, at any time within the Territory, directly or indirectly, engage in, or have any interest on behalf of yourself (whether as an employee, officer, director, agent, security holder, creditor, partner, joint venturer, beneficiary under a trust, investor, consultant or otherwise) or others in, a Restricted Business, except with the Chairman's written consent in compliance with Section 1(b) and subject to the Chairman's right to revoke such consent if the Chairman reasonably determines that such revocation is necessary to protect the Company's legitimate business interests; provided, however, that nothing contained herein shall prevent or prohibit you from owning or being a beneficial owner of up to 5% of the stock or equity of any corporation or other business entity engaged in the Restricted Business. If and when the Chairman revokes consent under Section 10(b), you shall have a reasonable period of time in which to withdraw from the activity or investment for which consent has been revoked. If a court determines that the foregoing restrictions are too broad or otherwise unreasonable under applicable law, including with respect to time, or space, the court is hereby requested and authorized by the parties hereto to revise the foregoing restriction to include the maximum restrictions allowable under applicable law. You acknowledge, however, that this Section 10 has been negotiated by the parties hereto and that the geographical and time limitations, as well as the limitation on activities, are reasonable in light of the circumstances pertaining to the business of the Company. You agree to notify any person or entity to which you provide services during the Restricted Period of the terms of your obligations under this Section 10.

11. Non-Solicitation.

For two (2) years from the Termination Date, you will not, directly or indirectly, individually or as part of or on behalf of any other person, company, employer or other entity, hire or attempt to solicit for hire a Covered Employee until at least six (6) months after the person's employment with the Company ends. "COVERED EMPLOYEE" shall mean any person who at any time during the six months prior to the Termination Date is an employee of the Company and (a) who is employed in any capacity as a part of the sales force or selling organization/division(s) of the Company, or (b) whose compensation exceeds $60,000 per year (indexed by an inflationary factor tied to the consumer price index annually) . If any Covered Employee accepts employment with any person, company, employer or other entity of which you are an officer, director, employee, partner, shareholder, (other than of less than 5% of the stock or equity of any corporation or other business entity), consultant or joint venturer, it will be presumed that the Covered Employee was hired in violation

of this provision ("PRESUMPTION"). This Presumption may only be overcome by your showing by a preponderance of the evidence that you were not directly or indirectly involved in soliciting or encouraging the Covered Employee to leave employment with the Company. You agree to notify any person or entity to which you provide services within one year of the Termination Date of the terms of your obligations under this Section 11.

12. Return of Property.

Upon termination of your employment with the Company for any reason, you agree to immediately return to the Company all property belonging to the Company. This includes all documents and other information prepared by you or on your behalf or provided to

you in connection with your duties under this Agreement, regardless of the form in which such documents or information are maintained or stored, including computer, typed, written, imaged, audio, video, micro-fiche, electronic or any other means of recording or storing documents or other information. You hereby warrant that you will not retain in any form any such document or other information or copies thereof, except as provided in the following sentence. You may retain a copy of this Agreement and information describing any rights you may have after the Termination Date under any employee benefit plan or other agreements.

13. Remedies.

You expressly acknowledge that the remedy at law for any breach of Sections 9, 10, 11 and 12 will be inadequate and that upon any such breach or threatened breach, the Company shall be entitled as a matter of right to injunctive relief in any court of competent jurisdiction, in equity or otherwise, and to enforce the specific performance of your obligations under these provisions without the necessity of proving the actual damage to the Company or the inadequacy of a legal remedy. The rights conferred upon the Company by the preceding sentence shall not be exclusive of, but shall be in addition to, any other rights or remedies that the Company may have at law, in equity or otherwise. The parties agree that any breach of Section 11 will entitle the Company to injunctive relief enforcing Section 11 and to damages equal to the greater of the actual damages proven or liquidated damages of three times the amount of the annual total compensation of any person solicited or hired in breach of Section 11. The parties are agreeing to liquidated damages as an option to actual damages in recognition that the Company's employees are its most valuable assets, but it is often difficult to prove the actual damages resulting from such a breach.

14. Indemnification.

During the Term and at all times thereafter, you shall be indemnified by the Company to the fullest extent permitted by the laws of the State of Delaware from any claims or actions based upon any acts or omissions, or alleged acts or omissions, by you which arise out of or are related to your employment with the Company. You shall be a beneficiary of any directors' and officers' liability insurance policy maintained by the Company as long as you remain an officer or director.

15. Miscellaneous Provisions.

(a) Notices. Unless otherwise provided herein, any notice or other information to be provided to the Company will be sent by overnight delivery with acknowledgement of receipt requested, to:

Chairman, Board of Directors
SunSource, Inc.
One Logan Square
Philadelphia, PA

cc: Sally D. Garr, Esq.
Patton Boggs, LLP
2550 M Street, N.W.
Washington, D.C. 20037

Any notice or other information to be provided to you will be sent by overnight delivery with acknowledgement of receipt requested, to:

Max W. Hillman
4554 Maxwell Drive
Mason, OH 45040

(b) Dispute Resolution. You and the Company agree that any dispute between you and the Company will be finally resolved by binding arbitration in accordance with the Federal Arbitration Act ("FAA"). You and the Company agree to follow the Dispute Resolution Procedures set forth in Attachment A to this Agreement.

(c) Nature of Agreement. This Agreement and the attachments hereto constitute the entire agreement between you and the Company and supercede all prior agreements between you and the Company. In making this Agreement, the parties warrant that they did not rely on any representations or statements other than those contained in this Agreement. No provision of this Agreement shall be modified, waived or discharged unless the modification, waiver or discharge is agreed to in writing and signed by you and by the Chairman of the Board for the Company. No waiver by either party of any breach of, or of compliance with, any condition or provision of this Agreement by the other party shall be considered a waiver of any other condition or provision or of the same condition or provision at another time. Regardless of the choice of law provisions of Delaware or any other jurisdiction, the parties agree that this Agreement shall be otherwise interpreted, enforced and governed by the laws of the State of Delaware. This Agreement shall be binding on the Company's successors and assigns and on you, your heirs and personal representatives. This Agreement will continue in effect until all obligations under it are fulfilled. You may not assign this Agreement, either voluntarily or involuntarily. The invalidity or unenforceability of any provision or provisions of this Agreement shall not affect the validity or enforceability of any other provision hereof, which shall remain in full force and effect and this Agreement shall be interpreted as if the unenforceable provision had not been included in it. This Agreement may be executed

in any number of counterparts each of which shall be an original, but all of which together shall constitute one instrument. This Agreement will be effective as of the Effective Time stated in Section 1.3 of The Agreement and Plan of Merger dated _____ between Allied Capital Corporation, Allied Capital Lock Acquisition Corporation and SunSource, Inc. ("EFFECTIVE DATE"). The headings in this Agreement are for convenience only and shall not effect the interpretation of this Agreement. You further certify that you fully understand the terms of this Agreement and have entered into it knowingly and voluntarily.

IN WITNESS WHEREOF, each of the parties has executed this Agreement, in the case of the Company by its authorized officer, as of the day and year set forth under their signatures below.

SUNSOURCE, INC.

/s/ MAX W. HILLMAN
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EMPLOYEE

Date: June 18, 2001

By: /s/ MAURICE P. ANDRIEN, JR.

Date: June 18, 2001

ATTACHMENT A

DISPUTE RESOLUTION PROCEDURES

The parties agree to make a good faith effort to informally resolve any dispute before submitting the dispute to arbitration in accordance with the following procedures:

(i) The party claiming to be aggrieved shall furnish to the other a written statement of the grievance, all persons whose testimony would support the grievance, and the relief requested or proposed. The written statements must be delivered to the other party

within the time limits for bringing an administrative or court action based on that claim.

(ii) If the other party does not agree to furnish the relief requested or proposed, or otherwise does not satisfy the demand of the party claiming to be aggrieved within 30 days and the aggrieved party wishes to pursue the issue, the aggrieved party shall by written notice demand that the dispute be submitted to non-binding mediation before a mediator jointly selected by the parties.

(iii) If mediation does not produce a resolution of the dispute and either party wishes to pursue the issue, that party shall request arbitration of the dispute by giving written notice to the other party within 30 days after mediation. The parties will attempt to agree on a mutually acceptable arbitrator and, if no agreement is reached, the parties will request a list of nine arbitrators from the American Arbitration Association and select by alternately striking names. Regardless of whether the American Arbitration Association administers the arbitration, the arbitration will be conducted consistent with the American Arbitration Association's National Rules for Resolution of Employment Disputes ("RULES") that are in effect at the time of the arbitration. If there is any conflict between those Rules and the terms of the Employment Agreement ("AGREEMENT"), including all attachments thereto, the Agreement will govern. The arbitrator shall have authority to decide whether the conduct complained of under Subsection (a) above violates the legal rights of the parties. In any such arbitration proceeding, any hearing must be transcribed by a certified court reporter and any decision must be supported by written findings of fact and conclusions of law. The arbitrator's findings of fact must be supported by substantial evidence on the record as a whole and the conclusions of law and any remedy must be provided for by and consistent with the laws of the Delaware and federal law. The arbitrator shall have no authority to add to, modify, change or disregard any lawful term of the Agreement. The Company will pay the arbitrator's fee.

(iv) Arbitration shall be the exclusive means for final resolution of any dispute between the parties, except that injunctive relief may be sought from any court of competent jurisdiction located in the Delaware when injunctive relief is necessary to preserve the status quo or to prevent irreparable injury, including, without limitation, any claims concerning an alleged breach of Sections 9, 10, 11or 12 of the Agreement or other misuse of Confidential Information.